SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 2019**

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

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

5. **Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

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

8. **(632) 8819-0251 to 60**
   Issuer's telephone number, including area code

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

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

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

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

    Yes [X] No [ ]

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

12. Check whether the issuer:

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

    Yes [X] No [ ]

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

Yes [X] No [ ]

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

Aggregate market value as June 5, 2020 - ₱ 7,262,189,028.20

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

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

NOT APPLICABLE

Yes [ ] No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders;

Portion of the Company’s 2019 Annual Report to Stockholders is incorporated by reference into Part II of this report.

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

Definitive Information Statement filed pursuant to SRC Rule 20.

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

Not applicable

A. SORIANO CORPORATION
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PART I - BUSINESS AND GENERAL INFORMATION

Item 1.	Business

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

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

Growing the businesses is vital to Anscor's long-term success. The Company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

As of 31st December 2019, the Company's consolidated total assets stood at P23.1 billion. For the year ended 31st December 2019, consolidated revenues of the Company amounted to P10.7 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries and associates as of December 31, 2019:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Ltd.	100%	Manpower Services	British Virgin Island
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
Prople Limited	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
AG&P International Holdings, Pte Ltd.	21%	Modular Steel Engineering / LNG Construction	Singapore

Company	Ownership	Business	Jurisdiction
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
AFC Agribusiness Corporation	81%	Real Estate Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
BehaviorMatrix, LLC	21%	Behavior Analytics Services	USA
ATRAM Investment Management Partners Corp.	20%	Asset Management	Philippines
DirectWithHotels Inc.	15%	Online Reservation	Cayman Islands
KSA Realty Corporation	14%	Realty	Philippines

Investments

Phelps Dodge Philippines Energy Products Corporation (PDP Energy)

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

Phelps Dodge International Philippines, Inc. (PDIPI), the parent company of PDP Energy, was incorporated in 1955 and commenced production in 1957. Its product line is composed principally of copper-based wires and cables including building wires, telecommunication cables, power cables, automotive wires and magnet wires. The Company's 100%-owned by Anscor. PDP Energy has a management contract with Anscor covering marketing, administration and finance. The management contract provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fee (VAT exclusive). The strategy of PDP Energy is to focus on the production of higher value-added wire and cable products. All the manufacturing operation of PDIPI effective September 1998, was lodged under PDP Energy.

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

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

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

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

At present, PDP Energy's major supplier of copper rods are Merchandise Trading, Taihan, Furukawa and CL Metal; suppliers of Aluminium are TFO Networks and Phelps Dodge Thailand; supplier of chemicals is Electro Marketing.

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

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

Product Line	2019
Building wires	78%
Communication/Special	9%
Power Cables	9%
Autowires	4%

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

Pursuing its customer service, manufacturing process and cost reduction programs, the company secured ISO 9001/14001/18001 certification for Quality, Environment, and Health and Safety for PDEIC from Certification International (UK). PDP Energy also continued promoting new products and solutions, notably special cables for export, medium and high voltage cables up to 230 KV, low smoke halogen-free cables, and aluminum cables. It leveraged its medium voltage (MV) cable manufacturing facility to offer shorter delivery time of MV 35 KV cables to power utilities, and widened sales coverage to new provincial dealers and customers. t also advanced consumer education and safety awareness through the Philippine Electrical Wires Manufacturers Association's campaign against counterfeit wires.

PDP's focus on new products and new services, and its emphasis on quality and service were vital in growing its sales to developers and contractors, and to general consumers, particularly in the provinces. The company's philosophy of a working partnership with its customers secured new dealers.

The persistent momentum in profitable performance validates PDP's long-term strategy of building a wide array of services and products to serve customers. It also enables PDP to deploy capital to its manufacturing facilities, expand the company's product range and meet its delivery commitments. Internally, PDP continues to focus on its development program for key personnel.

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

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

SSRLI owns a 40-room resort in Pamalican Island, Cuyo Palawan and operates 18 luxurious villas, mostly each villa comprising four (4) rooms. Seven Seas is a joint venture among Anscor, Palawan Holdings, Inc. and Les Folatieres Holdings. As of December 31, 2019, the resort manages a total of 62 villa rooms available for rent under management agreement executed by Pamalican Resort Inc. (PRI) and the villa owners.

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

Products/Services	Markets	Contribution to revenues
Rooms	Local & international	47.5%
Food and Beverage	-do-	25.0%
Others (including villa management and handling fees)	-do-	27.5%

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

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

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

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

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

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

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

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

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

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

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

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

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

In November 2019, the newly renovated Beachclub, housing one of Amanpulo’s signature restaurants, was launched. The Beachclub kitchen was completely replaced and expanded, which will ensure that quality standards are maintained and it is prepared for the ISO 22000 certification in 2020.

The Resort was named as the second “Best Resort in Asia” by the Gallivanter’s Guide, an elite publication that caters to hotel aficionados and sets the benchmark for high-end travellers. In the Condé Nast Traveller’s Gold List 2019 issue, Amanpulo’s treetop pool casita was featured for the “wow factor” of its private pool.

Harper’s Bazaar Magazine, a leading lifestyle magazine in the United States, mentioned Amanpulo as “The Resort to Visit”, with the Philippines ranked as the 10th top destination out of the 20 Best Places to Travel in 2020. Lifestyle Asia Singapore named Amanpulo as one of the “Best Luxury Resorts in Palawan to Check Into” in its November 2019 issue.

With the launch of the Amanpulo Kite and Surf Centre, the Resort was nominated at the Aman Global Awards 2019 for the “Pathfinder Award”, a much-coveted recognition for innovations that enhance guest experiences and contribute remarkable revenue.

AGP International Holdings Pte Ltd. (AG&P)

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

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

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

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

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

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

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

2018 was a transition year for AG&P as it became a fully integrated gas logistics and construction business.

The company secured majority control of Gas Entec, the Korean Liquefied Natural Gas (LNG) engineering firm recognized as the world-standard for small scale floating LNG solutions.

It also acquired a significant minority stake in the Norwegian shipping company, Kanfer Shipping AS, which provides proprietary solutions to bring LNG in small vessels across seas and shallow waters. This, along with Gas Entec, add to the company's capability to deliver LNG to markets where traditional solutions are not viable.

In 2020, the company expects to break ground on its first LNG terminal in India and begin City Gas Distribution operations, thus, establishing it as a leading player in downstream gas logistics infrastructure. The company is, on paper, the largest foreign private player in the City Gas Distribution sector in India, with twelve 25-year exclusive concessions to distribute natural gas to over 66 million people.

AG&P also received a substantial equity investment to develop and execute the company's LNG projects from two leading Japanese institutions, Osaka Gas, a leading Japanese utility, and Japan Bank for International Cooperation, a unit of the Government of Japan.

ATRAM Investment Management Partners Corporation (ATRAM)

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

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

As a testament to ATRAM's outstanding performance in 2019, several associations identified ATRAM's funds as outperformers in the industry.

The Asset, a financial magazine focused on Asia, recognized ATRAM as the Top Investment House in the Philippines for the Local Bond category. CFA Society Philippines cited ATRAM's Alpha Opportunity Fund as the Best Managed Peso Equity Fund of 2019. In addition, the Philippine Investment Funds Association also recognized three of ATRAM's mutual funds as outperformers in the equity fund, bond fund, and balanced fund categories.

Seedbox, ATRAM's digital wealth platform, also achieved stellar growth for 2019. Seedbox grew its user base from around 72,000 in 2018 to around 570,000 by end-2019. Apart from the rapid growth of users, Seedbox processes approximately 50,000 subscriptions monthly.

Overall, ATRAM set new milestones in 2019 as it reached new heights and capitalized on new opportunities. ATRAM aims to grow even faster by expanding its digital and geographic reach.

KSA Realty Corporation (KSA)

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

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

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

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

TEC strategic location in the Makati Business District and prime building facilities, continued to be an advantage. In 2019, TEC registered an occupancy rate of 98%. Rental rates grew to an average of P1,430 per square meter, from 2018's P1,320 per square meter, at year end.

KSA paid cash dividends of P1.4 billion, of which P189.9 million accrued to Anscor.

Macquarie ASEAN Technology Investments Holdings II LP (Macquarie)

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

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

Anscor, through its wholly-owned subsidiary, invested a total of US$6.8 million in Y-mAbs. Y-mAbs is a US-based clinical stage biopharmaceutical company focused on developing new cancer treatments through immunotherapies. Its treatments could potentially reduce longer-term toxicities associated with current chemotherapeutics and provide the potential for curative therapy even for patients with widespread disease.

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

Y-mAbs' had a successful initial public offering in September 2018 on the NASDAQ (Ticker: YMAB) and generated an unrealized gain of US$8.0 million for Anscor in year 2019.

Madaket, Inc. (Madaket)

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

Element Data, Inc. (Element Data)

Anscor invested US$2.5 million in Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its decision intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

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

Sutton Place Holdings, Inc. (Sutton)

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

Prople Limited

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

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

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

DirectWithHotels, Inc. (DirectWithHotels)

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

A. Soriano Air Corporation (ASAC)

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

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

As of December 31, 2019, ASAC's operation is purely sublease of the hangar premises.

Pamalican Island Holdings, Inc. (PIHI)

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

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

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

It owns 100% of Island Aviation, Inc.

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

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

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

Anscor Consolidated Corporation (Anscorcon)

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

Anscorcon used to hold the Anscor Group stake in ICTSI which was sold last May 2006. It now owns 1,249,872,246 shares of Anscor as of December 31, 2019.

Anscor Holdings, Inc. (AHI)

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

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

<u>Other Information</u>

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

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

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

- The amount spent on development activities and its percentage to revenues during each of the last three years.

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

Employees

The Company and the Group as of December 31, 2019, has 24 and 710 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	12	178	190
Rank and file	12	508	520
TOTAL	**24**	**686**	**710**

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

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

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

Item 2. Properties

Anscor owns and maintains its office at 7/F, Pacific Star Building in Makati City with approximately 2,000 square meters. Also, the Company owns office unit A and D, 8th Floor, at 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City.

Information regarding properties of major subsidiaries and affiliates are:

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

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. 62 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2019.

- AHI has interests in land covering an area of approximately 111.39 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 36.9 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

Other Information

a) The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.
b) There were no commitments for major capital expenditures or acquisitions of properties in the next twelve (12) months.

Item 3. Legal Proceedings

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

a) ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2019, the refund process has remained pending.

b) ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019 and 2018 management has recognized provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits.

c) Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in their normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2019 and 2018, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

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

For the last five years and as of January 31, 2020, management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

There were no items/matters submitted during the fourth quarter of 2019 to a vote of security holders through the solicitation of proxies or otherwise.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

PRINCIPAL MARKET - Philippine Stock Exchange

Latest Market Price – June 5, 2020

Previous Close –	₱ 7.00
High	6.20
Low	6.20
Close	6.20

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

2020	**High**	**Low**
First Quarter	6.71	5.70

2019	**High**	**Low**
First Quarter	6.88	6.26
Second Quarter	6.87	6.35
Third Quarter	7.13	6.55
Fourth Quarter	6.97	6.31

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

Source: Monthly PSE Report

Shareholdings Information

The total number of stockholders/accounts as of March 31, 2020 is 11,086 holding 2,500,000,000 shares of common stock.

The top 20 stockholders as of March 31, 2020 are as follows:

	Stockholder Name	Number of Common Shares	% of Ownership
1.	Anscor Consolidated Corporation	902,252,303	36.086
2.	PCD Nominee Corp. (Non-Filipino)	497,823,860	19.913
3.	PCD Nominee Corp. (Filipino) *	467,722,947	18.701
4.	A-Z Asia Limited Philippines, Inc.	161,546,329	6.462
5.	Universal Robina Corporation	64,605,739	2.584
6.	Philippines International Life Insurance Co., Inc.	57,921,593	2.317
7.	A. Soriano Corporation Retirement Plan	56,000,000	2.240
8.	C & E Property Holdings, Inc.	28,011,922	1.120
9.	Edmen Property Holdings, Inc.	27,511,925	1.100
10.	MCMS Property Holdings, Inc.	26,513,928	1.061
11.	Express Holdings, Inc.	23,210,457	0.928
12.	EJS Holdings, Inc.	15,518,782	0.621
13.	Intelli Searchrev Corporation	12,910,400	0.516
14.	DAO Investment & Management Corp.	8,628,406	0.345
15.	Philippines Remnants Co., Inc.	7,556,183	0.302
16.	Astraea Bizzara Corporation	3,292,615	0.132
17.	Balangingi Shipping Corporation	2,767,187	0.111
18.	Northpaw Incorporated	2,705,000	0.108
19.	Jocelyn C. Lee	2,000,000	0.080
20.	Lennie C. Lee	2,000,000	0.080
	Total	**2,370,559,576**	**94.822**

** Included 347,619,943 shares of Anscor Consolidated Corporation*

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

Dividends

In the first quarter of 2020, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	P 0.25	16-Mar-2020	31-Mar-2020	27-Apr-2020
Special	P 0.50	16-Mar-2020	31-Mar-2020	27-Apr-2020

In 2019, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	P 0.20	21-Feb-2019	15-Mar-2019	10-Apr-2019
Special	P 0.05	21-Feb-2019	15-Mar-2019	10-Apr-2019
Special	P 0.25	19-Nov-2019	04-Dec-2019	12-Dec-2019

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

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

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of December 31, 2019, the Company has sufficient retained earnings available for dividend declaration.

On March 16, 2020, the Board of Directors approved the declaration of ₱0.75 per share to stockholders of record as of March 31, 2020, to be paid on April 27, 2020.

Shares in the undistributed retained earnings of subsidiaries amounting to ₱4.1 billion and ₱3.6 billion as at December 31, 2019 and 2018, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

<u>Recent Sale of Unregistered Securities</u>

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

<u>Authorization or Issuance Of Securities Other Than Exchange</u>

(a) As stated in the Proxy and the Notice of Meeting, the Company is proposing to amend Article IX of its Articles of Incorporation in order to reclassify Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or total par value of Five Million Pesos (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or total par value of Five Million Pesos (P5,000,000.00).

(b) There is no intention to offer to the public the Five Hundred Million (500,000,000) preferred shares. There is also no intention to list the preferred shares in any stock exchange. The features of the preferred shares are as follows:
   i. The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities.

ii. The holders of preferred shares shall have the same voting rights as the holders of common shares.

iii. The holders of preferred shares shall not be entitled to dividends.

iv. The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law.

(c) The purpose of the reclassification of Five Million (5,000,000) common shares into Five Hundred Million (500,000,000) preferred shares is to give the Company the ability to issue preferred shares to Filipino stockholders in order to comply with foreign equity restrictions under existing laws. The actual issuance of the preferred shares will still be determined by and is subject to approval by the Board of Directors. No further authorization for the actual issuance of the preferred shares will be solicited from the stockholders prior to such actual issuance.

(d) While the preferred shares will have the same voting rights as common shares, in terms of economic interest, the creation of preferred shares will have minimal impact to existing shareholders because the preferred shares are not entitled to dividends. Further, in case of liquidation, the distribution of any remaining assets of the Company after the satisfaction of all its legitimate obligations shall be based on par values, i.e., the par value of preferred shares is 1/100 to that of common shares.

Effects on capital structure:

ISSUED SHARES		
Type of Security	Before	After
Common Shares	2,500,000,000	2,500,000,000
Preferred Shares*	0	0

*The actual issuance of the preferred shares will still be determined by and is subject to approval by the Board of Directors.

OUTSTANDING SHARES		
Type of Security	Before	After
Common Shares	2,500,000,000	2,500,000,000
Preferred Shares	0	0

LISTED SHARES		
Type of Security	Before	After
Common Shares	2,500,000,000	2,500,000,000
Preferred Shares	0	0

Amendment of Charter, By-laws or Other Documents

As stated in the Proxy and the Notice of Meeting, the Company is proposing the following amendments to its Articles of Incorporation:

(a) Amendment of the following portions of Article IX of the Articles of Incorporation:

i. Reclassification of Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or total par value of Five Million Pesos (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or total par value of Five Million Pesos (P5,000,000.00); and

ii. Addition of the following paragraphs to Article IX of the Articles of Incorporation to indicate the features of the preferred shares:

Second paragraph - The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities. The holders of preferred shares shall have the same voting rights as the holders of the common shares.

Third paragraph - The holders of the preferred shares shall not be entitled to dividends.

Fourth paragraph - The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law.

(b) Amendment of last paragraph of Article IX to state that shareholders shall have no pre-emptive rights in shares of stock issued by the Corporation.

(c) Amendment of the first paragraph of Article XIII to indicate that the two thirds (2/3) vote of the stockholders required for any amendment of the Articles of Incorporation applies to all the outstanding shares of stock of the Corporation.

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

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

	2019	2018	2017	2016	2015
Net Income Attributable to Equity Holder of the Parent	**1,843.6**	808.4	2,547.5	2,682.6	1,965.6
Equity Attributable to Equity Holder of the Parent	**19,943.1**	18,575.9	18,332.5	16,189.3	13,563.0
Weighted Average Number of Shares Outstanding	**1,208.0**	1,215.5	1,224.2	1,232.7	1,244.6
Earnings Per Share*	**1.53**	0.67	2.08	2.18	1.58
Book Value Per Share**	**15.95**	15.33	15.06	13.13	10.99

	2019	2018	2017	2016	2015
Revenues and Net Investment Gains	**10,695.4**	9,781.0	10,584.6	9,883.8	11,338.1
Total Assets	**23,112.4**	22,290.0	22,346.2	21,482.1	19,552.4
Investment Portfolio	**14,289.3**	13,253.7	13,339.1	13,144.9	11,859.4

* *Ratio of net income attributable to equity holders of the Parent to weighted average number of shares outstanding during the year.*

** *Ratio of equity attributable to equity holders of the Parent to outstanding number of shares as of end-December.*

Below are the key performance indicators of the Company:

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

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sale of goods – net	₱ **8,208,375**	₱ 8,292,509	₱ 7,188,995
Services	**1,342,390**	1,314,705	1,059,796
Dividend income	**373,587**	301,778	270,687
Interest income	**124,478**	109,516	98,877
	10,048,830	10,018,508	8,618,355
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments	**1,151,784**	33,493	1,351,506
Gain (loss) on disposal of subsidiaries	-	(6,111)	1,097,862
Gain (loss) on sale of FVOCI investments	**11,860**	(2,701)	13,933
	1,163,644	24,681	2,463,301
Equity in net losses – net of valuation allowance	**(517,090)**	(262,184)	(497,099)
TOTAL	**10,695,384**	9,781,005	10,584,557
INCOME BEFORE INCOME TAX	**2,367,750**	1,252,042	2,889,439
PROVISION FOR INCOME TAX	**429,374**	347,219	253,436
NET INCOME FROM CONTINUING OPERATIONS	**1,938,376**	904,823	2,636,003
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	–	–	(47,637)
NET INCOME	**1,938,376**	904,823	2,588,366
OTHER COMPREHENSIVE INCOME (LOSS)	**(101,982)**	49,503	(61,859)
TOTAL COMPREHENSIVE INCOME (LOSS)	₱ **1,836,395**	₱ 954,326	₱ 2,526,508

(Forward)

	2019	2018	2017
		Years Ended December 31	
Net Income Attributable to:			
Equity holders of the Parent	₱ **1,843,615**	₱ 808,387	₱ 2,547,459
Noncontrolling interests	**94,761**	96,437	40,908
	₱ **1,938,376**	₱ 904,823	₱ 2,588,367
Total Comprehensive Income (Loss)			
Attributable to:			
Equity holders of the Parent	₱ **1,741,633**	₱ 857,889	₱ 2,485,600
Noncontrolling interests	**94,761**	96,437	40,908
	₱ **1,836,394**	₱ 954,326	₱ 2,526,50
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	₱ **1.53**	₱ 0.67	₱ 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent	₱ **1.53**	₱ 0.67	₱ 2.12
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	₱ **1.44**	₱ 0.71	₱ 2.03

Significant financial indicators of the Group are the following:

	12/31/2019	12/31/2018	12/31/2017
Book Value Per Share (Note 1)	**15.95**	15.33	15.06
Current Ratio (Note 2)	**9.82**	7.48	8.43
Interest Rate Coverage Ratio (Note 3)	**49.96**	18.17	32.34
Debt to Equity Ratio (Note 4)	**0.13**	0.17	0.19
Asset to Equity Ratio (Note 5)	**1.16**	1.20	1.22
Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**18.35%**	8.07%	24.07%
Return on Equity (Net Income Attributable to Equity Holdings of the Paren/Equity Attributable to Equity Holdings of the Parent)	**9.24%**	4.35%	13.90%

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

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

PDP Energy and PDIPI

In Million Pesos

	12/31/2019	12/31/2018	12/31/2017
1. Net sales	**8,208**	8,293	7,189
2. Gross profit	**1,567**	1,231	1,079
3. Net income	**804**	636	546

Seven Seas Group

In Million Pesos

	12/31/2019	12/31/2018	12/31/2017
1. Occupancy rate	**54.2%**	58.8%	55.2%
2. Hotel revenue	**1,140.9**	1,100.8	861.2
3. Gross operating profit (GOP)	**537.5**	509.8	332.8
4. GOP ratio	**47.1%**	46.3%	39.0%
5. Resort net income	**213.8**	225.4	99.5
3. Villa development/lease net income	**12.5**	9.9	1.0
4. Consolidated net income	**236.1**	235.3	100.5

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

Financial Performance Year 2019

The Company's consolidated total revenues increased to P10.7 billion from P9.8 billion in 2018, resulting in a net income attributable to the parent company of P1.8 billion from P0.8 billion in 2018.

The improved profit came from an increase in market value of traded equities amounting to P1.0 billion versus a loss of P208.4 million in 2018, mainly from gains in International Container Terminal Services, Inc. and Y-mAbs Therapeutics, Inc., a US listed biotechnology company. The Company also reported higher dividend income and management fees, coupled with the decline in overhead and interest expense.

Parent company debt amounting to US$2.25 million will be fully paid by the end of March 2020. The Company's book value per share increased from P15.33 to P15.95 as of December 31, 2019.

Total dividends of P0.50 per share were paid on April 10, 2019 and on December 18, 2019.

Investments – Group Operations

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

A slowdown in public construction was felt due to the delayed passage of the 2019 national budget which pushed back some government infrastructure projects in the first half of the year. However, private construction grew at a faster pace than the previous year to 13.8% from 11.5%.

Though volume sold for the year was at par with last year, unit sales were strong in direct sales to developers and contractors. Strong demand for housing and business units from the Philippine Offshore Gaming Operators influx, and the continuing domestic demand from households and businesses contributed to the growth in this sector.

PDP's profit was P804.0 million, a milestone achievement as an unanticipated drop in copper prices enabled the company to lower its input costs, while the strong demand allowed its dealers and PDP to maintain prices.

The Company paid Anscor a cash dividend of P250.0 million and management fees of P99.0 million in 2019.

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

Although average occupancy of 54.2%, which was lower than the 58.8% occupancy rate in 2018, total revenues improved to P1.1 billion due to an 8% increase in the average room rate to P68,392 or US$1,320. Net profit reached P213.8 million, slightly lower than last year.

AG&P International Holdings Ltd. (21% owned by Anscor)

AG&P's revenues grew to US$178.4 million in 2019, as the company executed projects won the previous year and secured majority control of Gas Entec, the Korean Liquefied Natural Gas (LNG) engineering firm recognized as the world-standard for small scale floating LNG solutions.

The company registered a net loss of US$24.4 million for 2019, due to up front development expenses for natural gas projects in India.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

As of end-2019, ATRAM had assets under management (AUM) of about P138.7 billion which were 29% higher than the end-2018 AUM of P107.2 billion. The increase in AUM was attributable to net inflows from both existing and new clients and market gains.

ATRAM launched five new feeder funds in 2019 that grew to around P6.1 billion in AUM.

KSA Realty Corporation (14.28% owned by Anscor)

In 2019, TEC registered an occupancy rate of 98%. Rental rates grew to an average of P1,430 per square meter, from 2018's P1,320 per square meter, at year end.

Revenue was P1.4 billion in 2019 from P1.3 billion in 2018. Net income increased by 16.6%, from P964.0 million in 2018 to P1.1 billion in 2019.

Financial Condition

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

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2019 and 2018.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P2.0 billion, partially offset by cash generated from operating activities.

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

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the P1.2 billion increase in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net additions for the year amounted to P591.8 million and unrealized foreign exchange loss related to foreign denominated investments amounts to P51.3 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 by the aviation and resort subsidiaries.

Prepayments

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

Other Current Assets

Change in the account balance can be attributed to the increase in deposits to the contractors and suppliers of the resort.

Fair Value Through Other Comprehensive Income (FVOCI) (current and noncurrent)

Net decrease in this account amounted to P363.8 million. The decrease can be attributed to net disposal of P379.2 million and unrealized foreign exchange loss of P8.7 million, partially offset by the increase in market value of AFS investments of about P25.2 million.

Investments and Advances
The decrease in investments and advances were due to share in net losses of associates amounting to P517.1 million and the unrealized foreign exchange loss related to foreign equity investment of P68.0 million. Additional advances made by the parent company amounted to P80.6 million.

Property, Plant and Equipment - Net
Depreciation charged to operations amounted to P256.6 million while net additions to property and equipment amounted to P258.1 million that was mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Investment Properties - Net
Additions to investment properties pertained to purchase of office condominium units at 8 Rockwell Building, offset by depreciation.

Retirement Plan Assets
Change in the retirement plant asset arises mainly from valuation of plan assets.

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

Right-of-Use-Assets
With the adoption of PFRS 16, Leases, the manufacturing subsidiaries, as lessees, recognized assets representing the right to use the assets/properties during the lease term.

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.

Lease Liabilities (current and noncurrent)
With the adoption of PFRS 16 Leases, the manufacturing subsidiary as a lessee recognized a liability for future lease payments.

Income Tax Payable
Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for 2019, partially offset by income taxes paid during the year by the Group.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to payment by the Parent Company and PDP of the loan principals in 2019. Unrealized foreign exchange loss amounted to P11.8 million from the translation of the foreign denominated loan as of December 31, 2019.

Deferred Income Tax Liabilities
Increase in the account was mainly due to the deferred tax effect on the increase in value of FVPL investments, bonds, unquoted equities and funds and accrued management fees.

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

Cumulative Translation Adjustment (CTA)
The decrease of P112.3 million was due to depreciation of US Dollar vis-à-vis Philippine peso of the Dollar-denominated investments of Anscor International, Inc.

Unrealized Valuation Gains (losses) on FVOCI investments (equity portion)
Increase in the account is attributable to the improved market values of FVOCI investments in bonds from January 1 to December 31, 2019.

Remeasurement on Retirement Benefits
Decrease in the account was mainly due to net effect of the increase in the retirement benefits payable and the retirement plan assets.

Noncontrolling Interests (equity portion)
Increase was mainly due to share of minority shareholders in the net income of the resort and aviation subsidiaries for the year 2019.

Others
There were no commitments for major capital expenditures in 2019.

Results of Operation

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

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2019 as compared to consolidated results for the year ended December 31, 2018:

Revenues
This year's consolidated gross revenues of P10.7 billion was higher than last year's revenue of P9.8 billion, mainly due to the gain on increase in market value of FVPL investments of P1.2 billion vis-à-vis a gain of P33.5 million in 2018. Also, the dividend income of the Parent Company was higher in 2019.

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

Services Rendered
Increase in cost of services rendered can be attributed to higher cost of services of resort operation, mainly energy costs.
Operating Expenses
The Group reported higher operating expenses mainly due to increased overhead of the resort and manufacturing subsidiaries.

Interest Expense
Amount in 2019 was lower than 2018 due to payment of long-term loan by the Parent Company and PDP.

Foreign Exchange Gain (Loss) - Net
Due to the appreciation of Peso vis-à-vis US Dollar, the Parent Company reported higher foreign exchange loss on foreign-currency denominated investment in financial assets offset by foreign exchange gain on its dollar-denominated loan.

Provision for Income Tax - Net
The current provision for income tax of the Group increased primarily due to higher taxable income of PDP which reported improved profits for 2019.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017 (as reported in 2018 SEC 17-A)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- 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.

  The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the lease agreements are made within the Group. See Note 31 for the disclosures of the Group's lease arrangements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It 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; and,
  - How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have an impact on the consolidated financial statements of the Group.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- 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; and,

  - 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no significant impact on the consolidated financial statements of the Group.

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*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective
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 s consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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*

Other Financial Information

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

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

- There were no commitments for major capital expenditures in 2019 and onwards.

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

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

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

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

Item 7. Financial Statements

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

2. The financial statements were prepared in accordance with the disclosures required by Revised SRC Rule 68 as amended (2019) and PFRS.

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

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

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

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

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

In compliance with SRC Rule 68 paragraph 3(b) (ix) (Rotation of External Auditors), the SGV audit partner, as of December 2019, s Ms. Dhonabee B. Señeres, who is on her first year of audit engagement.

Audit and Audit Related Fees

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

Year	Audit Fees
2019	**₱1,320,000**
2018	₱1,275,000

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

Tax Consultancy and Other Fees

Tax consultancy fees paid by the Company to SGV for the year 2019 amounted to ₱1,944,667.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

Directors

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

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

Name	Position	Term of Office	Period Served as Director
Andres Soriano III	Chairman and Chief Executive Officer; President and Chief Operating Officer	1 year	37 years
Eduardo J. Soriano	Vice Chairman – Treasurer	1 year	39 years
Ernest K. Cuyegkeng	Director and Chief Financial Officer	1 year	11 years
Johnson Robert G. Go Jr. *	Director	1 year	0 year
Oscar J. Hilado	Director	1 year	21 years
Jose C. Ibazeta	Director	1 year	32 years
Alfonso S. Yuchengco III	Director	1 year	1 year

** At the meeting of the Board of Directors of A. Soriano Corporation ("Anscor") held on November 19, 2019, Mr. Johnson Robert G. Go, Jr. was elected as Director of Anscor to serve for the unexpired term of Mr. John L. Gokongwei, Jr.*

Executive Committee and Management

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

Audit Committee:

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

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Alfonso S. Yuchengco III	Member

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

Nomination Committee:	
Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Alfonso S. Yuchengco III	Member

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

Directors

ANDRES SORIANO III, age 68, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of International Container Terminal Services, Inc. (ICTSI) (July 1992 to present). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was the Chairman of CocaCola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972).

EDUARDO J. SORIANO age 65, Filipino, Director of the Company since 21 May 1980; Vice Chairman of the Company (1990 to present) and Treasurer (1990 to September 2018); Chairman of Anscor Holdings, Inc. (2012 to present); Member of the Board of Trustees and President of The Andres Soriano Foundation, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG age 73, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present); KSA Realty Corporation (2001 to present), ATRAM Investment Management Partners Corporation (2014 to present), T-O Insurance (2008 to present), Sumifru, Singapore (2003 to present), and Philippine British Assurance Co. Inc. (Nov. 2011 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Member of the Board of Trustees of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968), Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHNSON ROBERT G. GO, JR., age 54, Filipino, Director of the Company since 19 November 2019; Director of Universal Robina Corporation (May 5, 2005 to present), JG Summit Holdings, Inc and Robinsons Land Corporation; President of the Dameka Trading, Inc., member of the Senior Advisory Board of Robinsons Bank Corporation and a Trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University.

OSCAR J. HILADO, age 82, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Union Galvasteel Corporation (March 2017 – present), Director of Phil. Cement Corporation (July 2018 to present), Phinma Solar Energy Corporation (July 2017 to present); Phinma Hospitality, Inc. (July 2011 to present, Phinma Microtel Hotels, Inc. (July 2011 to present), Phinma Education Holdings, Inc. (March 2016 to present), Araullo University, Inc. (April 2004 to present), Cagayan de Oro College, Inc. (June 2005 to present), University of Iloilo, Inc. (August 2009 to present), University of Pangasinan, Inc.) (August 2009 to present), Southwestern University (June 2016 to present) St. Jude College, Manila (January 2018 to present); Manila Cordage Corporation (1986 to present). Independent Director of Philex Mining Corporation (December 2009 to present), Rockwell Land Corporation (May 2015 to present), Smart Communications, Inc. (May 2013 to present), Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present), Roxas Holdings, Inc. (March 2016 to present), Seven Seas Resorts & Leisure, Inc. and Pamalican Resort, Inc. (May 2011 to present), Beacon Property Ventures, Inc. (December 1994 to present), Cebu Light Industrial Park, Inc. (February 1996 to present), Pueblo de Oro Development Corporation (February 1996 to present), United Pulp and Paper Company, Inc. (December 1969 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962).

JOSE C. IBAZETA, age 77, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Consultant to the Chairman (2010-present); Director of International Container Terminal Services, Inc. (January 1988 to present), ICTSI Ltd. and ICTHI, Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), President of Seven Seas Resorts & Leisure, Inc. (2008 to present), Pamalican Resort, Inc. (May 2011 to present) and Island Aviation, Inc. (March 2017 to present); Member of the Board, Atlantic Gulf & Pacific Company of Manila, Inc.; Member of the Board, Executive Committee, Chairman of the Audit Committee and Member of the Compliance Steering Committee of AG&P Group Holdings Ptd Ltd.; FieldCOM, Inc. and GAS Entec Co, Ltd.; Member of the Board and Treasurer of AGP Philippines Holdings I, Inc.; Member of the Board of Trustees, Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010). He is a graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), MBA from the University of San Francisco, (1968) and, MBA Banking and Finance from the New York University (1972).

ALFONSO S. YUCHENGCO III age 60, Filipino, Director of Mapua Institute of Technology (1999 to present); Chairman of Testech, Inc. (2003 to present); Chairman of Prople, Inc. (2009 to present); Member of the Board of Trustees of Semiconductor and Electronics Industries in the Philippines, Inc. (2011 to present). He is a graduate of BS Asian Studies from De La Salle University (1981).

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

LORNA PATAJO-KAPUNAN, age 67, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc. (2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women In The Nations Service (TOWNS) Awardee – Corporate Law (1995); Filipinas Women Network (FWN) Influential Women Award (2016); Columnist, Business Mirror "Legally Speaking"; Program Host/Commentator "Laban Para Sa Karapatan" DWIZ, 882 AM.

WILLIAM H. OTTIGER, age 52, Swiss, Senior Vice President and Corporate Development Officer; Treasurer of the Company (September 2018 to present); Director of Phelps Dodge International Philippines, Inc.; AG&P International, Prople, Inc., Seven Seas Resorts and Leisure, Inc. (April 2019 to present) and ATRAM Trust Corporation (April 2019 to present). Formerly with San Miguel Brewing Group and UBS Investment Bank; Graduate of Washington & Lee University, B.A. European History, (1990). London Business School, MBA, (2001).

NARCISA M. VILLAFLOR, age 57, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc. and Anscor Holdings, Inc., The Andres Soriano Foundation, Inc., Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 57, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2000 to present); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

JOSHUA L. CASTRO, age 45, Filipino, Vice President (April 2017 to present) and Assistant Corporate Secretary of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation and The Andres Soriano Foundation, Inc. (2006 to present); and Anscor Holdings, Inc. (2012 to present), Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

SALOME M. BUHION, age 47, Filipino, Assistant Vice President-Accounting (April 2017 to present) and Accounting Manager (January 1998 to April 2017) of the Company; Assistant Manager, Business System Division (Support Management Group), Equitable PCI Bank, (1997); Auditor, SyCip Gorres Velayo & Co. (1994 to 1997); Certified Public Accountant.

MA. VICTORIA L. CRUZ, age 55, Filipino, Assistant Vice President of the Company (April 2017 to present); Executive Secretary to the Chairman (September 1998 to March 2017). Ms. Cruz was formerly the Executive Assistant to the Head of Mission of the Embassy of Peru. She also worked with Shangri-La's Mactan Island Resort, John Clements Consultants, Inc. and the Mandarin Oriental Hotel, Manila. She received a Bachelor of Science degree major in Business Management from De La Salle University in 1984.

Additional Information:

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

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

For the last five years and as of March 31, 2020, Management is not aware of any pending material legal proceeding i.e. bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

Item 10. Executive Compensation

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

The total compensation paid to the top six (9) Officers of the Company and the rest of the Directors for the last two years and the ensuing year are as follows:

Name	Principal Position	Compensation		
		2018 Actual	2019 Actual	2020 (Estimate)
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano*	Vice Chairman			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial officer			
William H. Ottiger	Senior Vice President, Treasurer & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Lorenzo D. Lasco	Vice President			
Joshua L. Castro	Vice President & Assistant Corporate Secretary			
Salome M. Buhion	Assistant Vice President			
Ma. Victoria L. Cruz	Assistant Vice President			
Salaries		₱ 67,953,963	₱ 51,648,733	₱ 52,651,041
Benefits		2,041,488	1,429,599	1,429,599
Bonus		51,750,000	25,025,000	59,400,000
Sub-Total Top Executive		121,745,451	78,103,332	113,480,640
Other Directors		15,410,714	11,931,786	17,662,857
Total		₱ 137,156,165	₱ 90,035,118	₱ 131,143,497

** Retired as Treasurer of the Company effective September 7, 2018*

There are no other arrangements, including consulting contracts, to which any director was compensated, directly or indirectly except for the consultancy agreement between the Company and Mr. Jose C. Ibazeta, involving about ₱6.7 million fees for one year.

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

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

Item 11.	**Security Ownership of Certain Beneficial Owners and Management**

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

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

As of March 31, 2020, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & & Relationship w/Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated * Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City	Anscor Consolidated Corporation (Subsidiary)	Filipino (Subsidiary)	1,249,872,246	50.00%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr the Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	497,823,860	19.91%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	161,546,329	6.46%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Depository Account)	Filipino	120,103,004	4.80%

** Includes 347,619,943 shares lodged with PCD Nominee Corp. (Filipino).*

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

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which ATRAM Trust Corporation is the sole owner of more than 5%, specifically 33.80%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

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

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

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

b. Security Ownership of Certain Beneficial Owners and Management

As of March 31, 2020, the following are the security ownership of the Directors and Officers of the Company:

Title of Class	Name of Beneficial Owner	Amount and Nature Of Security Ownership		Citizenship	Percent
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	180,415,944	Direct/Indirect	Filipino	7.217%
Common	Oscar J. Hilado	20,000	Direct/Indirect	Filipino	0.001%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Johnson Robert G. Go, Jr.	20,100	Direct	Filipino	0.001%
Common	Alfonso S. Yuchengco III	20,000	Direct	Filipino	0.001%
Total		669,957,265			26.799%

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

c. Voting Trust Agreement

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

d. Changes in Control

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

As of March 31, 2020 the foreign ownership level of total outstanding shares is 19.92%.

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

Item 12. Certain Relationships and Related Transactions

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

PART IV – CORPORATE GOVERNANCE

Item 13. Compliance with Leading Practice on Corporate Governance

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

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

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

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

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

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

As of March 31, 2020, there were no deviations from the Company's Manual on Corporate Governance.

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

Exhibit	(1)	Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	NA
Exhibit	(2)	Instruments Defining the Rights of Security Holders, Including Indentures	BY-LAWS
Exhibit	(3)	Voting Trust Agreement	NA
Exhibit	(4)	Annual Report to Security Holders, Form 17-Q or Quarterly Report to Security Holders	INFORMATION STATEMENT ANNUAL REPORT & FORM 17-Q
Exhibit	(5)	Letter re: Change in Certified Public Accountant	NA
Exhibit	(6)	Letter re: Change in Accounting Principles	NA
Exhibit	(7)	Report Furnished to Security Holders	ANNUAL REPORT & FORM 17-Q
Exhibit	(8)	Subsidiaries of the Registrant	LIST OF SUBSIDIARIES FINANCIAL STATEMENTS OF SIGNIFICANT FOREIGN SUBSIDIARIES
Exhibit	(9)	Published Report Regarding Matters Submitted to Vote of Security Holders	NA
Exhibit	(10)	Consents of Experts and Independent Counsel	NA
Exhibit	(11)	Power of Attorney	NA
Exhibit	(12)	Additional Exhibits	2019 Sustainability Report

(b) SEC Form 17-C

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on February 19, 2020.

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

SUBSCRIBED AND SWORN to before me this 19th day of February 2020, affiants exhibited to me the following:

NAMES	PASSPORT NO. GOV'T ISSUED ID	DATE OF ISSUE	PLACE OF ISSUE
Andres Soriano III	506368805	01-14-2015	U.S.A
Ernest K. Cuyegkeng	P7236847A	05-19-2018	DFA NCR South
Narcisa M. Villaflor	P8592511A	09-04-2018	DFA NCR West
Salome M. Buhion	P9335323A	10-28-2018	DFA NCR Northeast
Atty. Lorna Kapunan	EC8493081	08-08-2016	DFA Manila

Doc. No. 493;
Page No. 99;
Book No. XIX;
Series of 2020.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment. No. M-260; Roll No. 20642
Commission expires on 12-31-2020
MCLE Compliance No. VI-0008138
PTR No. 8117885; 1-06-2020; Makati City
IBP No. 108319; 1-08-2020; Pasig City
TIN No. 100-364-501

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A. SORIANO CORPORATION
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Additional Exhibits	2019 SUSTAINABILITY REPORT

A. SORIANO CORPORATION
SEC FORM 17-C

The following is a summary of submissions of SEC Form 17-C filed during the year 2019:

February 21, 2019	SEC 17-C Declaration of Cash Dividends (Regular)
February 21, 2019	SEC 17-C Declaration of Cash Dividends (Special)
April 10, 2019	SEC 17-C Election of Directors and Appointment of External Auditors
April 10, 2019	SEC 17-C Election/Appointment of Executive Officers
October 4, 2019	SEC 17-C Change in Corporate Contact Details
November 19, 2019	SEC 17-C (Amended) Declaration of Cash Dividends
November 19, 2019	SEC 17-C Declaration of Cash Dividends
November 21, 2019	SEC 17-C Resignations, Removal or Election of Registrant's Directors and Officers

A. SORIANO CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Signed this 19th day of February 2020

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

SUBSCRIBED AND SWORN to before me this 19th day of February 2020, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14, 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	P7236847A	May 19, 2018 to May 18, 2028/DFA NCR South

Doc. No. 491;
Page No. 99;
Book No. XIX;
Series of 2020

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment. No. M-260; Roll No. 20642
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MCLE Compliance No. VI-0008138
PTR No. 8117885; 1-06-2020; Makati City
IBP No. 108319; 1-08-2020; Pasig City
TIN No. 100-364-501

A. SORIANO CORPORATION, 7TH FLOOR, PACIFIC STAR BUILDING, MAKATI AVENUE COR. GIL J. PUYAT AVENUE, 1209 MAKATI CITY
P.O. BOX 1304 MAKATI CENTRAL POST OFFICE, 1252 MAKATI CITY, PHILIPPINES • TEL: 819-0251 to 70 • E-MAIL: asoriano@globe.com.ph

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. amounted to ₱1,302.3 million as at December 31, 2019 and is considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

The Group's disclosures about goodwill are included in Note 7 to the consolidated financial statements.

Audit Response

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

Recoverability of Investment in an Associate

The Group identified indicators of impairment in its investment in an associate and as required in PFRSs, assessed the recoverability of its investment based on management's estimate of cash flows from the operations of the associate, judgment over the appropriate valuation model and valuation assumptions such as discount rate and long-term growth rate. The carrying value of the investment amounted to ₱682.5 million as at December 31, 2019 and is considered material to the consolidated financial statements.

The Group's disclosures about its investment in an associate are included in Note 14 to the consolidated financial statements.

Audit Response

We obtained an understanding of the current business operations of the associate and assessed whether this is considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the valuation model used in estimating the equity value of the investment and the assumptions in estimating the associate's expected cash flows, such as the discount rate and long-term growth rate.

In testing the discount rate, we performed independent testing on the determination of discount rate using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive.

Valuation of Unquoted Equity Instruments

In accordance with PFRS 9, *Financial Instruments,* the Group classified its unquoted equity investments as financial assets through profit or loss, with carrying value of ₱1,137.1 million as at December 31, 2019. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved, the significant judgment applied in selecting the valuation techniques and inputs that are not market observable, and the other significant assumptions used in estimating future cash flows from these unquoted equity investments.

The Group's disclosures about its unquoted equity investments are included in Notes 10 and 30 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation techniques and inputs and the other assumptions used. These assumptions include discount rates, revenue growth rates and comparable companies. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. For investments valued using the income approach, we compared the revenue growth rates to the historical performance of the investment. For investments valued under the market approach, we reviewed the comparable companies used in the valuation. For private equity fund investments valued under the cost approach (adjusted net asset value method), we reviewed the financial information of the investees and checked if the financial information used reflects the fair values of the investee's assets and liabilities. In addition, we reviewed the disclosures in the consolidated financial statements related to the significant unobservable inputs to the fair value measurement.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	**₱2,308,878,255**	₱2,765,515,066
Fair value through profit or loss (FVPL) investments (Notes 10 and 20)	**11,130,248,073**	9,437,947,486
Receivables (Note 11)	**2,122,602,618**	2,270,241,689
Inventories (Note 12)	**904,427,520**	1,030,460,829
Fair value through other comprehensive income (FVOCI) investments - current (Note 13)	**94,535,324**	15,419,085
Prepayments	**34,866,126**	29,004,363
Other current assets	**27,070,500**	16,061,836
Total Current Assets	**16,622,628,416**	15,564,650,354
Noncurrent Assets		
FVOCI investments - net of current portion (Note 13)	**235,949,189**	678,904,133
Notes receivables (Note 28)	**349,499,741**	–
Investments and advances (Note 14)	**1,078,655,003**	1,581,844,482
Goodwill (Note 7)	**1,302,276,264**	1,302,276,264
Property and equipment (Notes 15 and 20)	**2,562,463,613**	2,560,830,437
Investment properties (Note 16)	**530,382,258**	238,104,974
Retirement plan asset - net (Note 25)	**84,470,839**	65,391,589
Deferred income tax assets - net (Note 26)	**87,156,013**	75,512,542
Right-of-use assets (Notes 2 and 31)	**35,292,325**	–
Other noncurrent assets (Notes 17 and 31)	**223,646,431**	222,496,580
Total Noncurrent Assets	**6,489,791,676**	6,725,361,001
TOTAL ASSETS	**₱23,112,420,092**	₱22,290,011,355
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 18)	**₱–**	₱250,000,000
Accounts payable and accrued expenses (Notes 19 and 33)	**931,320,157**	807,180,815
Current portion of lease liabilities (Notes 2 and 31)	**9,907,864**	–
Dividends payable (Note 21)	**283,974,578**	285,828,593
Income tax payable	**192,064,701**	103,460,263
Current portion of long-term debt (Note 20)	**276,164,746**	635,690,371
Total Current Liabilities	**1,693,432,046**	2,082,160,042

(Forward)

	December 31	
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	**₱227,142,857**	₱502,397,329
Lease liabilities - net of current portion (Notes 2 and 31)	**27,466,781**	–
Deferred income tax liabilities - net (Note 26)	**479,312,696**	449,755,161
Retirement benefits payable - net (Note 25)	**32,252,060**	12,858,113
Other noncurrent liabilities (Notes 17 and 31)	**147,956,007**	143,405,664
Total Noncurrent Liabilities	**914,130,401**	1,108,416,267
Total Liabilities	**2,607,562,447**	3,190,576,309
Equity Attributable to Equity Holders of the Parent (Note 21)		
Capital stock - ₱1 par value	**2,500,000,000**	2,500,000,000
Additional paid-in capital	**1,859,383,287**	1,605,613,566
Cumulative translation adjustment	**273,248,081**	385,512,775
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	**8,739,689**	(8,128,524)
Remeasurement on retirement benefits (Note 25)	**33,267,478**	39,853,028
Retained earnings (Note 21):		
Appropriated	**7,150,000,000**	7,150,000,000
Unappropriated	**10,487,853,458**	9,259,613,912
Cost of shares held by a subsidiary (1,249,872,246 shares and 1,288,088,646 shares in 2019 and 2018, respectively) (Note 21)	**(2,369,372,182)**	(2,356,555,826)
	19,943,119,811	18,575,908,931
Noncontrolling Interests (Note 3)	**561,737,834**	523,526,115
Total Equity	**20,504,857,645**	19,099,435,046
TOTAL LIABILITIES AND EQUITY	**₱23,112,420,092**	₱22,290,011,355

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
CONTINUING OPERATIONS			
REVENUES			
Sale of goods - net (Note 5)	**₱8,208,374,800**	₱8,292,508,630	₱7,188,994,574
Services (Notes 5 and 31)	**1,342,389,775**	1,314,704,847	1,059,796,204
Dividend income (Note 10)	**373,587,490**	301,777,821	270,687,177
Interest income (Notes 9, 10, 13 and 24)	**124,478,035**	109,516,147	98,877,355
	10,048,830,100	10,018,507,445	8,618,355,310
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments (Notes 10 and 30)	**1,151,784,252**	33,493,049	1,351,506,368
Gain (loss) on sale of FVOCI investments (Note 13)	**11,859,942**	(2,700,602)	13,932,565
Gain (loss) on disposal of subsidiaries (Note 8)	**–**	(6,111,015)	1,097,861,615
	1,163,644,194	24,681,432	2,463,300,548
EQUITY IN NET LOSSES - Net of valuation allowance (Note 14)	**(517,090,062)**	(262,184,140)	(497,099,065)
TOTAL	**10,695,384,232**	9,781,004,737	10,584,556,793
Cost of goods sold (Note 22)	**(6,590,288,987)**	(7,010,549,289)	(6,069,283,925)
Cost of services rendered (Note 22)	**(447,058,842)**	(437,508,189)	(395,971,370)
Operating expenses (Note 22)	**(1,217,805,627)**	(1,194,383,616)	(1,179,275,444)
Interest expense (Notes 18, 20 and 24)	**(48,364,623)**	(72,908,371)	(85,138,178)
Foreign exchange gain (loss) - net	**(92,967,921)**	106,678,302	(17,777,225)
Other income - net (Notes 24 and 31)	**68,852,086**	79,708,375	52,328,767
INCOME BEFORE INCOME TAX	**2,367,750,318**	1,252,041,949	2,889,439,418
PROVISION FOR INCOME TAX (Note 26)	**429,373,654**	347,218,566	253,435,684
NET INCOME FROM CONTINUING OPERATIONS	**1,938,376,664**	904,823,383	2,636,003,734
NET LOSS FROM DISCONTINUED OPERATIONS (Note 8)	**–**	–	(47,637,151)
NET INCOME	**1,938,376,664**	904,823,383	2,588,366,583
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	**35,957,388**	(34,538,189)	17,385,730
Income tax effect	**(10,787,216)**	10,361,457	(5,215,719)
	25,170,172	(24,176,732)	12,170,011

(Forward)

	Years Ended December 31		
	2019	2018	2017
Unrealized losses (gains) on FVOCI investments recognized in the consolidated profit or loss (Note 13)	**(₱11,859,942)**	₱2,700,602	(₱13,932,565)
Income tax effect	**3,557,983**	(810,181)	4,179,770
	(8,301,959)	1,890,421	(9,752,795)
	16,868,213	(22,286,311)	2,417,216
Cumulative translation adjustment	**(112,264,694)**	89,930,454	(84,661,930)
	(95,396,481)	67,644,143	(82,244,714)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 25)	**(9,304,530)**	(24,574,106)	29,961,119
Income tax effect	**2,718,980**	6,432,512	(9,575,162)
	(6,585,550)	(18,141,594)	20,385,957
OTHER COMPREHENSIVE INCOME (LOSS)	**(101,982,031)**	49,502,549	(61,858,757)
TOTAL COMPREHENSIVE INCOME	**₱1,836,394,633**	₱954,325,932	₱2,526,507,826
Net Income Attributable to:			
Equity holders of the Parent	**₱1,843,615,322**	₱808,386,813	₱2,547,458,719
Noncontrolling interests	**94,761,342**	96,436,570	40,907,864
	₱1,938,376,664	₱904,823,383	₱2,588,366,583
Total Comprehensive Income Attributable to:			
Equity holders of the Parent	**₱1,741,633,291**	₱857,889,362	₱2,485,599,962
Noncontrolling interests	**94,761,342**	96,436,570	40,907,864
	₱1,836,394,633	₱954,325,932	₱2,526,507,826
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Notes 8 and 27)	**₱1.53**	₱0.67	₱2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent (Note 27)	**₱1.53**	₱0.67	₱2.12
Basic/diluted, for total comprehensive income attributable to equity holders of the Parent (Note 27)	**₱1.44**	₱0.71	₱2.03

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Equity Attributable to Equity Holders of the Parent (Note 21)											
							Retained Earnings					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interests (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 13)	Remeasurement on Retirement Benefits (Note 25)	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2016	**₱2,500,000,000**	**₱1,605,613,566**	**(₱26,356,543)**	**₱380,244,251**	**₱11,740,571**	**₱37,608,665**	**₱7,150,000,000**	**₱6,756,716,458**	**(₱2,226,272,975)**	**₱16,189,293,993**	**₱512,829,051**	**₱16,702,123,044**
Net income	–	–	–	–	–	–	–	2,547,458,719	–	2,547,458,719	40,907,864	2,588,366,583
Other comprehensive income	–	–	–	(84,661,930)	2,417,216	20,385,957	–	–	–	(61,858,757)	–	(61,858,757)
Total comprehensive income (loss) for the year	–	–	–	(84,661,930)	2,417,216	20,385,957	–	2,547,458,719	–	2,485,599,962	40,907,864	2,526,507,826
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 21)	–	–	–	–	–	–	–	(244,361,451)	–	(244,361,451)	–	(244,361,451)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(98,041,760)	(98,041,760)	–	(98,041,760)
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(95,092,264)	(95,092,264)
BALANCES AT DECEMBER 31, 2017	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**295,582,321**	**14,157,787**	**57,994,622**	**7,150,000,000**	**9,059,813,726**	**(2,324,314,735)**	**18,332,490,744**	**458,644,651**	**18,791,135,395**
Net income	–	–	–	–	–	–	–	808,386,813	–	808,386,813	96,436,570	904,823,383
Other comprehensive income	–	–	–	89,930,454	(22,286,311)	(18,141,594)	–	–	–	49,502,549	–	49,502,549
Total comprehensive income (loss) for the year	–	–	–	89,930,454	(22,286,311)	(18,141,594)	–	808,386,813	–	857,889,362	96,436,570	954,325,932
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱641.4 million (Note 21)	–	–	–	–	–	–	–	(608,586,627)	–	(608,586,627)	–	(608,586,627)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(32,241,091)	(32,241,091)	–	(32,241,091)
Disposal of subsidiary (Note 8)	–	–	26,356,543	–	–	–	–	–	–	26,356,543	–	26,356,543
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(31,555,106)	(31,555,106)
BALANCES AT DECEMBER 31, 2018	**2,500,000,000**	**1,605,613,566**	**–**	**385,512,775**	**(8,128,524)**	**39,853,028**	**7,150,000,000**	**9,259,613,912**	**(2,356,555,826)**	**18,575,908,931**	**523,526,115**	**19,099,435,046**
Net income	–	–	–	–	–	–	–	1,843,615,322	–	1,843,615,322	94,761,342	1,938,376,664
Other comprehensive income (loss)	–	–	–	(112,264,694)	16,868,213	(6,585,550)	–	–	–	(101,982,031)	–	(101,982,031)
Total comprehensive income (loss) for the year	–	–	–	(112,264,694)	16,868,213	(6,585,550)	–	1,843,615,322	–	1,741,633,291	94,761,342	1,836,394,633
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱634.6 million (Note 21)	–	–	–	–	–	–	–	(615,375,776)	–	(615,375,776)	–	(615,375,776)
Shares repurchased during the year (Note 21)	–	–	–	–	–	–	–	–	(118,975,079)	(118,975,079)	–	(118,975,079)
Sale of Company shares held by a subsidiary (Note 21)	–	253,769,721	–	–	–	–	–	–	106,158,723	359,928,444	–	359,928,444
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–	–	–	–	–	(56,549,623)	(56,549,623)
BALANCES AT DECEMBER 31, 2019	**₱2,500,000,000**	**₱1,859,383,287**	**₱–**	**₱273,248,081**	**₱8,739,689**	**₱33,267,478**	**₱7,150,000,000**	**₱10,487,853,458**	**(₱2,369,372,182)**	**19,943,119,811**	**₱561,737,834**	**₱20,504,857,645**

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax - continuing operations	**₱2,367,750,318**	₱1,252,041,949	₱2,889,439,418
Income (loss) before income tax - discontinued operations (Note 8)	**–**	–	(52,709,769)
Income before income tax	**2,367,750,318**	1,252,041,949	2,836,729,649
Adjustments for:			
Gain on increase in market values of FVPL investments (Note 10)	**(1,151,784,252)**	(33,493,049)	(1,351,506,368)
Equity in net losses - net of valuation allowance (Note 14)	**517,090,062**	262,184,140	497,099,065
Dividend income (Note 10)	**(373,587,490)**	(301,777,821)	(270,687,177)
Depreciation and amortization (Notes 15, 16, 22 and 31)	**272,179,839**	252,820,204	252,088,932
Interest income (Notes 9, 10, 13 and 24)	**(124,478,035)**	(109,516,147)	(98,878,579)
Interest expense (Notes 18, 20 and 24)	**48,364,623**	72,908,371	90,524,037
Unrealized foreign exchange losses - net	**48,116,020**	116,697,688	13,884,632
Valuation allowances - net (Notes 11 and 24)	**41,752,086**	9,397,390	211,799,817
Retirement benefit costs (Notes 22, 23 and 25)	**13,203,358**	37,124,451	16,747,851
Loss (gain) on sale/disposal of:			
FVOCI investments (Note 13)	**(11,859,942)**	2,700,602	13,932,565
Subsidiaries (Notes 8 and 16)	**–**	6,111,015	(1,097,861,615)
Operating income before working capital changes	**1,646,746,587**	1,567,198,793	1,113,872,809
Decrease (increase) in:			
FVPL investments	**(532,026,162)**	106,988,583	37,181,483
Receivables	**97,878,040**	(488,596,128)	365,575,268
Inventories	**126,033,309**	(209,639,027)	(138,806,873)
Prepayments and other current assets	**(17,781,010)**	23,158,663	101,852,799
Increase (decrease) in:			
Accounts payable and accrued expenses	**128,423,365**	(101,992,716)	60,867,482
Deferred revenues	**–**	(9,469,328)	867,768
Cash generated from operations	**1,449,274,129**	887,648,840	1,541,410,736
Income taxes paid	**(320,136,171)**	(279,043,797)	(312,505,882)
Dividends received	**373,587,490**	301,777,821	270,687,177
Interest received	**133,653,424**	98,460,395	98,091,189
Interest paid	**(45,077,734)**	(72,666,167)	(85,531,605)
Retirement benefit contribution (Note 25)	**(22,193,191)**	(22,191,914)	(16,659,548)
Net cash flows from operating activities	**1,569,107,947**	913,985,178	1,495,492,067

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
FVOCI investments (Note 13)	**₱446,651,642**	₱102,546,014	₱425,586,347
Property and equipment (Note 15)	**2,005,966**	10,758,435	4,279,888
Long-term investment	–	9,200,000	1,376,788,000
Additions to:			
FVOCI investments (Note 13)	**(215,974,577)**	(229,382,738)	(674,863,214)
Property and equipment (Note 15)	**(258,131,927)**	(156,220,277)	(289,432,012)
Investment properties (Note 16)	**(293,595,000)**	(1,583,339)	–
Collection from (advances to) affiliates (Notes 14 and 28)	**(431,448,061)**	3,470,251	(77,440,000)
Increase in other noncurrent assets	**(4,502,626)**	(44,680,957)	(39,298,864)
Acquisition of associates (Note 14)	–	(102,945,888)	(91,256,250)
Proceeds from redemption of preferred shares	–	–	12,301,027
Net cash flows from (used in) investing activities	**(754,994,583)**	(408,838,499)	646,664,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Sale of Company shares held by a subsidiary (Note 21)	**359,928,444**	–	–
Availment of long-term debt (Note 32)	**5,124,000**	–	–
Availment of notes payable (Notes 18 and 32)	–	450,000,000	–
Payments of (Note 32):			
Long-term debt (Note 20)	**(635,732,071)**	(640,036,621)	(838,534,464)
Dividends (Note 21)	**(617,229,791)**	(575,312,404)	(234,015,487)
Notes payable (Note 18)	**(250,000,000)**	(200,000,000)	(91,948,200)
Lease liabilities (Note 31)	**(12,309,568)**	–	–
Company shares purchased by a subsidiary (Note 21)	**(118,975,079)**	(32,241,091)	(98,041,760)
Redemption of preferred shares	–	–	(29,081,587)
Net cash flows used in financing activities	**(1,269,194,065)**	(997,590,116)	(1,291,621,498)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(455,080,701)**	(492,443,437)	850,535,491
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,556,110)**	2,423,835	1,259,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,765,515,066**	3,255,534,668	2,403,739,518
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	**₱2,308,878,255**	₱2,765,515,066	₱3,255,534,668

See accompanying Notes to Consolidated Financial Statements.

A. SORIANO CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on February 19, 2020.

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

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

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- 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.

The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the lease agreements are made within the Group. See Note 31 for the disclosures of the Group's lease arrangements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It 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; and,
  - How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have an impact on the consolidated financial statements of the Group.

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

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- 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; and,

  - 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no significant impact on the consolidated financial statements of the Group.

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*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

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

Basis of Consolidation

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

		Percentage of Ownership		
	Nature of Business	**2019**	2018	2017
A. Soriano Air Corporation (ASAC, Note 31)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 31)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100
Anscor Holdings, Inc. (AHI, Note 31)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100	100
Lakeroad Corporation	Real Estate Holding	**100**	100	100
Mainroad Corporation	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2019	2018	2017
Makisig Holdings, Inc.	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100	100
Mountainridge Corporation	Real Estate Holding	**100**	100	100
Rollingview Corporation	Real Estate Holding	**100**	100	100
Timbercrest Corporation	Real Estate Holding	**100**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 31)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet, Note 7)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 31)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 7)	Wire Manufacturing	**100**	100	100
Sutton Place Holdings, Inc. (Sutton, Note 31)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Notes 8 and 31)	Manpower Services	**–**	–	93
Anscor International, Inc. (AI, Note 14)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
IQ Healthcare Professional Connection, LLC (IQHPC, Note 31)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (AAC, Note 16)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 31)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 31)	Resort Operations	**62**	62	62
Summerside Corp. (Summerside)*	Investment Holding	**40**	40	40

**As at December 31, 2019, 2018 and 2017, the Group has 100% beneficial ownership over Summerside.*

Except for AI and its subsidiaries, all the companies above are 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).

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

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

	2019	2018
Balance Sheets:		
Current assets	**₱925.2**	₱731.6
Noncurrent assets	**942.8**	975.1
Current liabilities	**502.2**	414.3
Noncurrent liabilities	**135.9**	149.7
Equity	**1,229.9**	1,142.7
Equity attributable to NCI	**463.7**	430.8

	2019	2018
Statements of Comprehensive Income:		
Revenue	**₱1,151.0**	₱1,105.9
Income from continuing operations, before tax	**290.8**	283.5
Net income	**236.1**	235.3
Other comprehensive income	**1.1**	4.2
Total comprehensive income	**237.2**	239.5
Total comprehensive income allocated to NCI during the year	**89.4**	90.3

	2019	2018
Statements of Cash Flows:		
Cash flows from operations	**₱449.6**	₱389.6
Cash flows used in investing activities	**(123.6)**	(66.8)
Cash flows used in financing activities	**(169.1)**	(94.8)

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

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

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

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

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

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

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

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

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained

- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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

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

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

If the Group's interest in an associate is reduced (e.g., through actual sale or deemed disposal), but the investment continues to be classified as an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

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

		Percentage of Ownership		
	Nature of Business	**2019**	2018	2017
Vicinetum Holdings, Inc. (VHI)	Investment Holding	**32**	32	32
Prople Limited (Note 14)	Business Process Outsourcing	**32**	32	32
Fremont Holdings, Inc. (FHI, Note 14)	Real Estate Holding	**26**	26	–
AGP International Holdings Pte Ltd. (AGP-SG), Note 14)	Investment Holding	**21**	–	–
AGP Group Holdings Pte Ltd. (AGP-BVI, formerly AGP International Holdings Ltd., Note 14)	Investment Holding	**–**	27	27
BehaviorMatrix, LLC (BM, Note 14)	Behavior Analytics Services	**21**	21	21
ATRAM Investment Management Partners Corp. (AIMP, Note 14)	Asset Management	**20**	20	20

The principal business location of AIMP, VHI and FHI is the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in the BVI, Singapore, USA and Hong Kong, respectively.

Business Combinations and Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 at initial recognition as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

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 trade 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. Trade 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, *Revenue from Contracts with Customers*.

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 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.

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

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

As at December 31, 2019 and 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, financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss, or financial assets and liabilities mandatorily required to be measured at fair value. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

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

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

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

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

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as at December 31, 2019 and 2018.

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.

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 on increase in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2019 and 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 amounting to ₱11,130.2 million and ₱9,437.9 million, respectively (see Note 10). No financial liability at FVPL is outstanding as at December 31, 2019 and 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 - 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.

As at December 31, 2019 and 2018, the Group's FVOCI investments include investments in bonds (see Note 13).

(d) Financial liabilities - loans and borrowings

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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 EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated profit or loss.

As at December 31, 2019 and 2018, included in this category are the Group's notes payable, accounts payable and accrued expenses, lease liabilities, long-term debt and dividends payable.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial assets
A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized or removed from the consolidated balance sheet where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cost of services rendered
Cost and expenses related to room services and other ancillary services are charged to operations when incurred.

Operating expenses
Operating expenses include selling and general and administrative expenses that are expensed as incurred.

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

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

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

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

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

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

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

These 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 either when 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	30
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	2 - 5
Transportation equipment	3 - 5

**or lease term, whichever is shorter*

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

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

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

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

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

Investment Properties
Investment properties comprise completed property and property under construction or re-development (land, buildings and condominiums) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases Upon Adoption of PFRS 16
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously accounted for as operating leases
The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use asset
The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Building	5 years
Leasehold improvement	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the Group calculates depreciation using the estimated useful life of the asset.

Lease liability
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The

lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Leases Prior to Adoption of PFRS 16</u>
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfilment 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 a lessee
Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

(a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
(b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

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

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

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

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

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income, net income from continuing operations and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2019, 2018 and 2017.

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2019 and 2018, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

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

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

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

Allowance for expected credit losses as at December 31, 2019 and 2018 amounted to ₱678.9 million and ₱638.0 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,554.9 million and ₱2,271.1 million as at December 31, 2019 and 2018, respectively (see Notes 11, 14 and 28).

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, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted FVPL equity investments amounted to ₱1,137.1 million and ₱1,086.2 million as at December 31, 2019 and 2018, respectively (see Note 10).

Impairment of FVOCI debt investments
For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. No impairment loss was recognized in 2019, 2018 and 2017. The carrying value of FVOCI debt investments amounted to ₱330.5 million and ₱694.3 million as at December 31, 2019 and 2018, respectively (see Note 13).

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

Allowance for inventory losses and obsolescence amounted to ₱83.2 million and ₱82.0 million as at December 31, 2019 and 2018, respectively. The carrying amount of the inventories amounted to ₱904.4 million and ₱1,030.5 million as at December 31, 2019 and 2018, respectively (see Note 12).

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

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

As at December 31, 2019 and 2018, the carrying value of property and equipment amounted to ₱2,562.5 million and ₱2,560.8 million, respectively (see Note 15).

Recoverability of investment in associates
The carrying value of 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 five years, as well as the terminal value at the end of fifth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

The carrying amounts of the investments amounted to ₱995.9 million and ₱1,581.0 million as at December 31, 2019 and 2018, respectively (see Note 14).

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

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

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

As at December 31, 2019 and 2018, the carrying value of property and equipment and investment properties amounted to ₱3,092.8 million and ₱2,798.9 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2019 (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.

As at December 31, 2019 and 2018, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2019 and 2018, the Group recognized gross deferred income tax assets amounting to ₱89.1 million and ₱84.6 million, respectively. The Group has also temporary differences for which the deferred income tax assets are not recognized Further details of the recognized and unrecognized deferred income tax assets are provided in Note 26.

Determination of pension and other retirement benefits
The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2019 and 2018 amounted to ₱84.5 million and ₱65.4 million, respectively. Net retirement benefits payable as at December 31, 2019 and 2018 amounted to ₱32.3 million and ₱12.9 million, respectively. Further details are provided in Note 25.

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

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

5. Revenue from Contracts with Customers

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

	For the Year Ended December 31, 2019			
	Cable and Wire Manufacturing	**Resort Operations and Villa Development**	**Other Operations***	**Total**
Type of revenues:				
Goods	**₱8,208,374,800**	**₱–**	**₱–**	**₱8,208,374,800**
Services	**–**	**1,140,941,687**	**201,448,088**	**1,342,389,775**
Total revenue from contracts with customers	**₱8,208,374,800**	**₱1,140,941,687**	**₱201,448,088**	**₱9,550,764,575**
Timing of revenue recognition:				
At a point in time	**₱8,208,374,800**	**₱430,653,807**	**₱201,448,088**	**₱8,840,476,695**
Over time	**–**	**710,287,880**	**–**	**710,287,880**
Total revenue from contracts with customers	**₱8,208,374,800**	**₱1,140,941,687**	**₱201,448,088**	**₱9,550,764,575**

Other Operations include ASAC and AHI.

	For the Year Ended December 31, 2018			
	Cable and Wire Manufacturing	Resort Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱8,292,508,630	₱–	₱–	₱8,292,508,630
Services	–	1,100,825,407	213,879,440	1,314,704,847
Total revenue from contracts with customers	₱8,292,508,630	₱1,100,825,407	₱213,879,440	₱9,607,213,477
Timing of revenue recognition:				
At a point in time	₱8,292,508,630	₱392,685,676	₱213,879,440	₱8,899,073,746
Over time	–	708,139,731	–	708,139,731
Total revenue from contracts with customers	₱8,292,508,630	₱1,100,825,407	₱213,879,440	₱9,607,213,477

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

	For the Year Ended December 31, 2017			
	Cable and Wire Manufacturing	Resort Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱7,188,994,574	₱–	₱–	₱7,188,994,574
Services	–	861,146,448	198,649,756	1,059,796,204
Total revenue from contracts with customers	₱7,188,994,574	₱861,146,448	₱198,649,756	₱8,248,790,778
Timing of revenue recognition:				
At a point in time	₱7,188,994,574	₱311,456,777	₱198,649,756	₱7,699,101,107
Over time	–	549,689,671	–	549,689,671
Total revenue from contracts with customers	₱7,188,994,574	₱861,146,448	₱198,649,756	₱8,248,790,778

Other Operations include ASAC, AHI, and Sutton.

Contract liabilities
Contract liabilities amounted to ₱52.7 million and ₱41.1 million as at December 31, 2019 and 2018, respectively. These pertain to customer advances received for customer orders (see Note 19). In 2019, 2018 and 2017, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to ₱41.1 million, ₱53.2 million and ₱46.0 million, respectively.

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

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

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

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

6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.

- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment. In 2019, 2018 and 2017, the Group has no sale of villa lots and construction of structures.

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

- Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which served as the recruitment services segment of the Group (see Note 8). Amounts for the investments in associates comprise the Group's equity in net losses - net of valuation allowance.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Before Eliminations						
	Holding Company (Parent)	**Resort Operations and Villa Development**	**Cable and Wire Manufacturing**	**Other Operations[1]**	**Total**	**Eliminations**	**Consolidated**
As at and for the year ended December 31, 2019							
Revenues, excluding interest income[2]	**₱1,657,436**	**₱1,140,942**	**₱8,208,375**	**₱885,568**	**₱11,892,321**	**(₱1,967,969)**	**₱9,924,352**
Interest income	**111,880**	**6,856**	**5,146**	**596**	**124,478**	**–**	**124,478**
Investment gains	**856,917**	**–**	**890**	**198,394**	**1,056,201**	**107,443**	**1,163,644**
Interest expense	**19,100**	**472**	**24,994**	**4,227**	**48,793**	**(428)**	**48,365**
Income tax expense	**32,285**	**54,717**	**341,630**	**8,737**	**437,369**	**(7,995)**	**429,374**
Equity in net losses - net of valuation allowance	**–**	**–**	**–**	**(517,090)**	**(517,090)**	**–**	**(517,090)**
Net income	**2,333,251**	**236,089**	**803,960**	**67,103**	**3,440,403**	**(1,502,026)**	**1,938,377**
Total assets	**18,716,377**	**1,867,987**	**4,571,515**	**12,428,872**	**37,584,751**	**(14,472,331)**	**23,112,420**
Investments and advances	**7,284,288**	**–**	**–**	**2,150,520**	**9,434,808**	**(8,356,153)**	**1,078,655**
Property and equipment	**9,445**	**761,537**	**621,795**	**114,979**	**1,507,756**	**1,054,708**	**2,562,464**
Total liabilities	**583,560**	**638,053**	**967,613**	**2,812,006**	**5,001,232**	**(2,393,670)**	**2,607,562**
Depreciation and amortization	**9,194**	**104,414**	**85,213**	**49,224**	**248,045**	**24,135**	**272,180**
Impairment loss	**–**	**3,399**	**37,442**	**911**	**41,752**	**–**	**41,752**
Cash flows from (used in):							
Operating activities	**781,557**	**449,613**	**1,133,537**	**(4,458)**	**2,360,249**	**(791,141)**	**1,569,108**
Investing activities	**(633,632)**	**(123,552)**	**(76,684)**	**820,614**	**(13,254)**	**(741,741)**	**(754,995)**
Financing activities	**(1,090,083)**	**(169,058)**	**(660,013)**	**(833,307)**	**(2,752,461)**	**1,483,267**	**(1,269,194)**

[1] *Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net losses of associates - net of valuation allowance*
[2] *Majority of the revenues of the Group were derived in the Philippines.*

	Before Eliminations						
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations	Consolidated
As at and for the year ended December 31, 2018							
Revenues, excluding interest income[2]	₱1,334,003	₱1,100,825	₱8,292,509	₱1,165,109	₱11,892,446	(₱1,983,455)	₱9,908,991
Interest income	103,635	3,475	1,242	1,164	109,516	–	109,516
Investment gains	475,201	–	408	(217,002)	258,607	(233,926)	24,681
Interest expense	39,744	–	29,938	3,226	72,908	–	72,908
Income tax expense	50,976	48,287	246,503	9,080	354,846	(7,627)	347,219
Equity in net losses - net of valuation allowance	–	–	–	(262,184)	(262,184)	–	(262,184)
Net income	773,025	235,253	636,442	533,770	2,178,490	(1,273,667)	904,823
Total assets	18,057,699	1,706,722	4,320,601	12,581,118	36,666,140	(14,376,129)	22,290,011
Investments and advances	7,190,993	69,195	–	2,483,424	9,743,612	(8,161,768)	1,581,844
Property and equipment	15,984	778,153	616,372	68,962	1,479,471	1,081,359	2,560,830
Total liabilities	1,030,541	563,953	1,258,638	2,791,694	5,644,826	(2,454,250)	3,190,576
Depreciation and amortization	9,319	101,274	74,118	43,972	228,683	24,137	252,820
Impairment loss (recovery)	–	(7,358)	15,257	1,498	9,397	–	9,397
Cash flows from (used in):							
Operating activities	638,385	389,597	332,922	50,258	1,411,162	(497,177)	913,985
Investing activities	(127,360)	(66,806)	(61,244)	645,555	390,145	(798,983)	(408,838)
Financing activities	(1,054,270)	(94,746)	(151,429)	(624,515)	(1,924,960)	927,370	(997,590)

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

	Before Eliminations							
	Nurse/PT Staffing Company[4]	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total[3]	Eliminations[3]	Consolidated
As at and for the year ended December 31, 2017								
Revenues, excluding interest income[2]	₱2,028,265	₱831,590	₱861,146	₱7,188,995	₱1,113,708	₱12,023,704	(₱3,504,226)	₱8,519,478
Interest income	1	87,909	3,529	2,297	5,841	99,577	(700)	98,877
Investment gains	–	1,541,972	–	5,121	857,668	2,404,761	58,540	2,463,301
Interest expense	5,386	45,912	–	36,042	3,184	90,524	(5,386)	85,138
Income tax expense (benefit)	(5,073)	10,169	27,681	213,072	10,486	256,335	(2,899)	253,436
Equity in net losses - net of valuation allowance	–	–	–	–	(497,099)	(497,099)	–	(497,099)
Net income (loss)	(47,637)	2,173,508	100,523	546,008	570,393	3,342,795	(706,791)	2,636,004
Total assets	–	18,928,517	1,526,424	3,824,469	12,838,128	37,117,538	(14,771,342)	22,346,196
Investments and advances	–	7,069,111	60,706	–	2,349,032	9,478,849	(7,827,009)	1,651,840
Property and equipment	–	21,152	812,752	626,908	99,367	1,560,179	1,108,010	2,668,189
Total liabilities	–	1,384,736	519,125	1,150,106	2,631,923	5,685,890	(2,130,829)	3,555,061
Depreciation and amortization	2,328	8,838	66,299	75,188	41,484	194,137	55,624	249,761
Impairment loss	111,599	82,906	4,662	9,506	3,737	212,410	(112,209)	100,201

(Forward)

	Before Eliminations							
	Nurse/PT Staffing Company[4]	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total[3]	Eliminations[3]	Consolidated
As of and for the year ended December 31, 2017								
Cash flows from (used in):								
Operating activities	₱206,562	₱828,471	₱197,556	₱313,737	₱166,200	₱1,712,526	(₱217,034)	₱1,495,492
Investing activities	(3,637)	828,893	(111,939)	(145,832)	(57,715)	509,770	136,895	646,665
Financing activities	(161,618)	(799,688)	(186,114)	(511,429)	9,577	(1,649,272)	357,651	(1,291,621)

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

7. Business Combinations

a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2019 and 2018, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

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

b. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2019 and 2018 are 12.2% and 17.4%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 3.8% and 4.1% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate
PDP Group assumed a growth rate of 2.0% to 6.0% in 2019 and 0.4% to 2.3% in 2018. Management used the average industry growth rate for the forecast.

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

ii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2019 and 2018 are 13.3% and 14.5%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 2.0% and 6.5% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate
Growth rate assumptions for the five-year cash flow projections in 2019 and 2018 are supported by the different initiatives of SSRLI. SSRLI used 5.0% to 9.3% and 7.0% to 12.1% growth rate in revenue for its cash flow projection in 2019 and 2018, respectively.

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

8. Deconsolidated Subsidiaries

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

As a result, the Group consolidated Cirrus' statement of comprehensive income up to the date of sale.

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

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

The results of Cirrus for the period ended October 19, 2017 are presented below (in thousands):

Revenues	₱2,021,126
Cost of services	(1,569,503)
Gross profit	451,623
Expenses	(504,333)
Loss before income tax	(52,710)
Benefit from income tax	5,073
Net loss from a deconsolidated subsidiary	(₱47,637)
Loss Per Share	
Basic/diluted, for net loss attributable to equity holders of the Parent from a deconsolidated subsidiary	(₱0.04)

The net cash flows from (used in) the activities of Cirrus for the period ended October 19, 2017 are as follows (in thousands):

Operating	₱206,562
Investing	(3,637)
Financing	(161,618)
Net cash inflow	₱41,307

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

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

9. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱1,516,027,511**	₱1,601,784,276
Cash equivalents	**792,850,744**	1,163,730,790
	₱2,308,878,255	₱2,765,515,066

Cash with banks earn interest at the respective bank deposit rates ranging from 0.20% to 0.75%, 0.25% to 1.60% and 0.10% to 1.25% in 2019, 2018 and 2017, respectively. Cash equivalents with interest rates ranging from 0.88% to 4.00%, 0.36% to 6.50% and 0.16% to 2.64% in 2019, 2018 and 2017, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 24).

10. FVPL Investments

	2019	2018
Quoted equity shares	**₱7,616,776,828**	₱6,588,212,129
Unquoted equity shares	**1,137,142,219**	1,086,225,778
Funds and equities	**1,131,737,165**	766,122,276
Bonds	**793,929,295**	655,218,123
Proprietary shares	**367,437,073**	324,377,072
Others	**83,225,493**	17,792,108
	₱11,130,248,073	₱9,437,947,486

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE) and Nasdaq Stock Market (NASDAQ). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2019 and 2018, which are assessed to be the exit prices.

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

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

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.95% to 9.0%, 3.50% to 9.00% and 3.38% to 9.00% in 2019, 2018 and 2017, respectively. As at December 31, 2019 and 2018, the Group has equity investments amounting to ₱10,336.3 million and ₱8,782.7 million, respectively.

As at December 31, 2019 and 2018, the Company has FVPL investments amounting to ₱1,524.0 million and ₱1,185.1 million, respectively, that are pledged as collateral for its long-term debt (see Note 20).

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

a. KSA Realty Corporation (KSA)

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

   In 2019 and 2018, the Company recognized ₱80.1 million and ₱188.7 million gain on fair value adjustment in its investment in KSA which is presented in the consolidated profit or loss.

   As at December 31, 2019 and 2018, the Company's investment in KSA amounted to ₱1,021.8 million and ₱941.7 million, respectively (see Note 30).

   The Company received cash dividends from KSA amounting to ₱189.9 million, ₱151.4 million and ₱114.2 million in 2019, 2018 and 2017, respectively.

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

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

   As at December 31, 2019 and 2018, the carrying value of the investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱253.2 million and ₱262.9 million, respectively. Investment in Macquarie is included under "Funds and equities" account.

c. Madaket, Inc. (Madaket)

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

   AI recognized losses in fair value adjustment in its investment in Madaket, Inc. amounting to ₱13.3 million and ₱40.3 million in 2019 and 2017, respectively. Gain on fair value adjustment recognized in 2018 amounted to ₱21.0 million.

   As at December 31, 2019 and 2018, the Group's total investment in Madaket, inclusive of foreign exchange adjustment, amounted to ₱16.7 million and ₱31.2 million, respectively.

d. Element Data, Inc. (Element Data)

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

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

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

In 2019, AI invested additional US$0.5 million (₱26.4 million) in Element Data.

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱26.7 million, ₱12.0 million and ₱87.0 million, respectively, in its investment in Element Data.

Total investment in Element Data, inclusive of foreign exchange adjustment, amounted to nil and ₱1.5 million as at December 31, 2019 and 2018, respectively.

e. Navegar I LP and Navegar II LP (Navegar)

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

In July 2017, AI invested additional US$0.07 million (₱3.6 million).

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

AI invested additional US$0.2 million (₱10.1 million) in 2019.

In 2019 and 2018, AI recognized losses on fair market value adjustment in its investment in Navegar amounting to ₱2.2 million and ₱20.2 million, respectively. In 2017, the Group recognized gain on fair value adjustment of ₱12.6 million.

Total investment in Navegar, inclusive of foreign exchange adjustment, amounted to ₱36.4 million and ₱17.6 million as at December 31, 2019 and 2018, respectively. In 2019, the Group committed to invest US$10.0 million in Navegar II LP.

f. Sierra Madre Philippines I LP (Sierra Madre)

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

In 2019 and 2018, AI made additional investments to Sierra Madre amounting to US$0.9 million (₱48.0 million) and US$1.0 million (₱50.4 million).

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱31.1 million, ₱3.3 million and ₱12.2 million, respectively.

As at December 31, 2019 and 2018, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to ₱62.3 million and ₱47.1 million, respectively. In 2019, the Group committed to invest US$ 9.0 million.

g. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration.

The Company received cash dividends from Enderun amounting to ₱4.8 million in 2017.

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

The carrying value of the investment in Enderun amounted to nil as at December 31, 2019 and 2018.

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

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2019	2018	in 2019
Quoted equity shares	**₱3,252.6**	**₱2,242.3**	**₱1,010.3**
Unquoted equity shares	**472.1**	**487.5**	**(15.4)**
Proprietary shares	**329.8**	**286.7**	**43.1**
Bonds	**(15.9)**	**(54.9)**	**39.0**
Funds and equities	**(14.6)**	**(41.8)**	**27.2**
Others	**(5.8)**	**(7.6)**	**1.8**
Total	**4,018.2**	**2,912.2**	**1,106.0**
Add realized gain on sale of FVPL investments			**45.8**
Net gain on increase in market value of FVPL investments			**1,151.8**

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

There were no outstanding forward transactions as at December 31, 2019, 2018 and 2017.

11. **Receivables**

	2019	2018
Trade	**₱1,782,362,910**	₱1,837,485,963
Note receivable	**238,905,000**	240,030,000
Tax credits/refunds	**143,954,166**	180,109,900
Interest receivable	**24,518,133**	33,693,522
Receivables from villa owners	**17,341,766**	15,179,905
Advances to employees	**12,533,168**	14,295,820
Dividend receivable	–	3,299,071
Others	**17,071,649**	19,390,178
	2,236,686,792	2,343,484,359
Less allowance for expected credit losses	**114,084,174**	73,242,670
	₱2,122,602,618	₱2,270,241,689

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

Note receivable pertains to a one-year convertible note and security agreement entered on August 1, 2018 with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter. Total interest income recognized in the consolidated profit or loss amounted to ₱14.3 million and ₱5.9 million in 2019 and 2018, respectively (see Note 24).

On July 31, 2019, the Group amended the convertible loan and security agreement with Powersource by extending the maturity of the loan to February 1, 2020. As at December 31, 2019 and 2018, the carrying amount of the note receivable from Powersource amounted to ₱238.9 million.

On February 19, 2020, Powersource paid all its outstanding notes receivable.

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

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

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

		2019	
	Trade	**Interest and Others**	**Total**
At January 1	**₱70,818,417**	**₱2,424,253**	**₱73,242,670**
Provision for the year (Note 24)	**40,841,504**	**–**	**40,841,504**
At December 31	**₱111,659,921**	**₱2,424,253**	**₱114,084,174**

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

12. **Inventories**

	2019	2018
At cost:		
Raw materials	**₱92,365,315**	₱141,218,087
Materials in transit	**24,379,166**	32,862,852
Food and beverage	**15,266,566**	13,588,467
Aircraft parts in transit	**22,402,096**	8,694,321
Reel inventory	**7,791,270**	5,661,835
	162,204,413	202,025,562

(Forward)

	2019	2018
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱26.5 million in 2019 and ₱23.8 million in 2018	**376,609,807**	420,997,799
Work in process - net of allowance for inventory obsolescence of ₱11.0 million in 2019 and ₱9.0 million in 2018	**148,090,979**	147,536,989
Raw materials - net of allowance for inventory obsolescence of ₱2.8 million in 2019 and ₱2.9 million in 2018	**113,294,068**	117,336,643
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱32.8 million in 2019 and ₱37.1 million in 2018	**61,808,329**	98,295,809
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱9.5 million in 2019 and ₱8.6 million in 2018	**41,814,368**	43,662,471
Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million in 2019 and 2018	**605,556**	605,556
	742,223,107	828,435,267
	₱904,427,520	₱1,030,460,829

Net provision for inventory obsolescence recognized in 2019 amounted to ₱1.4 million and net reversals for inventory obsolescence recognized in 2018 and 2017 amounted to ₱2.6 million and ₱4.3 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2019 and 2018.

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

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

Inventories charged to cost of goods sold and services sold amounted to ₱6,207.8 million, ₱6,664.8 million and ₱5,709.9 million in 2019, 2018 and 2017, respectively (see Note 22).

13. FVOCI Investments

	2019	2018
Current portion	**₱94,535,324**	₱15,419,085
Noncurrent portion	**235,949,189**	678,904,133
	₱330,484,513	₱694,323,218

FVOCI investments in bonds represent the following:

a. Foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.00% to 7.38% in 2019, 3.00% to 7.38% in 2018 and 2.47% to 7.38% in 2017. Maturity dates range from March 17, 2020 to July 31, 2024 for bonds held as at December 31, 2019 and September 10, 2019 to July 31, 2024 for bonds held as at December 31, 2018.

b. Geothermal Project

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

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

   In 2017, the Company recognized ₱82.9 million impairment loss (nil in 2018 and 2019), which is presented in consolidated profit or loss, bringing the investment balance to nil as at December 31, 2019 and 2018.

   In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. As at February 19, 2020, the case is still ongoing.

In 2019 and 2017, gain on sale of FVOCI investments amounted to ₱11.9 million and ₱13.9 million, respectively. In 2018, loss on sale of FVOCI investments amounted to ₱2.7 million.

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

	2019	2018
Beginning balance	**(₱8,128,524)**	₱14,157,787
Gain (loss) recognized directly in equity - net of tax	**25,170,172**	(24,176,732)
Amount removed from equity and recognized in consolidated profit or loss - net of tax	**(8,301,959)**	1,890,421
Ending balance	**₱8,739,689**	(₱8,128,524)

14. **Investments and Advances**

	2019	2018
Investments at equity - net of valuation allowance	**₱995,882,967**	₱1,581,020,764
Advances - net of allowance for expected credit losses of ₱564.8 million in 2019 and 2018	**82,772,036**	823,718
	₱1,078,655,003	₱1,581,844,482

Investments at equity consist of:

	2019	2018
Acquisition cost		
Common shares	**₱2,549,574,872**	₱2,549,574,872
Preferred shares	**6,448,973**	6,448,973
Total	**2,556,023,845**	2,556,023,845
Accumulated equity in net losses - net of valuation allowance	**(1,833,880,993)**	(1,316,790,931)
Effect of foreign exchange differences	**273,740,115**	341,787,850
	₱995,882,967	₱1,581,020,764

The significant transactions involving the Group's investments in associates in 2019 and 2018 follow:

AGP-SG and AGP-BVI

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

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

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

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

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

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased the Group's interest in AGP-SG from 27% to 21%. The Group assessed that it still has significant influence over the AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore, while the principal place of business of AGP-BVI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

The total acquisition cost of the investment in AGP-SG amounted to ₱2.0 billion. As at December 31, 2019 and 2018, the carrying value of the investment amounted to ₱682.5 million and ₱ 1,274.8 million, respectively.

The Group recognized a valuation allowance of ₱232.3 million (after considering the effect of dilution), nil and ₱500.0 million in 2019, 2018 and 2017, respectively. In 2019 and 2018, the Group recognized equity in net losses amounting to ₱294.1 million and ₱266.6 million, respectively.

The following are the significant financial information of AGP-SG and AGP-BVI as at and for the years ended December 31, 2019 and 2018 (in millions):

	2019	2018
Balance Sheets:		
Current assets	**₱7,737.0**	₱2,475.3
Noncurrent assets	**15,793.1**	13,692.9
Current liabilities	**6,896.5**	3,639.2
Noncurrent liabilities	**6,253.4**	5,061.1
Equity	**10,491.6**	7,462.6
Statements of Comprehensive Income:		
Revenue	**₱9,063.1**	₱1,507.9
Loss from continuing operations, before tax	**1,257.1**	906.9
Loss from continuing operations	**1,239.6**	985.9

AIMP

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

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

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

As at December 31, 2019 and 2018, the carrying value of the investment in AIMP amounted to ₱134.3 million and ₱124.6 million, respectively.

AIMP reported net income amounting to ₱48.1 million and ₱33.1 million in 2019 and 2018, respectively. The Group recognized equity in net earnings amounting to ₱9.8 million, ₱5.2 million and ₱2.9 million in 2019, 2018 and 2017, respectively.

FHI

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

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under "Investments at equity-net of valuation allowance" upon transfer of 37,636,615 shares to the Company. On the same date, the Company entered into a deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.5%.

In 2019, Anscor made a cash advance to FHI amounting to ₱80.6 million.

As at December 31, 2019 and 2018, the carrying value of the investment and advances in FHI amounted to ₱259.6 million and ₱179.6 million.

FHI reported net loss amounting to ₱2.1 million and ₱7.2 million in 2019 and 2018, respectively. The Group recognized equity in net losses amounting to ₱0.5 million and ₱0.8 million in 2019 and 2018, respectively.

BM

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

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million). In March 2016, AI invested an additional US$0.44 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.814 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

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

As at December 31, 2019 and 2018, the net carrying value of AI's investment in BM amounted to nil.

Prople Limited

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

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

In prior years, the Group recognized impairment loss on the investment in Prople Limited.

As at December 31, 2019 and 2018, the net carrying value of AI's investment in Prople Limited amounted to nil.

The associates as at December 31, 2019 and 2018 have no contingent liabilities or capital commitments.

15. Property and Equipment

	2019					
	Land, Buildings and Improvements	**Flight, Ground, Machineries and Other Equipment**	**Furniture, Fixtures and Office Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
January 1	**₱2,722,844,921**	**₱1,063,069,548**	**₱510,404,741**	**₱221,735,321**	**₱20,172,856**	**₱4,538,227,387**
Additions	**22,029,912**	**91,129,913**	**36,278,461**	**10,691,218**	**98,002,423**	**258,131,927**
Reclassification	**5,421,619**	**64,214,690**	**–**	**–**	**(69,636,309)**	**–**
Retirement/disposals	**–**	**–**	**(28,053,077)**	**(14,813,279)**	**–**	**(42,866,356)**
December 31	**2,750,296,452**	**1,218,414,151**	**518,630,125**	**217,613,260**	**48,538,970**	**4,753,492,958**
Accumulated Depreciation and Amortization						
January 1	**843,544,117**	**613,174,917**	**377,454,085**	**143,223,831**	**–**	**1,977,396,950**
Depreciation and amortization (Note 22)	**52,288,643**	**108,679,535**	**68,931,106**	**26,599,467**	**–**	**256,498,751**
Retirement/disposals	**–**	**–**	**(28,053,077)**	**(14,813,279)**	**–**	**(42,866,356)**
December 31	**895,832,760**	**721,854,452**	**418,332,114**	**155,010,019**	**–**	**2,191,029,345**
Net Book Value	**₱1,854,463,692**	**₱496,559,699**	**₱100,298,011**	**₱62,603,241**	**₱48,538,970**	**₱2,562,463,613**

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

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

Depreciation from continuing operations amounted to ₱256.5 million, ₱252.8 million and ₱229.7 million in 2019, 2018 and 2017, respectively (see Note 22).

16. Investment Properties

	2019		
	Land	**Condominium**	**Total**
Cost			
January 1	**₱238,104,974**	**₱–**	**₱238,104,974**
Additions	**–**	**293,595,000**	**293,595,000**
Reclassification	**(94,403)**	**–**	**(94,403)**
December 31	**238,010,571**	**293,595,000**	**531,605,571**

(Forward)

	2019		
	Land	**Condominium**	**Total**
Accumulated Depreciation and Amortization			
January 1	**₱–**	**₱–**	**₱–**
Depreciation and amortization (Note 22)	**–**	**1,223,313**	**1,223,313**
December 31	**–**	**1,223,313**	**1,223,313**
Net Book Value	**₱238,010,571**	**₱292,371,687**	**₱530,382,258**

In 2018, the rollforward of investment properties, which pertain to land, is as follows:

January 1	₱236,521,635
Additions	1,583,339
December 31	238,104,974

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

In 2019, the Company purchased two (2) commercial units amounting to ₱293.6 million (exclusive of VAT) which are held for lease to other parties and associate.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as at October 2019 to January 2020, the aggregate fair market values of land amounted to ₱3,602.6 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

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

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

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AFC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approved the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order or until December 6, 2023. The notice of order was received by the Group on December 7, 2018.

In 2019, the Group recognized rental income of ₱1.0 million from these investment properties (nil in 2018 and 2017).

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2019, 2018 and 2017.

17. **Other Noncurrent Assets and Other Noncurrent Liabilities**

The Group's other noncurrent assets comprise the following as of December 31:

	2019	2018
Fund for villa operations and capital expenditures (Note 31)	**₱107,790,478**	₱94,405,140
Deposit to suppliers	**101,610,508**	101,805,516
Computer software - net of accumulated depreciation of ₱8.9 million and ₱5.5 million as of December 31, 2019 and 2018, respectively	**8,887,115**	11,964,834
Property development in progress (Note 31)	**3,676,224**	3,177,197
Refundable deposits	**1,426,368**	1,426,368
Others	**255,738**	9,717,525
	₱223,646,431	₱222,496,580

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

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

Other noncurrent liabilities amounted to ₱148.0 million and ₱143.4 million as at December 31, 2019 and 2018, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. **Notes Payable**

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

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

a. PDP availed of loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%.

b. The Group's unavailed loan credit line from banks amounted to ₱3,329.6 million and ₱2,915.0 million as at December 31, 2019 and 2018, respectively.

c. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱0.5 million, ₱2.3 million and nil in 2019, 2018 and 2017, respectively (see Note 24).

The Group has no outstanding notes payable as of December 31, 2019.

19. Accounts Payable and Accrued Expenses

	2019	2018
Trade payables	**₱310,878,102**	₱306,518,584
Accrued expenses (Note 33)	**230,404,765**	144,645,647
Refundable deposits	**211,118,416**	200,866,484
Payable to villa owners	**55,560,904**	42,610,853
Contract liabilities (Note 5)	**52,693,634**	41,056,559
Payable to government agencies	**36,517,947**	30,673,126
Payable to contractors	**17,049,237**	15,091,164
Other payables (Note 33)	**17,097,152**	25,718,398
	₱931,320,157	₱807,180,815

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

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

Refundable deposits pertain to advance payments made by guests.

Contract liabilities pertain to the customers' advances for the delivery of goods and services.

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

20. Long-term Debt

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

	2019	2018
Anscor	**₱114,295,500**	₱591,525,000
PDP Energy	**378,571,428**	530,000,000
IAI	**10,440,675**	16,562,700
	503,307,603	1,138,087,700
Less current portion	**276,164,746**	635,690,371
	₱227,142,857	₱502,397,329

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱1,524.0 million and ₱1,185.1 million as at December 31, 2019 and 2018, respectively (see Note 10). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2019 and 2018, the Company is in compliance with the debt covenants.

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

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2019 and 2018, PDP Energy is in compliance with the debt covenants.

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

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

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

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

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

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

Total interest expense recognized in the consolidated profit or loss amounted to ₱44.4 million, ₱70.5 million and ₱84.8 million 2019, 2018 and 2017, respectively (see Note 24).

21. **Equity**

Equity holders of the Parent

Capital stock as at December 31, 2019 and 2018 consists of the following common shares:

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

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2019 and 2018 totaled 1,250,127,754 and 1,211,911,354, respectively. The Company's number of equity holders as at December 31, 2019 and 2018 is 11,087 and 11,131, respectively.

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

In 2019, 2018 and 2017, the Company declared the following cash dividends:

	2019	2018	2017
Month of declaration	**February and November**	February	February
Cash dividend per share	**₱0.25 and ₱0.25**	₱0.50	₱0.20
Total cash dividends	**₱1,250.0 million**	₱1,250.0 million	₱500.0 million
Share of a subsidiary	**₱634.6 million**	₱641.4 million	₱255.6 million

As at December 31, 2019 and 2018, the Company's dividends payable amounted to ₱284.0 million and ₱285.8 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2019 and 2018 due to problematic addresses of some of the Company's stockholders.

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

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

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

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

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

- Balance of gross deferred income tax assets amounting ₱89.1 million and ₱80.1 million as at December 31, 2019 and 2018, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱4.1 billion and ₱3.6 billion as at December 31, 2019 and 2018, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary
As at December 31, 2019 and 2018, Anscorcon holds 1,249,872,246 shares and 1,288,088,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱119.0 million (17,783,600 shares) and ₱32.2 million (5,261,900 shares) in 2019 and 2018, respectively. In 2019, Anscorcon sold 56.0 million Company shares for ₱359.9 million.

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

Cost of goods sold consists of:

	2019	2018	2017
Materials used and changes in inventories (Note 12)	**₱6,182,201,800**	₱6,634,879,313	₱5,676,034,719
Salaries, wages and employee benefits (Note 23)	**123,726,961**	110,439,330	103,673,725
Repairs and maintenance	**103,648,290**	88,279,128	96,049,867
Utilities	**81,758,417**	83,013,181	95,680,984
Depreciation and amortization (Note 15)	**81,236,323**	78,937,284	81,484,916
Transportation and travel	**7,842,844**	6,708,026	7,269,253
Insurance	**2,143,719**	2,027,792	1,963,935
Dues and subscriptions	**1,655,837**	1,682,979	1,678,179
Others	**6,074,796**	4,582,256	5,448,347
	₱6,590,288,987	₱7,010,549,289	₱6,069,283,925

Cost of services rendered consists of:

	2019	2018	2017
Resort operating costs	**₱160,436,397**	₱146,884,223	₱133,218,885
Salaries, wages and employee benefits (Note 23)	**65,974,344**	72,475,563	63,117,105
Transportation and travel	**53,711,346**	38,946,171	16,521,018
Depreciation and amortization (Note 15)	**39,749,485**	37,966,471	36,007,747
Fuel cost	**35,731,780**	44,173,953	38,697,088
Repairs and maintenance	**30,384,808**	31,336,351	31,669,833
Materials and supplies - resort operations (Note 12)	**25,548,530**	29,910,544	33,887,885
Commissions	**15,313,975**	17,201,564	14,433,118
Insurance	**4,515,573**	4,887,652	4,735,964
Outside services	**1,142,487**	1,383,256	1,362,504
Variable nurse costs	**–**	1,122,567	4,301,692
Others	**14,550,117**	11,219,874	18,018,531
	₱447,058,842	₱437,508,189	₱395,971,370

Operating expenses consist of:

	2019	2018	2017
Salaries, wages and employee benefits (Note 23)	**₱343,715,912**	₱347,286,847	₱410,770,485
Depreciation and amortization (Notes 15, 16 and 31)	**151,194,031**	135,916,449	132,268,068
Advertising, marketing and management fee (Note 31)	**149,896,970**	147,533,312	126,476,694
Shipping and delivery expenses	**89,675,097**	82,775,651	71,917,913
Utilities	**79,746,977**	76,226,590	59,820,387
Repairs and maintenance	**56,982,751**	51,645,741	37,356,821
Taxes and licenses	**55,210,882**	48,090,154	59,832,031
Professional and directors' fees	**49,816,241**	72,891,128	45,933,124
Transportation and travel	**47,347,552**	46,524,779	44,828,828
Commissions	**34,019,789**	30,268,954	26,174,903
Insurance	**21,649,585**	22,997,892	23,691,621
Security services	**21,220,110**	20,613,634	18,834,745
Computer programming	**13,450,049**	6,177,406	4,592,662
Communications	**12,719,346**	12,230,631	14,268,396
Donation and contribution	**9,618,796**	6,632,200	11,888,895
Medical expenses	**8,984,153**	5,171,806	6,137,045
Meetings and conferences	**8,820,470**	7,459,777	11,760,474
Association dues	**8,113,533**	7,808,276	7,278,115
Office supplies	**6,786,878**	6,097,933	5,316,103
Entertainment, amusement and recreation	**6,122,508**	6,923,568	7,034,567
Rental (Note 31)	**160,736**	7,773,918	10,571,402
Others	**42,553,261**	45,336,970	42,522,165
	₱1,217,805,627	₱1,194,383,616	₱1,179,275,444

In 2019, 2018 and 2017, the Company paid bonus to its non-executive directors amounting to ₱4.6 million, ₱10.7 million and ₱10.4 million, respectively.

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

23. Personnel Expenses

	2019	2018	2017
Salaries and wages	**₱348,909,427**	₱422,082,781	₱492,515,391
Pension costs (Note 25)	**13,203,358**	37,124,451	16,747,851
Social security premiums and other employee benefits	**171,304,432**	70,994,508	68,298,073
	₱533,417,217	₱530,201,740	₱577,561,315

In 2019, 2018 and 2017, the Company declared and paid bonuses to its executive officers amounting to ₱37.0 million, ₱51.8 million and ₱48.7 million, respectively.

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

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

Interest income consists of:

	2019	2018	2017
Debt instruments (Notes 10 and 13)	**₱75,190,235**	₱75,378,770	₱78,484,323
Cash and cash equivalents (Note 9)	**34,410,510**	26,825,911	13,674,413
Others (Note 11)	**14,877,290**	7,311,466	6,718,619
	₱124,478,035	₱109,516,147	₱98,877,355

Interest income on debt instruments is net of bond discount amortization amounting to ₱1.8 million, ₱0.8 million and ₱1.7 million in 2019, 2018 and 2017, respectively.

Interest expense arose from the following:

	2019	2018	2017
Long-term debt (Note 20)	**₱44,390,418**	₱70,524,251	₱84,832,172
Lease liabilities (Note 31)	**3,286,888**	–	–
Notes payable (Note 18)	**495,072**	2,293,068	–
Others	**192,245**	91,052	306,006
	₱48,364,623	₱72,908,371	₱85,138,178

Other income (charges) consists of:

	2019	2018	2017
Receipt of escrow fund and tax refund	**₱88,301,725**	₱38,640,000	₱–
Valuation allowances on:			
Receivables (Note 11)	**(40,841,504)**	(15,430,275)	(12,541,567)
Other current and noncurrent assets	**(910,582)**	(1,599,246)	–
FVOCI investments (Note 13)	–	–	(82,906,040)
Construction materials and other supplies	–	–	(5,363,689)

(Forward)

	2019	2018	2017
Recovery of valuation allowances (Notes 11 and 12)	–	7,632,131	–
Rental income (Note 31)	**2,909,532**	8,566,268	6,709,294
Sale of property	**526,784**	448,832	19,162,207
Claims and other refunds	–	54,024,733	–
Service and handling fees (Note 31)	–	–	103,303,424
Others	**18,866,131**	(12,574,068)	23,965,138
	₱68,852,086	₱79,708,375	₱52,328,767

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

In relation to the sale of Cirrus (see Note 8), an amount in escrow was established to which the Group will be entitled to receive over a period of three years until 2020, subject to certain conditions. In 2019 and 2018, the Group partially received the escrow fund and tax refund, respectively. As at December 31, 2019, the remaining balance of the escrow fund amounted to US$ 1.7 million (₱88.3 million).

25. **Pension**

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

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

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

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

The Group's plan assets and investments as at December 31, 2019 and 2018 consist of the following:

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

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.4% to 11.3% in 2019, from 3.5% to 10.1% in 2018 and from 2.1% to 7.9% in 2017, and have maturities from January 12, 2020 to January 24, 2039 in 2019, from October 16, 2019 to July 19, 2031 in 2018, and from May 23, 2018 to December 7, 2026 in 2017.

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.2% to 5.4%, from 3.4% to 5.8% and from 0.2% to 8.0% in 2019, 2018, 2017, respectively, and have maturities from August 11, 2020 to July 3, 2027, from January 8, 2019 to July 3, 2027 and from January 3, 2018 to July 19, 2031 in 2019, 2018 and 2017, respectively.

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

As at December 31, 2019 and 2018, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱405.8 million and ₱43.1 million, respectively. The fair value of the shares of stock amounted to ₱400.7 million and ₱41.7 million, as at December 31, 2019 and 2018, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total losses and gains arising from the changes in market prices amounted to ₱8.3 million and ₱2.4 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the Fund's fair value amounted to ₱492.6 million and ₱435.8 million, respectively.

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

	2019	2018	2017
Retirement benefit cost:			
Current service cost	**₱17,562,357**	₱22,420,634	₱19,689,927
Net interest	**(4,358,999)**	(3,508,392)	(2,942,076)
Past service cost	–	18,212,209	–
Net benefit expense (Note 23)	**₱13,203,358**	₱37,124,451	₱16,747,851
Actual return on plan assets	**₱38,309,338**	(₱11,890,805)	₱38,487,657

Changes in net retirement plan asset are as follows:

	2019	2018	2017
Net retirement plan asset, beginning	**₱65,391,589**	₱93,706,684	₱60,191,266
Current service cost	**(11,281,011)**	(16,376,425)	(14,782,486)
Net interest	**5,115,853**	3,113,413	3,133,176
	(6,165,158)	(13,263,012)	(11,649,310)
Actuarial changes arising from:			
Changes in financial assumptions	**(21,613,963)**	19,895,193	11,077,214
Experience adjustments	**13,906,841**	(5,457,343)	29,303,887
Changes in the effect of asset ceiling	**10,662,932**	443,348	(23,307,335)
Remeasurement of plan assets	**4,002,083**	(34,561,863)	17,799,154
Changes in demographic adjustments	**2,205,744**	–	–
	9,163,637	(19,680,665)	34,872,920
Contribution	**16,196,994**	17,143,550	10,291,808
Transfer to net retirement payable	**(116,223)**	(12,514,968)	–
Net retirement plan asset, end	**₱84,470,839**	₱65,391,589	₱93,706,684

Changes in net retirement benefits payable are as follows:

	2019	2018	2017
Net retirement benefits payable, beginning	**(₱12,858,113)**	(₱9,184,074)	(₱4,211,769)
Current service cost	**(6,281,346)**	(6,044,209)	(4,907,441)
Net interest	**(756,854)**	394,979	(191,100)
Past service cost	–	(18,212,209)	–
	(7,038,200)	(23,861,439)	(5,098,541)
Actuarial changes arising from:			
Changes in financial assumptions	**(14,606,935)**	11,954,837	(5,204,141)
Experience adjustments	**(5,868,754)**	(6,466,368)	1,732,226
Remeasurement of plan assets	**1,997,522**	(4,137,703)	(1,439,886)
Changes in the effect of asset ceiling	**10,000**	–	–
	(18,468,167)	1,350,766	(4,911,801)
Withdrawal of plan assets	–	–	(1,575,169)
Contribution	**5,996,197**	5,048,364	6,367,740
Transfer from net retirement asset	**116,223**	12,514,968	–
Reduction in net retirement benefits payable for disposed subsidiary (Note 8)	–	1,273,302	245,466
Net retirement benefits payable, end	**(₱32,252,060)**	(₱12,858,113)	(₱9,184,074)

Computation of net retirement plan assets (liabilities):

2019

	Net Retirement Plan Assets	**Net Retirement Liabilities**	**Total**
Present value of defined benefit obligation	**(₱301,273,798)**	**(₱118,259,807)**	**(₱419,533,605)**
Fair value of plan assets	**406,707,993**	**85,891,524**	**492,599,517**
Surplus (deficit)	**105,434,195**	**(32,368,283)**	**73,065,912**
Effect of the asset ceiling	**(20,847,133)**	**–**	**(20,847,133)**
Transfer to (from) net retirement payable (asset)	**(116,223)**	**116,223**	**–**
Retirement plan assets (liabilities)	**₱84,470,839**	**(₱32,252,060)**	**₱52,218,779**

2018

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

Changes in the present value of defined benefit obligation:

	2019	2018
Defined benefit obligation, beginning	**₱353,810,481**	₱386,430,372
Current service cost	**17,562,357**	22,420,634
Interest cost	**25,864,951**	21,683,834
Past service cost	–	18,212,209
Remeasurement in other comprehensive income:		
Actuarial loss (gain) - changes in financial assumptions	**36,220,898**	(31,850,030)
Actuarial loss (gain) - experience adjustments	**(8,038,087)**	11,923,711
Actuarial gain - changes in demographic assumptions	**(2,205,744)**	–
Benefits paid from plan assets	**(3,681,251)**	(71,048,606)
Reduction in net retirement benefits payable for disposed subsidiary	–	(3,961,643)
Defined benefit obligation, ending	**₱419,533,605**	₱353,810,481

Changes in the fair value of plan assets:

	2019	2018
Fair value of plan assets, beginning	**₱435,778,239**	₱499,214,077
Interest income	**32,309,733**	26,808,761
Contributions	**22,193,191**	22,191,914
Remeasurement gain (loss)	**5,999,605**	(38,699,566)
Benefits paid from plan assets	**(3,681,251)**	(71,048,606)
Reduction in plan asset for disposed subsidiary	**–**	(2,688,341)
Fair value of plan assets, ending	**₱492,599,517**	₱435,778,239

Changes in the effect of asset ceiling:

	2019	2018
Beginning balance	**₱29,434,282**	₱28,261,095
Changes in the effect of asset ceiling	**(10,672,932)**	(443,348)
Interest on the effect of asset ceiling	**2,085,783**	1,616,535
Ending balance	**₱20,847,133**	₱29,434,282

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

	2019	2018
Debt instruments	**₱349,396,318**	₱248,676,008
Equity instruments	**119,177,159**	106,658,937
Cash and cash equivalents	**13,744,563**	38,629,986
Unit investment trust funds	**7,495,552**	32,727,952
Others	**2,785,925**	9,085,356
	₱492,599,517	₱435,778,239

The financial instruments with quoted prices in active market amounted to ₱710.6 million and ₱323.9 million as at December 31, 2019 and 2018, respectively. The remaining plan assets do not have quoted market prices in active market.

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

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

2019	**Change in Rates**	**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**
Discount rates	**-3.60% to -6.20%**	**₱18,182,116**
	+3.20% to +7.20%	**(16,045,671)**
Future salary increases	**+3.50% to +7.30%**	**₱18,107,055**
	-3.20% to -6.40%	**(16,273,402)**

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

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

2019	**Change in Rates**	**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**
Discount rates	**-5.10% to -12.70%**	**₱1,095,421**
	+5.60% to +10.90%	**(970,425)**
Future salary increases	**+5.60% to +11.70%**	**₱1,088,780**
	-5.20% to -10.30%	**(982,737)**

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

The Group expects to make contributions amounting to ₱25.3 million to its defined benefit pension plans in 2020.

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

	2019	2018
Discount rate	**3.87% to 5.61%**	6.93% to 7.98%
Future salary increases	**3.00% to 5.00%**	4.00% to 5.00%

The weighted average duration of the defined benefit obligation as at December 31, 2019 and 2018 ranges from 2.0 to 11.9 years and 2.9 to 11.5 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2019:

Year	Amount
2020	₱248,705,413
2021	13,033,895
2022	6,975,653
2023	18,104,488
2024	20,508,142
2025 to 2029	152,148,207

There were no changes from the previous period in the method and assumptions used in preparing the sensitivity analysis.

26. Income Taxes

The provision for income tax consists of:

	2019	2018	2017
Current	**₱419,419,841**	₱316,870,929	₱249,733,903
Deferred	**9,953,813**	30,347,637	3,701,781
	₱429,373,654	₱347,218,566	₱253,435,684

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

	2019		2018	
	Net Deferred Income Tax Assets[(1)]	**Net Deferred Income Tax (Liabilities)[(2)]**	Net Deferred Income Tax Assets[(1)]	Net Deferred Income Tax (Liabilities)[(2)]
Recognized in the consolidated profit or loss:				
Deferred income tax assets on:				
Allowance for expected credit losses	**₱34,225,252**	**₱–**	₱21,972,801	₱–
Allowance for inventory losses	**24,984,097**	**–**	22,818,454	–
Accrued expenses	**15,467,319**	**–**	17,873,559	–
Retirement benefits payable	**9,409,769**	**–**	4,069,882	–
Unamortized past service cost	**2,558,158**	**926,771**	2,240,814	1,158,466
Unrealized foreign exchange loss	**295,134**	**–**	922,237	–
Market adjustment on FVPL investments	**12,155**	**–**	8,337,973	–
Others	**1,196,004**	**–**	598,450	–
	88,147,888	**926,771**	78,834,170	1,158,466
Deferred income tax liabilities on:				
Retirement plan assets	**–**	**(4,724,625)**	(40,519)	(3,207,703)
Unrealized foreign exchange gains	**–**	**(9,722,141)**	(219,561)	(13,309,704)
Uncollected management fee	**–**	**(8,419,202)**	–	(11,094,491)
Fair value adjustment	**–**	**(316,412,386)**	–	(324,407,713)
Market adjustment on FVPL investments	**–**	**(120,310,966)**	(2,584,218)	(87,847,870)
	–	**(459,589,320)**	(2,844,298)	(439,867,481)
	88,147,888	**(458,662,549)**	75,989,872	(438,709,015)
Recognized in other comprehensive income:				
Deferred income tax assets (liabilities) on:				
Unrealized valuation losses (gains) on FVOCI investments	**–**	**(2,633,436)**	–	4,595,798
Cumulative actuarial gains	**(991,875)**	**(18,016,711)**	(477,330)	(15,641,944)
	(991,875)	**(20,650,147)**	(477,330)	(11,046,146)
	₱87,156,013	**(479,312,696)**	₱75,512,542	(₱449,755,161)

(1) Pertain to PDP, SSRLI, ASAC, AHI and Sutton
(2) Pertain to Anscor and Anscorcon

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

	2019	2018
Allowances for:		
Impairment losses	**₱1,883,617,238**	₱1,651,360,313
Expected credit losses	**564,800,000**	564,800,000
NOLCO	**198,427,775**	138,260,513
MCIT	**8,916,210**	9,436,514
Provision for probable losses and lawsuits	**5,721,158**	5,721,158
Accrued pension benefits and others	**3,538,754**	4,162,004

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2019, 2018 and 2017 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2017.

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

	2019	2018	2017
Provision for income tax at statutory tax rates	**₱710,325,095**	₱375,612,585	₱866,831,825
Additions to (reductions from) income taxes resulting from:			
Dividend income not subject to income tax	**(108,395,002)**	(83,477,245)	(76,936,509)
Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax	**(233,588,466)**	167,752,492	(353,191,683)
Income tax at 5% GIT	**(85,665,018)**	(37,443,654)	(76,130,168)
Movement in unrecognized deferred income tax assets	**87,384,190**	(48,177,801)	188,773,973
Expired NOLCO and MCIT	**7,085,291**	53,808,275	33,575,544
Nontaxable income	**(13,687,406)**	(142,280,407)	(7,203,562)
Interest income already subjected to final tax	**(2,556,510)**	(3,114,226)	(3,671,966)
Equity in net losses (earnings) of associates not subject to income tax	**85,449,941**	78,655,241	(870,281)
Nontaxable (gain) loss on sale of subsidiaries	**–**	2,724,000	(329,358,484)
Others	**(16,978,461)**	(16,840,694)	11,616,995
	₱429,373,654	₱347,218,566	₱253,435,684

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

NOLCO

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	₱8,996,020	₱–	₱–	(₱8,996,020)	₱–	₱–
2017	2018-2020	133,575,220	–	–	–	(15,424,019)	118,151,201
2018	2019-2021	11,113,292	–	–	–	–	11,113,292
2019	2020-2022	–	69,163,282	–	–	–	69,163,282
		₱153,684,532	₱69,163,282	₱–	(₱8,996,020)	(₱15,424,019)	₱198,427,775

Adjustment pertains to unexpired portion of NOLCO of CGI.

MCIT

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	₱4,577,596	₱–	₱–	(₱4,386,485)	(₱191,111)	₱–
2017	2018-2020	1,831,097	–	–	–	–	1,831,097
2018	2019-2021	3,218,932	–	–	–	–	3,218,932
2019	2020-2022	–	3,866,181	–	–	–	3,866,181
		₱9,627,625	₱3,866,181	₱–	(₱4,386,485)	(₱191,111)	₱8,916,210

Adjustment pertains to unexpired portion of MCIT of CGI.

27. Earnings Per Share - Basic / Diluted

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

	2019	2018	2017
Net income attributable to equity holders of the Parent	**₱1,843,615,322**	₱808,386,813	₱2,547,458,719
Net income from continuing operations attributable to equity holders of the Parent	**1,843,615,322**	808,386,813	2,595,095,870
Total comprehensive income attributable to equity holders of the Parent	**1,741,633,291**	857,889,362	2,485,599,962
Weighted average number of shares	**1,207,960,035**	1,215,525,163	1,224,247,737
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	**₱1.53**	₱0.67	₱2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent	**₱1.53**	₱0.67	₱2.12
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	**₱1.44**	₱0.71	₱2.03

The Company does not have potentially dilutive common stock equivalents in 2019, 2018 and 2017.

28. Related Party Transactions

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

All related party transactions exceeding ₱5.0 million in a single transaction or in aggregate transactions within the last twelve (12) months shall be disclosed to and evaluated by the Related Party Transaction Committee for approval by at least majority of the BOD.

All material related party transactions, representing 10% or more of the consolidated total assets of the Group, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors voting to approve the material related party transactions. These transactions shall be disclosed with the SEC.

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

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

	2019	2018	2017
Short-term employee benefits (Notes 22 and 23)	**₱116.1**	₱166.8	₱172.3
Retirement benefits (Notes 22, 23 and 25)	**5.7**	6.9	7.7
Total	**₱121.8**	₱173.7	₱180.0

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

On November 4, 2019, the Company granted a five-year loan amounting to ₱363.5 million to A. Soriano Corporation Retirement Plan (the Retirement Plan) at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of ₱359.2 million as of December 31, 2019. The balance of the loan amounted to ₱349.5 million as of December 31, 2019.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of 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, lease liabilities and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

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

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

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

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

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

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

	2019	2018
Cash in banks	**₱1,514,820,487**	₱1,600,596,372
Short-term investments	**792,850,744**	1,163,730,790
FVPL investments - bonds	**793,929,295**	655,218,123
FVOCI investments - bonds	**330,484,513**	694,323,218
Advances	**647,572,036**	565,623,718
	4,079,657,075	4,679,492,221
Receivables:		
Trade	**1,782,362,910**	1,837,485,963
Notes receivable	**588,404,741**	240,030,000
Interest receivable	**24,518,133**	33,693,522
Receivable from villa owners	**17,341,766**	15,179,905
Advances to employees	**12,533,168**	14,295,820
Dividend receivable	**–**	3,299,071
Others	**17,071,649**	19,390,178
	2,442,232,367	2,163,374,459
	₱6,521,889,442	₱6,842,866,680

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.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

		Past Due But Not Impaired					
December 31, 2019	**Current**	**Less than 30 days**	**31 to 60 days**	**61 to 90 days**	**91 to 120 days**	**More than 120 days**	**Total**
Expected credit loss rate	0%-0.90%	0%-3.03%	0%-7.15%	0%-14.46%	0%-27.11%	0%-56.49%	
Estimated total gross carrying amount at default	₱1,092,381,017	₱346,870,324	₱116,292,945	₱63,710,057	₱61,779,281	₱101,329,286	₱1,782,362,910
Expected credit loss	₱9,629,208	₱10,515,683	₱8,313,714	₱9,212,078	₱16,749,058	₱57,240,180	₱111,659,921

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

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

2019	**12-month ECL**	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks	**₱1,514,820,487**	**₱–**	**₱–**	**₱1,514,820,487**
Short-term investments	**792,850,744**	**–**	**–**	**792,850,744**
FVOCI investments	**330,484,513**	**–**	**–**	**330,484,513**
Receivables:				
Notes receivable*	**588,404,741**	**–**	**–**	**588,404,741**
Interest receivable	**23,927,038**	**–**	**591,095**	**24,518,133**
Receivable from villa owners	**17,341,766**	**–**	**–**	**17,341,766**
Advances to employees	**12,533,168**	**–**	**–**	**12,533,168**
Others	**15,238,491**	**–**	**1,833,158**	**17,071,649**
Advances	**82,772,036**	**–**	**564,800,000**	**647,572,036**
	₱3,378,372,984	**₱–**	**₱567,224,253**	**₱3,945,597,237**

**Including noncurrent portion amounting to ₱349.5 million*

2018	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total Impairment
Cash in banks	₱1,600,596,372	₱–	₱–	₱1,600,596,372
Short-term investments	1,163,730,790	–	–	1,163,730,790
FVOCI investments - debt instruments	694,323,218	–	–	694,323,218
Receivables:				
Notes Receivable	240,030,000	–	–	240,030,000
Interest receivable	33,102,427	–	591,095	33,693,522
Receivable from villa owners	15,179,905	–	–	15,179,905
Advances to employees	14,295,820	–	–	14,295,820
Dividend receivable	3,299,071	–	–	3,299,071
Others	17,557,020	–	1,833,158	19,390,178
Advances	823,718	–	564,800,000	565,623,718
	₱3,782,938,341	₱–	₱567,224,253	₱4,350,162,594

Liquidity risk

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

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

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

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

December 31, 2019	**Within 6 Months**	**6 to 12 Months**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total**
Cash on hand and in banks	**₱1,516,027,511**	**₱–**	**₱–**	**₱–**	**₱1,516,027,511**
Short-term investments	**792,850,744**	**–**	**–**	**–**	**792,850,744**
FVPL investments - bonds	**128,863,357**	**–**	**532,866,257**	**132,199,681**	**793,929,295**
FVOCI investments - bonds	**94,535,324**	**–**	**235,949,189**	**–**	**330,484,513**
Receivables*	**1,782,362,910**	**196,285,542**	**–**	**349,499,741**	**2,328,148,193**
	₱4,314,639,846	**₱196,285,542**	**₱768,815,446**	**₱481,699,422**	**₱5,761,440,256**

(Forward)

December 31, 2019	**Within 6 Months**	**6 to 12 Months**	**Over 1 Year to 5 Years**	**Over 5 Years**	**Total**
Accounts payable and accrued expenses**	**₱837,059,115**	**₱5,049,461**	**₱–**	**₱–**	**₱842,108,576**
Lease liabilities	**4,953,932**	**4,953,932**	**27,466,781**	**–**	**37,374,645**
Long-term debt	**143,302,711**	**132,862,035**	**227,142,857**	**–**	**503,307,603**
Dividends payable	**283,974,578**	**–**	**–**	**–**	**283,974,578**
	₱1,269,290,336	**₱142,865,428**	**₱254,609,638**	**₱–**	**₱1,666,765,402**

* *Excluding non-financial assets amounting to ₱144.0 million. Notes receivable amounting to ₱349.5 million is included.*
** *Excluding non-financial liabilities amounting to ₱89.2 million.*

December 31, 2018	Within 6 Months	6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand and in banks	₱1,601,784,276	₱–	₱–	₱–	₱1,601,784,276
Short-term investments	1,163,730,790	–	–	–	1,163,730,790
FVPL investments - bonds	57,875,395	30,613,128	368,872,650	197,856,950	655,218,123
FVOCI investments - bonds	–	15,419,085	544,898,560	134,005,573	694,323,218
Receivables*	1,837,104,070	249,660,423	3,367,296	–	2,090,131,789
	₱4,660,494,531	₱295,692,636	₱917,138,506	₱331,862,523	₱6,205,188,196
Accounts payable and accrued expenses**	₱730,401,669	₱5,049,461	₱–	₱–	₱735,451,130
Notes payable	250,000,000	–	–	–	250,000,000
Long-term debt	317,845,186	317,845,185	502,397,329	–	1,138,087,700
Dividends payable	285,828,593	–	–	–	285,828,593
	₱1,584,075,448	₱322,894,646	₱502,397,329	₱–	₱2,409,367,423

* *Excluding non-financial assets amounting to ₱180.1 million.*
** *Excluding non-financial liabilities amounting to ₱71.7 million.*

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

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

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

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

a. Interest rate risks

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

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

Floating Debt Instrument	Change in Interest Rates [in Basis Points (bps)]	Effect on Income Before Tax and Equity Increase (Decrease)
2019	**+150**	**(₱1.06)**
	-150	**1.06**
2018	+150	(₱7.30)
	-150	7.30

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2019 and 2018. There is no other impact on equity other than those affecting profit or loss.

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

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

	Change in	**Increase (Decrease)**	
2019	**Interest Rates (in bps)**	**Effect on Income Before Tax**	**Effect on Equity**
FVOCI investments	**+100**	**₱–**	**(₱5.09)**
	-100	**–**	**5.31**
FVPL investments	**+100**	**(₱14.75)**	**₱–**
	-100	**18.20**	**–**

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

b. Equity price risk

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

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

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

FVPL Investments	**Change in PSE Price Index**	**Effect on Income Before Tax and Equity Increase (Decrease)**
2019	**+14.47%**	**₱375.18**
	-14.47%	**(375.18)**
2018	+17.70%	₱520.87
	-17.70%	(520.87)

The annual standard deviation of the PSE price index is approximately with 14.47% and 14.73% and with 99% confidence level, the possible change in PSE price index could be +/- 14.47% and +/- 17.70% and in 2019 and 2018, respectively.

c. Price risk of mutual funds

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

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

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

Mutual Funds	**Change in NAV**	**Effect on Income Before Tax and Equity Increase (Decrease)**
2019	**+10.00%**	**₱81.10**
	-10.00%	**(81.10)**
2018	+10.00%	₱46.25
	-10.00%	(46.25)

d. Foreign currency risks

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

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

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

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

2019	**Change in Currency Rate**	**Effect on Income Before Tax and Equity Increase (Decrease)**
US Dollar	**+5.60%**	**₱6.82**
	-5.60%	**(6.82)**
Indonesian Rupiah	**+4.79%**	**(₱8.53)**
	-4.79%	**8.53**

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

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱427.1 million, with an average quantity of about 1,284 metric tons in 2019 and ₱493.3 million, with an average quantity of about 1,326 metric tons in 2018.

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

The impact of the change in copper prices are as follows (in millions):

	% Change in Copper Rod Prices	Effect on Income Before Income Tax and Equity Increase (Decrease)
2019	**+0.72%**	**(₱3.79)**
	-0.72%	**3.79**
2018	+8.36%	(₱45.11)
	-8.36%	45.11

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

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

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

No changes were made in the objectives, policies or process for the years ended December 31, 2019 and 2018.

30. Financial Instruments

Categorization of Financial Instruments

December 31, 2019	**At Amortized Cost**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and short-term investments	**₱2,308,878,255**	**₱–**	**₱–**	**₱2,308,878,255**
FVPL investments	**–**	**11,130,248,073**	**–**	**11,130,248,073**
FVOCI investments	**–**	**–**	**330,484,513**	**330,484,513**
Receivables*	**2,328,148,193**	**–**	**–**	**2,328,148,193**
	₱4,637,026,448	**₱11,130,248,073**	**₱330,484,513**	**₱16,097,759,034**

**Excluding non-financial assets amounting to ₱144.0 million. Note receivable amounting to ₱349.5 million is included.*

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

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

Fair Values of Financial Assets and Financial Liabilities
The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable, current portion of lease liabilities 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 investment in KSA are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

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

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

As at December 31, 2019:

		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱7,616,776,828**	**₱7,616,776,828**	**₱–**	**₱–**
Unquoted equity shares	**1,137,142,219**	**–**	**115,433,145**	**1,021,709,074**
Funds and equities	**1,131,737,165**	**1,131,677,465**	**–**	**59,700**
Bonds	**793,929,295**	**793,929,295**	**–**	**–**
Proprietary shares	**367,437,073**	**367,437,073**	**–**	**–**
Others	**83,225,493**	**83,225,493**	**–**	**–**
	11,130,248,073	**9,993,046,154**	**115,433,145**	**1,021,768,774**
FVOCI investments	**330,484,513**	**330,484,513**	**–**	**–**
	₱11,460,732,586	**₱10,323,530,667**	**₱115,433,145**	**₱1,021,768,774**

As at December 31, 2018:

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

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

2019:

	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 ₱785 5%: fair value of ₱1,278
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,149 30%: fair value of ₱894
		Cost of equity of 12.99%	12% to 14%	12%: fair value of ₱1,030 14%: fair value of ₱940

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 of the investment in KSA (in millions):

As at 1 January 2018	₱753.0
Unrealized gain in profit or loss (Note 10)	188.7
As at 31 December 2018	941.7
Unrealized gain in profit or loss (Note 10)	80.1
As at 31 December 2019	₱1,021.8

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

For the years ended December 31, 2019, 2018 and 2017, there were no transfers other than those mentioned above.

31. **Contracts and Agreements**

Anscor

a. On November 29, 2019, the Company entered into a lease agreement with ATR Asset Management, Inc., ATRAM Trust Corporation and MET Holdings, Inc. for the lease of its condominium unit commencing on the agreement date until April 30, 2021. The Company will receive monthly rental payments of ₱1.0 million.

   The Company recognized rental income amounting to ₱1.0 million in 2019 (see Note 24).

Sutton

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

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

   Service income recognized in 2019, 2018 and 2017 amounted to nil, ₱2.5 million and ₱7.4 million, respectively.

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

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

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

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

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

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

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

   Service income recognized in 2018 and 2017 amounted to ₱12.9 million and ₱10.3 million, respectively. Service income recognized in 2018 is for the period ended September 28, 2018 (see Note 8).

Cirrus

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

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

   Rent expense in 2017 amounted to ₱9.2 million.

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

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2019 and 2018 amounted to ₱44.7 million and ₱81.3 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).

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

On October 15, 2019, MIAA issued a memorandum stating that all general aviation operations be transferred to other alternate airports to ease the traffic congestion at the NAIA Complex. MIAA gave general aviation companies until May 31, 2020 to vacate and turn over the leased premises.

IAI is still operating at NAIA Complex as of February 19, 2020.
Set out below is the carrying amount of right-of-use asset recognized in 2019 and the movements during the year.

Cost	
Beginning/Ending balance	₱10,605,283
Accumulated Amortization	
Beginning balance	–
Amortization for the year	3,569,833
Ending balance	3,569,833
Net Book Value	₱7,035,450

The carrying amount of PFRS 16 lease liability as at December 31, 2019 follows:

Beginning balance	₱10,605,283
Accretion of interest	201,791
Lease payments	(3,724,402)
	7,082,672
Less current portion of lease liability	4,606,460
Ending balance	₱2,476,212

The lease liability were measured at the present value of the remaining lease payments discounted at IAI's incremental borrowing rates as at January 1, 2019 for the lease with MIAA. The weighted average incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 6.83%.

Shown below is the maturity analysis of lease liability pertaining to contractual undiscounted cash flows as at December 31, 2019:

Within one year	₱4,797,398
After one year but not more than five years	2,512,695
Total undiscounted lease liability	₱7,310,093

Rental expenses relating to short-term leases of office building amounted to ₱2.3 million in 2019.

c. IAI conducts its operations from leased facilities with ASAC, which include the aircraft hangar or ramp, battery shop, parking lots, mechanics' quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement was terminated on August 31, 2019. On September 1, 2019, IAI renewed the lease agreement valid for two years ending August 31, 2021.

Operating lease commitments - IAI as lessee (Effective Prior to January 1, 2019)

As at December 31, 2018, future minimum lease payments based on the agreed minimum rate as stated in the lease contract with ASAC amounted to ₱2.3 million that is due not later than one year.

Rent expense recognized in operations amounted to ₱3.5 million and ₱3.2 million in 2018 and 2017.

SSRLI and PRI

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

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

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

   On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

   Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was decreased to ₱42.8 million.

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

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

   Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000 (eliminated in the consolidated profit or loss), inclusive of VAT.

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment.

On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as "Management fee". In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

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

On June 24, 2011, PRI also executed a Reservation Service Agreement with Hotel Sales Services Ltd. (HSSL), a company established in British Virgin Islands, in which PRI will pay the latter a monthly fee of 6.5% on gross accommodation charges for all realized bookings processed through HSSL's central sales and reservation offices with the exception of bookings made through the Global Distribution System (GDS) in which PRI will pay US$100 per booking. An annual maintenance fee of US$1,000 shall also be paid to HSSL.

On October 10, 2014, PRI and HSSL executed a new agreement, effective January 1, 2015, with similar terms as the original agreement, except for a higher annual maintenance fee which increased to US$3,000 from US$1,000 and a lower transaction fee for GDS Network bookings for US$100 from US$300.

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

The OMA, marketing and license contracts will expire on the thirty first (31st day) of December of the fifth full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration.

On January 18, 2018 and March 9, 2018, the Aman Group notified PRI of the assignment of the OMA, MSA and RSA, among others, to Aman Group S.A.R.L., a company incorporated in Switzerland.

On November 28, 2018, Aman Group issued a Notice of Extension to PRI containing its election and intention to extend the operating term with PRI for a period of five (5) years from the date of expiration, which is on December 31, 2018, under the same terms and conditions as contained in the management agreement.

Total fees related to these agreements amounted to ₱109.7 million, ₱105.5 million and ₱76.0 million in 2019, 2018 and 2017, respectively.

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

February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

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

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years. The lease agreement was renewed in 2019. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

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

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

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

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱168.7 million, ₱163.4 million and ₱120.8 million in 2019, 2018 and 2017, respectively, and presented as "Services" revenue account in the consolidated profit or loss.

   As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2019 and 2018, the restricted fund amounted to ₱85.3 million and ₱83.0 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

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

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2018 and 2017, SSRLI recognized handling fee, included under "Services" revenue account which amounted to ₱0.7 million and ₱4.7 million, respectively (nil in 2019).

k. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2019 and 2018, total property development in progress amounted to ₱3.7 million and ₱3.2 million, respectively. This is presented as part of "Other noncurrent assets" in the consolidated balance sheets (see Note 17).

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

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱23.6 million and ₱41.4 million as at December 31, 2019 and 2018, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱99.0 million, ₱77.6 million and ₱67.6 million in 2019, 2018 and 2017, respectively.

b. In 2012, the PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. Set out below are the carrying amount of right-of-use asset recognized in 2019 and the movement during the period.

Cost	
Beginning/Ending balance	₱35,792,042
Accumulated Amortization	
Beginning balance	–
Amortization for the year	7,535,167
Ending balance	7,535,167
Net Book Value	₱28,256,875

Set out below is the carrying amount of lease liability and its movements in 2019:

Beginning balance	₱35,792,042
Accretion of interest	3,085,097
Lease payments	(8,585,166)
	30,291,973
Less current portion of lease liability	5,301,404
Ending balance	₱24,990,569

Operating lease commitments- PDP Energy as lessee (Effective prior to January 1, 2019)

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

	2019	2018
Not later than 1 year	**₱8,865,270**	₱7,481,987
More than 1 year but not later than 5 years	**27,564,028**	31,166,064
	₱36,429,298	₱38,648,051

Rental expense incurred amounted to ₱7.6 million and ₱6.7 million in 2018 and 2017, respectively.

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

32. Changes in Liabilities Arising from Financing Activities

	January 1, 2019	**Cash Flows for Availment**	**Cash Flows for Repayments**	**Dividend Declaration**	**Foreign Exchange Movement**	**Accretion of Interest**	**December 31, 2019**
Notes payable	**₱250,000,000**	**₱–**	**(₱250,000,000)**	**₱–**	**₱–**	**₱–**	**₱–**
Long-term debt	**1,138,087,700**	**5,124,000**	**(635,732,071)**	**–**	**(4,172,026)**	**–**	**503,307,603**
Dividends payable	**285,828,593**	**–**	**(617,229,791)**	**615,375,776**	**–**	**–**	**283,974,578**
Lease liabilities (Note 2)	**46,397,325**	**–**	**(12,309,568)**	**–**	**–**	**3,286,888**	**37,374,645**
Total liabilities from financing activities	**₱1,720,313,618**	**₱5,124,000**	**(₱1,515,271,430)**	**₱615,375,776**	**(₱4,172,026)**	**₱3,286,888**	**₱824,656,826**

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

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

33. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2019, the refund process has remained pending.

b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019 and 2018, management has recognized provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits (see Note 19).

c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of their operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2019 and 2018, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

The other information usually required by PAS 37, Provisions, Contingent Liabilities and Contingent Assets, are not disclosed as they many prejudice the Group's negotiation with third parties.

34. **Subsequent Events**

- On February 19, 2020, Anscor's BOD approved the amendment of its Articles of Incorporation wherein authorized capital stock of 5,000,000 common shares (par value of ₱1.00 per share) amounting to ₱5.0 million will be reclassified to 500,000,000 preferred shares (par value of ₱0.01 per share) amounting to ₱5.0 million.

- The wide spread in the beginning of 2020 of a new virus strain called 2019 coronavirus (COVID-19) which originated from Wuhan, China compelled the World Health Organization to declare a global health emergency. This led to travel restrictions and put health authorities on alert for both preventive and curative measures to contain and resolve its impact. The Group has initially assessed the impact of the outbreak and will continue to monitor the developments and take the necessary measures in the future.

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

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

A. SORIANO CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex A: Supplementary Schedule of Retained Earnings Available for Dividend Declaration

Annex B: Group Structure

ANNEX A

A. SORIANO CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

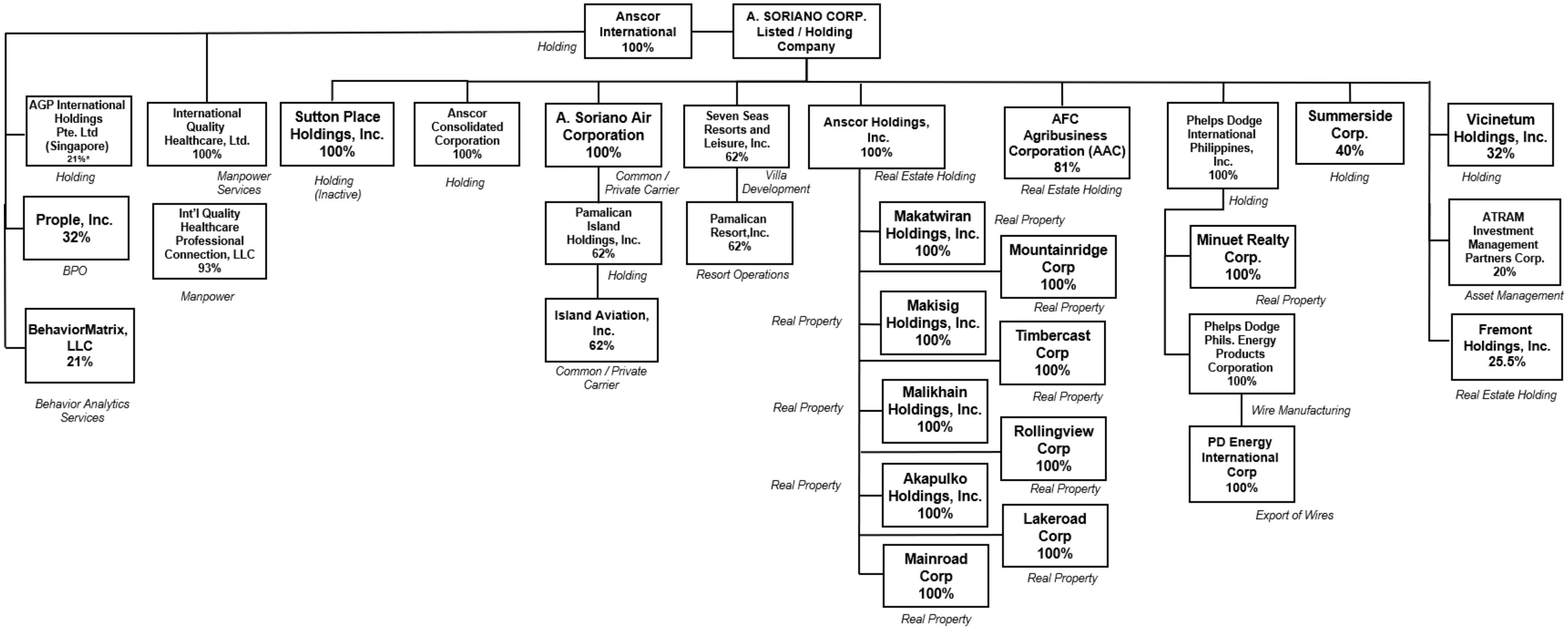
DECEMBER 31, 2019

Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2019		**₱2,829,047,007**
Add: Net income actually earned/realized		
Net income during the period	2,334,750,446	
Deferred taxes	28,477,128	
Fair value adjustment related to unrealized market gains of FVPL investments	(625,177,818)	1,738,049,756
Net income actually earned		4,567,096,763
Less dividend declarations		1,250,000,000
Total retained earnings available for dividend declaration, December 31, 2019		**₱3,317,096,763**

ANNEX B

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2019



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

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

ANNEX C

A. SORIANO CORPORATION AND SUBSIDIARIES
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019 AND 2018

			2019		2018	
i.	Current Ratio	Total Current Assets	16,622,628,416	9.82 : 1	15,567,827,551	7.48 : 1
		Total Current Liabilities	1,693,432,046		2,082,160,042	
ii.	Acid Test Ratio	Total Current Assets less Inventories, Prepayments, and Other Current Assets	15,656,264,270	9.25 : 1	14,489,123,326	6.96 : 1
		Total Current Liabilities	1,693,432,046		2,082,160,042	
iii.	Solvency Ratio	Net Income Attributable to Equity Holders of the Parent + Depreciation and amortization	2,115,795,161	81.14%	1,061,207,017	33.26%
		Total Liabilities	2,607,562,447		3,190,576,309	
iv.	Debt-to-Equity Ratio	Total Liabilities	2,607,562,447	0.13 : 1	3,190,576,309	0.17 : 1
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
v.	Asset-to-Equity Ratio	Total Assets	23,112,420,092	1.16	22,290,011,355	1.20
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
vi.	Interest Rate Coverage Ratio	EBIT (earnings before interest and taxes)	2,416,114,941	49.96	1,324,950,320	18.17
		Interest expense	48,364,623		72,908,371	
vii.	Return on Equity	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	9.24%	808,386,813	4.35%
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
viii.	Return on Assets	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	7.98%	808,386,813	3.63%
		Total Assets	23,112,420,092		22,290,011,355	

ANNEX C

A. SORIANO CORPORATION AND SUBSIDIARIES

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 AND 2018

			2019		**2018**	
ix.	Profit Ratio	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	18.35%	808,386,813	8.07%
		Total Revenues	10,048,830,100		10,018,507,445	
x.	Book value per share	Equity Attributable to Equity Holders of the Parent	19,943,119,811	15.95	18,575,908,931	15.33
		Outstanding Number of Shares	1,250,127,754		1,211,911,354	

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
FVPL INVESTMENTS				
QUOTED EQUITY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
I C T S I	27,364,102	3,519,023,517	3,519,023,517	839,599,726
Macroasia Corporation	3,163,530	52,198,245	52,198,245	(5,476,391)
BDO Unibank, Inc.	981,730	155,113,340	155,113,340	27,084,956
Megawide	39,044,380	639,546,944	639,546,944	(149,048,049)
Eagle Cement Corporation	12,892,200	191,578,092	191,578,092	(4,311,381)
iPeople Inc."A"	91,945,934	872,566,914	872,566,914	(144,931,610)
Bloomberry Resorts Corporation	33,751,000	381,386,300	381,386,300	68,852,040
Axelum Resources Corporation	8,000,000	20,880,000	20,880,000	(19,120,000)
Jollibee foods Corp.	409,340	88,417,440	88,417,440	(27,738,456)
Shakey's Pizza Asia Ventures, Inc.	4,200,000	41,580,000	41,580,000	(15,387,618)
Robinson Retail Holdings	2,040,230	163,218,400	163,218,400	-
Ayala Land Inc.	4,706,100	214,127,550	214,127,550	25,990,860
Cebu Landmsters, Inc.	10,749,500	51,920,085	51,920,085	1,916,829
Filinvest Land, Inc.	28,600,000	42,900,000	42,900,000	(7,172,120)
AI - Ym-Abs	745,868	1,180,219,568	1,180,219,568	416,355,390
Anscorcon - ACMDC	840,173	2,100,433	2,100,433	(50,410)
		7,616,776,828	**7,616,776,828**	**1,006,563,766**
UNQUOTED EQUITY SHARES	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
K S A Realty Inc	-	1,021,709,073	1,021,709,073	269,978,667
Madaket, Inc.	-	16,730,171	16,730,171	(13,591,849)
Sierra Madre	-	62,307,006	62,307,006	(31,821,827)
Navegar I	-	24,693,745	24,693,745	(2,200,059)
Navegar II	-	11,702,224	11,702,224	-
		1,137,142,219	**1,137,142,219**	**222,364,932**
FUNDS AND EQUITIES	**No. of Units**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-Macquarie ASEAN Technology Investment	5,000,000	253,175,000	253,175,000	-
Rohatyn Global (class B & S2)	26,000	646,395	646,395	-
BS-BOS Secure Pte Lend 2019-USD	500	25,317,500	25,317,500	(1,012,700)
BS-BOS PE Healthcare GR 2017-USD	768	50,574,360	50,574,360	2,312,497
BS-Blackstone Bespoke Opp Solutions-USD	650	33,474,919	33,474,919	824,171
BS-Invesco GREF A ENH QD-USD	4,963	25,186,823	25,186,823	(35,611)
BS-Invesco US Senior Loan Fund-USD	11,227	49,640,152	49,640,152	3,807,257
BS-Ishares JPM USD EM BOnd UCITS ETF-USD	26,000	150,292,782	150,292,782	22,221,304
BS-Oaktree Alpha Credit Fund-USD	1,266	65,103,106	65,103,106	(756,766)
BS-PIMCO Funds Global Investors Series PLC-USD	91,663	51,101,454	51,101,454	4,060,394
BPI-FXT1055 4.6% 11242021-PHP	PHP 1,300,000	1,338,354	1,338,354	2,159
BPI-FXT5-74 3.2% 01262022-PHP	PHP 78,400,000	78,730,120	78,730,120	181,080
BPI-FXT7-57 2.8% 03202021-PHP	PHP 101,100,000	100,924,863	100,924,863	220,831
BPI(ASF)-US short Term Fund(USSTF)-USD	326	5,095,889	5,095,889	(31,081)
BPI(ASF)-MM UTF (Trust Fund)-PHP	187,193	47,487,120	47,487,120	92,103
BPI-RTB102 5.9% 03032021-PHP	PHP 80,140,000	82,855,865	82,855,865	(139,977)
BPI-RTB3-9 3.9% 06132021-PHP	PHP 74,060,000	75,000,332	75,000,332	(23,280)
BPI-RTB511 3.7% 12042022-PHP	PHP 34,800,000	35,465,931	35,465,931	139,992
MS-UBS USD Autocallable Stk-USD	-	266,500	266,500	-
AHI-PLDT Series Y 10% Cumm. Pref.	4,200	46,452	46,452	-
AHI-PLDT Series BB 10% Cumm. Pref.	1,200	13,248	13,248	-
		1,131,737,165	**1,131,737,165**	**31,745,661**
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-BEEFC (Minerva Lux) 5.875% 01/19/28	$ 300,000	15,984,963	15,984,963	1,069,197
BS-Banco Do Brasil(Cayman) 9% 311249 Perp-USD	$ 300,000	17,294,384	17,294,384	3,201,969
BS-Braskem Netherlands 4.5% 100128-USD	$ 300,000	15,188,373	15,188,373	1,310,203
IA-Cemex Finance Europe 4.75% 050314-USD	$ 192,000	9,994,134	9,994,134	1,350,097
BS-China Oil and Gas Group 4.625% 200422-USD	$ 300,000	15,266,452	15,266,453	1,638,024

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
BS-Country Garden Holdings 4.75% 250722-USD	$ 300,000	15,323,417	15,323,417	2,111,700
BS-Ecopetrol SA 5.375% 260626-USD	$ 300,000	16,950,319	16,950,319	2,524,422
BS-First Pacific Cap 5.75% 05/30/25-USD	$ 200,000	10,549,195	10,549,195	826,825
BS-Franshion Brilliant Ltd Variable Perp-USD	$ 300,000	15,137,333	15,137,333	2,454,720
BS-Global Prime Capital 5.5% 181023-USD	$ 300,000	15,000,619	15,000,619	1,997,925
BS-Greenko Investment Co 4.875% 160823-USD	$ 300,000	15,076,571	15,076,571	2,258,866
BS-Indika Energy Cap II PTE 6.875% 100422-USD	$ 300,000	15,779,132	15,779,132	1,676,423
BS-JPMorgan Chase 7.9% 300449 callable 300418-	$ 244,000	12,448,838	12,448,838	1,005,003
BS-KOC Holdings AS 6.5% 03/11/2025-USD	$ 200,000	10,755,684	10,755,684	1,266,803
BS-Lenovo Grp Ltd Lenvo 4.75% 03/29/23-USD	$ 300,000	15,501,450	15,501,450	1,147,517
BS-Listrindo Capital 4.95% 140926-USD	$ 300,000	15,494,310	15,494,310	2,802,677
BS-MAAFU (MAF Gl Sec) 6.375% PERP FRN-USD	$ 400,000	20,969,979	20,969,979	1,102,608
BS-Marb Bondco PLC MRFGC 6.875% 01/19/25'21-	$ 300,000	16,170,439	16,170,439	1,632,525
BS-Meiji Yasuda Life Insurance 5.21% 201045-USD	$ 300,000	16,800,693	16,800,693	2,474,940
Mexichem Sab De CV 4% 041027-USD	$ 300,000	15,315,822	15,315,822	2,063,620
BS-OAS Investments GMBH 8.25% 191019-USD	$ 500,000	253,175	253,175	749,755
BS-Pakuwon Prima 5% 140224-USD	$ 300,000	15,418,357	15,418,358	2,090,423
BS-Petrobras Global Finance 5.625% 200543-USD	$ 200,000	10,734,620	10,734,620	817,180
BS-Petroleos Mexicanos 5.625% 230146-USD	$ 300,000	13,694,236	13,694,236	3,235,053
BS-Petron Corp PCorX 4.6% Perp '23 FRN-USD	$ 200,000	10,010,540	10,010,540	1,102,926
BS-Royal Capital 5.5% 291249 Perp-USD	$ 785,000	40,344,702	40,344,702	5,560,524
BS-Samvardhana Motherson AU 4.875% 161221-	$ 300,000	15,418,358	15,418,358	1,411,116
BS-Shimao Property Holdings 5.2% 01/30/25-USD	$ 300,000	15,691,786	15,691,787	1,173,643
BS-SoftBank Group Corp 4.75% 190924-USD	$ 300,000	15,361,393	15,361,393	1,779,641
BS-TBG Global PTE 5.25% 100222-USD	$ 300,000	15,380,381	15,380,381	1,353,126
BS-TCI (Cibanco IDBM) 4.962% 7/18/29-USD	$ 300,000	15,726,725	15,726,725	804,535
Transcanada Pipelines Variable 150567-USD	$ 500,000	21,570,510	21,570,510	2,002,643
BS-VON (Veon Holdings) 3.95% 160621-USD	$ 200,000	10,278,905	10,278,905	851,072
BS-Wealth Driven Ltd 5.5% 170823-USD	$ 300,000	15,198,095	15,198,095	267,894
BPI-EDC-$Bond 6.5% 01202021-USD	$ 2,420,000	128,096,190	128,096,190	11,629,603
BPI(ASF)-SMCGL-P 6.50% 04/25/24-USD	$ 2,500,000	132,026,965	132,026,965	4,042,643
Medifi	-	17,722,250	17,722,250	-
		793,929,295	**793,929,295**	**74,787,844**
PROPRIETARY SHARES	**No. of Shares**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Manila Polo Club	1	25,000,000	25,000,000	2,000,000
Maybank ATR KIMENG Partners, Inc.	-	15,000	15,000	-
Canlubang Golf & Country Club	2	3,400,000	3,400,000	800,000
Celebrity Sports Plaza	1	150,000	150,000	(50,000)
Fuego Development Corporation	1	450,000	450,000	-
Manila Golf & Country Club	3	304,000,000	304,000,000	33,000,000
Metropolitan Club	1	400,000	400,000	125,000
Orchard Golf & Country Club	1	450,000	450,000	(300,000)
Palms Country Club Class A	1	600,000	600,000	-
Ridge Country Club	1	10,000	10,000	-
Sta Elena Properties'A'	3	12,000,000	12,000,000	(4,500,000)
Valle Verde Country Club	1	500,000	500,000	100,000
PLDT	10,708	119,073	119,073	-
Orchards Golf Club "A"	1	500,000	500,000	170,000
Alabang Country Club "A"	2	14,000,000	14,000,000	50,000
Club Filipino	1	350,000	350,000	-
Cresta Del Mar	1	68,000	68,000	-
Makati Sports Club "A"	1	900,000	900,000	300,000
Philippine Village Resort	1,000	5,000	5,000	-
Valle Verde Country Club	3	1,050,000	1,050,000	(150,000)
Valley Golf Club	1	900,000	900,000	470,000
Manila Southwoods "A"	1	1,100,000	1,100,000	-
Puerto Azul	1	70,000	70,000	-
Alta Vista De Cebu (Vistamar)	1	200,000	200,000	-
Camp John Hay	2	500,000	500,000	-
Tagaytay Midlands Golf Club, Inc.	1	700,000	700,000	50,000

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS (Note 1)
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in PHP)

Name of issuing Entity and association of each issue	Number of shares or Principal Amount of Bonds and Notes	Amount shown in the Balance Sheet	Value Based on Market Quotations at end of reporting period	Income received & Accrued (Note 2)
		367,437,073	**367,437,073**	**32,065,000**
OTHERS	**No. of Units/Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
Manila Peninsula Hotels,Inc.	265,000	2,444,945	2,444,945	-
PLDT Co - Pref	1,200	12,600	12,600	-
Realty Investment Inc	120,000	32,500	32,500	-
Central Azucarera de La Carlota	271	780	780	-
BPI(ASF)-Arthaland Corporation Pref B(ALCPB)-Peso	2,300	232,990	232,990	15,595
BPI(ASF)-Globe Preferred-Php	15,000	7,500,000	7,500,000	690,045
BPI-AC Prefferred (APB2R)-PHP	11,952	60,323,260	60,323,260	597,260
Ayala Corp. Preferred B1-Peso	15,000	7,485,000	7,485,000	1,203,750
GTCAP Pref A(GTPPA)-Php	875	866,250	866,250	118,387
BPI(ASF)-Petron Corp-Pref 3A-PHP	4,000	4,124,000	4,124,000	262,301
ACMDC	608	1,556	1,556	-
Meralco	636	201,612	201,612	-
		83,225,493	**83,225,493**	**2,887,338**
TOTAL - FVPL INVESTMENTS		**11,130,248,073**	**11,130,248,073**	**1,367,527,203**
FVOCI INVESTMENTS				
BONDS	**Face Amount**	**Amount in PHP**	**Amount in PHP**	**Amount in PHP**
BS-ABJA Investment Co(Tata Steel) 5.95% 310724	$ 200,000	10,608,032	10,608,032	616,261
BS-African Export-Import Bank 4.125% 200624	$ 200,000	10,557,397	10,557,397	430,816
BS-African Export Bank 4.00% 240521-USD	$ 300,000	15,456,334	15,456,334	613,643
BS-Eastern & Southern Afric 5.375% 140322-USD	$ 300,000	15,819,387	15,819,387	828,055
BS-FPC Treasury Ltd 4.5% 160423-USD	$ 300,000	15,627,227	15,627,227	689,580
BS-Kingdom of Bahrain 5.5% 310320-USD	$ 300,000	15,218,147	15,218,147	924,356
BS-Kuwait Projects Co 5% 150323-USD	$ 280,000	15,063,912	15,063,912	722,530
BS-Megaworld Corporation 4.25% 170423-USD	$ 300,000	15,760,144	15,760,144	650,192
BS-Office Cherifien Des PHO 5.625% 250424-USD	$ 300,000	16,788,541	16,788,541	826,566
BS-Oman Sovereign Suksuk 4.397% 010624-USD	$ 300,000	15,365,191	15,365,191	772,818
BS-Rizal Comm Banking 4.125%, 03/16/23-USD	$ 300,000	15,722,168	15,722,168	675,059
BS-TC Ziraat Bankasi AS 5.125% 030522-USD	$ 300,000	15,122,143	15,122,143	748,419
BS-Transnet Soc Ltd 4% 260722-USD	$ 300,000	15,390,255	15,390,255	671,785
BS-Vigorous Champ Int'l LTD 4.375% 09/10/2023	$ 300,000	15,885,921	15,885,921	720,039
BPI-ICTSI 7.375% 03172020-USD	$ 1,545,000	79,218,351	79,218,351	785,306
BPI-SMIC-$Bond 4.875% 06102024-USD	$ 800,000	42,881,363	42,881,363	(4,355,842)
		330,484,513	**330,484,513**	**6,319,581**
TOTAL - FVOCI INVESTMENTS		**330,484,513**	**330,484,513**	**6,319,581**
GRAND TOTAL - FINANCIAL ASSETS		**11,460,732,586**	**11,460,732,586**	**1,373,846,784**

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

Note 2 This column includes interest income, dividends and unrealized gain/loss in market value of FVPL investments charged to income in 2019

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

Name and Designation of Debtor	Beginning Balance	Additions	Collections	Current	Not Current	Ending Balance

NOT APPLICABLE

Aggregate indebtedness of the individual directors, officers, employees, and principal stockholders (other than related parties) are below P1,000,000.

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE

ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Addiitions	Amounts Collected	Amount Written Off	Current	Non Current	Balance at End of Period
A. SORIANO CORPORATION RECEIVABLES FROM ITS SUBSIDIARIES							
Anscor Holdings, Inc.	26,212,012	9,716,909	-		9,716,909	26,212,012	35,928,921
Summerside Corporation	785,125	-	-		-	785,125	785,125
Seven Seas Resorts & Leisure Inc.	157,448	93,450,000	93,538,743		-	68,705	68,705
Pamalican Resorts, Inc.	(26,986)	7,802,839	7,802,839		-	(26,986)	(26,986)
Pamalican Island Holdings, Inc. (PIHI)	(609,645)	438	-		-	(609,207)	(609,207)
A. Soriano Air Coporation	-	4,500,000	3,000,000		1,500,000	-	1,500,000
Island Aviation Inc.	359,719	48,773			48,773	359,719	408,492
Ansco Consolidated Corporation	36,524,795	838,400,000	874,924,795		-	-	-
Phelps Dodge Philippines Energy Products Corporation	41,419,435	111,417,750.00	121,405,497		31,431,688	-	31,431,688
Phelps Dodge International Philippines, Inc.	-	250,000,000	250,000,000		-	-	-
AFC Agribusiness Corporation	6,675,000	706,000	-		706,000	6,675,000	7,381,000
Sutton Place Holdings	(8,701,320)	316,749			316,749	(8,701,320)	(8,384,571)
IQ Healthcare Investments Limited	1,051,000	6,105,720	-		6,105,720	1,051,000	7,156,720
Anscor International, Inc.	2,038,535,456	32,719,186			32,719,186	2,038,535,456	2,071,254,642
	2,142,382,039	**1,355,184,364**	**1,350,671,874**		**82,545,025**	**2,064,349,504**	**2,146,894,529**
RECEIVABLES BETWEEN PARENT/SUBSIDIARIES							
A. SORIANO AIR CORP. (Conso)							
Pamalican Resort Inc. (ASAC direct receivables)	428,822	-	428,822		-	-	-
Pamalican Resort Inc. (IAI direct receivables)	17,544,293	9,328,225	-		9,328,225	17,544,293	26,872,518
A. Soriano Corporation (PIHI direct receivables)	609,645	-	438		-	609,207	609,207
	18,582,760	9,328,225	429,260		9,328,225	18,153,500	27,481,725
SEVEN SEAS RESORTS & LEISURE INC. (Conso)							
Island Aviation Inc. (direct receivable of PRI)	42,486,824	14,818,257	-		14,818,257	42,486,824	57,305,081
Island Aviation Inc. (direct receivable of Seven Seas)	26,607,651	-	11,064,691		-	15,542,960	15,542,960
	69,094,475	14,818,257	11,064,691		14,818,257	58,029,784	72,848,042
SUTTON PLACE HOLDINGS, INC.. (Conso)							
A. Soriano Corporation (direct receivable of Sutton)	8,701,320	-	316,749		-	8,384,571	8,384,571
	8,701,320	-	316,749		-	8,384,571	8,384,571
	96,378,555	**24,146,482**	**11,810,700**		**24,146,482**	**84,567,855**	**108,714,337**

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE

ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Addiitions	Amounts Collected	Amount Written Off	Current	Non Current	Balance at End of Period
PAYABLES BETWEEN PARENT/SUBSIDIARIES							
A. SORIANO AIR CORP. (Conso)							
A. Soriano Corporation	359,719	4,548,773	3,000,000		1,548,773	359,719	1,908,492
Seven Seas Resorts & Leisure Inc. (direct payable of IAI)	26,607,651	-	11,064,691		-	26,607,651	15,542,960
Pamalican Resort Inc. (direct payable of IAI)	42,486,824	14,818,257	-		14,818,257	42,486,824	57,305,081
Seven Seas Resorts & Leisure Inc. - (Direct payable of PIHI)	-	-	-		-	-	-
	69,454,194	19,367,030	14,064,691		16,367,030	69,454,194	74,756,533
ANSCOR CONSOLIDATED CORPORATION							
A. Soriano Corporation	36,524,795	838,400,000	874,924,795		-	-	-
	36,524,795	838,400,000	874,924,795		-	-	-
SEVEN SEAS RESORTS & LEISURE INC. (Conso)							
A.Soriano Corporation ((direct payable of PRI)	(26,986)	7,802,839	7,802,839		-	(26,986)	(26,986)
A.Soriano Corporation (direct payable of SSRLI)	157,448	93,450,000	93,538,743		-	68,705	68,705
A. Soriano Air Corporation (direct payable of PRI)	428,822	-	428,822		-	-	-
Island Aviation, Inc. (direct payable of PRI)	17,544,293	9,328,225	-		9,328,225	-	26,872,518
Pamalican Island Holdings, Inc. (ASAC- Conso)	609,645	-	438		-	609,207	609,207
	18,713,222	110,581,064	101,770,842		9,328,225	650,926	27,523,444
PHELPS DODGE INTERNATIONAL PRODUCTS PHILIPPINES, INC. (PDIPI) - Conso							
A. Soriano Corporation (direct payable of PDP Energy)	41,419,435	111,417,750	121,405,497		31,431,688	-	31,431,688
A. Soriano Coporation (direct payyable of PDIPI)	-	250,000,000	250,000,000		-	-	-
	41,419,435	111,417,750	121,405,497		31,431,688	-	31,431,688
ANSCOR HOLDINGS INC. (Conso)							
A. Soriano Corporation	26,212,012	9,716,909	-		9,716,909	26,212,012	35,928,921
	26,212,012	9,716,909	-		9,716,909	26,212,012	35,928,921
SUMMERSIDE CORPORATION (Conso)							
A. Soriano Corporation	785,125	-	-		-	785,125	785,125
	785,125	-	-		-	785,125	785,125

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE

ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Addiitions	Amounts Collected	Amount Written Off	Current	Non Current	Balance at End of Period
AFC AGRIBUSINESS CORPORATION							
A. Soriano Corporatin	6,675,000	706,000	-		706,000	6,675,000	7,381,000
	6,675,000	706,000	-		706,000	6,675,000	7,381,000
ANSCOR INTERNATIONAL (Conso)							
A. Soriano Corporation (direct payable of AI)	2,038,535,456	32,719,186	-		32,719,186	2,038,535,456	2,071,254,642
A. Soriano Corporation (direct payable of IQ Healthcare Investments Limited)	1,051,000	6,105,720	-		6,105,720	1,051,000	7,156,720
	2,039,586,456	38,824,906	-		38,824,906	2,039,586,456	2,078,411,362
	2,239,370,239	**1,129,013,659**	**1,112,165,825**		**106,374,758**	**2,143,363,713**	**2,256,218,073**

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
AS OF DECEMBER 31, 2019
(Amounts in PHP)

Title of issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under caption "Current portion of long-term debt" in related balance sheet	Amount Shown under caption "Long-term debt - net of current portion" in related balance sheet
Loan availed by Anscor:			
Bank of the Philippine Islands (Note 1)	114,295,500	114,295,500	-
Loan availed by PDP:			
BDO UNIBANK (Note 2)	378,571,428	151,428,571	227,142,857
Loan availed by IAI:			
Bank of the Philippine Islands (Note 3)	10,440,675	10,440,675	-
Total	503,307,603	276,164,746	227,142,857

Note 1 - On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or P1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to P1,524.0 million as at December 31, 2019 . This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2019, the Company is in compliance with the debt covenants.

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

PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2019, PDP Energy is in compliance with the debt covenants.

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

• Real estate mortgage over the land owned by Minuet;

• Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy's and PDEI's premises;

• Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and

• Assignment of leasehold rentals of the properties located in PDP Energy's premises.

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

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

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

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

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2019 AND 2018
(Amounts in PHP)

PARTICULARS	Balance at Beginning of Period	Balance at End of Period
Due From:		
Multi-media Telephony, Inc. (MTI) (Notes 1)	564,769,510	**564,769,510**
Others (Note 2)	823,718	**82,772,036**
	565,593,228	**647,541,546**
Less Allowance for Doubtful Accounts	564,761,343	**564,761,343**
RECEIVABLE - NET	831,885	**82,780,203**

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

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

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

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

Note 2 This pertained mainly to cash advance of the Company to Fremont Holdings, Inc. of P80.6 million as of December 31, 2019, used in the acquisition of lots in Malvar, Batangas. This was subsequently paid in March 2020.

A. SORIANO CORPORATION AND SUBSIDIARIES

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

(Amounts in PHP)

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

A. SORIANO CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
AS OF DECEMBER 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares issued & Outstanding	Number of shares Reserved for Options,Warrants Conversions & Other Rights	Number of shares Held by			
				Subsidiaries	Related Parties	Directors, Officers & employees	Others
Common Stock	3,464,310,958	2,500,000,000	NA				
Treasury shares		-					
No. of shares issued (no. of shares outstanding - legal)		2,500,000,000		1,249,872,246	78,806,943	675,457,265	495,863,546
No. of shares held by a subsidiary (Anscor Consolidated Corporation)		(1,249,872,246) *					
No. of shares outstanding		1,250,127,754					

As at December 31, 2019 and 2018, Anscorcon holds 1,249,872,246 shares and 1,288,088,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to P119.0 million (17,783,600 shares) and P32.2 million (5,261,900 shares) in 2019 and 2018, respectively. In 2019, Anscorcon sold 56.0 million Company shares for P359.9 million.

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

Company Reg. No. PW-02

CERTIFICATE OF FILING
OF
AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

A. SORIANO CORPORATION

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

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

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

AMENDED BY-LAWS
OF
A. SORIANO CORPORATION

ARTICLE I

CAPITAL STOCK AND SHARES

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

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

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

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

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

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

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

ARTICLE II

FUNDS OF THE CORPORATION

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

ARTICLE III

MEETINGS

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

EXECUTIVE COMMITTEE

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

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

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

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

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

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

ARTICLE VI

OFFICERS

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

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

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

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

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

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

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

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

Directors;

g. To make reports to the Directors and Stockholders;

h. To sign certificates of stock; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chief Operating Officer.

ARTICLE VII

INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

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

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

ARTICLE VIII

AUDIT OF BOOKS

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

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

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

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

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

ARTICLE IX

DISTRIBUTABLE FUNDS AND DISSOLUTION OF THE CORPORATION

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

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

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

ARTICLE X

MISCELLANEOUS AND TRANSITORY PROVISIONS

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

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

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

STOCKHOLDERS' CERTIFICATE

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

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

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

DIRECTORS' CERTIFICATE

Manila, February 5, 1930

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

SGD.) A. SORIANO

(SGD.) FRANCISCO ORTIGAS

(SGD.) JOHN R. SCHULTZ

(SGD.) BENITO RAZON

ATTEST:

(SGD.) BENITO RAZON
Secretary

INFORMATION
STATEMENT

A. SORIANO CORPORATION

SORIANO CORPORATION

Notice of Annual Meeting of Stockholders

NOTICE IS HEREBY GIVEN that in view of the Government's imposition of the Enhanced Community Quarantine, the regular Annual Meeting of Stockholders ("ASM") of A. Soriano Corporation ("ANSCOR" or the "Company") will be held on Wednesday, 17 June 2020 at 10:00 A.M. virtually. There will no longer be a physical venue for the ASM.

Stockholders who would like to participate in the virtual ASM may register by sending an email of their intention to participate to registration@anscor.com.ph not later than five (5) working days before the ASM or not later than 9 June 2020. The Procedure for Registration, Participation and Voting in the 2020 ASM of the Company is attached as Annex "A".

The agenda for the meeting and its explanation is as follows:

1. Approval of the minutes of previous meeting. The minutes of ASM last April 10, 2019 is posted in the Company's website. Please refer to pages 16 to 17 of the Information Statement ("IS") for further information on the approval of minutes of previous meeting.
2. Presentation of the Chairman and Chief Executive Officer's Message to Stockholders. The Chairman's Message to Stockholders is a summary of the Company's financial performance for the year ended December 31, 2019.
3. Election of members of the Board of Directors. The members of the Board of Directors are elected annually during the ASM and shall serve until the next ASM or until his successor is elected or appointed in case of vacancy due to death, resignation or removal. Please refer to pages 6 to 8 of the IS for the nominees for election as Directors of the Company.
4. Approval of the amendment of the following portions of Article IX of the Articles of Incorporation ("AOI") of the Company:
   (a) reclassification of Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or total par value of Five Million Pesos (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or total par value of Five Million Pesos (P5,000,000.00); and
   (b) addition of second, third, and fourth paragraphs to Article IX to indicate the features of the preferred shares
   Second paragraph - The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities. The holders of preferred shares shall have the same voting rights as the holders of the common shares.
   Third paragraph - The holders of the preferred shares shall not be entitled to dividends.
   Fourth paragraph - The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law. The amendment of the AOI requires approval of the stockholders representing 2/3 of the outstanding stock. Please refer to pages 14 to 15 and 17 to 18 of the IS.

5. Approval of the amendment of last paragraph of Article IX to state that shareholders shall have no pre-emptive rights in shares of stock issued by the Corporation. The amendment of the AOI requires approval of the stockholders representing 2/3 of the outstanding stock. Please refer to pages 14 to 15 and 17 to 18 of the IS.
6. Approval of the amendment of the first paragraph of Article XIII to indicate that the two-thirds (2/3) vote of the stockholders required for any amendment of the AOI applies to all the outstanding shares of stock of the Corporation. The amendment of the AOI requires approval of the stockholders representing 2/3 of the outstanding stock. Please refer to pages 14 to 15 and 17 to 18 of the IS.
7. Appointment of external auditors. The appointment of SGV & Co. will be presented for approval of the Stockholders.
8. Ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting. As a matter of policy, Management seeks the ratification of all acts, contracts, investments and resolutions of the Board of Directors and Management since the last annual meeting. Please refer to pages 21 to 27 of the IS for a summary of resolutions passed by the Board of Directors.
9. Such other business as may properly come before the meeting. Any other matter which may properly be brought may be taken up by the stockholders during this portion of the meeting.

Only stockholders of record in the books of the Company at the close of business on 16 March 2020 will be entitled to vote at the meeting.

Stockholders are requested to complete, date, sign, and return the enclosed proxy form to reach the Company as promptly as possible not less than ten (10) working days prior to the Annual Meeting or not later than 2 June 2020. The signed proxy form may be emailed to our Stock Relations Officer, Ms. Rose Reyes at rose.reyes@anscor.com.ph.

Proxy validation will be held at A. Soriano Corporation, 7th Floor, Pacific Star Bldg., Makati Avenue corner Gil Puyat Avenue, Makati City on 9 June 2020 from 11:00 A.M. to 12:00 noon.

Makati City, Philippines, 11 May 2020.

THE BOARD OF DIRECTORS
By:

LORNA PATAJO-KAPUNAN
Corporate Secretary

Procedure for Registration, Participation and Voting
in the 2020 Annual Stockholders Meeting
of A. SORIANO CORPORATION

In view of the Government's imposition of the Enhanced Community Quarantine ("ECQ") and taking into consideration the safety of everyone, A. Soriano Corporation (the "Company") will be conducting its Annual Stockholders Meeting ("ASM") scheduled on June 17, 2020 at 10:00 AM virtually. There will no longer be a physical venue for the ASM.

Only Stockholders of record as of March 16, 2020 are entitled to participate and vote in the 2020 ASM.

I. Registration and Participation/Attendance Procedure:

1. Stockholders who intend to participate in the virtual ASM may register by sending an email to registration@anscor.com.ph not later than five (5) working days before the ASM or not later than June 9, 2020, of their intention to participate together with the following:

   a. For individual stockholders:

      i. Scanned copy of any valid government-issued ID;
      ii. Scanned copy of stock certificate in the name of the individual stockholder; and
      iii. Active contact number, either landline or mobile.

   b. For stockholders with joint accounts:

      i. Scanned copy of authorization letter signed by other stockholders indicating the person among them authorized to participate and/or vote in the 2020 ASM;
      ii. Documents required under items 1.a (i) and (iii) for the authorized stockholder;
      iii. Scanned copy of stock certificate in the name of the joint stockholders.

   c. For stockholders under PCD Participant/Brokers Account or "Scripless Shares":

      i. Coordinate with the broker and request for the full account name and reference number or account number;
      ii. Documents required under items 1.a (i) and (iii).

   d. For corporate stockholders:

      i. Secretary's Certificate attesting to the authority of the representative to participate and/or vote in the 2020 ASM;
      ii. Documents required under items 1.a (i) and (iii) for the authorized representative;
      iii. Scanned copy of stock certificate in the name of the corporate stockholder.

2. Upon successful registration and validation of the documents submitted through email above, the stockholder will receive an email confirmation and a unique link which can be used to log in and view the 2020 ASM.
3. Only those stockholders who have registered following the procedure above and stockholders who have voted by providing their executed Proxy Form shall be included for purposes of determining the existence of a quorum.
4. For purposes of voting during the 2020 ASM please see section on Voting Procedure below.
5. For the Question and Answer portion during the 2020 ASM, stockholders may send their questions related to the agenda by email to registration@anscor.com.ph. Due to limitations on technology and time, not all questions may be responded to during the 2020 ASM but the Company will endeavor to respond to all the questions through email.
6. The proceedings during the 2020 ASM will be recorded as required by the Securities and Exchange Commission.

II. Voting Procedure:

Stockholders may vote during the 2020 ASM either (1) by Proxy or (2) by voting in absentia through our Online Stockholder Voting System.

1. Voting by Proxy:

    a. Download and fill up the Proxy Form at https://www.anscor.com.ph/disclosures/proxy/. The Chairman, or in his absence, the Vice-Chairman, the Chief Financial Officer or the Corporate Secretary is authorized to cast the votes pursuant to the instructions in the Proxy Form.
    b. Send a scanned copy of the executed Proxy Form by email to our Stock Relations Officer, Ms. Rose Reyes at rose.reyes@anscor.com.ph or at registration@anscor.com.ph.
    c. The scanned copy of the executed Proxy Form should be emailed to above not less than ten (10) working days prior to the ASM or not later than June 2, 2020.
    d. The hard copy of the signed Proxy Form should be delivered to: The Corporate Secretary, 7th Floor, Pacific Star Building Gil Puyat Avenue corner Makati Avenue, Makati City once the ECQ has been lifted.

2. Voting in absentia through the Online Stockholder Voting System:

    a. Follow the Registration and Participation/Attendance Procedure set forth above.
    b. Signify your intention to vote in absentia through the Online Stockholder Voting System by email to registration@anscor.com.ph not later than five (5) working days before the 2020 ASM or not later than June 9, 2020.
    c. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of June 15, 2020 to cast their votes.
    d. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:

i. For items other than election of the Directors, the stockholder may vote: “For”, “Against”, or “Abstain”. The vote shall be considered as cast for all the stockholder’s shares.

ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.

e. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the “Submit” button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast in absentia will have equal effect as votes cast by proxy.

For any questions or clarification, you may contact us through Ms. Rose Reyes at rose.reyes@anscor.com.ph or through telephone number 8819-0251 or our stock transfer agent, Stock Transfer Service, Inc., through Michael Capoy at mccapoy@stocktransfer.com.ph or Reynand Malayao at rcmalayao@stocktransfer.com.ph, or their telephone number 8403-3798.

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

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

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

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

4. SEC Identification Number : PW - 02

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

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

7. Registrant's telephone number, including area code : (632) 8819-0251 to 60

8. Date, Time and Place of the meeting : 17 June 2020, Wednesday at 10:00 A.M.
   Virtual Meeting

9. Approximate date on which the Information Statement is first to be sent or given to security holders : Posted at the Company's website/PSE Edge

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

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

    Telephone Nos. : (632) 8819-0251 to 60

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

    Title of Each Class : Common Shares

    Number of shares of Common Stock Outstanding or Amount of Debt Outstanding as of January 31, 2020 : 2,500,000,000

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

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

INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) Date : Wednesday, 17 June 2020
Time : 10:00 A.M.
Place : Virtual Meeting

Principal Office : 7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue
1209 Makati City, Philippines

(b) This information statement and the enclosed proxy form are posted in the Company's website and/or PSE Edge.

Item 2: Dissenter's Right of Appraisal

The amendment of the Articles of Incorporation of the corporation as stated in the Proxy and Notice of Meeting will trigger the right of appraisal under Section 80 of the Revised Corporation Code.

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4: Voting Securities and Principal Holders Thereof

(a) There are 2,500,000,000 shares of common stocks outstanding and issued as of 16 March 2020. All the issued shares are entitled to vote on a one (1) share - one (1) vote basis. The Company has only one class of shares.

(b) Only stockholders of record on the books of the Company at the close of business on 16 March 2020 will be entitled to vote at the Annual Meeting. Proxy or through registration for the virtual ASM of a majority of the shares of common stock outstanding on the record date is required for a quorum.

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

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

i. Security Ownership of Certain Record and Beneficial Owners

As of 31 March 2020, the following are the Security Ownership of Certain Record and Beneficial Owners of the Company:

Title of Class	Name/Address of Record Owner & Relationship w/ Issuer	Name of Beneficial Ownership & & Relationship w/Record Owner	Citizenship	Number of Shares	Percentage Held
Common	Anscor Consolidated Corporation 7th Flr. Pacific Star Bldg., Makati Avenue Makati City	Anscor Consolidated Corporation (Subsidiary)	Filipino (Subsidiary)	1,249,872,246	50.00%
Common	PCD Nominee Corp. (Non-Filipino) 37th Flr the Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Non-Filipino) (Depository Account)	Non-Filipino	497,823,860	19.91%
Common	A-Z Asia Limited Philippines, Inc. Barrio Mabacan Calauan, Laguna (Stockholder)	A-Z Asia Limited Philippines, Inc. (Stockholder)	Filipino	161,546,329	6.46%
Common	PCD Nominee Corp. (Filipino) 37th Flr. The Enterprise Center, Inc. Ayala Avenue corner Paseo de Roxas, Makati City (Depository Account)	PCD Nominee Corp. (Depository Account)	Filipino	120,103,004	4.80%

** Includes 347,619,943 shares lodged with PCD Nominee Corp. (Filipino).*

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

PCD Nominee Corporation, a wholly owned subsidiary of Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants, who hold the shares on their behalf or in behalf of their clients of which ATRAM Trust Corporation is the sole owner of more than 5%, specifically 33.80%, the bulk of which or 17.558% is owned by Deerhaven, LLC, a company registered in Delaware, USA. Shares owned by Deerhaven, LLC are indirectly owned by Andres Soriano III. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines.

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

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

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

ii. *Securities Ownership of Directors and Management*
As of 31 March 2020, the following are the security ownership of the Directors and Officers of the Company:

Ttitle of Class	Name of Beneficial Owner	Amount and Nature Of Security		Citizenship	Percent of Ownership
Common	Andres Soriano III	489,428,270	Direct/Indirect	American	19.577%
Common	Eduardo J. Soriano	180,415,944	Direct/Indirect	Filipino	7.217%
Common	Oscar J. Hilado	20,000	Direct/Indirect	Filipino	0.001%
Common	Jose C. Ibazeta	32,951	Direct	Filipino	0.001%
Common	Ernest K. Cuyegkeng	20,000	Direct	Filipino	0.001%
Common	Johnson Robert G. Go, Jr.	20,100	Direct	Filipino	0.001%
Common	Alfonso S. Yuchengco III	20,000	Direct	Filipino	0.001%
	Total	669,957,265			26.799%

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

iii. *Voting Trust Agreement*

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

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

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

As of March 31, 2020 the foreign ownership level of total outstanding shares is 19.92%.

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

Item 5: Information required of Directors and Executive Officers

(a) Directors and Executive Officers

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

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

For this year, the Board of Directors set the deadline for nomination of Directors on March 2, 2020 since March 1 falls on a Sunday.

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

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

Mr. Eduardo J. Soriano, the Vice Chairman, nominated on March 2, 2020 all the nominees for Directors including independent Directors contained in the information statement. Mr. Soriano is not related to any of the independent Directors nominated. No other nomination was submitted as of 2 March 2020.

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

The nominations for independent Directors complies with SRC Rule 38, which requires that a corporation with a class of equity securities listed for trading on the Philippine Stock Exchange or with assets in excess of Fifty Million Pesos (P50,000,000.00) and having two hundred (200) or more holders, at least two hundred (200) of which are holding at least one hundred (100) shares of a class of its equity securities shall have at least two (2) independent Directors or such independent Directors shall constitute at least twenty percent (20%) of the members of such Board.

The two nominated independent Directors of the Company are Mr. Oscar J. Hilado and Mr. Alfonso S. Yuchengco III. Mr. Hilado has been an independent Director of the Company for the last five years while Mr. Yuchengco is an independent Director since 2019. They are neither officers nor employees of the Company or of any of its subsidiaries. They do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out their responsibilities. Further, the nominated independent Directors possess all the qualifications and none of the disqualifications to serve as independent Directors of the Company. The independent Directors are nominated and elected in the same manner as regular directors in accordance with the nomination and election procedures provided in the By-Laws. The Company amended its By-Laws on 10 June 2009 to incorporate the requirements of SRC Rule 38 with respect to the nomination and election of independent Directors.

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

ANDRES SORIANO III, age 69, American, Director of the Company since 19 May 1982; Chairman and Chief Executive of the Company (1983 to present); Chairman and President of Anscor Consolidated Corporation (1987 to present); Chairman of The Andres Soriano Foundation, Inc. (1985 to present), Phelps Dodge International Philippines, Inc. (1983 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), Seven Seas Resorts and Leisure, Inc. (1998 to present) and Pamalican Resort, Inc. (May 2011 to present); Director of International Container Terminal Services, Inc. (ICTSI) (July 1992 to present)Terminal Services, Inc. (ICTSI). Mr. Soriano was formerly the President and Chief Operating Officer of San Miguel Corporation and was subsequently the Chairman and Chief Executive Officer of San Miguel Corporation. He was Chairman of Coca-Cola (Philippines), Coca-Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian

Advisory and the Wharton East Asia Executive Board. He holds a Bachelor of Science Degree in Economics, Major in Finance and International Business, Wharton School of Finance and Commerce, University of Pennsylvania, (1972.

EDUARDO J. SORIANO, age 65, Filipino, Director of the Company since 21 May 1980; Vice Chairman of the Company (1990 to present) and Treasurer (1990 to September 2018); Chairman of Anscor Holdings, Inc. (2012 to present); Member of the Board of Trustees and President of The Andres Soriano Foundation, Inc. (1985 to present); Director of Phelps Dodge Philippines Energy Products Corporation (1997 to present), Phelps Dodge International Phils., Inc. (1997 to present); Graduate of Bachelor of Science Degree in Economics, Major in History, University of Pennsylvania, (1977).

ERNEST K. CUYEGKENG, age 74, Filipino, Director of the Company since 22 April 2009; Executive Vice President and Chief Financial Officer of the Company (1990 to present); President and Director of Phelps Dodge Philippines Energy Products Corporation (1999 to present), and Anscor Holdings, Inc. (2012 to present); Director of Seven Seas Resorts and Leisure, Inc. (2008 to present); KSA Realty Corporation (2001 to present), ATRAM Investment Management Partners Corporation (2014 to present), T-O Insurance (2008 to present), Sumifru, Singapore (2003 to present), and Philippine British Assurance Co. Inc. (Nov. 2011 to present); Chairman and Director of ArthaLand Corporation (2007 to present); Member of the Board of Trustees of The Andres Soriano Foundation, Inc. (1990 to present); Member of the Management Association of the Philippines, Makati Business Club and Financial Executive Institute of the Philippines (FINEX); Graduate of De La Salle University, B.A. Economics and B.S. Business Administration, (1968), Masters Degree in Business Administration, Columbia Graduate School of Business, New York, (1970).

JOHNSON ROBERT G. GO, JR., age 54, Filipino, Director of the Company since 19 November 2019; Director of Universal Robina Corporation (May 5, 2005 to present), JG Summit Holdings, Inc and Robinsons Land Corporation; President of the Dameka Trading, Inc., member of the Senior Advisory Board of Robinsons Bank Corporation and a Trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University.

OSCAR J. HILADO, age 82, Filipino, an independent Director of the Company since 13 April 1998; Chairman of Philippine Investment Management (PHINMA), Inc. (January 1994 to present); Chairman of the Board & Chairman of the Executive Committee of Phinma Corporation; Chairman of the Board of Phinma Property Holdings Corporation; Vice Chairman of Union Galvasteel Corporation (March 2017 – present), Director of Phil. Cement Corporation (July 2018 to present), Phinma Solar Energy Corporation (July 2017 to present); Phinma Hospitality, Inc. (July 2011 to present, Phinma Microtel Hotels, Inc. (July 2011 to present), Phinma Education Holdings, Inc. (March 2016 to present), Araullo University, Inc. (April 2004 to present), Cagayan de Oro College, Inc. (June 2005 to present), University of Iloilo, Inc. (August 2009 to present), University of Pangasinan, Inc.) (August 2009 to present), Southwestern University (June 2016 to present) St. Jude College, Manila (January 2018 to present); Manila Cordage Corporation (1986 to present). Independent Director of Philex Mining Corporation (December 2009 to present), Rockwell Land Corporation (May 2015 to present), Smart Communications, Inc. (May 2013 to present), Digital Telecommunications Philippines, Inc. (DIGITEL) (May 2013 to present, Roxas Holdings, Inc. (March 2016 to present), Seven Seas Resorts & Leisure, Inc. and Pamalican Resort, Inc. (May 2011 to present), Beacon Property Ventures, Inc. (December 1994 to present), Cebu Light Industrial Park, Inc. (February 1996 to present), Pueblo de Oro Development Corporation (February 1996 to present), United Pulp and Paper Company, Inc. (December 1969 to present). Graduate of De La Salle College (Bacolod), Bachelor of Science in Commerce (1958), Masters Degree in Business Administration, Harvard Graduate School of Business, (1962).

JOSE C. IBAZETA, age 77, Filipino, Director of the Company from 1981 to 1998, 2004 to present; Consultant to the Chairman (2010-present); Director of International Container Terminal Services, Inc. (January 1988 to present), ICTSI Ltd. and ICTHI, Anscor Consolidated Corporation (1980 to present), Anscor Holdings, Inc. (2012 to present), Island Aviation, Inc., Minuet Realty Corporation (1995 to present), Phelps Dodge Philippines Energy Products Corporation (1997 to present), President of Seven Seas Resorts & Leisure, Inc. (2008 to present), Pamalican Resort, Inc. (May 2011 to present) and Island Aviation, Inc. (March 2017 to present); Member of the Board, Atlantic Gulf & Pacific Company of Manila, Inc.; Member of the Board, Executive Committee, Chairman of the Audit Committee and Member of the Compliance Steering Committee of AG&P Group Holdings Ptd Ltd.; FieldCOM, Inc. and GAS Entec Co, Ltd.; Member of the Board and Treasurer of AGP Philippines Holdings I, Inc.; Member of the Board of Trustees, Radio Veritas (1991 to present). Mr. Ibazeta was President and CEO of Power Sector Assets & Liabilities Management Corporation (PSALM) (February 2007 to March 2010) and Acting Secretary of Energy (April-June 2010). He is a graduate of Bachelor of Science in Economics, Ateneo de Manila University, (1963), MBA from the University of San Francisco, (1968) and, MBA Banking and Finance from the New York University (1972).

ALFONSO S. YUCHENGCO III, age 61, Filipino, Director of Mapua Institute of Technology (1999 to present); Chairman of Testech, Inc. (2003 to present); Chairman of Prople, Inc. (2009 to present); Member of the Board of Trustees of Semiconductor and Electronics Industries in the Philippines, Inc. (2011 to present). He is a graduate of BS Asian Studies from De La Salle University (1981).

The following are the members of the Audit Committee, Compensation Committee, Executive Committee and Nomination Committee:

Audit Committee:

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

Compensation Committee:

Mr. Oscar J. Hilado	Chairman
Mr. Andres Soriano III	Member
Mr. Alfonso S. Yuchengco III	Member

Executive Committee:

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

Nomination Committee:

Mr. Eduardo J. Soriano	Chairman
Mr. Oscar J. Hilado	Member
Mr. Alfonso S. Yuchengco III	Member

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

LORNA PATAJO-KAPUNAN, age 68, Filipino, Corporate Secretary of A. Soriano Corporation (1998 to present); Senior Partner of Kapunan & Castillo Law Offices; Corporate Secretary, Roxas Holdings, Inc. (1995 to 2014), Central Azucarera de Don Pedro (February 1995), Central Azucarera de la Carlota (March 1996), Beverage Industry Association of the Philippines (February 1991 to present), Seven Seas Resorts & Leisure, Inc. (November 1990 to present), Pamalican Island Holdings, Inc. (1995 to present), iAcademy (2002 to 2011), Uni-President Phils., Inc. (2002 to present), Huntly Corporation (February 1992 to present), Palomino Resources, Inc. and Malate Pensionne, Inc. (2001 to 2014), Cuisine Exchange, Inc. and Culinary Innovators, Inc. (2001 to 2014), Jose M. Velero Corporation (2001 to 2014), Creative Concoctions, Inc. (2001 to 2014), Hotel Concepts, Inc. (September 2001 to present), Creative Hotel Concepts, Inc. (September 2001 to 2014), Culinary Events, Inc. (2001 to 2014), AH Distribution Corporation, Hotel & Resorts Trench, Inc. (2002 to 2014), It's About Taste (I'ATE), Inc. (2002 to 2014), Kitchen Alley, Inc. (2001 to 2014), Les Maitres Gourmands, Inc. (July 2001 to 2014); Traditional Financial Services Philippines, Inc. (2008 to present); Avaya Philippines, Inc. (2006 to present), Elixir Gaming Technologies Philippines, Inc. (2007-2008), Elixir Group Philippines, Inc. (2006-2008); Director of AMAX Holdings Limited (2008 to 2014), Corporate Secretary, Blessed Mary Mother of the Poor Foundation, Inc. (2014), Montemar Beach Club, Inc. (2013 to present), Philcomsat Communications Satellite Corporation (Philcomsat) (2013 to present), UNLAD Foundation (2015). Graduate of University of the Philippines College of Law, (1978); Seminar Courses: Japan Institute of Invention and Innovation (JIII) Tokyo (1997); National Institute on Humanitarian Law, San Remo, Italy (September 2005); Summer Course International Humanitarian Law, Magdalene College, Cambridge University, London UK (July 2010). Bar Examiner, Mercantile Law (1988). The Outstanding Women In The Nations Service (TOWNS) Awardee – Corporate Law (1995); Filipinas Women Network (FWN) Influential Women Award (2016); Columnist, Business Mirror

"Legally Speaking"; Program Host/Commentator "Laban Para Sa Karapatan" DWIZ, 882 AM.

WILLIAM H. OTTIGER, age 52, Swiss, Senior Vice President and Corporate Development Officer; Treasurer of the Company (September 2018 to present); Director of Phelps Dodge International Philippines, Inc.; AG&P International, Prople, Inc., Seven Seas Resorts and Leisure, Inc. (April 2019 to present) and ATRAM Trust Corporation (April 2019 to present). Formerly with San Miguel Brewing Group and UBS Investment Bank; Graduate of Washington & Lee University, B.A. European History, (1990). London Business School, MBA, (2001).

NARCISA M. VILLAFLOR, age 57, Filipino, Vice President and Comptroller of the Company since 19 April 2000; Treasurer of Seven Seas Resorts and Leisure, Inc., Pamalican Resort, Inc. and Anscor Holdings, Inc., The Andres Soriano Foundation, Inc., Pamalican Island Holdings, Inc., and Sutton Place Holdings, Inc.; Director of Anscor Consolidated Corporation; Trustee of The Andres Soriano Foundation, Inc. Joined SGV (January 1985 to November 1989) and joined Anscor in December 1989; Graduate of University of the Philippines, Bachelor of Science in Business Administration and Accountancy (1984). Attended AIM Management Program (November 1996).

LORENZO D. LASCO, age 57, Filipino, Vice President (joined the group in 1997); Director and General Manager of Anscor Holdings, Inc. (2000 to present); Director of AFC Agribusiness Corp.; Project Manager at Seven Seas Resorts and Leisure, Inc. (Amanpulo); used to be connected with Ayala Land, Inc. (ALI) for nine years; Graduate of the Asian Institute of Management, Masters in Business Administration (1989).

JOSHUA L. CASTRO, age 46, Filipino, Vice President (April 2017 to present) and Assistant Corporate Secretary of the Company; Assistant Corporate Secretary of Seven Seas Resorts and Leisure, Inc. and Island Aviation, Inc. (2006 to present); Corporate Secretary of Phelps Dodge Philippines Energy Products Corporation and The Andres Soriano Foundation, Inc. (2006 to present); and Anscor Holdings, Inc. (2012 to present), Tax Lawyer, SyCip Gorres Velayo & Co. (1999 to 2005); Graduate of San Beda College of Law (1999).

SALOME M. BUHION, age 47, Filipino, Assistant Vice President- Accounting (April 2017 to present) and Accounting Manager (January 1998 to April 2017) of the Company; Assistant Manager, Business System Division (Support Management Group), Equitable PCI Bank, (1997); Auditor, SyCip Gorres Velayo & Co. (1994 to 1997); Certified Public Accountant.

MA. VICTORIA L. CRUZ, age 56, Filipino, Assistant Vice President of the Company (April 2017 to present); Executive Secretary to the Chairman (September 1998 to March 2017). Ms. Cruz was formerly the Executive Assistant to the Head of Mission of the Embassy of Peru. She also worked with Shangri-La's Mactan Island Resort, John Clements Consultants, Inc. and the Mandarin Oriental Hotel, Manila. She received a Bachelor of Science degree major in Business Management from De La Salle University in 1984.

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

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

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

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

(f) Legal Proceedings
For the last five years and as of 31 March 2020, Management is not aware of any pending material legal proceeding *i.e.,* bankruptcy petitions, convictions by final judgment, being subject to any order, judgment or decree or violation of a Securities or Commodities Law involving its nominees for directorship, executive officers and incumbent officers and directors.

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

Item 6: Compensation of Directors and Executive Officers

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

		Compensation		
Name	**Principal Position**	**2018 Actual**	**2019 Actual**	**2020 (Estimate)**
Andres Soriano III	Chairman & Chief Executive Officer			
Eduardo J. Soriano*	Vice Chairman			
Ernest K. Cuyegkeng	Executive Vice President & Chief Financial officer			
William H. Ottiger	Senior Vice President, Treasurer & Corporate Development Officer			
Narcisa M. Villaflor	Vice President & Comptroller			
Lorenzo D. Lasco	Vice President			
Joshua L. Castro	Vice President & Assistant Corporate Secretary			
Salome M. Buhion	Assistant Vice President			
Ma. Victoria L. Cruz	Assistant Vice President			
Salaries		P 67,953,963	P 51,648,733	P 52,651,041
Benefits		2,041,488	1,429,599	1,429,599
Bonus		51,750,000	25,025,000	59,400,000
Sub-Total Top Executive		121,745,451	78,103,332	113,480,640
Other Directors		15,410,714	11,931,786	17,662,857
Total		P 137,156,165	P 90,035,118	P 131,143,497

** Retired as Treasurer of the Company effective September 7, 2018*

(b) Employment Contracts and Termination of Employment and Change-in Control Arrangements
All the Executive Officers are not subject of any employment contract. Neither are there any compensatory plans or arrangements with respect to the named Executive Officers that will result from their resignation, retirement or any other termination or from change in control in the Company or change in the named Executive Officers' responsibilities following a change in control.

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

Item 7: Independent Public Accountants

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

(b) In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2019, is Ms. Dhonabee B. Señeres, who is on her first year of audit engagement.

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

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

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

Year	**Audit Fees**
2019	P **1,320,000**
2018	P 1,275,000

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

(f) Tax Consultancy and Other Fees
The consultancy and other fees paid by the Company to SGV for the year 2019 amounted to P1,944,667.30.

Item 8: Compensation Plan

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9: Authorization or issuance of securities other than exchange

(a) As stated in the Proxy and the Notice of Meeting, the Company is proposing to amend Article IX of its Articles of Incorporation in order to reclassify Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or total par value of Five Million Pesos (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or total par value of Five Million Pesos (P5,000,000.00).

(b) There is no intention to offer to the public the Five Hundred Million (500,000,000) preferred shares. There is also no intention to list the preferred shares in any stock exchange. The features of the preferred shares are as follows:

i. The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities.

ii. The holders of preferred shares shall have the same voting rights as the holders of common shares.

iii. The holders of preferred shares shall not be entitled to dividends.

iv. The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law.

(c) The purpose of the reclassification of Five Million (5,000,000) common shares into Five Hundred Million (500,000,000) preferred shares is to give the Company the ability to issue preferred shares to Filipino stockholders in order to comply with foreign equity restrictions under existing laws. The actual issuance of the preferred shares will still be determined by and is subject to approval by the Board of Directors. No further authorization for the actual issuance of the preferred shares will be solicited from the stockholders prior to such actual issuance.

(d) While the preferred shares will have the same voting rights as common shares, in terms of economic interest, the creation of preferred shares will have minimal impact to existing shareholders because the preferred shares are not entitled to dividends. Further, in case of liquidation, the distribution of any remaining assets of the Company after the satisfaction of all its legitimate obligations shall be based on par values, *i.e.,* the par value of preferred shares is 1/100 to that of common shares.

Effects on capital structure:

	ISSUED SHARES	
Type of Security	*Before*	*After*
Common Shares	*2,500,000,000*	*2,500,000,000*
*Preferred Shares**	*0*	*0*

**The actual issuance of the preferred shares will still be determined by and is subject to approval by the Board of Directors.*

	OUTSTANDING SHARES	
Type of Security	*Before*	*After*
Common Shares	*2,500,000,000*	*2,500,000,000*
Preferred Shares	*0*	*0*

	LISTED SHARES	
Type of Security	*Before*	*After*
Common Shares	*2,500,000,000*	*2,500,000,000*
Preferred Shares	*0*	*0*

(e) Please see attached Financial Statements of the Company.

Item 10: Modification or Exchange of Securities

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

Item 11: Financial and Other Information

The audited financial statements (included in the annual report) as of December 31, 2019, Management's Discussion and analysis, market price of shares and dividends and other data related to the Companies' financial information are attached hereto as "Annex B".

1. Financial statements meeting the requirements of SRC Rule 68, as amended; (please see pages 13 to 111 of the 2019 Annual Report)
2. "Annex B", management discussion and analysis and plan of operation; (please see pages 28-53 of the Definitive Information Statement)

3. "Annex B", changes in and disagreements with accountants on accounting and financial disclosure; (please see page 56 of the Definitive Information Statement)

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

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

Item 13: Acquisition or Disposition of Property

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

Item 14: Restatement of Accounts

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

D. OTHER MATTERS

Item 15: Action with Respect to Reports

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

(a) Approval of Minutes of Annual Meeting of Stockholders on 10 April 2019

The Minutes of Annual Meeting of Stockholders of the Company held on 10 April 2019 ("Minutes") will be presented for approval of the stockholders. Such action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in said Minutes since Stockholders' approval and action on those items had already been obtained in that meeting and subsequently carried out.

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

Summary of the Minutes of 10 April 2019:

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

1. Approval of the Annual Report and Audited Financial Statements as of 31 December 2018 and ratification of all acts, contracts, investments and resolutions of the Board as set forth in the minutes of the Board of Directors.
2. Election of the members of the Board of Directors.
3. Appointment of external auditors.

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

(b) Approval of 2019 Audited Financial Statements

The Audited Financial Statements of the Company for the period ended 31 December 2019 will be submitted for approval of the stockholders at the Annual Meeting.

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

(c) Ratification of All Acts, Contracts, Investments and Resolutions of the Board of Directors and Management since February 21, 2019 Meeting.

As a matter of corporate policy, Management seeks the approval and ratification by the stockholders of all acts, contracts, investments and resolutions of the Board of Directors and Management since 21 February 2019. These are reflected in the Minutes of the meetings of the Board of Directors in their regular reports and disclosures to the Securities and Exchange Commission, and the Philippine Stock Exchange, and in the 2019 Annual Report of the Company. For reference, attached herewith (**Annex A**) is a list of all the resolutions approved by the Board of Directors since 21 February 2019 which are the subject of ratification by the stockholders.

Item 16: Matters Required to be Submitted

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

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

As stated in the Proxy and the Notice of Meeting, the Company is proposing the following amendments to its Articles of Incorporation:

(a) Amendment of the following portions of Article IX of the Articles of Incorporation:

i. Reclassification of Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or total par value of Five Million Pesos (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or total par value of Five Million Pesos (P5,000,000.00); and

ii. Addition of the following paragraphs to Article IX of the Articles of Incorporation to indicate the features of the preferred shares:

Second paragraph - The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities. The holders of preferred shares shall have the same voting rights as the holders of the common shares.

Third paragraph - The holders of the preferred shares shall not be entitled to dividends.

Fourth paragraph - The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law.

(b) Amendment of last paragraph of Article IX to state that shareholders shall have no pre-emptive rights in shares of stock issued by the Corporation.
(c) Amendment of the first paragraph of Article XIII to indicate that the two thirds (2/3) vote of the stockholders required for any amendment of the Articles of Incorporation applies to all the outstanding shares of stock of the Corporation.

Item 18: Other Proposed Actions

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

Item 19: Voting Procedures

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

(b) Stockholders may vote during the 2020 ASM either (1) by Proxy or (2) by voting in absentia through our Online Stockholder Voting System.

1. Voting by Proxy:

   a. Download and fill up the Proxy Form at https://www.anscor.com.ph/disclosures/proxy/. The Chairman, or in his absence, the Vice-Chairman, the Chief Financial Officer or the Corporate Secretary is authorized to cast the votes pursuant to the instructions in the Proxy Form.
   b. Send a scanned copy of the executed Proxy Form by email to our Stock Relations Officer, Ms. Rose Reyes at rose.reyes@anscor.com.ph or at registration@anscor.com.ph.
   c. The scanned copy of the executed Proxy Form should be emailed to above not less than ten (10) working days prior to the ASM or not later than June 2, 2020.

d. The hard copy of the signed Proxy Form should be delivered to: The Corporate Secretary, 7th Floor, Pacific Star Building Gil Puyat Avenue corner Makati Avenue, Makati City once the ECQ has been lifted.

2. Voting in absentia through the Online Stockholder Voting System:

a. Follow the Registration and Participation/Attendance Procedure set forth above.
b. Signify your intention to vote in absentia through the Online Stockholder Voting System by email to registration@anscor.com.ph not later than five (5) working days before the 2020 ASM or not later than June 9, 2020.
c. Upon validation, the Company will send an email to the stockholder containing the link for the Online Stockholder Voting System and the instructions for casting votes in the Online Stockholder Voting System. Registered stockholders shall have until 5:00 PM of June 15, 2020 to cast their votes.
d. All agenda items indicated in the Notice of Meeting will be included in the Online Stockholder Voting System and the registered stockholder may vote as follows:

i. For items other than election of the Directors, the stockholder may vote: “For”, “Against”, or “Abstain”. The vote shall be considered as cast for all the stockholder’s shares.
ii. For the election of Directors, the stockholder may vote for all the nominees, not vote for any of the nominees, or vote for some of the nominees only, in such number of shares as the stockholder may see fit, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of Directors to be elected.

e. Once voting is completed in the Online Stockholder Voting System, the stockholder shall proceed to click on the “Submit” button which shall complete the process. Once submitted, the stockholder may no longer change the votes cast. The votes cast in absentia will have equal effect as votes cast by proxy.

Other Matters

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

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

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 5 June 2020.

LORNA PATAJO-KAPUNAN
Corporate Secretary

ANNEX A

Resolutions Approved During the Meetings of the Board of Directors of A. Soriano Corporation for the Period February 21, 2019 to March 31, 2020

1. **<u>Board Meeting held on February 21, 2019</u>**

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

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

Record Date – March 12, 2019
Proxy Validation Date – April 02, 2019
Date of Stockholders' Meeting – April 10, 2019

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

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

Regular Cash Dividend – Twenty Centavos (P0.20) per share
Special Cash Dividend – Five Centavos (P0.05) per share

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

1.5 RESOLVED, that the appropriation of unrestricted retained earnings of the Company for the year 2015 amounting to P1.7 billion is hereby extended for another three years for its investment in business activities related to digital technology, services, retail and manufacturing, whether based in the Philippines or offshore.

2. **<u>Board Meeting held on April 10, 2019</u>**

2.1 RESOLVED, That the Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board of Directors and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2018.

2.2 RESOLVED, as it is hereby resolved, that the Integrated Annual Corporate Governance Report (I-ACGR) of the Corporation for the year 2018 pursuant to SEC Memorandum Circular No. 15, Series of 2017 is hereby approved.

2.3 RESOLVED, as it is hereby resolved, that the Corporation, through its Board of Directors, Officers and Employees, expresses its sincerest thanks and deep gratitude to Mr. Roberto Romulo for his valuable services as Director for the last 21 years.

2.4 RESOLVED, as it is hereby resolved, that the Corporation through Anscor International, Inc. is hereby authorized to invest the amount of US$10,000,000.00 in Navegar Fund II under such terms and conditions as may be for the best interest of the Corporation;

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

2.5 RESOLVED, that A. Soriano Corporation (the “Corporation”) be authorized, as it is hereby authorized, to terminate its Trust Account No. 301-78148-0 (the “Account”) with BDO Unibank, Inc. – Trust and Investments Group (the “Trustee”) in connection with the A. Soriano Corp. Retirement Plan (the “Plan”) and to direct the Trustee to deliver the assets and cash of the Account to the ATRAM Trust Corporation, the successor-trustee of the Plan (“Successor-Trustee”);

RESOLVED, FURTHER, that the Corporation be authorized to hold the Trustee free and harmless from, and to undertake to the Trustee to indemnify the latter for, any and all liabilities, actions, claims or proceedings that may arise or may be brought against the Trustee as a consequence of the acts or transactions done or entered into by it in the performance of its duties as Trustee, including the delivery of the cash and assets of the Account to the Successor-Trustee;

RESOLVED, FINALLY, that any two (2) of the following officers, signing jointly, be authorized, as they are hereby authorized, to sign, execute and deliver any and all documents necessary or required to implement the above resolutions:

Name	Position
Ernest K. Cuyegkeng	Executive VP & CFO
Narcisa M. Villaflor	Vice President & Comptroller

2.6 RESOLVED, that A. Soriano Corporation (the “Corporation”) be authorized, as it is hereby authorized, to terminate its Trust Account No. 21-0301-05 (the “Account”) with BPI Asset Management and Trust Corporation (the “Trustee”) in connection with the A. Soriano Corp. Retirement Plan (the “Plan”) and to direct the Trustee to deliver the assets and cash of the Account to the ATRAM Trust Corporation, the successor-trustee of the Plan (“Successor-Trustee”);

RESOLVED, FURTHER, that the Corporation be authorized to hold the Trustee free and harmless from, and to undertake to the Trustee to indemnify the latter for, any and all liabilities, actions, claims or proceedings that may arise or may be brought against the Trustee as a consequence of the acts or transactions done or entered into by it in the performance of its duties as Trustee, including the delivery of the cash and assets of the Account to the Successor-Trustee;

RESOLVED, FINALLY, that any two (2) of the following officers, signing jointly, be authorized, as they are hereby authorized, to sign, execute and deliver any and all documents necessary or required to implement the above resolutions:

Name	**Position**
Ernest K. Cuyegkeng	Executive VP & CFO
Narcisa M. Villaflor	Vice President & Comptroller

2.7 RESOLVED, that the A. Soriano Corporation ("the Corporation") hereby approves the establishment of the A. SORIANO CORPORATION RETIREMENT PLAN (the "Retirement Fund");

RESOLVED, FURTHER, that the Corporation hereby appoints ATRAM Trust Corporation ("ATRAM Trust") as trustee for the Retirement Fund;

RESOLVED, FURTHER, that the following be authorized to administer the Retirement Fund, to serve as such until their successors have been duly elected and qualified:

Name	**Designation**
Ernest K. Cuyegkeng	Executive VP & CFO
Narcisa M. Villaflor	Vice President & Comptroller
Lorenzo D. Lasco	Vice President
Salome M. Buhion	Assistant Vice President - Accounting

RESOLVED, FURTHER, that any two (2) of the foregoing persons be authorized and empowered, for and in behalf of the Retirement Fund, and in order to give effect to and enforce the authorities herein granted, to sign, execute and/or deliver any and all documents, including but not limited to the TrustAgreement, letters of nstruction/withdrawals/termination/investment guidelines and instructions, waiver and quitclaims or other instructions in relation to the establishment and administration of the Retirement Fund;

RESOLVED, FURTHER, that ATRAM Trust, its directors, officers, employees, agents or authorized representatives are each entitled and authorized to rely on instructions from the Retirement Fund's authorized signatories as valid, binding and effective upon the Retirement Fund, and that ATRAM Trust, its directors, officers, employees, agents or authorized representative shall not be liable for any act done or suffered by them in reliance of the above instructions; it being understood that any and all risks and costs arising from the above instructions shall be for the Retirement Fund's sole and exclusive account;

RESOLVED, FURTHER, that all things/acts done and documents executed and entered into by the aforementioned signatories pursuant to and in accordance with the foregoing authorities are hereby confirmed, affirmed and ratified;

RESOLVED, FINALLY, that this resolution shall remain valid, subsisting and enforceable unless subsequently modified, revoked, rescinded or superseded by a resolution of the Board of Directors of the Corporation and a copy of such resolution is actually received by ATRAM Trust.

2.8 RESOLVED, That the Corporation hereby authorize Ms. Nancie M. Villaflor, Vice President/Comptroller and Rolando Danilo A. Bajao, Liaison Officer, to file/request the refund claim, to follow up and receive/claim the check with the Accounting Department of the Bureau of Internal Revenue (BIR) amounting to Thirty-Eight Million Fifty-Three Thousand Four Hundred Forty-Four Pesos and Thirty Centavos (P38,053,444.30) representing refund for overpayment of taxes paid with the BIR on cash dividends declared by the Corporation on February 21, 2018 and payable on April 18, 2018;

RESOLVED, FURTHER, That Mr. Ernest K. Cuyegkeng, Executive Vice President & Chief Financial Officer, is hereby authorized to sign the Special Power of Attorney for and in behalf of the Corporation for the said purpose.

3. <u>Board Meeting held on July 2, 2019</u>

3.1 RESOLVED, that the Board of Directors of the Corporation hereby approves the additional investment of A. Soriano Corporation in Fremont Holdings, Inc. amounting to E80.6 million.

3.2 RESOLVED, that the Board of Directors hereby authorizes A. Soriano Corporation (the "Corporation") to sell or transfer its 5,590 common shares in Medical Doctors Inc. in favor of Metro Pacific Hospital Holdings, Inc. ("MPHHI") for the price of P4,016.00 per share or total price of P22,449,440.00.

RESOLVED, FURTHER, that the Corporation hereby authorizes its Executive Vice President and CFO, Ernest K. Cuyegkeng to sign any and all documents necessary or desirable to effect the sale or transfer of the said shares to MPHHI.

4. <u>Board Meeting held on September 16, 2019</u>

4.1 RESOLVED, as it is hereby resolved, that the Material Related Party Transactions Policy of the Corporation pursuant to SEC Memorandum Circular No. 10, Series of 2019 is hereby approved.

4.2 RESOLVED, That the Corporation is hereby authorized to enter into a loan agreement with A. Soriano Corporation Retirement Trust Fund amounting to Three Hundred Sixty Three Million Five Hundred Thousand Pesos (P363,500,000) under such term and conditions that may be for the best interest of the Corporation;

RESOLVED, FURTHER, That the following officers of the Corporation, namely: Ernest K. Cuyegkeng, Executive Vice President & Chief Financial Officer and Joshua L. Castro, Vice President & Assistant Corporate Secretary, are hereby authorized, as they are hereby authorized, directed and empowered to execute, sign and deliver any and all agreements, contracts and documents that may be necessary and/or required for the implementation of the foregoing resolution.

5. **<u>Board Meeting held on November 19, 2019</u>**

5.1 RESOLVED, as it is hereby resolved, that the Corporation, through its Board of Directors, officers and employees, expresses its deep sorrow and heartfelt condolences to the family of Mr. John L. Gokongwei, Jr. for his untimely and sad demise.

RESOLVED, FURTHER, as it is hereby resolved, that the Corporation expresses its sincerest thanks and gratitude to Mr. Gokongwei, Jr., for his invaluable services as Director of the Company for the last 39 years.

5.2 RESOLVED, that A. Soriano Corporation (the “Corporation”) is hereby authorized to acquire Units A & D, 8th Floor of the 8 Rockwell, Makati City for Three Hundred Twenty Eight Million Eight Hundred Thousand Pesos (P328,800,000.00) under such terms and conditions that may be for the best interest of the Corporation;

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

5.3 RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a special cash dividend of Twenty Five Centavos (P0.25) per share on the common stock of the Corporation, payable on December 18, 2019, to all stockholders of record as of the close of business on December 4, 2019, and Mr. Ernest K. Cuyegkeng, the Corporation’s Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

5.4 RESOLVED, that Mr. Marlon Dorado, Liaison Staff, is hereby authorized to transact, for and in behalf of the Corporation, with the Registry of Deeds of Makati City and the Local Government of Makati City, in connection with the transfer of Units A & D, 8th Floor of the 8 Rockwell located at Hidalgo Drive, Rockwell Center, Makati City in the name of A. Soriano Corporation, with details as follows:

CCT No.	Unit No.	Area (sqm)
006-2019015121	8A	391.46
006-019015122	8D	391.46

6. **Board Meeting held on February 19, 2020**

6.1 RESOLVED, as it is hereby resolved, that the audited Financial Statements of A. Soriano Corporation for the year ended December 31, 2019 is hereby approved.

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

Record Date – March 16, 2020
Proxy Validation Date – April 6, 2020
Date of Stockholders' Meeting – April 15, 2020

6.3 RESOLVED, That Article IX of the Articles of Incorporation of the Corporation is hereby amended to reclassify Five Million (5,000,000) common shares with par value of One Peso (P1.00) per share or a total par value of Five Million (P5,000,000.00) into Five Hundred Million (500,000,000) preferred shares with par value of One Centavo (P0.01) per share or a total par value of Five Million Pesos (P5,000,000.00) to read as follows:

The authorized capital stock of the Corporation is THREE BILLION FOUR HUNDRED SIXTY FOUR MILLION THREE HUNDRED TEN THOUSAND NINE HUNDRED FIFTY EIGHT (P3,464,310,958) PESOS, Philippine Currency, and said capital stock is divided into **THREE BILLION FOUR HUNDRED FIFTY NINE MILLION THREE HUNDRED TEN THOUSAND NINE HUNDRED FIFTY EIGHT (3,459,310,958)** COMMON SHARES, with a par value of ONE (P1.00) PESO per share and **FIVE HUNDRED MILLION (500,000,000) PREFERRED SHARES with a par value of ONE CENTAVO (P0.01)** per share.

RESOLVED, FURTHER, That Articles of Incorporation of the Corporation is hereby amended adding second, third, and fourth paragraphs to Article IX to indicate the features of the preferred shares as follows:

The preferred shares of stock may be issued to Philippine nationals or foreign persons or entities. The holders of preferred shares shall have the same voting rights as the holders of the common shares.

The holders of the preferred shares shall not be entitled to dividends.

The holders of the preferred shares shall share with the holders of common shares in the distribution of the remaining assets of the Corporation in case of liquidation, based on the par value of the shares held by them after the satisfaction of all legitimate obligations of the Corporation to third parties in accordance with law.

RESOLVED, FURTHER, That the last paragraph of Article IX of the Articles of Incorporation is amended to state that shareholders shall have no pre-emptive rights in shares of stock issued by the Corporation to read as follows:

Stockholders shall have no preemptive rights in shares of stock which are issued by the corporation.

RESOLVED, FINALLY, That Article XIII is amended to indicate that the two-thirds (2/3) vote of the stockholders required for any amendment of the Articles of Incorporation applies to all the outstanding shares of stock of the Corporation to read as follows:

The Corporation reserves the right to amend, alter, substitute or revoke all or any of the clauses or provisions established in these Articles of Incorporation in the form and manner authorized by the existing laws or its amendments in the future, provided and whenever the stockholders representing two-thirds (2/3) of the outstanding shares of stock so agree, and all the rights and powers granted to the stockholders, directors, offices and agents of the Corporation are subject to the same reservation."

7. **Board Meeting held on March 16, 2020**

RESOLVED, as it is hereby resolved, that there is hereby declared out of the surplus profits of the Corporation, a regular cash dividend of Twenty Five Centavos (P0.25) per share and special cash dividend of Fifty Centavos (P0.50) per share on the common stock of the Corporation, payable on April 27, 2020, to all stockholders of record as of the close of business on March 31, 2020, and Mr. Ernest K. Cuyegkeng, the Corporation's Executive Vice President and Chief Financial Officer, is hereby directed and authorized to cause the payment of the said cash dividend on the specified date.

ANNEX B
MANAGEMENT REPORT

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

Description of General Nature and Scope of Business

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

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

Growing the businesses is vital to Anscor's long-term success. The Company keeps a tight watch on the existing portfolio of businesses and new opportunities as they emerge.

As of 31st December 2019, the Company's consolidated total assets stood at P23.1 billion. For the year ended 31st December 2019, consolidated revenues of the Company amounted to P10.7 billion.

A. Soriano Corporation has the following direct/indirect subsidiaries/associates as of December 31, 2019:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
International Quality Healthcare Investment Ltd.	100%	Manpower Services	British Virgin Island
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
Prople Limited, Inc.	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines

Company	Ownership	Business	Jurisdiction
AG&P International Holdings, Pte Ltd.	21%	Modular Steel Engineering / LNG Construction	Singapore
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercrest Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines
AFC Agribusiness Corporation	81%	Agricultural Land Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Real Estate Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
ATRAM Investment Management Partners Corp.	20%	Asset Management	Philippines
Direct WithHotels	15%	Online Reservation	Philippines
KSA Realty Corporation	14%	Realty	Philippines

Below are the Key Performance Indicators of the Group:

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

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Sale of goods – net	**P 8,208,375**	P 8,292,509	P 7,188,995
Services	**1,342,390**	1,314,705	1,059,796
Dividend income	**373,587**	301,778	270,687
Interest income	**124,478**	109,516	98,877
	10,048,830	10,018,508	8,618,355
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments	**1,151,784**	33,493	1,351,506
Gain (loss) on disposal of subsidiaries	**-**	(6,111)	1,097,862
Gain (loss) on sale of FVOCI investments	**11,860**	(2,701)	13,933
	1,163,644	24,681	2,463,301
Equity in net losses – net of valuation allowance	**(517,090)**	(262,184)	(497,099)
TOTAL	**10,695,384**	9,781,005	10,584,557
INCOME BEFORE INCOME TAX	**2,367,750**	1,252,042	2,889,439
PROVISION FOR INCOME TAX	**429,374**	347,219	253,436
NET INCOME FROM CONTINUING OPERATIONS	**1,938,376**	904,823	2,636,003
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	**–**	–	(47,637)
NET INCOME	**1,938,376**	904,823	2,588,366
OTHER COMPREHENSIVE INCOME (LOSS)	**(101,982)**	49,503	(61,859)
TOTAL COMPREHENSIVE INCOME (LOSS)	**P 1,836,395**	**P** 954,326	P 2,526,508

(Forward)

	Years Ended December 31		
	2019	2018	2017
Equity holders of the Parent	**P 1,843,615**	P 808,387	P 2,547,459
Noncontrolling interests	**94,761**	96,437	40,908
	P 1,938,376	P 904,823	P 2,588,367
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent	**P 1,741,633**	P 857,889	P 2,485,600
Noncontrolling interests	**94,761**	96,437	40,908
	P 1,836,394	P 954,326	P 2,526,50
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	**P 1.53**	P 0.67	P 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent	**P 1.53**	P 0.67	P 2.12
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	**P 1.44**	P 0.71	P 2.03

<u>Year 2019 Financial Performance</u>

The Company's consolidated total revenues increased to P10.7 billion from P9.8 billion in 2018, resulting in a net income attributable to the parent company of P1.8 billion from P0.8 billion in 2018.

The improved profit came from an increase in market value of traded equities amounting to P1.0 billion versus a loss of P208.4 million in 2018, mainly from gains in International Container Terminal Services, Inc. and Y-mAbs Therapeutics, Inc., a US listed biotechnology company. The Company also reported higher dividend income and management fees, coupled with the decline in overhead and interest expense.

Parent company debt amounting to US$2.25 million will be fully paid by the end of March 2020. The Company's book value per share increased from P15.32 to P15.95 as of December 31, 2019.

Total dividends of P0.50 per share were paid on April 10, 2019 and on December 18, 2019.

<u>**The Soriano Group Operations**</u>

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

A slowdown in public construction was felt due to the delayed passage of the 2019 national budget which pushed back some government infrastructure projects in the first half of the year. However, private construction grew at a faster pace than the previous year to 13.8% from 11.5%.

Though volume sold for the year was at par with last year, unit sales were strong in direct sales to developers and contractors. Strong demand for housing and business units from the Philippine Offshore Gaming Operators influx, and the continuing domestic demand from households and businesses contributed to the growth in this sector.

PDP's focus on new products and new services, and its emphasis on quality and service were vital in growing its sales to developers and contractors, and to general consumers, particularly in the provinces. The company's philosophy of a working partnership with its customers secured new dealers.

PDP's profit was P804.0 million, a milestone achievement as an unanticipated drop in copper prices enabled the company to lower its input costs, while the strong demand allowed its dealers and PDP to maintain prices.

The persistent momentum in profitable performance validates PDP's long-term strategy of building a wide array of services and products to serve customers. It also enables PDP to deploy capital to its manufacturing facilities, expand the company's product range and meet its delivery commitments. Internally, PDP continues to focus on its development program for key personnel.

The Company paid Anscor a cash dividend of P250.0 million and management fees of P99.0 million in 2019.

SEVEN SEAS RESORTS AND LEISURE, INC. (OWNER OF AMANPULO RESORT)

Although average occupancy of 54.2%, which was lower than the 58.8% occupancy rate in 2018, total revenues improved to P1.1 billion due to an 8% increase in the average room rate to P68,392 or US$1,320. Net profit reached P213.8 million, slightly lower than last year.

In November 2019, the newly renovated Beachclub, housing one of Amanpulo's signature restaurants, was launched. The Beachclub kitchen was completely replaced and expanded, which will ensure that quality standards are maintained and it is prepared for the ISO 22000 certification in 2020.

The Resort was named as the second "Best Resort in Asia" by the Gallivanter's Guide, an elite publication that caters to hotel aficionados and sets the benchmark for high-end travellers. In the Condé Nast Traveller's Gold List 2019 issue, Amanpulo's treetop pool casita was featured for the "wow factor" of its private pool.

Harper's Bazaar Magazine, a leading lifestyle magazine in the United States, mentioned Amanpulo as "The Resort to Visit", with the Philippines ranked as the 10th top destination out of the 20 Best Places to Travel in 2020. Lifestyle Asia Singapore named Amanpulo as one of the "Best Luxury Resorts in Palawan to Check Into" in its November 2019 issue.

With the launch of the Amanpulo Kite and Surf Centre, the Resort was nominated at the Aman Global Awards 2019 for the "Pathfinder Award", a much-coveted recognition for innovations that enhance guest experiences and contribute remarkable revenue.

AGP INTERNATIONAL HOLDINGS PTE LTD. (AG&P)

AG&P's revenues grew to US$178.4 million in 2019, as the company executed projects won the previous year and secured majority control of Gas Entec, the Korean Liquefied Natural Gas (LNG) engineering firm recognized as the world-standard for small scale floating LNG solutions.

It also acquired a significant minority stake in the Norwegian shipping company, Kanfer Shipping AS, which provides proprietary solutions to bring LNG in small vessels across seas and shallow waters. This, along with Gas Entec, add to the company's capability to deliver LNG to markets where traditional solutions are not viable.

The company registered a net loss of US$24.4 million for 2019, due to up front development expenses for natural gas projects in India.

In 2020, the company expects to break ground on its first LNG terminal in India and begin City Gas Distribution operations, thus, establishing it as a leading player in downstream gas logistics infrastructure. The company is, on paper, the largest foreign private player in the City Gas Distribution sector in India, with twelve 25-year exclusive concessions to distribute natural gas to over 66 million people.

AG&P also received a substantial equity investment to develop and execute the company's LNG projects from two leading Japanese institutions, Osaka Gas, a leading Japanese utility, and Japan Bank for International Cooperation, a unit of the Government of Japan.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

As of end-2019, ATRAM had assets under management (AUM) of about P138.7 billion which were 29% higher than the end-2018 AUM of P107.2 billion. The increase in AUM was attributable to net inflows from both existing and new clients and market gains.

ATRAM launched five new feeder funds in 2019 that grew to around P6.1 billion in AUM.

As a testament to ATRAM's outstanding performance in 2019, several associations identified ATRAM's funds as outperformers in the industry.

The Asset, a financial magazine focused on Asia, recognized ATRAM as the Top Investment House in the Philippines for the Local Bond category. CFA Society Philippines cited ATRAM's Alpha Opportunity Fund as the Best Managed Equity Fund of 2019. In addition, the Philippine Investment Funds Association also recognized three of ATRAM's mutual funds as outperformers in the equity fund, bond fund, and balanced fund categories.

Seedbox, ATRAM's digital wealth platform, also achieved stellar growth for 2019. Seedbox grew its user base from around 72,000 in 2018 to around 570,000 by end-2019. Apart from the rapid growth of users, Seedbox processes approximately 50,000 subscriptions monthly.

Overall, ATRAM set new milestones in 2019 as it reached new heights and capitalized on new opportunities. ATRAM aims to grow even faster by expanding its digital and geographic reach.

KSA REALTY CORPORATION (owner of the Enterprise Center)

KSA Realty Corporation, a subsidiary of Shang Properties, Inc., owns The Enterprise Center ("TEC"), one of the most prominent addresses in the country's premier financial district.

In 2019, TEC registered an occupancy rate of 98%. Rental rates grew to an average of P1,430 per square meter, from 2018's P1,320 per square meter, at year end.

Revenue was P1.4 billion in 2019 from P1.3 billion in 2018. Net income increased by 16.6%, from P964.0 million in 2018 to P1.1 billion in 2019.

KSA paid cash dividends of P1.4 billion, of which P189.9 million accrued to Anscor.

STARTUP AND PRIVATE EQUITY VENTURES

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

Anscor began investing in ***Y-mAbs Therapeutics, Inc***. in 2015. Y-mAbs is a late-stage clinical biopharmaceutical company focused on the development and commercialization of novel, antibody-based therapeutic products to treat cancer. The company has a broad and advanced product pipeline, including two pivotal-stage product candidates, naxitamab and omburtamab.

Y-mAbs' had a successful initial public offering in September 2018 on the NASDAQ (Ticker: YMAB) and generated an unrealized gain of US$8.0 million for Anscor in year 2019.

The Company invested US$5.0 million in ***Macquarie ASEAN Technology Investments Holdings II LP***, a special purpose vehicle invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation provider in Southeast Asia with over 80% market share across seven countries, including the Philippines.

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

Medifi is a Philippine-based online healthcare platform that connects doctors and patients.

In 2019, Anscor committed to invest US$10.0 million in ***Navegar II LP***, a Philippine focused private equity fund, which will begin deploying funds in early 2020.

To date, the Company has made a total investment in ***Sierra Madre Philippines I LP*** of US$2.2 million out of US$9.0 million commitment. Also a Philippine based private equity fund, the Fund is in a logistics company. The Fund's investment consist of a logistics and a semi-conductor services company.

Other Information

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

Business Development

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

Business of the Issuer

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

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

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

	Years Ended December 31	
	2019	2018
Revenues (excluding investment gains or losses)	**1,770,817**	1,437,637
Investment Gains (Losses)	**856,917**	(475,201)
Net Income	**2,334,750**	773,025
Total Comprehensive Income	**2,357,159**	733,377
Earnings Per Share:		
Net Income	**0.93**	0.31
Total Comprehensive Income	**0.94**	0.29
Market Price Per Share (PSE)	**6.42**	6.50

Significant financial indicators of the Group are the following:

		12/31/2019	**12/31/2018**	**12/31/2017**
1.	Book Value Per Share (Note 1)	**15.95**	15.32	15.06
2.	Current Ratio (Note 2)	**9.82**	7.48	8.43
3.	Interest Rate Coverage Ratio (Note 3)	**49.96**	18.17	32.34
4.	Debt to Equity Ratio (Note 4)	**0.13**	0.17	0.19
5.	Asset to Equity Ratio (Note 5)	**1.16**	1.20	1.22
6.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/ Total Revenues)	**18.35%**	8.07%	27.07%
7.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**9.24%**	4.35%	13.90%

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

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

PDP Energy and PDIPI

In Million Pesos

		12/31/2019	12/31/2018	12/31/2017
1.	Net sales	**8,208**	8,293	7,189
2.	Gross profit	**1,567**	1,231	1,079
3.	Net income	**804**	636	546

Seven Seas Group

In Million Pesos

		12/31/2019	12/31/2018	12/31/2017
1.	Occupancy rate	**54.2%**	58.8%	55.2%
2.	Hotel revenue	**1,140.9**	1,100.8	861.2
3.	Gross operating profit (GOP)	**537.5**	509.8	332.8
4.	GOP ratio	**47.1%**	46.3%	39.0%
5.	Resort net income	**213.8**	225.4	99.5
6.	Villa development/ lease net income	**12.5**	9.9	1.0
7.	Consolidated net income	**236.1**	235.3	100.5

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

Outlook

For PDP, the outlook for construction and real estate growth remains positive with development spreading to areas outside Metro Manila. Infrastructure projects including those in key cities outside of the metropolis are expected to continue. The strengthening of customer and dealer partnerships, and its internal program for people development will remain a vital backbone for its success.

The current travel restrictions notwithstanding, Amanpulo will continue to set a benchmark for beach resorts, much more so as it prepares for the ISO 22000 certification in 2020.

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

Anscor will remain on course, undeterred, as it continually seeks strategic opportunities for the Company to further grow and evolve.

Employees

The Company and the Group as of December 31, 2019, has 24 and 710 employees, respectively. Breakdowns are as follows:

	Parent	Subsidiaries	Group
Management	12	178	190
Rank and file	12	508	520
TOTAL	**24**	**686**	**710**

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

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

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

Properties

Anscor owns and maintains its office at 7th Floor, Pacific Star Building in Makati City with approximately 2,000 square meters. Also, the company owns office unit A and D, 8th Floor, at 8 Rockwell, Hidalgo Drive, Rockwell Center, Makati City.

Information regarding properties of major subsidiaries and affiliates are:

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

- Seven Seas owns a 40-room resort in Pamalican Island, called Amanpulo. This covers about 75 hectares of land, with 40 room casitas of about 65 sq. meter each and back of house facilities to service its power and water and staff house requirements. Additional 62 villa rooms are available for rent under the management agreement executed by PRI and the villa owners as of December 31, 2019.

- AHI has interests in land covering an area of approximately 111.39 hectares in Berong, Palawan, 24.1 hectares in San Vicente, Palawan and parcels of land with a total area of 36.9 hectares in Cebu. Also, AHI owns 1.27 hectare properties in Puerto Princesa.

- AFC Agribusiness has 97.4 hectares of land in Guimaras.

Other Information:

- The registrant is not involved in lease contracts requiring it to pay substantial amount of rental fees.

- There were no commitments for major capital expenditures or acquisitions of properties in the next twelve (12) months.

Financial Condition

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

The discussions below were based on the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2019 and 2018.

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

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

Fair Value Through Profit and Loss (FVPL) Investments
The increase in the account can be attributed to the P1.2 billion increase in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net additions for the year amounted to P591.8 million and unrealized foreign exchange loss related to foreign denominated investments amounts to P51.3 million.

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

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

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

Other Current Assets
Change in the account balance can be attributed to the increase in deposits to the contractors and suppliers of the resort.

Fair Value Through Other Comprehensive Income (FVOCI) (current and noncurrent)
Net decrease in this account amounted to P363.8 million. The decrease can be attributed to net disposal of P379.2 million and unrealized foreign exchange loss of P8.7 million, partially offset by the increase in market value of AFS investments of about P25.2 million.

Investments and Advances
The decrease in investments and advances were due to share in net losses of associates amounting to P517.1 million and the unrealized foreign exchange loss related to foreign equity investment of P68.0 million. Additional advances made by the parent company amounted to P80.6 million.

Property, Plant and Equipment - Net
Depreciation charged to operations amounted to P272.1 million while net additions to property and equipment amounted to P256.5 million that was mainly attributable to capital expenditures of the manufacturing, resort and aviation subsidiaries.

Investment Properties - Net
Additions to investment properties pertained to purchase of office condominium units at 8 Rockwell Building, offset by depreciation.

Retirement Plan Assets
Change in the retirement plant asset arises mainly from valuation of plan assets.

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

Right-of-Use-Assets
With the adoption of PFRS 16, *Leases*, the manufacturing subsidiaries, as lessees, recognized assets representing the right to use the assets/properties during the lease term.

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.

Lease Liabilities (current and noncurrent)
With the adoption of PFRS 16 *Leases*, the manufacturing subsidiary as a lessee recognized a liability for future lease payments.

Income Tax Payable
Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for 2019, partially offset by income taxes paid during the year by the Group.

Long-term Debt (current and noncurrent)
The decrease in the account can be attributed to payment by the Parent Company and PDP of the loan principals in 2019. Unrealized foreign exchange loss amounted to P11.8 million from the translation of the foreign denominated loan as of December 31, 2019.

Deferred Income Tax Liabilities
Increase in the account was mainly due to the deferred tax effect on the increase in value of AFS investments, bonds, unquoted equities and funds and accrued management fees.

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

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

Cumulative Translation Adjustment (CTA)
The decrease of P112.3 million was due to depreciation of US Dollar vis-à-vis Philippine peso of the Dollar-denominated investments of Anscor International, Inc.

Unrealized Valuation Gains (losses) on FVOCI investments (equity portion)
Increase in the account is attributable to the improved market values of FVOCI investments in bonds from January 1 to December 31, 2019.

Remeasurement on Retirement Benefits
Decrease in the account was mainly due to net effect of the increase in the retirement benefits payable and the retirement plan assets.

Noncontrolling Interests (equity portion)
Increase was mainly due to share of minority shareholders in the net income of the resort and aviation subsidiaries for the year 2019.

Others
There were no commitments for major capital expenditures in 2019.

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 Group’s recurring revenues and profits.

The discussions below were based on the consolidated results of the Company and its subsidiaries for the year ended December 31, 2019 as compared to consolidated results for the year ended December 31, 2018:

Revenues
This year's consolidated gross revenues of P10.7 billion was higher than last year's revenue of P9.8 billion, mainly due to the gain on increase in market value of FVPL investments of P1.2 billion vis-à-vis a gain of P33.5 million in 2018. Also, the dividend income of the Parent Company was higher in 2019.

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

Services Rendered
Increase in cost of services rendered can be attributed to higher cost of services of resort operation, mainly energy costs.

Operating Expenses
The Group reported higher operating expenses mainly due to increased overhead of the resort and manufacturing subsidiaries.

Interest Expense
Amount in 2019 was lower than 2018 due to payment of long-term loan by the Parent Company and PDP.

Foreign Exchange Gain (Loss) - Net
Due to the appreciation of Peso vis-à-vis US Dollar, the Parent Company reported higher foreign exchange loss on foreign-currency denominated investment in financial assets offset by foreign exchange gain on its Dollar-denominated loan.

Provision for Income Tax - Net
The current provision for income tax of the Group increased primarily due to higher taxable income of PDP which reported improved profits for 2019.

Year Ended December 31, 2018 Compared with Year Ended December 31, 2017 (as reported in 2018 SEC 17-A)

Revenues
This year's consolidated gross revenues of P9.8 billion was lower by P803.6 million from last year's revenue of P10.6 billion. Revenues in 2017 include gain of P1.1 billion from divesting Cirrus Medical Staffing, Inc. (CMSI). In addition, the gain on increase in market value of FVPL investments last year was P1.4 billion versus a gain of P33.5 million in 2018. These were offset by the increase in sales revenue of PDP Energy, which was higher by P1.1 billion or 15.4%. Also, resort operations reported improved revenues.

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

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

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

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

Foreign Exchange Gain
Due to the deprecation of Peso vis-à-vis US Dollar, the Parent Company reported higher foreign exchange gain on foreign currency denominated investment in financial assets offset by foreign exchange loss on its Dollar-denominated loan.

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

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

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

Revenues
This year's consolidated gross revenues of P11.7 billion was lower by P202.2 billion from last year's revenue of P11.9 billion. The Group realized a P1.1 billion gain from divesting Cirrus Medical Staffing, Inc. Gains from the sale of AFS investments fell to P433.2 million, from P555.6 million in 2016, due to the decision to defer the sale of certain publicly traded shares that are expected to realize higher gains in the future. These decreases in revenues were offset by dividend income which improved by 24%, to P270.7 million, primarily because of an increased payout ratio from International Container Terminal Services, Inc.

Service revenue of Cirrus Medical Staffing was consolidated only up to October 19, 2017. Also, the Group recognized revenue from the sale of two (2) villas by Seven Seas amounting to P635.5 million in 2016.

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

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

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

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

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

Foreign Exchange Loss
Due to the deprecation of Peso vis-à-vis US Dollar, the Parent Company reported higher foreign exchange loss on its Dollar-denominated loan offset by foreign exchange gain on its foreign currency denominated investment in financial assets.

Others Charges – Net
For 2017, the Parent Company provided valuation allowances for AFS investments amounting to P125.6 million. Valuation allowances in 2016 were higher at P590.9 million.

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

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- 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. The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the leases are made within the Group.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It 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; and
  ° How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, P*repayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- 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; and

  - 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

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

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

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*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

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

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

<u>Deferred effectivity</u>

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

<u>Other Financial information</u>

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

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

- There were no commitments for major capital expenditures in 2019 and onwards.

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

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

- There is no other change in composition of the registrant, no restructuring, except the business combination mentioned above.

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

Financial Statements

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

2 The financial statements were prepared in accordance with the disclosures required by Revised SRC Rule 68 and the applicable PFRSs.

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

Audited Financial Statements

The audited Financial Statements as of 31 December 2019 are included in pages 13 to 111 while the Statement of Management Responsibility is on page 12 of the 2019 Annual Report in the same CD containing this Definitive Information Statement.

Interim Unaudited Financial Statements

The unaudited financial statements as of and for the period ended March 31, 2020 and discussion of operations are shown in Annex F.

II. Changes in and Disagreement with Accountants on Accounting and Financial Disclosure

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

III. External Audit Fees

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

In compliance with SRC Rule 68 paragraph 3(b) (IV) (Rotation of External Auditors), the SGV audit partner, as of December 2019, is Ms. Dhonabee B. Señeres, who is on her first year of audit engagement.

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

Audit and Audit Related Fees

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

Year	Audit Fees
2019	**P 1,320,000.00**
2018	1,275,000.00

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

Tax Consultancy and Other Fees

Tax consultancy and other fees paid by the Company to SGV for the year 2019 amounted to P1,944,667.30.

IV. Market Price of Shares and Dividends

The Principal Market where the registrant's Common equity is traded:

Philippine Stock Exchange
Latest Market Price – 05 June 2020

Previous close	High	Low	Close
7.00	6.20	6.20	6.20

The following are the high and low sale prices of the shares of the Company for each quarter within the last two fiscal years:

	2020		2019		2018	
Quarter	**High**	**Low**	**High**	**Low**	**High**	**Low**
First	**6.71**	**5.70**	**6.88**	**6.26**	7.90	6.22
Second			**6.87**	**6.35**	6.60	5.95
Third			**7.13**	**6.55**	6.20	5.95
Fourth			**6.97**	**6.31**	6.54	6.10

Source: PSE Report

The total number of stockholders/accounts as of 31 March 2020 is 11,086 holding 2,500,000,000 shares of common stock.

Dividends

In 2019 and the first quarter of 2020, the Board of Directors declared the following cash dividends:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	**0.20**	**21-Feb-19**	**15-Mar-2019**	**10-Apr-2019**
Special	**0.05**	**21-Feb-19**	**15-Mar-2019**	**10-Apr-2019**
Special	**0.25**	**19-Nov-19**	**04-Dec-2019**	**12-Dec-2019**
Regular	**0.25**	**16-Mar-20**	**31-Mar-2020**	**27-Apr-2020**
Special	**0.50**	**16-Mar-20**	**31-Mar 2020**	**27-Apr-2020**

The cash dividends declared by the Board of Directors in 2018 was:

Classification	Peso Rate Per Share	Declaration Date	Record Date	Payable Date
Regular	0.20	22-Feb-18	26-Mar-2018	18-Apr-2018
Special	0.30	22-Feb-18	26-Mar-2018	18-Apr-2018

There is no restriction on payment of dividends other than the availability of retained earnings following the SEC rule on calculation of available retained earnings for dividend declaration. As of 31 December 2019, the Company has sufficient retained earnings available for dividend declaration.

Security Holders

The top 20 stockholders as of 31 March 2020 based on Stock Transfer Service, Inc. report is broken down as follows:

Stockholder Name	Number of Common Shares	% of Ownership
1. Anscor Consolidated Corporation	902,252,303	36.086
2. PCD Nominee Corp. (Non-Filipino)	497,823,860	19.913
3. PCD Nominee Corp. (Filipino)	467,722,947	18.701
4. A-Z Asia Limited Philippines, Inc.	161,546,329	6.462
5. Universal Robina Corporation	64,605,739	2.584
6. Philippines International Life Insurance Co., Inc.	57,921,593	2.317
7. A. Soriano Corporation Retirement Plan	56,000,000	2.240
8. C & E Property Holdings, Inc.	28,011,922	1.120
9. Edmen Property Holdings, Inc.	27,511,925	1.100
10. MCMS Property Holdings, Inc.	26,513,928	1.061
11. Express Holdings, Inc.	23,210,457	0.928
12. EJS Holdings, Inc.	15,518,782	0.621
13. Intelli Searchrev Corporation	12,910,400	0.516
14. DAO Investment & Management Corp.	8,628,406	0.345
15. Philippines Remnants Co., Inc.	7,556,183	0.302
16. Astraea Bizzara Corporation	3,292,615	0.132
17. Balangingi Shipping Corporation	2,767,187	0.111
18. Northpaw Incorporated	2,705,000	0.108
19. Jocelyn C. Lee	2,000,000	0.080
20. Lennie C. Lee	2,000,000	0.080
Total	**2,370,559,576**	**94.822**

** Included 347,619,943 shares of Anscor Consolidated Corporation.*

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

V. Compliance with Leading Practice on Corporate Governance

As part of the Company's continuing efforts to comply with leading practice on corporate governance, on 10 March 2010, the Company submitted to the SEC and PSE its revised Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 6, Series of 2009. The Manual on Corporate Governance was further revised on 18 February 2011 to comply with additional requirements of the SEC. On 02 July 2014, the Company submitted to the SEC and PSE its Amended Manual on Corporate Governance in conformity with SEC Memorandum Circular No. 9, Series of 2014.

With the promulgation of the Code of Corporate Governance for Publicly Listed Companies under SEC Memorandum Circular No. 19 dated November 22, 2016, the Company submitted to the SEC and PSE its Manual on Corporate Governance in compliance with said Circular. This Manual superseded all previous Manuals on Corporate Governance of the Company including its revisions.

All the revisions to the Manual on Corporate Governance are discussed and deliberated upon by the Board of Directors prior to its approval and subsequent submission to the SEC.

The Board of Directors and Management evaluates on an annual basis, the Company's compliance with the Manual on Corporate Governance. The different Board Committees also evaluate the level of compliance with the Manual on Corporate Governance.

The Company continues to improve its systems and processes to enhance adherence and fully comply with leading practices on good corporate governance. These improvements are contained in the Company's Integrated Annual Corporate Governance Report and updates thereto to be submitted to the SEC yearly. Further, Directors of the Company are required, before assuming office and annually thereafter, to attend a seminar on Corporate Governance conducted by a duly recognized private or government institution.

Likewise, following SEC's thrust to promote a better corporate governance environment, the Company complied with SEC Memorandum Circular No. 11, Series of 2014, which provides for template for publicly-listed companies' websites. The Company's website contains all the items indicated in said Circular.

As of 31 March 2020, there were no deviations from the Company's Manual on Corporate Governance.

SGV
Building a better working world

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1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

A. SORIANO CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Annex C: Supplementary Schedule of Retained Earnings Available for Dividend Declaration
Annex D: Group Structure

ANNEX C

A. SORIANO CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

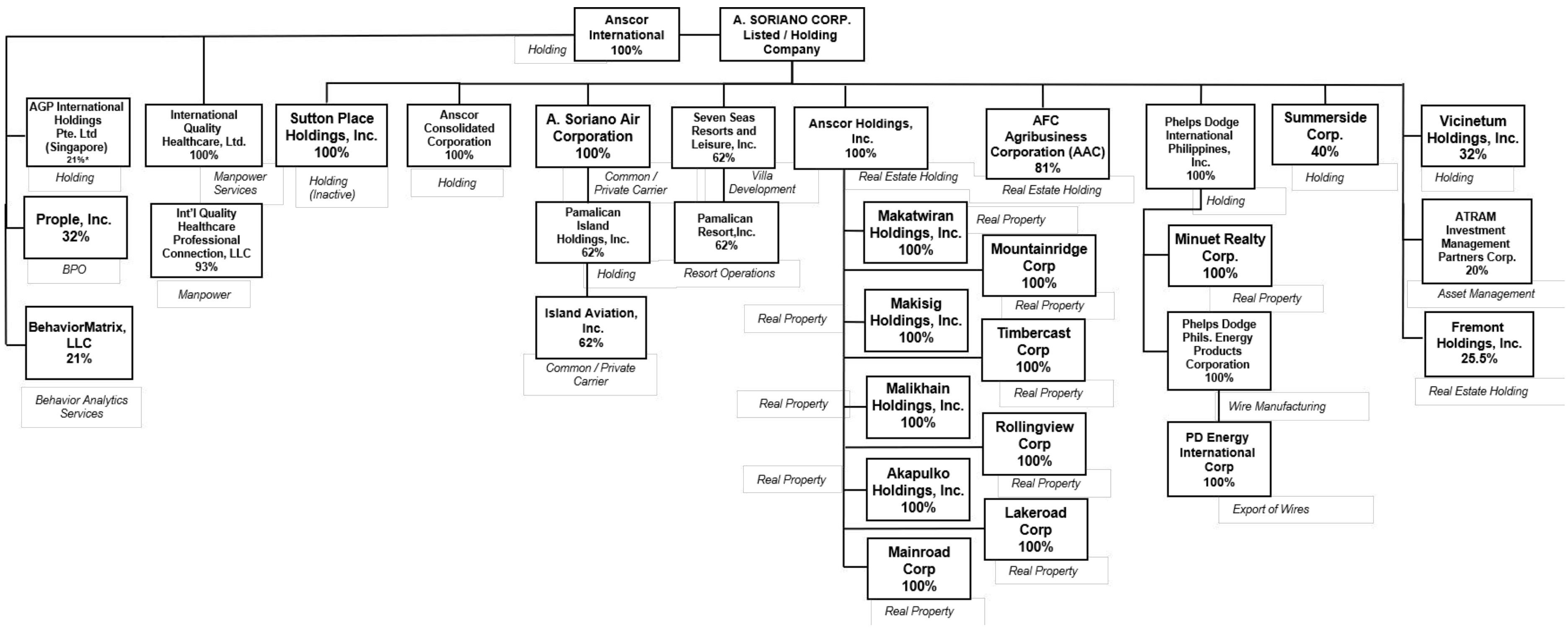
DECEMBER 31, 2019

Unappropriated retained earnings, as adjusted to available for dividend distribution, January 1, 2019		**₱2,829,047,007**
Add: Net income actually earned/realized		
Net income during the period	2,334,750,446	
Deferred taxes	28,477,128	
Fair value adjustment related to unrealized market gains of FVPL investments	(625,177,818)	1,738,049,756
Net income actually earned		4,567,096,763
Less dividend declarations		1,250,000,000
Total retained earnings available for dividend declaration, December 31, 2019		**₱3,317,096,763**

ANNEX D

A. SORIANO CORPORATION AND SUBSIDIARIES

GROUP STRUCTURE
DECEMBER 31, 2019



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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Extension
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of A. Soriano Corporation and its subsidiaries as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated February 19, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

ANNEX E

A. SORIANO CORPORATION AND SUBSIDIARIES
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019 AND 2018

			2019		2018	
i.	Current Ratio	Total Current Assets	16,622,628,416	9.82 : 1	15,567,827,551	7.48 : 1
		Total Current Liabilities	1,693,432,046		2,082,160,042	
ii.	Acid Test Ratio	Total Current Assets less Inventories, Prepayments, and Other Current Assets	15,656,264,270	9.25 : 1	14,489,123,326	6.96 : 1
		Total Current Liabilities	1,693,432,046		2,082,160,042	
iii.	Solvency Ratio	Net Income Attributable to Equity Holders of the Parent + Depreciation and amortization	2,115,795,161	81.14%	1,061,207,017	33.26%
		Total Liabilities	2,607,562,447		3,190,576,309	
iv.	Debt-to-Equity Ratio	Total Liabilities	2,607,562,447	0.13 : 1	3,190,576,309	0.17 : 1
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
v.	Asset-to-Equity Ratio	Total Assets	23,112,420,092	1.16	22,290,011,355	1.20
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
vi.	Interest Rate Coverage Ratio	EBIT (earnings before interest and taxes)	2,416,114,941	49.96	1,324,950,320	18.17
		Interest expense	48,364,623		72,908,371	
vii.	Return on Equity	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	9.24%	808,386,813	4.35%
		Equity Attributable to Equity Holders of the Parent	19,943,119,811		18,575,908,931	
viii.	Return on Assets	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	7.98%	808,386,813	3.63%
		Total Assets	23,112,420,092		22,290,011,355	

ANNEX E

A. SORIANO CORPORATION AND SUBSIDIARIES
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2019 AND 2018

			2019		2018	
ix.	Profit Ratio	Net Income Attributable to Equity Holders of the Parent	1,843,615,322	18.35%	808,386,813	8.07%
		Total Revenues	10,048,830,100		10,018,507,445	
x.	Book value per share	Equity Attributable to Equity Holders of the Parent	19,943,119,811	15.95	18,575,908,931	15.33
		Outstanding Number of Shares	1,250,127,754		1,211,911,354	

ANNEX F

MANAGEMENT REPORT
SEC-17Q
(FOR THE QUARTER PERIOD ENDED MARCH 31, 2020)

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A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	March 31 2020	December 31 2019
ASSETS		
Current Assets		
Cash and cash equivalents	**2,831,292**	2,308,878
Fair value through profit and loss (FVPL) investments	**8,014,059**	11,130,248
Receivables	**1,990,786**	2,122,603
Inventories	**1,228,667**	904,428
Fair value through other comprehensive income (FVOCI) investments - current	**-**	94,535
Prepayments	**53,528**	34,866
Other current assets	**44,054**	27,071
Total Current Assets	**14,162,385**	16,622,628
Noncurrent Assets		
FVOCI investments - net of current portion	**192,006**	235,949
Notes receivables	**349,500**	349,500
Investments and advances	**894,792**	1,078,655
Goodwill	**1,302,276**	1,302,276
Property and equipment	**2,546,180**	2,562,464
Investment properties	**526,712**	530,382
Retirement plan asset	**84,471**	84,471
Deferred income tax assets	**87,118**	87,156
Right-of-use assets	**33,798**	35,292
Other noncurrent assets	**208,873**	223,646
Total Noncurrent Assets	**6,225,726**	6,489,792
TOTAL ASSETS	**20,388,111**	23,112,420

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	**844,300**	931,320
Current portion of lease liabilities	**8,423**	9,908
Dividends payable	**1,221,570**	283,975
Income tax payable	**267,685**	192,065
Current portion of long-term debt	**187,379**	276,165
Total Current Liabilities	**2,529,358**	1,693,432

(Forward)

	March 31 2020	December 31 2019
Noncurrent Liabilities		
Long-term debt - net of current portion	**189,286**	227,143
Lease liabilities - net of current portion	**27,467**	27,467
Deferred income tax liabilities - net	**443,862**	479,313
Retirement benefits payable	**33,446**	32,252
Other noncurrent liabilities	**148,445**	147,956
Total Noncurrent Liabilities	**842,505**	914,130
Total Liabilities	**3,371,863**	2,607,562
Equity Attributable to Equity Holdings of the Parent		
Capital stock - 1 par value	**2,500,000**	2,500,000
Additional paid-in capital	**1,859,383**	1,859,383
Cumulative translation adjustment	**295,166**	273,248
Unrealized valuation gains (losses) on FVOCI investments	**(2,186)**	8,740
Remeasurement on retirement benefits	**33,267**	33,267
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**6,971,072**	10,487,853
Cost of shares held by a subsidiary	**(2,369,372)**	(2,369,372)
	16,437,331	19,943,120
Noncontrolling interests	**578,917**	561,738
Total Equity	**17,016,247**	20,504,858
TOTAL LIABILITIES AND EQUITY	**20,388,111**	23,112,420

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except for Earnings per Share)

	Periods Ended March 31	
	2020	2019
REVENUES		
Sale of goods - net	**1,766,401**	2,139,568
Services	**293,144**	420,349
Dividend income	**113,950**	11,570
Interest income	**22,088**	25,620
	2,195,583	2,597,106
INVESTMENT GAINS (LOSSES)		
Gain on sale of FVOCI investments	**483**	-
Gain (loss) on increase (decrease) in market values of FVPL investments	**(2,813,997)**	1,308,123
	(2,813,514)	1,308,123
Equity in net earnings (losses) of associates	**(86,575)**	(81,818)
	(704,505)	**3,823,411**
Cost of goods sold	**(1,366,450)**	(1,760,890)
Services rendered	**(94,384)**	(120,582)
Operating expenses	**(342,133)**	(300,913)
Foreign exchange gain	**16,319**	7,496
Interest expense	**(6,817)**	(14,225)
Other charges - net	**(1,433)**	(2,842)
	(1,794,897)	(2,191,956)
INCOME (LOSS) BEFORE INCOME TAX	**(2,499,403)**	1,631,455
PROVISION FOR INCOME TAX		
Current	**93,373**	107,295
Deferred	**(30,769)**	2,039
	62,604	109,334
NET INCOME (LOSS)	**(2,562,007)**	1,522,120

(Forward)

	Periods Ended March 31	
	2020	2019
OTHER COMPREHENSIVE INCOME		
Unrealized valuation gain (loss) on FVOCI investments	**(15,125)**	18,796
Realized gain on sale of FVOCI investments, net of impairment losses	**(483)**	-
Income Tax Effect	**4,683**	(5,639)
Cumulative Translation Adjustment	**21,918**	10,856
OTHER COMPREHENSIVE INCOME	**10,993**	24,013
TOTAL COMPREHENSIVE INCOME (LOSS)	**(2,551,014)**	1,546,133
Net Income (Loss) Attributable to:		
Equity holders of the parent	**(2,579,186)**	1,477,483
Minority interest	**17,179**	44,637
	(2,562,007)	1,522,120
Total Comprehensive Income (Loss) Attributable to:		
Equity holders of the parent	**(2,568,193)**	1,501,496
Minority interest	**17,179**	44,637
	(2,551,014)	1,546,133
Earnings Per Share		
Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	**(2.06)**	1.23
Earnings Per Share		
Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	**(2.05)**	1.25

*As of June 5, 2020, the loss on decrease in market value of traded shares went down to P1.19 billion.

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	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 12/31/2018	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	-	-	13,157	-	10,856	-	1,477,483	-	44,637	1,546,133
Cash dividends - net	-	-	-	-	-	-	(302,844)	-	-	(302,844)
Shares repurchased during the year	-	-	-	-	-	-	-	(43,391)	-	(43,391)
Balance at 03/31/2019	2,500,000	1,605,614	5,028	39,853	396,369	7,150,000	10,434,253	(2,399,947)	568,164	20,299,334
Balance at 12/31/2019	2,500,000	1,859,383	8,740	33,267	273,248	7,150,000	10,487,853	(2,369,372)	561,738	20,504,858
Comprehensive income (loss)	-	-	(10,926)	-	21,918	-	(2,579,186)	-	17,179	(2,551,014)
Cash dividends - net	-	-	-	-	-	-	(937,596)	-	-	(937,596)
Balance at 03/31/2020	**2,500,000**	**1,859,383**	**(2,186)**	**33,267**	**295,166**	**7,150,000**	**6,971,072**	**(2,369,372)**	**578,917**	**17,016,247**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(2,499,403)**	1,631,455
Adjustment for:		
Loss (gain) on decrease (increase) in market values of FVPL investments	**2,813,997**	(1,308,123)
Equity in net losses of associates	**86,575**	81,818
Depreciation and amortization	**69,933**	64,959
Interest expense	**6,817**	14,225
Dividend income	**(113,950)**	(11,570)
Interest income	**(22,088)**	(25,620)
Foreign exchange gain	**(4,623)**	(7,819)
Gain on sale of FVOCI investments	**(483)**	-
Gain on sale of property and equipment	**(101)**	-
Operating income before working capital changes	**336,674**	439,326
Decrease (increase) in:		
FVPL investments	**313,478**	2,841
Receivables	**131,817**	(60,982)
Inventories	**(324,240)**	100,472
Increase (decrease) in:		
Accounts payable and accrued expenses	**(87,020)**	6,381
Retirement benefits payable	**1,194**	1,936
Net cash generated from operations	**371,903**	489,973
Dividend received	**113,950**	11,570
Interest received	**22,088**	25,620
Interest paid	**(6,817)**	(14,225)
Income taxes paid	**(17,752)**	(30,666)
Net cash flows from operating activities	**483,371**	482,273

(Forward)

	Periods Ended March 31	
	2020	2019
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
FVOCI investments	**167,557**	-
Property and equipment	**101**	-
Addition to:		
FVOCI investments	**(41,868)**	(96,092)
Investment properties	**-**	95
Property and equipment	**(49,980)**	(59,090)
Decrease (increase) in:		
Prepayments and other assets	**(20,871)**	1,624
Other noncurrent liabilities	**489**	(11,687)
Advances to affiliates	**109,722**	(9,608)
Net cash flows from (used in) investing activities	**165,150**	(174,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Notes payable	**-**	(250,000)
Long-term debt	**(126,197)**	(157,588)
Company shares purchased by a subsidiary	**-**	(43,391)
Lease liabilities Increase (decrease) in:	**9**	-
Net cash flows used in financing activities	**(126,188)**	(450,978)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**81**	5,076
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**522,414**	(138,388)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,308,878**	2,765,515
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,831,292**	2,627,127

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	March 31 2020	December 31 2019
ASSETS		
Cash and Cash Equivalents	**951,675**	251,441
Fair Value through Profit and Loss (FVPL) Investments	**6,684,833**	9,718,048
Fair value through other comprehensive income (FVOCI) investments	**192,006**	330,485
Receivables - net	**511,101**	753,285
Investments and Advances- net	**7,284,429**	7,285,788
Investment Property	**288,702**	292,372
Property and Equipment - net	**8,775**	9,445
Retirement Plan Asset	**75,804**	75,804
Other Assets	**1,189**	1,210
TOTAL ASSETS	**15,998,514**	18,717,877

	March 31 2020	December 31 2019
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**1,939**	35,684
Dividends Payable	**1,221,570**	283,975
Deferred Income Tax Liabilities - net	**116,153**	149,605
Long-term Debt	**-**	114,296
Total Liabilities	**1,339,663**	583,560
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 (Loss) on FVOCI investments	**(2,186)**	8,740
Remeasurement on Retirement Benefits	**41,996**	41,996
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**3,379,242**	6,843,782
Total Equity	**14,658,851**	18,134,317
TOTAL LIABILITIES AND EQUITY	**15,998,514**	18,717,877

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos)

	Periods Ended March 31	
	2020	2019
REVENUES		
Dividend income	**1,049,523**	14,570
Management fees	**26,073**	24,422
Interest income	**20,097**	24,206
	1,095,693	63,199
INVESTMENT GAINS (LOSSES)		
Gain on sale of FVOCI investments	**483**	-
Gain (loss) on increase (decrease) in market values of FVPL investments *	**(2,619,253)**	1,095,416
	(2,618,769)	1,095,416
	(1,523,077)	1,158,615
Operating expenses	**(111,968)**	(64,117)
Foreign exchange gain	**14,865**	6,333
Interest expense	**(1,195)**	(6,662)
Others net	**3,064**	4,244
	(95,233)	(60,201)
INCOME (LOSS) BEFORE INCOME TAX	**(1,618,310)**	1,098,414
PROVISION FOR INCOME TAX		
Current	**-**	762
Deferred	**(28,770)**	4,038
	(28,770)	4,800
NET INCOME (LOSS)	**(1,589,540)**	1,093,614
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized valuation gain (loss) on FVOCI investments	**(15,125)**	18,796
Realized gain on sale of FVOCI investments	**(483)**	-
Income tax effect	**4,683**	(5,639)
OTHER COMPREHENSIVE INCOME (LOSS)	**(10,926)**	13,157
TOTAL COMPREHENSIVE INCOME (LOSS)	**(1,600,466)**	1,106,770
Earnings Per Share:		
Net income (loss)	**(0.636)**	0.437
Total comprehensive income (loss)	**(0.640)**	0.443

*As of June 5, 2020, the loss on decrease in market value of traded shares went down to P1.19 billion.

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 Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2018	2,500,000	1,589,800	(8,129)	36,455	7,150,000	5,759,031	17,027,158
Comprehensive income	-	-	13,157	-	-	1,093,614	1,106,770
Cash dividends	-	-	-	-	-	(625,000)	(625,000)
Balance at 03/31/2019	2,500,000	1,589,800	5,028	36,455	7,150,000	6,227,645	17,508,928
Balance at 12/31/2019	2,500,000	1,589,800	8,740	41,996	7,150,000	6,843,782	18,134,317
Comprehensive income	-	-	(10,926)	-	-	(1,589,540)	(1,600,466)
Cash dividends	-	-	-	-	-	(1,875,000)	(1,875,000)
Balance at 03/31/2020	**2,500,000**	**1,589,800**	**(2,186)**	**41,996**	**7,150,000**	**3,379,242**	**14,658,851**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	For the Periods Ended March 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before tax	**(1,618,310)**	1,098,414
Adjustment for:		
Loss (gain) on decrease (increase) in market values of FVPL investments	**2,619,253**	(1,095,416)
Depreciation and amortization	**4,376**	1,994
Interest expense	**1,195**	6,662
Dividend income	**(1,049,523)**	(14,570)
Interest income	**(20,097)**	(24,206)
Unrealized foreign exchange gain	**(14,108)**	(11,608)
Gain on sale of FVOCI investments	**(483)**	-
Operating loss before working capital changes	**(77,698)**	(38,731)
Decrease in:		
Receivables	**242,184**	16,524
FVPL investments	**425,248**	37,962
Decrease in accounts payable and accrued expenses	**(33,745)**	(11,112)
Net cash generated operations	**555,989**	4,642
Dividend received	**113,523**	14,570
Interest received	**20,097**	24,206
Interest paid	**(1,195)**	(6,662)
Income tax paid	**-**	(762)
Net cash flows from operating activities	**688,414**	35,995
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of FVOCI investments	**167,557**	-
Additions to:		
FVOCI investments	**(41,868)**	(96,092)
Property and equipment	**(36)**	(94)
Decrease advances to affiliates	**(46)**	(46,024)
Decrease (increase) in other assets	**21**	(384)
Net cash flows from (used in) investing activities	**125,628**	(142,595)

(Forward)

	For the Periods Ended March 31	
	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	**(113,850)**	(118,001)
Net cash flows used in financing activities	**(113,850)**	(118,001)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**42**	3,140
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**700,234**	(221,461)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**251,441**	1,193,946
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**951,675**	972,485

A. SORIANO CORPORATION AND SUBSIDIARIES

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
03/31/2020							
REVENUE	1,766,401	255,808	717,883	(1,523,077)	1,217,014	(1,921,520)	**(704,505)**
TOTAL COMPREHENSIVE INCOME (LOSS)	209,292	44,428	663,518	(1,600,466)	(683,229)	(1,867,786)	**(2,551,014)**
TOTAL ASSETS	4,912,155	1,761,416	12,162,676	15,998,514	34,834,761	(14,446,650)	**20,388,111**
INVESTMENTS PORTFOLIO *	20,462	92,470	23,112,161	14,449,970	37,675,063	(28,047,494)	**9,627,569**
PROPERTY & EQUIPMENT	630,985	751,602	106,772	8,775	1,498,135	1,048,045	**2,546,180**
TOTAL LIABILITIES	1,099,004	487,053	2,951,815	1,339,663	5,877,535	(2,505,671)	**3,371,863**
DEPRECIATION AND AMORTIZATION	21,651	25,633	11,611	4,376	63,271	6,663	**69,933**

	Before Eliminations						
			Other				**After**
	Wire	Resort	Operations	Holding Co			**Eliminations**
	Manufacturing	Operation	(Note 1)	(Parent)	Total	**Eliminations**	**Consolidated**
03/31/2019							
REVENUE	2,139,568	363,745	604,893	1,158,615	4,266,821	(443,410)	**3,823,411**
TOTAL COMPREHENSIVE INCOME	198,066	110,262	535,096	1,106,770	1,950,195	(404,062)	**1,546,133**
TOTAL ASSETS	4,347,691	1,747,166	13,094,478	18,724,391	37,913,727	(14,446,589)	**23,467,139**
INVESTMENTS PORTFOLIO *	19,577	77,373	24,185,381	17,246,986	41,529,317	(28,212,183)	**13,317,134**
PROPERTY & EQUIPMENT	624,057	758,769	83,354	14,084	1,480,264	1,074,696	**2,554,961**
TOTAL LIABILITIES	1,087,662	494,135	2,696,797	1,215,463	5,494,056	(2,326,252)	**3,167,805**
DEPRECIATION AND AMORTIZATION	18,471	26,134	11,697	1,994	58,297	6,663	**64,959**

* ***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 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 accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- 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.

The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the lease agreements are made within the Group. See Note 31 for the disclosures of the Group's lease arrangements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It 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; and,
  - How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- 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:

- o 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; and,

- o 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

  These amendments had no significant impact on the consolidated financial statements of the Group.

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*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on s consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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 March 31, 2020 and December 31, 2019:

		Percentage of Ownership	
	Nature of Business	**2020**	2019
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 its subsidiaries, 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 these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

	Nature of Business	Percentage of Ownership 2020	2019
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AG&P International Holdings, Pte Ltd (AGP-SG)*	Holding	**21**	-
AGP Group Holdings Pte Ltd. (formerly AGP International Holdings Ltd.) *	Holding	**-**	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.*

The principal business location of AIMP, VHI and FHI is the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in the BVI, Singapore, USA and Hong Kong, respectively.

<u>Business Combinations and Goodwill</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and 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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019.

(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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 and December 31, 2019, 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.

<u>Goodwill</u>
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.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the

expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share
Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of March 31, 2020 and December 31, 2019.

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 March 31, 2020 and December 31, 2019, 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.

(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 March 31, 2020.

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 March 31, 2020:

	Total	**Fair value measurement using** **Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱4,494,075**	**₱4,494,075**	**₱–**	**₱–**
Unquoted equity shares	**1,237,442**	**1,237,442**	**215,733**	**1,021,709**
Funds and equities	**1,186,585**	**1,186,525**	**–**	**60**
Bonds and convertible note	**645,451**	**645,451**	**–**	**–**
Proprietary shares	**367,437**	**367,437**	**–**	**–**
Others	**83,069**	**83,069**	**–**	**–**
	8,014,059	**6,776,557**	**215,733**	**1,021,769**
FVOCI investments:				
Bonds and convertible note	**192,006**	**192,006**	**–**	**–**
	192,006	**192,006**	**–**	**–**
	₱8,206,065	**₱6,968,563**	**₱215,733**	**₱1,021,769**

As of December 31, 2019

	Total	**Fair value measurement using** Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱7,616,777	₱7,616,777	₱–	₱–
Unquoted equity shares	1,137,142	–	115,433	1,021,709
Funds and equities	1,131,737	1,131,677	–	60
Bonds and convertible note	793,929	793,929	–	–
Proprietary shares	367,437	367,437	–	–
Others	83,226	83,226	–	–
	11,130,248	9,993,046	115,433	1,021,769
FVOCI investments	330,485	330,485	–	–
	₱11,460,733	₱10,323,531	₱115,433	₱1,021,769

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2020 and 2019

	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 ₱785 5% fair value of ₱1,278
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱1,149 30% fair value of ₱824
		Cost of equity of 12.99%	12% to 14%	12%: fair value of ₱1,030 14% fair value of ₱940

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 2019	₱941.7
Unrealized gain in profit or loss	80.1
As at 31 December 2019	1,021.8
Unrealized gain in profit or loss	–
As at 31 March 2020	**₱1,021.8**

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 March 31, 2020 and December 31, 2019, 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 March 31, 2020 versus December 31, 2019 except for the decline in value of FVPL and FVOCI investments.

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 decrease in the account can be attributed to the P2.8 million decrease in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net disposal for the period amounted to P313.5 million and unrealized foreign exchange gain related to foreign denominated investments amounts to P11.3 million.

Receivables
The decrease was mainly attributable to the collection of receivables from customers of the wire manufacturing subsidiary.

Inventories
The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and higher spare parts and supplies of the aviation subsidiary.

Fair value through other comprehensive income (FVOCI) investments - current & noncurrent
Net decrease in this account amounted to P138.5 million. The decrease can be attributed to net disposal of investments amounting to P125.7 million and the decline in the market value of investments of about P15.1 million offset by unrealized foreign exchange gain of P2.3 million for three months of 2020.

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 and advances was mainly due to collection of advances from the associates amounting to P109.7 million offset by the unrealized foreign exchange gain related to foreign equity investment of P12.4 million. Share in the equity loss of the associates amounted to P86.6 million.

Property and Equipment - net
Decrease can be traced to depreciation amounting to P66.3 million offset by acquisition of property and equipment of P50.0 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.

Accounts Payable and Accrued Expenses
The decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable
On March 16, 2020, the Parent Company approved the declaration of cash dividends of P0.75 per share to shareholders, which was paid on April 27, 2020.

Income Tax Payable
Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for three months of 2020, 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 March 31, 2020.

Cumulative Translation Adjustment (CTA)
This account includes translation adjustments of Anscor International, Inc., and IQHPC. Due to depreciated value of Philippine peso vis-à-vis US$, CTA balance increased by P21.9 million.

Unrealized valuation gain (loss) on FVOCI investments (equity portion)
Decrease in the account is attributable to the decline in market values of FVOCI investments (bonds), from January 1 to March 31, 2020.

Others
There were no commitments for major capital expenditures in 2020.

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 March 31	
	2020	*2019*
Revenues (excluding investment gains or losses)	**1,095,693**	63,199
Investment Gains (Losses)	**(2,618,769)**	1,095,416
Total Comprehensive Income (Loss)	**(1,600,466)**	1,106,770
Earnings Per Share		
Net Income (Loss)	**(0.636)**	0.437
Total Comprehensive Income (Loss)	**(0.640)**	0.443
Market Price Per Share (PSE)	**6.360**	6.500

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
Last year's consolidated gross revenues of P3.8 billion was reversed to a loss of P704.5 million this year due to decrease in market value of FVPL investments of P2.8 million vs a gain of P1.3 billion in 2019. Also, the resort and wire manufacturing operations reported a decline in revenues due to enhanced community quarantine from March 17-31, 2020 due to COVID-19 pandemic.

Cost of Goods Sold
Decrease in cost of goods sold was mainly attributable to decline in sale 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 resort operation due to lower occupancy rate this year versus last year revenues.

Operating Expenses

The Group reported increased operating expenses for three months of 2020 mainly due to increase in overhead of the Parent Company.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported foreign exchange gain on its foreign currency denominated investments in financial assets.

Interest Expense

Interest expense amount in 2020 was lower than 2019 due to payment of long-term loan by the parent company and PDP.

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 despite the presence of the COVID-19 pandemic.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,249,872,246 shares of Anscor. No addition in three months of 2020.
- No contingent assets or liabilities since the last annual balance sheet date.
- No material contingencies and any event or transactions that are material to the understanding of the operating results of the current interim period.
- No events that will trigger direct or contingent financial obligations that is material to the company, including any default or acceleration of an obligation.
- No material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the company with unconsolidated entities of other persons created during the reporting period.

- There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim.

11. Subsidiaries and Affiliates

Phelps Dodge Philippines (PDP)
The following are the key performance data for Phelps Dodge Philippines (In thousand pesos except volume):

	Periods Ended March 31	
	2020	2019
Volume sold (MT)	**3,576**	4,189
Revenue	**1,766,401**	2,139,568
Net Income	**209,292**	198,066

PDP Energy's revenue slightly decreased in 2020 as against 2019's revenues.

PDP recorded a net income of P209.3 million for three months of 2020 slightly, higher than the P198.1 million profit recorded last year due to lower manufacturing cost.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 16.9 % for three months of 2020, lower than the 2019 average occupancy rate of 61.9%. Average room rate was P60,785 a decrease from last year's average room rate of P77,332. Total hotel revenues amounted to P255.8 million, a decline from last year's revenues of P363.7 million.

Seven Seas reported a consolidated net income of P44.4 million for three months of 2020, lower than its consolidated net income of P110.3 million in 2019.

12. Financial Indicators

Significant financial indicators of the Group are the following:

			03/31/2020		03/31/2019	
i	Current Ratio	Total Current Assets	**14,162,385**	5.60 : 1	**16,820,724**	7.59 : 1
		Total Current Liabilities	**2,529,358**		**2,216,765**	
ii	Acid Test Ratio	Total Current Assets less Inventories, Prepayments and Other Current Assets	**12,836,137**	5.07 : 1	**15,826,892**	6.26 : 1
		Total Current Liabilities	**2,529,358**		**2,529,358**	
iii	Solvency Ratio	Net Income Attributable to Equity Holders of the Parent + Depreciation and Amortization	**(2,509,252)**	(74.42%)	**1,542,443**	48.69%
		Total Liabilities	**3,371,863**		**3,167,805**	
iv	Debt-to-Equity Ratio	Total Liabilities	**3,371,863**	3.37 : 16.44	**3,167,805**	3.17 : 19.73
		Equity Attributable to Equity Holders of the Parent	**16,437,331**		**19,731,171**	
v	Asset-to-Equity Ratio	Total Assets	**20,388,111**	1.24	**23,467,139**	1.19
		Equity Attributable to Equity Holders of the Parent	**16,437,331**		**19,731,171**	
vi	Interest Rate Coveage Ratio	EBIT (earnings before interest and taxes	**(2,492,586)**	(365.64)	**1,645,680**	115.69
		Interest Expense	**6,817**		**14,225**	
vii	Return on Equity Ratio	Net Income Attributable to Equity Holders of the Parent	**(2,579,186)**	(15.69%)	**1,477,483**	7.49%
		Equity Attributable to Equity Holders of the Parent	**16,437,331**		**19,731,171**	

			03/31/2020		03/31/2019	
viii	Return on Assets	Net Income Attributable to Equity Holders of the Parent	**(2,579,186)**	(12.65%)	**1,477,483**	6.30%
		Total Assets	**20,388,111**		**23,467,139**	
ix	Profit Ratio	Net Income Attributable to Equity Holders of the Parent	**(2,579,186)**	366.10%	**1,477,483**	38.64%
		Total Revenues	**(704,505)**		**3,823,411**	
x	Book Value per Share	Equity Attributable to Equity Holders of the Parent	**16,437,331**	13.15	**19,731,171**	16.37
		Outstanding Nnumber of Shares	**1,250,128**		**1,205,253**	

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	03/31/2020	03/31/2019
1. Volume	**3,576**	4,189
2. Revenue	**1,766,401**	2,139,568
3. Net income	**209,292**	198,066

Seven Seas Group

In Thousand Pesos

	03/31/2020	03/31/2019
1. Occupancy rate	**16.9%**	61.9%
2. Hotel revenue	**255,808**	363,745
3. Gross operating profit (GOP)	**108,690**	200,467
4. GOP ratio	**42.5%**	55.1%
5. Net income	**44,428**	110,262

Occupancy rate is based on actual room nights sold over available room nights on a 3-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

A. SORIANO CORPORATION

7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Ext.
1209 Makati City, Philippines

2019

ANNUAL REPORT

A. SORIANO CORPORATION

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CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2019.

ANDRES SORIANO III
Chairman

CHAIRMAN'S **MESSAGE**

THE 2019 PHILIPPINE ECONOMIC PICTURE

Gross domestic product grew by 5.9% in 2019, lower than the 6.2% growth registered in 2018.

In 2019, household consumption and services grew by 5.8% and 6.9%, respectively, with a modest increase experienced by the agriculture sector. There was a slowdown in most other sectors: exports, investment spending, construction and manufacturing. Among the contributors to this were the delayed passing of the national budget, challenges from traffic congestion and its impact on productivity, a water shortage and depressed rice prices.

On a positive note, inflation averaged 2.5%, an improvement from last year's 5.2%. The Philippine Stock Exchange index (PSEi) slightly increased from 7,466 to 7,815 points.

THE COMPANY'S FINANCIAL PERFORMANCE

Anscor's consolidated total revenues and net investment gains increased to ₱10.7 billion from ₱9.8 billion in 2018, resulting in a net income attributable to the parent company of ₱1.8 billion from ₱0.8 billion in 2018.

The improved profit came from an increase in market value of traded equities amounting to ₱1.0 billion, versus a loss of ₱208.4 million in 2018, mainly from investment gains in International Container Terminal Services, Inc. and Y-mAbs Therapeutics, Inc., a US listed biotechnology company. The Company also reported higher dividend income and management fees, coupled with a decline in overhead and interest expense.

Parent company debt amounting to US$2.25 million will be fully paid by the end of March 2020. The Company's book value per share increased from ₱15.33 to ₱15.95 as of December 31, 2019.

Total dividends of ₱0.50 per share were paid on April 10, 2019 and on December 18, 2019.

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

A slowdown in public construction was felt due to the delayed passage of the 2019 national budget which pushed back certain government infrastructure projects in the first half of the year. However, private construction grew at a faster pace than the previous year to 13.8% from 11.5%.

Though volume sold for the year was at par with last year, unit sales were strong in direct sales to developers and contractors. Strong demand for housing and business units from the Philippine Offshore Gaming Operators influx, and the continuing domestic demand from households and businesses contributed to the growth in this sector.

PDP's focus on new products and new services, and its emphasis on quality and service were vital in growing its sales to developers and contractors, and to general consumers, particularly in the provinces.

The company's philosophy of a working partnership with its customers secured new dealers.

PDP's profit was ₱804.0 million, a milestone achievement as an unanticipated drop in copper prices enabled the company to lower its input costs, while the strong demand allowed its dealers and PDP to maintain prices.

The persistent momentum in profitable performance validates PDP's long-term strategy of building a wide array of services and products to serve customers. It also enables PDP to deploy capital to its manufacturing facilities, expand the company's product range and meet its delivery commitments. Internally, PDP continues to focus on its development program for key personnel.

The company paid Anscor a cash dividend of ₱250.0 million and management fees of ₱99.0 million in 2019.

The Phelps Dodge Philippines' Tarlac Plant is the manufacturing hub of the company's wire and cable products.

Amanpulo is a kite surfer's paradise. Kite surfers of all levels can launch right from the beach and hone their skills on the lagoon's vast expanse of shallow turquoise water with a sandy bottom and moderate waves.

SEVEN SEAS RESORTS AND LEISURE, INC.
(owner of Amanpulo Resort)

Although average occupancy of 54.2% was lower than the 58.8% occupancy rate in 2018, total revenues improved to ₱1.1 billion due to an 8% increase in the average room rate to ₱68,392 or US$1,320. Net profit reached ₱213.8 million, slightly lower than last year.

In November 2019, the newly renovated Beachclub, housing one of Amanpulo's signature restaurants, was launched. The Beachclub kitchen was completely replaced and expanded, which will ensure that quality standards are maintained and it is prepared for the ISO 22000 certification in 2020.

The Resort was named as the second "Best Resort in Asia" by the Gallivanter's Guide, an elite publication that caters to hotel aficionados and sets the benchmark for high-end travelers. In the Condé Nast Traveler's Gold List 2019 issue, Amanpulo's treetop pool casita was featured for the "wow factor" of its private pool.

Harper's Bazaar Magazine, a leading lifestyle magazine in the United States, mentioned Amanpulo as "The Resort to Visit", with the Philippines ranked as the 10th top destination out of the 20 Best Places to Travel in 2020. Lifestyle Asia Singapore named Amanpulo as one of the "Best Luxury Resorts in Palawan to Check Into" in its November 2019 issue.

With the launch of the Amanpulo Kite and Surf Centre, the Resort was nominated at the Aman Global Awards 2019 for the "Pathfinder Award", a much-coveted recognition for innovations that enhance guest experiences and contribute remarkable revenue.

AGP INTERNATIONAL HOLDINGS PTE LTD. (AG&P)

AG&P's revenues grew to US$178.4 million in 2019, as the company executed projects won the previous year and secured majority control of Gas Entec, the Korean Liquefied Natural Gas (LNG) engineering firm recognized as the world-standard for small scale floating LNG solutions.

It also acquired a significant minority stake in the Norwegian shipping company, Kanfer Shipping AS, which provides proprietary solutions to bring LNG in small vessels across seas and shallow waters. This, along with Gas Entec, add to the company's capability to deliver LNG to markets where traditional solutions are not viable.

The company registered a net loss of US$24.4 million for 2019, due to up front development expenses for natural gas projects in India.

In 2020, the company expects to break ground on its first LNG terminal in India and begin City Gas Distribution operations, thus, establishing it as a leading player in downstream gas logistics infrastructure. The company is, on paper, the largest foreign private player in the City Gas Distribution sector in India, with twelve (12) 25-year exclusive concessions to distribute natural gas to over 66 million people.

AG&P also received a substantial equity investment to develop and execute the company's LNG projects from two leading Japanese institutions, Osaka Gas, a leading Japanese utility, and Japan Bank for International Cooperation, a unit of the Government of Japan.

ATRAM INVESTMENT MANAGEMENT PARTNERS CORPORATION (ATRAM)

As of end-2019, ATRAM had assets under management (AUM) of ₱138.7 billion, 29% higher than the end-2018 AUM of ₱107.2 billion. The increase in AUM was attributable to net inflows from both existing and new clients and market gains.

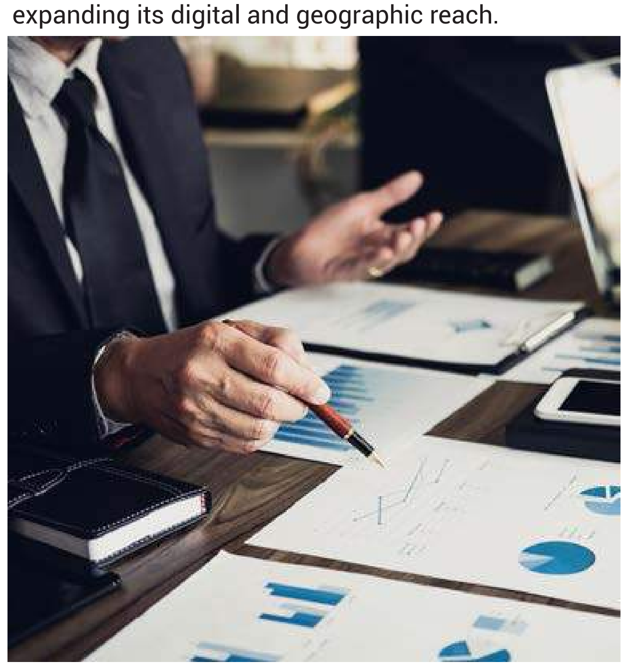
ATRAM launched five new feeder funds in 2019 that grew to around ₱6.1 billion in AUM.

As a testament to ATRAM's outstanding performance in 2019, several associations identified ATRAM's funds as outperformers in the industry.

The Asset, a financial magazine focused on Asia, recognized ATRAM as the Top Investment House in the Philippines for the Local Bond category. Chartered Financial Analyst Society Philippines cited ATRAM's Alpha Opportunity Fund as the Best Managed Equity Fund of 2019. In addition, the Philippine Investment Funds Association also recognized three of ATRAM's mutual funds as outperformers in the equity fund, bond fund and balanced fund categories.

Seedbox, ATRAM's digital wealth platform, also achieved stellar growth for 2019. Seedbox grew its user base from around 72,000 in 2018 to around 570,000 by end-2019. Apart from the rapid growth of users, Seedbox processes approximately 50,000 subscriptions monthly.

Overall, ATRAM set new milestones in 2019 as it reached new heights and capitalized on new opportunities. ATRAM aims to grow even faster by expanding its digital and geographic reach.



KSA REALTY CORPORATION
(owner of The Enterprise Center)

KSA Realty Corporation, a subsidiary of Shang Properties, Inc., owns The Enterprise Center ("TEC"), one of the most prominent addresses in the country's premier financial district.

In 2019, TEC registered an occupancy rate of 98%. Rental rates grew to an average of ₱1,430 per square meter, from 2018's ₱1,320 per square meter, at year end.

Revenue was ₱1.4 billion in 2019 from ₱1.3 billion in 2018. Net income increased by 16.6%, from ₱964.0 million in 2018 to ₱1.1 billion in 2019.

KSA paid cash dividends of ₱1.4 billion, of which ₱189.9 million accrued to Anscor.

STARTUP AND PRIVATE EQUITY VENTURES

A portion of the Company's assets are dedicated to early stage and private equity opportunities.

Anscor began investing in ***Y-mAbs Therapeutics, Inc.*** in 2015. Y-mAbs is a late-stage clinical biopharmaceutical company focused on the development and commercialization of novel, antibody-based therapeutic products to treat cancer. The company has a broad and advanced product pipeline, including two pivotal-stage product candidates, naxitamab and omburtamab.

Y-mAbs' had a successful initial public offering in September 2018 on the NASDAQ (Ticker: YMAB) and generated an unrealized gain of US$8.0 million for Anscor in year 2019.

The Company invested US$5.0 million in ***Macquarie ASEAN Technology Investments Holdings II LP***, a special purpose vehicle invested exclusively in shares of Grab Holdings, Inc. Grab is the leading on-demand transportation provider in Southeast Asia with over 80% market share across seven countries, including the Philippines.

Madaket Healthcare is an innovative US software service platform that automates healthcare provider data management processes. It has 1.2 million providers under contract for Electronic Data Interchange Enrollment.

Medifi is a Philippine-based online healthcare platform that connects doctors and patients.

In 2019, Anscor committed to invest US$10.0 million in ***Navegar II LP***, a Philippine focused private equity fund, which will begin deploying funds in early 2020.

To date, the Company has made a total investment in ***Sierra Madre Philippines I LP***, also a Philippine based private equity fund, of US$2.2 million out of a US$9.0 million commitment. The Fund's investments consist of a logistics and a semi-conductor services company.

CORPORATE SOCIAL RESPONSIBILITY

The Andres Soriano Foundation (ASF) has aligned its Strategic Plan for the next five years with the United Nations' Sustainable Development Goals (SDGs) under the 2030 Agenda for Sustainable Development.

Small Island Sustainable Development Programs' projects and activities are implemented to respond to the most basic needs of small island communities, these very same programs support the urgent call for action for peace and prosperity for people and planet today and tomorrow.

Education

ASF collaborates with education and industry experts to enhance implementation of the senior high school curriculum, improve the learning outcomes of students, and equip them with competencies for lifelong learning and employment.

A total of 41 students successfully completed the required 80-hour work immersion at Amanpulo, specializing in cookery, housekeeping, food and beverages, and carpentry.

Three senior high school (SHS) graduates received full four-year college scholarships. Seven are now undergoing on-the-job training with various electro-mechanic industries after six months of classroom and practicum training. Eleven who underwent a six-month in-classroom and laboratory training on quick service restaurants operation are now on-the-job training in food service industries. Four SHS graduates work at Amanpulo.

11 senior high school graduates from Cuyo and Agutaya in Northeastern Palawan pursued a technical-vocational course on Quick Service Restaurant Operation.

Health

On the ASF flagship health initiative, 24 doctors volunteered for the three-day medical mission that served a total of 3,261 patients and rendered 3,717 medical services compared to last year's 2,867 and 3,532, respectively.

On nutrition, ASF is implementing the program on the "First 1,000 Days of a Child" for areas where malnutrition rate is high.

Protection and regeneration of mangrove forests in various assisted island communities is part of the biodiversity initiative of the Foundation in partnership with youth organizations and Barangay Councils.

Environment

Sustained protection efforts improved the 10 Marine Protected Areas (MPAs). Data from annual reef monitoring in eight sites showed an increase in live coral cover of 16% from last year's 7%.

ASF completed the construction of a Multi-purpose Center in Manamoc for the use of various people's organizations. The total grant secured by ASF for this project was ₱1.2 million. The required leverage for this grant is a 20-year commitment of the community to protect the mangrove forest and the Caseledan Lagoon. This is the fifth project grant secured by ASF from Seacology-US, a non-profit, charitable organization based in Berkeley, California.

Livelihood

Sales to Amanpulo of locally-sourced produce that included agri-livestock and poultry, and handicrafts from various weavers' associations sold through Manamoc Livelihood Association, amounted to ₱6.6 million, slightly higher from last year's ₱6.4 million. The Manamoc community is now the major source of eggs for Amanpulo while the island is the sole supplier of pork for the Resort's staff canteen.

Cancer Care Program

ASF received ₱1.6 million from six pharmaceutical companies for the training of seven Medical Oncology Fellows in partnership with the Section of Medical Oncology of Cancer Institute, UP-PGH.

ASF received a donation of a customized mobile hematology and oncology treatment unit from Johnson and Johnson (Philippines), Inc.

The vehicle is a first of its kind, a customized mini bus converted into a mobile treatment unit for the Cancer Institute of the University of the Philippines-Philippine General Hospital in support of the ASF Cancer Program.

To-date, ₱1.8 million had been disbursed for the maintenance medicines of qualified beneficiary-breast cancer patients.

OUTLOOK

The year 2020 has already begun to pose challenges. Geopolitical tensions and global trade uncertainty are expected to continue. Climate change remains an urgent global concern. Agriculture continues to be affected.

The eruption of Taal Volcano on January 12, 2020 impacted families in Batangas Province, damaging billions of pesos worth of infrastructure, houses, crops, animals and fisheries in Taal Lake. And even as relief operations, health monitoring and the vigilance continue with another eruption anticipated, another health security issue began. A new strain called the 2019 coronavirus (COVID-19) traced to Wuhan, Hubei Province of China rapidly spread to different countries, compelling the World Health Organization to declare a global health emergency. This is leading to travel restrictions and putting health authorities on alert for both preventive and curative measures to contain and resolve its impact.

Excise tax increases begin in January 2020, the third and final tranche on fuel, and a new tariff for tobacco products. These will help fund the initial ₱257.0 billion for the Universal Healthcare Program. Traffic continues to be a bane for Metro Manila even as various solutions are sought.

However, always amidst challenges, opportunities are there. Resurging public investment and fast tracking the effective implementation of reforms such as the Ease of Doing Business Law, the Rice Tariffication Law, the creation of a national ID system, and other such transformational policy changes are critical to set the Philippines on a higher path toward accelerating inclusive growth.

For PDP, the outlook for construction and real estate growth remains positive with development spreading to areas outside Metro Manila. Infrastructure projects including those in key cities outside of the metropolis are expected to continue. The strengthening of customer and dealer partnerships, and its internal program for people development will remain a vital backbone for its success.

The current travel restrictions notwithstanding, Amanpulo will continue to set a benchmark for beach resorts, much more so as it prepares for the ISO 22000 certification in 2020.

ACKNOWLEDGMENT

Management acknowledges with thanks and respect, Mr. John L. Gokongwei, our Director for 39 years since May 21, 1980, who passed away last November 9, 2019. He will be remembered for his legacy as a business leader, philanthropist and entrepreneur.

Our sincerest appreciation for our shareholders' abiding trust and confidence, the dedication of our employees and the guidance of our Board of Directors.

FINANCIAL **HIGHLIGHTS**

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2019	2018	2017
Revenues and net investment gains	**10, 695.4**	9,781.0	10,584.6
Sale of goods	**8,208.4**	8,292.5	7,189.0
Services	**1,342.4**	1,314.7	1,059.8
Gain on increase in market values of fair value through profit or loss investments	**1,151.8**	33.5	1,351.5
Dividend income	**373.6**	301.8	270.7
Interest income	**124.5**	109.5	98.9
Gain (loss) on sale of fair value through other comprehensive income investments	**11.9**	(2.7)	13.9
Equity in net losses of associates - net of valuation allowance	**(517.1)**	(262.2)	(497.1)
Gain (loss) on disposal of subsidiaries	**–**	(6.1)	1,097.9
NET INCOME*	**1,843.6**	808.4	2,547.5
EARNINGS PER SHARE**	**1.53**	0.67	2.08

CONSOLIDATED AT YEAR-END	2019	2018	2017
Total Assets	**23,112.4**	22,290.0	22,346.2
Equity Attributable to Equity Holders of the Parent	**19,943.1**	18,575.9	18,332.5
Investment Portfolio	**14,289.3**	13,253.7	13,339.1
Current Ratio	**9.82**	7.48	8.43
Debt to Equity Ratio***	**0.13**	0.17	0.19
Book Value Per Share****	**15.95**	15.33	15.06

* *Attributable to equity holders of the Parent.*
** *Based on weighted average number of shares of 1,208.0 million in 2019, 1,215.5 million in 2018 and 1,224.2 million in 2017.*
*** *Computed using the equity attributable to equity holders of the Parent.*
**** *Based on outstanding shares of 1,250.1 million, 1,211.9 million and 1,217.2 million as of December 31, 2019, 2018 and 2017, respectively.*

FIVE-YEAR REVIEW

(In Million Pesos Except Per Share Data)

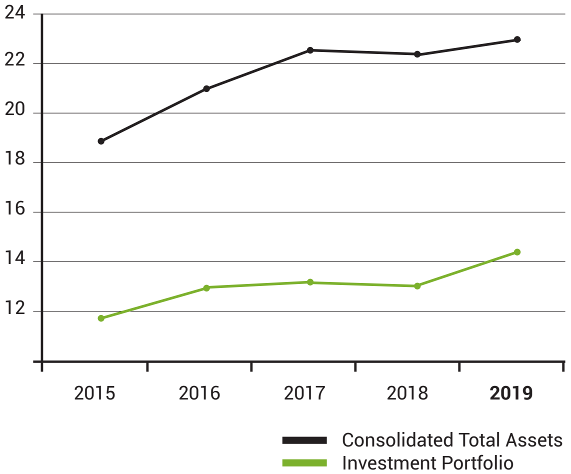
	2019	2018	2017	2016	2015
Net Income Attributable to Equity Holder of the Parent	**1,843.6**	808.4	2,547.5	2,682.6	1,965.6
Equity Attributable to Equity Holder of the Parent	**19,943.1**	18,575.9	18,332.5	16,189.3	13,563.0
Weighted Average Number of Shares Outstanding	**1,208.0**	1,215.5	1,224.2	1,232.7	1,244.6
Earnings Per Share*	**1.53**	0.67	2.08	2.18	1.58
Book Value Per Share**	**15.95**	15.33	15.06	13.13	10.99

	2019	2018	2017	2016	2015
Revenues and Net Investment Gains	**10,695.4**	9,781.0	10,584.6	9,883.8	11,338.1
Total Assets	**23,112.4**	22,290.0	22,346.2	21,482.1	19,552.4
Investment Portfolio	**14,289.3**	13,253.7	13,339.1	13,144.9	11,859.4

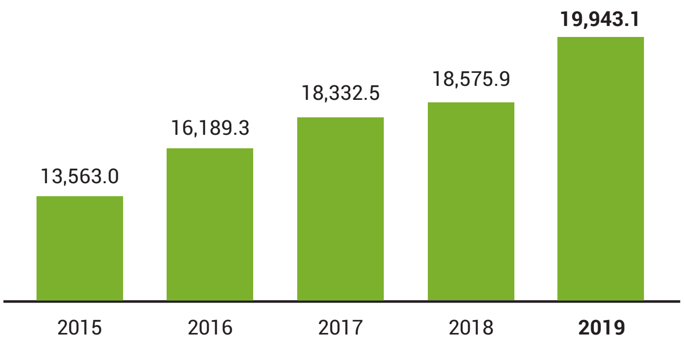
* *Ratio of net income attributable to equity holders of the Parent to weighted average number of shares outstanding during the year.*

** *Ratio of equity attributable to equity holders of the Parent to outstanding number of shares as of end-December.*

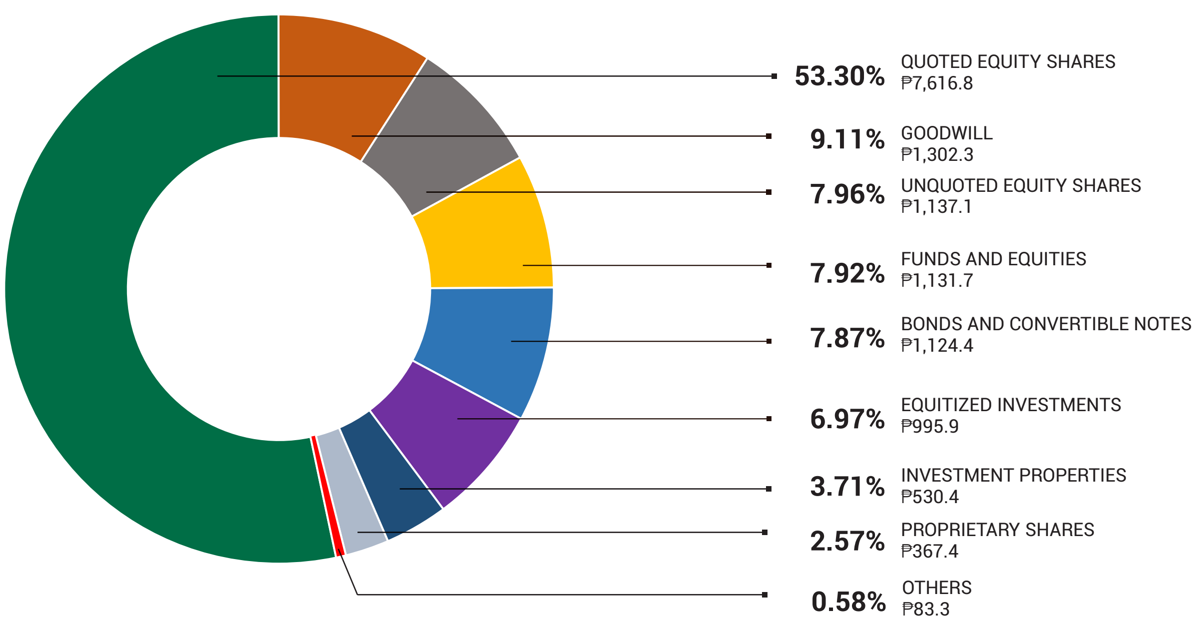
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO
(In Billion Pesos)



EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT
(In Million Pesos)



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2019
(In Million Pesos)



STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ANDRES SORIANO III Chairman, President and Chief Executive Officer	**ERNEST K. CUYEGKENG** Executive Vice President and Chief Financial Officer

Signed this 19th day of February 2020

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 19th day of February 2020, affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE ISSUED
Andres Soriano III	506368805	Jan. 14, 2015 to Jan 13, 2025/ U.S.
Ernest K. Cuyegkeng	P7236847A	May 19, 2018 to May 18, 2028/DFA NCR South

Doc. No. 491;
Page No. 99;
Book No. XIX;
Series of 2020.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-260; Roll No. 20642
Commission expires on 12-31-2020
MCLE Compliance No. VI-0008138
PTR No. 8117885; 1-06-2020; Makati City
IBP No. 108319; 1-08-2020; Pasig City
TIN No. 100-364-501

SGV
Building a better working world

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1226 Makati City
Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018 valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
A. Soriano Corporation
7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat Avenue Extension,
Makati City

Opinion

We have audited the consolidated financial statements of A. Soriano Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill

The goodwill arising from the acquisitions of Phelps Dodge International Philippines, Inc. and Seven Seas Resorts and Leisure, Inc. amounted to ₱1,302.3 million as at December 31, 2019 and is considered significant to the consolidated financial statements. Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. We considered the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the sensitivity of the estimated recoverable amount to management's assumptions and judgments. In assessing the recoverability of the Group's goodwill, management exercised significant judgments and used assumptions such as revenue growth rates, discount rates and long-term growth rates in estimating the value-in-use of these cash-generating units (CGUs).

The Group's disclosures about goodwill are included in Note 7 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation methodology and assumptions used by management in estimating value-in-use. These assumptions include revenue growth rates, discount rates and long-term growth rates. We compared the growth rates used against the historical performance of the CGUs. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. In addition, we reviewed the disclosures in the consolidated financial statements related to the key assumptions, used and the sensitivity of the estimates to these key assumptions particularly those to which the impairment test is most sensitive.

Recoverability of Investment in an Associate

The Group identified indicators of impairment in its investment in an associate and, as required in PFRSs, assessed the recoverability of its investment based on management's estimate of cash flows from the operations of the associate, judgment over the appropriate valuation model and valuation assumptions such as discount rate and long-term growth rate. The carrying value of the investment amounted to ₱682.5 million as at December 31, 2019 and is considered material to the consolidated financial statements.

The Group's disclosures about its investment in an associate are included in Note 14 to the consolidated financial statements.

Audit Response

We obtained an understanding of the current business operations of the associate and assessed whether this is considered in the Group's assumptions. Furthermore, we involved our internal specialist in evaluating the valuation model used in estimating the equity value of the investment and the assumptions in estimating the associate's expected cash flows, such as the discount rate and long-term growth rate. In testing the discount rate, we performed independent testing on the determination of discount rate using market-based parameters. We also reviewed and tested the sensitivity of the present value of discounted cash flows to changes in key assumptions particularly those to which the recoverable amount is most sensitive.

Valuation of Unquoted Equity Instruments

In accordance with PFRS 9, *Financial Instruments*, the Group classified its unquoted equity investments as financial assets through profit or loss, with carrying value of ₱1,137.1 million as at December 31, 2019. We considered the valuation of these unquoted equity investments as a key audit matter because of the materiality of the amount involved, the significant judgment applied in selecting the valuation techniques and inputs that are not market observable, and the other significant assumptions used in estimating future cash flows from these unquoted equity investments.

The Group's disclosures about its unquoted equity investments are included in Notes 10 and 30 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the valuation techniques and inputs and the other assumptions used. These assumptions include discount rates, revenue growth rates and comparable companies. In testing the discount rates, our internal specialist performed independent testing on the determination of discount rates using market-based parameters. For investments valued using the income approach, we compared the revenue growth rates to the historical performance of the investment. For investments valued under the market approach, we reviewed the comparable companies used in the valuation. For private equity fund investments valued under the cost approach (adjusted net asset value method), we reviewed the financial information of the investees and checked if the financial information used reflects the fair values of the investee's assets and liabilities. In addition, we reviewed the disclosures in the consolidated financial statements related to the significant unobservable inputs to the fair value measurement.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 8125303, January 7, 2020, Makati City

February 19, 2020

Consolidated Balance Sheets

	December 31	
	2019	**2018**
ASSETS		
Current Assets		
Cash and cash equivalents (Note 9)	**₱ 2,308,878,255**	₱ 2,765,515,066
Fair value through profit or loss (FVPL) investments (Notes 10 and 20)	**11,130,248,073**	9,437,947,486
Receivables (Note 11)	**2,122,602,618**	2,270,241,689
Inventories (Note 12)	**904,427,520**	1,030,460,829
Fair value through other comprehensive income (FVOCI) investments - current (Note 13)	**94,535,324**	15,419,085
Prepayments	**34,866,126**	29,004,363
Other current assets	**27,070,500**	16,061,836
Total Current Assets	**16,622,628,416**	15,564,650,354
Noncurrent Assets		
FVOCI investments - net of current portion (Note 13)	**235,949,189**	678,904,133
Notes receivables (Note 28)	**349,499,741**	–
Investments and advances (Note 14)	**1,078,655,003**	1,581,844,482
Goodwill (Note 7)	**1,302,276,264**	1,302,276,264
Property and equipment (Notes 15 and 20)	**2,562,463,613**	2,560,830,437
Investment properties (Note 16)	**530,382,258**	238,104,974
Retirement plan asset - net (Note 25)	**84,470,839**	65,391,589
Deferred income tax assets - net (Note 26)	**87,156,013**	75,512,542
Right-of-use assets (Notes 2 and 31)	**35,292,325**	–
Other noncurrent assets (Notes 17 and 31)	**223,646,431**	222,496,580
Total Noncurrent Assets	**6,489,791,676**	6,725,361,001
TOTAL ASSETS	**₱ 23,112,420,092**	₱ 22,290,011,355
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 18)	**₱ –**	₱ 250,000,000
Accounts payable and accrued expenses (Notes 19 and 33)	**931,320,157**	807,180,815
Current portion of lease liabilities (Notes 2 and 31)	**9,907,864**	–
Dividends payable (Note 21)	**283,974,578**	285,828,593
Income tax payable	**192,064,701**	103,460,263
Current portion of long-term debt (Note 20)	**276,164,746**	635,690,371
Total Current Liabilities	**1,693,432,046**	2,082,160,042

(Forward)

Consolidated Balance Sheets

	December 31	
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 20)	₱ 227,142,857	₱ 502,397,329
Lease liabilities - net of current portion (Notes 2 and 31)	27,466,781	–
Deferred income tax liabilities - net (Note 26)	479,312,696	449,755,161
Retirement benefits payable - net (Note 25)	32,252,060	12,858,113
Other noncurrent liabilities (Notes 17 and 31)	147,956,007	143,405,664
Total Noncurrent Liabilities	914,130,401	1,108,416,267
Total Liabilities	2,607,562,447	3,190,576,309
Equity Attributable to Equity Holders of the Parent (Note 21)		
Capital stock - ₱1 par value	2,500,000,000	2,500,000,000
Additional paid-in capital	1,859,383,287	1,605,613,566
Cumulative translation adjustment	273,248,081	385,512,775
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	8,739,689	(8,128,524)
Remeasurement on retirement benefits (Note 25)	33,267,478	39,853,028
Retained earnings (Note 21):		
Appropriated	7,150,000,000	7,150,000,000
Unappropriated	10,487,853,458	9,259,613,912
Cost of shares held by a subsidiary (1,249,872,246 shares and 1,288,088,646 shares in 2019 and 2018, respectively) (Note 21)	(2,369,372,182)	(2,356,555,826)
	19,943,119,811	18,575,908,931
Noncontrolling Interests (Note 3)	561,737,834	523,526,115
Total Equity	20,504,857,645	19,099,435,046
TOTAL LIABILITIES AND EQUITY	₱ 23,112,420,092	₱ 22,290,011,355

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2019	**2018**	**2017**
CONTINUING OPERATIONS			
REVENUES			
Sale of goods - net (Note 5)	₱ 8,208,374,800	₱ 8,292,508,630	₱ 7,188,994,574
Services (Notes 5 and 31)	1,342,389,775	1,314,704,847	1,059,796,204
Dividend income (Note 10)	373,587,490	301,777,821	270,687,177
Interest income (Notes 9, 10, 13 and 24)	124,478,035	109,516,147	98,877,355
	10,048,830,100	10,018,507,445	8,618,355,310
INVESTMENT GAINS (LOSSES)			
Gain on increase in market values of FVPL investments (Notes 10 and 30)	1,151,784,252	33,493,049	1,351,506,368
Gain (loss) on sale of FVOCI investments (Note 13)	11,859,942	(2,700,602)	13,932,565
Gain (loss) on disposal of subsidiaries (Note 8)	–	(6,111,015)	1,097,861,615
	1,163,644,194	24,681,432	2,463,300,548
EQUITY IN NET LOSSES - Net of valuation allowance (Note 14)	(517,090,062)	(262,184,140)	(497,099,065)
TOTAL	10,695,384,232	9,781,004,737	10,584,556,793
Cost of goods sold (Note 22)	(6,590,288,987)	(7,010,549,289)	(6,069,283,925)
Cost of services rendered (Note 22)	(447,058,842)	(437,508,189)	(395,971,370)
Operating expenses (Note 22)	(1,217,805,627)	(1,194,383,616)	(1,179,275,444)
Interest expense (Notes 18, 20 and 24)	(48,364,623)	(72,908,371)	(85,138,178)
Foreign exchange gain (loss) - net	(92,967,921)	106,678,302	(17,777,225)
Other income - net (Notes 24 and 31)	68,852,086	79,708,375	52,328,767
INCOME BEFORE INCOME TAX	2,367,750,318	1,252,041,949	2,889,439,418
PROVISION FOR INCOME TAX (Note 26)	429,373,654	347,218,566	253,435,684
NET INCOME FROM CONTINUING OPERATIONS	1,938,376,664	904,823,383	2,636,003,734
NET LOSS FROM DISCONTINUED OPERATIONS (Note 8)	–	–	(47,637,151)
NET INCOME	1,938,376,664	904,823,383	2,588,366,583
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on FVOCI investments (Note 13)	35,957,388	(34,538,189)	17,385,730
Income tax effect	(10,787,216)	10,361,457	(5,215,719)
	25,170,172	(24,176,732)	12,170,011

(Forward)

Consolidated Statements of Comprehensive Income

	Years Ended December 31 2019	2018	2017
Unrealized losses (gains) on FVOCI investments recognized in the consolidated profit or loss (Note 13)	(₱ 11,859,942)	₱ 2,700,602	(₱ 13,932,565)
Income tax effect	3,557,983	(810,181)	4,179,770
	(8,301,959)	1,890,421	(9,752,795)
	16,868,213	(22,286,311)	2,417,216
Cumulative translation adjustment	(112,264,694)	89,930,454	(84,661,930)
	(95,396,481)	67,644,143	(82,244,714)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits (Note 25)	(9,304,530)	(24,574,106)	29,961,119
Income tax effect	2,718,980	6,432,512	(9,575,162)
	(6,585,550)	(18,141,594)	20,385,957
OTHER COMPREHENSIVE INCOME (LOSS)	(101,982,031)	49,502,549	(61,858,757)
TOTAL COMPREHENSIVE INCOME	₱ 1,836,394,633	₱ 954,325,932	₱ 2,526,507,826
Net Income Attributable to:			
Equity holders of the Parent	₱ 1,843,615,322	₱ 808,386,813	₱ 2,547,458,719
Noncontrolling interests	94,761,342	96,436,570	40,907,864
	₱ 1,938,376,664	₱ 904,823,383	₱ 2,588,366,583
Total Comprehensive Income Attributable to:			
Equity holders of the Parent	₱ 1,741,633,291	₱ 857,889,362	₱ 2,485,599,962
Noncontrolling interests	94,761,342	96,436,570	40,907,864
	₱ 1,836,394,633	₱ 954,325,932	₱ 2,526,507,826
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent (Notes 8 and 27)	₱ 1.53	₱ 0.67	₱ 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent (Note 27)	₱ 1.53	₱ 0.67	₱ 2.12
Basic/diluted, for total comprehensive income attributable to equity holders of the Parent (Note 27)	₱ 1.44	₱ 0.71	₱ 2.03

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 21)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interests (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on FVOCI Investments (Note 13)	Remeasurement on Retirement Benefits (Note 25)
BALANCES AT DECEMBER 31, 2016	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**(₱ 26,356,543)**	**₱ 380,244,251**	**₱ 11,740,571**	**₱ 37,608,665**
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(84,661,930)	2,417,216	20,385,957
Total comprehensive income (loss) for the year	–	–	–	(84,661,930)	2,417,216	20,385,957
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2017	**2,500,000,000**	**1,605,613,566**	**(26,356,543)**	**295,582,321**	**14,157,787**	**57,994,622**
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	89,930,454	(22,286,311)	(18,141,594)
Total comprehensive income (loss) for the year	–	–	–	89,930,454	(22,286,311)	(18,141,594)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱641.4 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Disposal of a subsidiary (Note 8)	–	–	26,356,543	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2018	**2,500,000,000**	**1,605,613,566**	**–**	**385,512,775**	**(8,128,524)**	**39,853,028**
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	(112,264,694)	16,868,213	(6,585,550)
Total comprehensive income (loss) for the year	–	–	–	(112,264,694)	16,868,213	(6,585,550)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱634.6 million (Note 21)	–	–	–	–	–	–
Shares repurchased during the year (Note 21)	–	–	–	–	–	–
Sale of Company shares held by a subsidiary (Note 21)	–	253,769,721	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2019	**₱ 2,500,000,000**	**₱ 1,859,383,287**	**₱ –**	**₱ 273,248,081**	**₱ 8,739,689**	**₱ 33,267,478**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holders of the Parent (Note 21)						
		Retained Earnings		Cost of Shares			
	Subtotal*	Appropriated	Unappropriated	Held by a Subsidiary	Total	Noncontrolling Interests	Total
BALANCES AT DECEMBER 31, 2016	**₱ 4,508,850,510**	**₱ 7,150,000,000**	**₱ 6,756,716,458**	**(₱ 2,226,272,975)**	**₱ 16,189,293,993**	**₱ 512,829,051**	**₱ 16,702,123,044**
Net income	–	–	2,547,458,719	–	2,547,458,719	40,907,864	2,588,366,583
Other comprehensive income (loss)	(61,858,757)	–	–	–	(61,858,757)	–	(61,858,757)
Total comprehensive income (loss) for the year	(61,858,757)	–	2,547,458,719	–	2,485,599,962	40,907,864	2,526,507,826
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱255.6 million (Note 21)	–	–	(244,361,451)	–	(244,361,451)	–	(244,361,451)
Shares repurchased during the year (Note 21)	–	–	–	(98,041,760)	(98,041,760)	–	(98,041,760)
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(95,092,264)	(95,092,264)
BALANCES AT DECEMBER 31, 2017	**4,446,991,753**	**7,150,000,000**	**9,059,813,726**	**(2,324,314,735)**	**18,332,490,744**	**458,644,651**	**18,791,135,395**
Net income	–	–	808,386,813	–	808,386,813	96,436,570	904,823,383
Other comprehensive income (loss)	49,502,549	–	–	–	49,502,549	–	49,502,549
Total comprehensive income (loss) for the year	49,502,549	–	808,386,813	–	857,889,362	96,436,570	954,325,932
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱641.4 million (Note 21)	–	–	(608,586,627)	–	(608,586,627)	–	(608,586,627)
Shares repurchased during the year (Note 21)	–	–	–	(32,241,091)	(32,241,091)	–	(32,241,091)
Disposal of a subsidiary (Note 8)	26,356,543	–	–	–	26,356,543	–	26,356,543
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(31,555,106)	(31,555,106)
BALANCES AT DECEMBER 31, 2018	**4,522,850,845**	**7,150,000,000**	**9,259,613,912**	**(2,356,555,826)**	**18,575,908,931**	**523,526,115**	**19,099,435,046**
Net income	–	–	1,843,615,322	–	1,843,615,322	94,761,342	1,938,376,664
Other comprehensive income (loss)	(101,982,031)	–	–	–	(101,982,031)	–	(101,982,031)
Total comprehensive income (loss) for the year	(101,982,031)	–	1,843,615,322	–	1,741,633,291	94,761,342	1,836,394,633
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱634.6 million (Note 21)	–	–	(615,375,776)	–	(615,375,776)	–	(615,375,776)
Shares repurchased during the year (Note 21)	–	–	–	(118,975,079)	(118,975,079)	–	(118,975,079)
Sale of Company shares held by a subsidiary (Note 21)	253,769,721	–	–	106,158,723	359,928,444	–	359,928,444
Movement in noncontrolling interests (Notes 3 and 31)	–	–	–	–	–	(56,549,623)	(56,549,623)
BALANCES AT DECEMBER 31, 2019	**₱ 4,674,638,535**	**₱ 7,150,000,000**	**₱ 10,487,853,458**	**(₱ 2,369,372,182)**	**₱ 19,943,119,811**	**₱ 561,737,834**	**₱ 20,504,857,645**

See accompanying Notes to Consolidated Financial Statements.

* *Subtotal for the numbers of the six columns appearing on page 22.*

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2019	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax - continuing operations	**₱ 2,367,750,318**	₱ 1,252,041,949	₱ 2,889,439,418
Income (loss) before income tax - discontinued operations (Note 8)	**–**	–	(52,709,769)
Income before income tax	**2,367,750,318**	1,252,041,949	2,836,729,649
Adjustments for:			
Gain on increase in market values of FVPL investments (Note 10)	**(1,151,784,252)**	(33,493,049)	(1,351,506,368)
Equity in net losses - net of valuation allowance (Note 14)	**517,090,062**	262,184,140	497,099,065
Dividend income (Note 10)	**(373,587,490)**	(301,777,821)	(270,687,177)
Depreciation and amortization (Notes 15, 16, 22 and 31)	**272,179,839**	252,820,204	252,088,932
Interest income (Notes 9, 10, 13 and 24)	**(124,478,035)**	(109,516,147)	(98,878,579)
Interest expense (Notes 18, 20 and 24)	**48,364,623**	72,908,371	90,524,037
Unrealized foreign exchange losses - net	**48,116,020**	116,697,688	13,884,632
Valuation allowances - net (Notes 11 and 24)	**41,752,086**	9,397,390	211,799,817
Retirement benefit costs (Notes 22, 23 and 25)	**13,203,358**	37,124,451	16,747,851
Loss (gain) on sale/disposal of:			
FVOCI investments (Note 13)	**(11,859,942)**	2,700,602	13,932,565
Subsidiaries (Notes 8 and 16)	**–**	6,111,015	(1,097,861,615)
Operating income before working capital changes	**1,646,746,587**	1,567,198,793	1,113,872,809
Decrease (increase) in:			
FVPL investments	**(532,026,162)**	106,988,583	37,181,483
Receivables	**97,878,040**	(488,596,128)	365,575,268
Inventories	**126,033,309**	(209,639,027)	(138,806,873)
Prepayments and other current assets	**(17,781,010)**	23,158,663	101,852,799
Increase (decrease) in:			
Accounts payable and accrued expenses	**128,423,365**	(101,992,716)	60,867,482
Deferred revenues	**–**	(9,469,328)	867,768
Cash generated from operations	**1,449,274,129**	887,648,840	1,541,410,736
Income taxes paid	**(320,136,171)**	(279,043,797)	(312,505,882)
Dividends received	**373,587,490**	301,777,821	270,687,177
Interest received	**133,653,424**	98,460,395	98,091,189
Interest paid	**(45,077,734)**	(72,666,167)	(85,531,605)
Retirement benefit contribution (Note 25)	**(22,193,191)**	(22,191,914)	(16,659,548)
Net cash flows from operating activities	**1,569,107,947**	913,985,178	1,495,492,067

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
FVOCI investments (Note 13)	₱ **446,651,642**	₱ 102,546,014	₱ 425,586,347
Property and equipment (Note 15)	**2,005,966**	10,758,435	4,279,888
Long-term investment	**–**	9,200,000	1,376,788,000
Additions to:			
FVOCI investments (Note 13)	**(215,974,577)**	(229,382,738)	(674,863,214)
Property and equipment (Note 15)	**(258,131,927)**	(156,220,277)	(289,432,012)
Investment properties (Note 16)	**(293,595,000)**	(1,583,339)	–
Collection from (advances to) affiliates (Notes 14 and 28)	**(431,448,061)**	3,470,251	(77,440,000)
Increase in other noncurrent assets	**(4,502,626)**	(44,680,957)	(39,298,864)
Acquisition of associates (Note 14)	**–**	(102,945,888)	(91,256,250)
Proceeds from redemption of preferred shares	**–**	–	12,301,027
Net cash flows from (used in) investing activities	**(754,994,583)**	(408,838,499)	646,664,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Sale of Company shares held by a subsidiary (Note 21)	**359,928,444**	–	–
Availment of long-term debt (Note 32)	**5,124,000**	–	–
Availment of notes payable (Notes 18 and 32)	**–**	450,000,000	–
Payments of (Note 32):			
Long-term debt (Note 20)	**(635,732,071)**	(640,036,621)	(838,534,464)
Dividends (Note 21)	**(617,229,791)**	(575,312,404)	(234,015,487)
Notes payable (Note 18)	**(250,000,000)**	(200,000,000)	(91,948,200)
Lease liabilities (Note 31)	**(12,309,568)**	–	–
Company shares purchased by a subsidiary (Note 21)	**(118,975,079)**	(32,241,091)	(98,041,760)
Redemption of preferred shares	**–**	–	(29,081,587)
Net cash flows used in financing activities	**(1,269,194,065)**	(997,590,116)	(1,291,621,498)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(455,080,701)**	(492,443,437)	850,535,491
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,556,110)**	2,423,835	1,259,659
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,765,515,066**	3,255,534,668	2,403,739,518
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 9)	₱ **2,308,878,255**	₱ 2,765,515,066	₱ 3,255,534,668

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses.

On July 17, 1979, the Philippine SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded.

The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on February 19, 2020.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for debt and equity securities that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance.

- 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.

The adoption of PFRS 16 has no significant impact on the consolidated financial statements since most of the lease agreements are made within the Group. See Note 31 for the disclosures of the Group's lease arrangements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It 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; and,
  - How an entity considers changes in facts and circumstances.

  The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

  The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- 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:

  o 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; and,

  o 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 had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the year.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

  These amendments had no significant impact on the consolidated financial statements of the Group.

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*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

  An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

  Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

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, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Basis of Consolidation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly owned, majority and minority-owned subsidiaries as at December 31:

		Percentage of Ownership		
	Nature of Business	**2019**	**2018**	**2017**
A. Soriano Air Corporation (ASAC, Note 31)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Investment Holding	**62**	62	62
Island Aviation, Inc. (IAI, Note 31)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Investment Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2019	2018	2017
Anscor Holdings, Inc. (AHI, Note 31)	Real Estate Holding	**100**	100	100
Akapulko Holdings, Inc.	Real Estate Holding	**100**	100	100
Lakeroad Corporation	Real Estate Holding	**100**	100	100
Mainroad Corporation	Real Estate Holding	**100**	100	100
Makatwiran Holdings, Inc.	Real Estate Holding	**100**	100	100
Makisig Holdings, Inc.	Real Estate Holding	**100**	100	100
Malikhain Holdings, Inc.	Real Estate Holding	**100**	100	100
Mountainridge Corporation	Real Estate Holding	**100**	100	100
Rollingview Corporation	Real Estate Holding	**100**	100	100
Timbercrest Corporation	Real Estate Holding	**100**	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 7 and 31)	Investment Holding	**100**	100	100
Minuet Realty Corporation (Minuet, Note 7)	Landholding	**100**	100	100
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 7 and 31)	Wire Manufacturing	**100**	100	100
PD Energy International Corporation (PDEIC, Note 7)	Wire Manufacturing	**100**	100	100
Sutton Place Holdings, Inc. (Sutton, Note 31)	Investment Holding	**100**	100	100
Cirrus Global, Inc. (CGI, Notes 8 and 31)	Manpower Services	**–**	–	93
Anscor International, Inc. (AI, Note 14)	Investment Holding	**100**	100	100
IQ Healthcare Investments Limited (IQHIL)	Manpower Services	**100**	100	100
IQ Healthcare Professional Connection, LLC (IQHPC, Note 31)	Manpower Services	**93**	93	93
AFC Agribusiness Corporation (AAC, Note 16)	Real Estate Holding	**81**	81	81
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 7 and 31)	Villa Project Development	**62**	62	62
Pamalican Resort, Inc. (PRI, Notes 7 and 31)	Resort Operations	**62**	62	62
Summerside Corp. (Summerside)*	Investment Holding	**40**	40	40

* *As at December 31, 2019, 2018 and 2017, the Group has 100% beneficial ownership over Summerside.*

Except for AI and its subsidiaries, all the companies above are 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).

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that have noncontrolling interest (NCI) that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are presented below as at and for the years ended December 31 (in millions):

	2019	2018
Balance Sheets:		
Current assets	₱ 925.2	₱ 731.6
Noncurrent assets	942.8	975.1
Current liabilities	502.2	414.3
Noncurrent liabilities	135.9	149.7
Equity	1,229.9	1,142.7
Equity attributable to NCI	463.7	430.8

	2019	2018
Statements of Comprehensive Income:		
Revenue	₱ 1,151.0	₱ 1,105.9
Income from continuing operations, before tax	290.8	283.5
Net income	236.1	235.3
Other comprehensive income	1.1	4.2
Total comprehensive income	237.2	239.5
Total comprehensive income allocated to NCI during the year	89.4	90.3

	2019	2018
Statements of Cash Flows:		
Cash flows from operations	₱ 449.6	₱ 389.6
Cash flows used in investing activities	(123.6)	(66.8)
Cash flows used in financing activities	(169.1)	(94.8)

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Noncontrolling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent and to the noncontrolling interests, even if this results in the noncontrolling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies. The considerations made in determining the significant influence are similar to those necessary to determine control over subsidiaries. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. The loss is recognized under "Equity in net losses - net of valuation allowance" in the consolidated profit or loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit or loss, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

If the Group's interest in an associate is reduced (e.g., through actual sale or deemed disposal), but the investment continues to be classified as an associate, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in the OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated profit or loss.

The following are the Group's associates as at December 31:

		Percentage of Ownership		
	Nature of Business	**2019**	**2018**	**2017**
Vicinetum Holdings, Inc. (VHI)	Investment Holding	**32**	32	32
Prople Limited (Note 14)	Business Process Outsourcing	**32**	32	32
Fremont Holdings, Inc. (FHI, Note 14)	Real Estate Holding	**26**	26	–
AGP International Holdings Pte Ltd. (AGP-SG, Note 14)	Investment Holding	**21**	–	–
AGP Group Holdings Pte Ltd. (AGP-BVI, formerly AGP International Holdings Ltd., Note 14)	Investment Holding	**–**	27	27
BehaviorMatrix, LLC (BM, Note 14)	Behavior Analytics Services	**21**	21	21
ATRAM Investment Management Partners Corp. (AIMP, Note 14)	Asset Management	**20**	20	20

The principal business location of AIMP, VHI and FHI is the Philippines. AGP-BVI, AGP-SG, BM and Prople Limited are based in the BVI, Singapore, USA and Hong Kong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, *Financial Instruments*, is measured at fair value with changes in fair value recognized in the consolidated profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the consolidated profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as noncontrolling interests.

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated profit or loss.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVPL equity instruments are recognized in the consolidated profit or loss.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at the end of reporting period and their statements of profit or loss are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated profit or loss.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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.

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 trade 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. Trade 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, *Revenue from Contracts with Customers*.

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 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.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVPL

As at December 31, 2019 and 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, financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss, or financial assets and liabilities mandatorily required to be measured at fair value. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Derivatives recorded at FVPL
The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as at December 31, 2019 and 2018.

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.

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 on increase in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2019 and 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 amounting to ₱11,130.2 million and ₱9,437.9 million, respectively (see Note 10). No financial liability at FVPL is outstanding as at December 31, 2019 and 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 - 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 method.

As at December 31, 2019 and 2018, the Group's FVOCI investments include investments in bonds (see Note 13).

(d) Financial liabilities - loans and borrowings

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 EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated profit or loss.

As at December 31, 2019 and 2018, included in this category are the Group's notes payable, accounts payable and accrued expenses, lease liabilities, 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 expected credit loss (ECL) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at FVOCI comprise solely of top investment grade bonds that are graded by top credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the top credit rating agencies both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the consolidated balance sheet. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group assesses its revenue arrangement against specific criteria in order to determine if it is acting as principal or agent. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The following specific recognition criteria must be met before revenue is recognized:

Sale of goods
Revenue from the sale of goods is recognized at a point in time when the control over the goods are transferred to the buyer which is generally upon delivery of the goods.

Sale of services
Revenue from rooms is recognized over time based on the actual occupancy of the guests. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Revenue from air transport services is recognized at a point in time when the related services has been substantially performed.

Project management fees and other income
Revenue from project management fees and other income is recognized over time when the control of the services is transferred to the customer, generally on delivery of the services.

Other Income
Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses
Costs and expenses are recognized in the consolidated profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of services rendered
Cost and expenses related to room services and other ancillary services are charged to operations when incurred.

Operating expenses
Operating expenses include selling and general and administrative expenses that are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in the consolidated profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV).

Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale.

For cable and wire manufacturing, finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined 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.

These 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 either when 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	30
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	2 - 25
Furniture, fixtures and office equipment	2 - 5
Transportation equipment	3 - 5

**or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Depreciation commences when an asset is in its operational location or working condition capable of being operated in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

Construction in progress (CIP) is stated at cost net of accumulated impairment losses, if any. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes villa development costs and related expenses incurred.

Property development in progress is carried at the lower of cost incurred and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment Properties

Investment properties comprise completed property and property under construction or re-development (land, buildings and condominiums) that are held to earn rentals or capital appreciation or both and that are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are written off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation or amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated profit or loss.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as at the end of each financial reporting period.

Contract Balances

Trade receivables

Trade receivables represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs the obligations under the contract.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets include restricted cash funds for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Deposits to suppliers in relation to aircraft maintenance and acquisition of specific property and equipment are also classified as part of other noncurrent assets.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore, is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated profit or loss on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases Upon Adoption of PFRS 16

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Right-of-use asset

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Category	Number of Years
Building	5 years
Leasehold improvement	2 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, the Group calculates depreciation using the estimated useful life of the asset.

Lease liability

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases Prior to Adoption of PFRS 16

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 a lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated profit or loss on a straight-line basis over the lease term.

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has non-contributory defined benefit retirement plans.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the consolidated profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

<u>Provisions and Contingencies</u>

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

<u>Income Taxes</u>

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of the end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if:

(a) a legally enforceable right exists to set off current income tax assets against current income tax liabilities; and
(b) deferred income taxes are levied by the same taxation authority on either: the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

<u>Value Added Tax (VAT)</u>

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. In case of capital goods, input VAT is spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheet up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income, net income from continuing operations and the total comprehensive income attributable to the equity holders of the Parent for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as at December 31, 2019, 2018 and 2017.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of the reporting period.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 30).

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2019 and 2018, the Group made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

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 calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. These reserves are re-evaluated and adjusted as additional information is received.

Allowance for expected credit losses as at December 31, 2019 and 2018 amounted to ₱678.9 million and ₱638.0 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱2,554.9 million and ₱2,271.1 million as at December 31, 2019 and 2018, respectively (see Notes 11, 14 and 28).

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, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Group (see Note 30).

Unquoted FVPL equity investments amounted to ₱1,137.1 million and ₱1,086.2 million as at December 31, 2019 and 2018, respectively (see Note 10).

Impairment of FVOCI debt investments
For FVOCI debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the credit risk on that financial instrument has increased significantly since initial recognition. No impairment loss was recognized in 2019, 2018 and 2017. The carrying value of FVOCI debt investments amounted to ₱330.5 million and ₱694.3 million as at December 31, 2019 and 2018, respectively (see Note 13).

Estimation of allowance for inventory and impairment losses
The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase the recorded expenses and decrease current assets.

Allowance for inventory losses and obsolescence amounted to ₱83.2 million and ₱82.0 million as at December 31, 2019 and 2018, respectively. The carrying amount of the inventories amounted to ₱904.4 million and ₱1,030.5 million as at December 31, 2019 and 2018, respectively (see Note 12).

Estimation of useful lives of the Group's property and equipment
The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As at December 31, 2019 and 2018, the carrying value of property and equipment amounted to ₱2,562.5 million and ₱2,560.8 million, respectively (see Note 15).

Recoverability of investment in associates
The carrying value of 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 five years, as well as the terminal value at the end of fifth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

The carrying amounts of the investments amounted to ₱995.9 million and ₱1,581.0 million as at December 31, 2019 and 2018, respectively (see Note 14).

Impairment of non-financial assets

(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As at December 31, 2019 and 2018, the carrying value of property and equipment and investment properties amounted to ₱3,092.8 million and ₱2,798.9 million, respectively (see Notes 15 and 16).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2019 (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.

As at December 31, 2019 and 2018, the carrying value of goodwill amounted to ₱1,302.3 million (see Note 7).

Recognition of deferred income tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As at December 31, 2019 and 2018, the Group recognized gross deferred income tax assets amounting to ₱89.1 million and ₱84.6 million, respectively. The Group has also temporary differences for which deferred income tax assets are not recognized. Further details of the recognized and unrecognized deferred income tax assets are provided in Note 26.

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as at December 31, 2019 and 2018 amounted to ₱84.5 million and ₱65.4 million, respectively. Net retirement benefits payable as at December 31, 2019 and 2018 amounted to ₱32.3 million and ₱12.9 million, respectively. Further details are provided in Note 25.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 25.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in Notes 3 and 33, respectively.

5. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the Year Ended December 31, 2019			
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱ 8,208,374,800	₱ –	₱ –	₱ 8,208,374,800
Services	–	1,140,941,687	201,448,088	1,342,389,775
Total revenue from contracts with customers	₱ 8,208,374,800	₱ 1,140,941,687	₱ 201,448,088	₱ 9,550,764,575
Timing of revenue recognition:				
At a point in time	₱ 8,208,374,800	₱ 430,653,807	₱ 201,448,088	₱ 8,840,476,695
Over time	–	710,287,880	–	710,287,880
Total revenue from contracts with customers	₱ 8,208,374,800	₱ 1,140,941,687	₱ 201,448,088	₱ 9,550,764,575

** Other Operations include ASAC and AHI.*

	For the Year Ended December 31, 2018			
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱ 8,292,508,630	₱ –	₱ –	₱ 8,292,508,630
Services	–	1,100,825,407	213,879,440	1,314,704,847
Total revenue from contracts with customers	₱ 8,292,508,630	₱ 1,100,825,407	₱ 213,879,440	₱ 9,607,213,477
Timing of revenue recognition:				
At a point in time	₱ 8,292,508,630	₱ 392,685,676	₱ 213,879,440	₱ 8,899,073,746
Over time	–	708,139,731	–	708,139,731
Total revenue from contracts with customers	₱ 8,292,508,630	₱ 1,100,825,407	₱ 213,879,440	₱ 9,607,213,477

** Other Operations include ASAC and AHI. Financial performance of CGI is included up to the date of disposal.*

	For the Year Ended December 31, 2017			
	Cable and Wire Manufacturing	Resorts Operations and Villa Development	Other Operations*	Total
Type of revenues:				
Goods	₱ 7,188,994,574	₱ –	₱ –	₱ 7,188,994,574
Services	–	861,146,448	198,649,756	1,059,796,204
Total revenue from contracts with customers	₱ 7,188,994,574	₱ 861,146,448	₱ 198,649,756	₱ 8,248,790,778
Timing of revenue recognition:				
At a point in time	₱ 7,188,994,574	₱ 311,456,777	₱ 198,649,756	₱ 7,699,101,107
Over time	–	549,689,671	–	549,689,671
Total revenue from contracts with customers	₱ 7,188,994,574	₱ 861,146,448	₱ 198,649,756	₱ 8,248,790,778

** Other Operations include ASAC, AHI and CGI.*

Contract liabilities

Contract liabilities amounted to ₱52.7 million and ₱41.1 million as at December 31, 2019 and 2018, respectively. These pertain to customer advances for customer orders (see Note 19). In 2019, 2018 and 2017, the Group recognized revenue from sales of goods and services from the contract liabilities amounting to ₱41.1 million, ₱53.2 million and ₱46.0 million, respectively.

Information about the Group's performance obligations are summarized below:

Sale of goods

The Group enters into contracts to sell with one identified performance obligation, which is satisfied upon delivery of the goods. Receivables are generally collected within 30 to 60 days from the delivery of goods and receipt of invoice.

Villa development project

The performance obligation is satisfied at a point in time and payment is generally received in advance during the construction of the villa clusters.

Resort operations

This pertains to the services provided to the guests which is satisfied over time. Some payments are received in advance from the guests.

6. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered, as discussed below.

- Holding company segment pertains to the operations of the Company.
- Resort Operations segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, while Villa Development includes the sale of villa lots, construction of structures and set up of furniture, fixture and equipment. In 2019, 2018 and 2017, the Group has no sale of villa lots and construction of structures.
- Cable and Wire Manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.
- Other operations include air transportation, hangarage, real estate holding and management, and recruitment services. On September 28, 2018, the Group sold its interest in Cirrus Global, Inc. which served as the recruitment services segment of the Group (see Note 8). Amounts for the investments in associates comprise the Group's equity in net losses - net of valuation allowance.

Majority of the companies within the Group were incorporated and operating within the Philippines. The amounts disclosed were determined consistent with the measurement basis under PFRSs.

The following tables present the financial information of the business segments as at and for the years ended December 31, 2019, 2018 and 2017 (in thousands):

	Before Eliminations						
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations	Consolidated
As at and for the year ended December 31, 2019							
Revenues, excluding interest income[2]	₱ 1,657,436	₱ 1,140,942	₱ 8,208,375	₱ 885,568	₱ 11,892,321	(₱ 1,967,969)	₱ 9,924,352
Interest income	111,880	6,856	5,146	596	124,478	–	124,478
Investment gains	856,917	–	890	198,394	1,056,201	107,443	1,163,644
Interest expense	19,100	472	24,994	4,227	48,793	(428)	48,365
Income tax expense	32,285	54,717	341,630	8,737	437,369	(7,995)	429,374
Equity in net losses - net of valuation allowance	–	–	–	(517,090)	(517,090)	–	(517,090)
Net income	2,333,251	236,089	803,960	67,103	3,440,403	(1,502,026)	1,938,377
Total assets	18,716,377	1,867,987	4,571,515	12,428,872	37,584,751	(14,472,331)	23,112,420
Investments and advances	7,284,288	–	–	2,150,520	9,434,808	(8,356,153)	1,078,655
Property and equipment	9,445	761,537	621,795	114,979	1,507,756	1,054,708	2,562,464
Total liabilities	583,560	638,053	967,613	2,812,006	5,001,232	(2,393,670)	2,607,562
Depreciation and amortization	9,194	104,414	85,213	49,224	248,085	24,135	272,180
Impairment loss	–	3,399	37,442	911	41,752	–	41,752
Cash flows from (used in):							
Operating activities	781,557	449,613	1,133,537	(4,458)	2,360,249	(791,141)	1,569,108
Investing activities	(633,632)	(123,552)	(76,684)	820,614	(13,254)	(741,741)	(754, 995)
Financing activities	(1,090,083)	(169,058)	(660,013)	(833,307)	(2,752,461)	1,483,267	(1,269,194)

[1] *Other Operations include ASAC, AAC, Anscorcon, AI, AHI, IAI and the Group's equity in net losses of associates - net of valuation allowance.*
[2] *Majority of the revenues of the Group were derived in the Philippines.*

	Before Eliminations						
	Holding Company (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total	Eliminations	Consolidated
As at and for the year ended December 31, 2018							
Revenues, excluding interest income[2]	₱ 1,334,003	₱ 1,100,825	₱ 8,292,509	₱ 1,165,109	₱ 11,892,446	(₱ 1,983,455)	₱ 9,908,991
Interest income	103,635	3,475	1,242	1,164	109,516	–	109,516
Investment gains	475,201	–	408	(217,002)	258,607	(233,926)	24,681
Interest expense	39,744	–	29,938	3,226	72,908	–	72,908
Income tax expense	50,976	48,287	246,503	9,080	354,846	(7,627)	347,219
Equity in net losses - net of valuation allowance	–	–	–	(262,184)	(262,184)	–	(262,184)
Net income	773,025	235,253	636,442	533,770	2,178,490	(1,273,667)	904,823
Total assets	18,057,699	1,706,722	4,320,601	12,581,118	36,666,140	(14,376,129)	22,290,011
Investments and advances	7,190,993	69,195	–	2,483,424	9,743,612	(8,161,768)	1,581,844
Property and equipment	15,984	778,153	616,372	68,962	1,479,471	1,081,359	2,560,830
Total liabilities	1,030,541	563,953	1,258,638	2,791,694	5,644,826	(2,454,250)	3,190,576
Depreciation and amortization	9,319	101,274	74,118	43,972	228,683	24,137	252,820
Impairment loss (recovery)	–	(7,358)	15,257	1,498	9,397	–	9,397
Cash flows from (used in):							
Operating activities	638,385	389,597	332,922	50,258	1,411,162	(497,177)	913,985
Investing activities	(127,360)	(66,806)	(61,244)	645,555	390,145	(798,983)	(408,838)
Financing activities	(1,054,270)	(94,746)	(151,429)	(624,515)	(1,924,960)	927,370	(997,590)

[1] Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance. Financial performance of CGI is included up to the date of disposal.
[2] Majority of the revenues of the Group were derived in the Philippines.

	Before Eliminations							
	Nurse/PT Staffing Company[4]	Holding Company (Parent)	Resort Operation and Villa Development	Cable and Wire Manufacturing	Other Operations[1]	Total[3]	Eliminations[3]	Consolidated
As at and for the year ended December 31, 2017								
Revenues, excluding interest income[2]	₱ 2,028,265	₱ 831,590	₱ 861,146	₱ 7,188,995	₱ 1,113,708	₱ 12,023,704	(₱ 3,504,226)	₱ 8,519,478
Interest income	1	87,909	3,529	2,297	5,841	99,577	(700)	98,877
Investment gains	–	1,541,972	–	5,121	857,668	2,404,761	58,540	2,463,301
Interest expense	5,386	45,912	–	36,042	3,184	90,524	(5,386)	85,138
Income tax expense (benefit)	(5,073)	10,169	27,681	213,072	10,486	256,335	(2,899)	253,436
Equity in net losses - net of valuation allowance	–	–	–	–	(497,099)	(497,099)	–	(497,099)
Net income (loss)	(47,637)	2,173,508	100,523	546,008	570,393	3,342,795	(706,791)	2,636,004
Total assets	–	18,928,517	1,526,424	3,824,469	12,838,128	37,117,538	(14,771,342)	22,346,196
Investments and advances	–	7,069,111	60,706	–	2,349,032	9,478,849	(7,827,009)	1,651,840
Property and equipment	–	21,152	812,752	626,908	99,367	1,560,179	1,108,010	2,668,189
Total liabilities	–	1,384,736	519,125	1,150,106	2,631,923	5,685,890	(2,130,829)	3,555,061
Depreciation and amortization	2,328	8,838	66,299	75,188	41,484	194,137	55,624	249,761
Impairment loss	111,599	82,906	4,662	9,506	3,737	212,410	(112,209)	100,201
Cash flows from (used in):								
Operating activities	206,562	828,471	197,556	313,737	166,200	1,712,526	(217,034)	1,495,492
Investing activities	(3,637)	828,893	(111,939)	(145,832)	(57,715)	509,770	136,895	646,665
Financing activities	(161,618)	(799,688)	(186,114)	(511,429)	9,577	(1,649,272)	357,651	(1,291,621)

[1] Other Operations include ASAC, AAC, Anscorcon, AI, AHI, CGI, IAI and the Group's equity in net losses of associates - net of valuation allowance.
[2] Except for the Nurse/PT Staffing Company operating in US, majority of the revenues of the Group were derived in the Philippines.
[3] Including operating results from discontinued operations.
[4] Sold on October 19, 2017. Financial performance shown was up to the date of disposal.

7. Business Combinations

a. Goodwill represents the excess of acquisition cost of the following subsidiaries over Anscor's share in the fair value of their net assets. As at December 31, 2019 and 2018, the carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) is as follows:

PDP	₱	1,202,945,277
SSRLI		99,330,987
	₱	**1,302,276,264**

b. Impairment Testing of Goodwill

i. PDP Group
The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rates applied to cash flow projections in 2019 and 2018 are 12.2% and 17.4%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 3.8% and 4.1% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate
PDP Group assumed a growth rate of -2.0% to 6.0% in 2019 and 0.4% to 2.3% in 2018. Management used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

ii. SSRLI
The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The key assumptions used to determine the recoverable amount as at December 31, 2019 and 2018 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections in 2019 and 2018 are 13.3% and 14.5%, respectively.

Terminal value
Terminal value is computed based on Gordon Growth model, which is the quotient of the normalized value of free cash flows assuming a long-term growth rate of 2.0% and 6.5% in 2019 and 2018, respectively, and the difference between the discount rate and growth rate.

Growth rate
Growth rate assumptions for the five-year cash flow projections in 2019 and 2018 are supported by the different initiatives of SSRLI. SSRLI used 5.0% to 9.3% and 7.0% to 12.1% growth rate in revenue for its cash flow projection in 2019 and 2018, respectively.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

8. Deconsolidated Subsidiary

On October 19, 2017, the Group, through its wholly owned subsidiary, IQHIL, entered into a Merger Agreement with Webster Capital Management LLC, a US-based company, effectively selling the Group's entire shareholdings in Cirrus equivalent to 93.55% of the latter's total outstanding shares.

As a result, the Group consolidated Cirrus' statement of comprehensive income up to the date of sale.

Total gain on disposal of Cirrus recognized in the 2017 consolidated profit or loss amounted to ₱1,097.9 million.

Cirrus serves as the Nurse/PT staffing segment of the Group and is a separate reportable operating segment (see Note 6).

The results of Cirrus for the period ended October 19, 2017 are presented below (in thousands):

Revenues	₱ 2,021,126
Cost of services	(1,569,503)
Gross profit	451,623
Expenses	(504,333)
Loss before income tax	(52,710)
Benefit from income tax	5,073
Net loss from a deconsolidated subsidiary	(₱ 47,637)
Loss Per Share	
Basic/diluted, for net loss attributable to equity holders of the Parent from a deconsolidated subsidiary	(₱ 0.04)

The net cash flows from (used in) the activities of Cirrus for the period ended October 19, 2017 are as follows (in thousands):

Operating	₱ 206,562
Investing	(3,637)
Financing	(161,618)
Net cash inflow	₱ 41,307

On September 28, 2018, the Group, through its wholly owned subsidiary, Sutton, entered into a Share Purchase Agreement with third party individuals, effectively selling the Group's entire shareholdings in CGI equivalent to 93.17% of the latter's total outstanding shares. As a result, the Group consolidated CGI's 2018 statement of comprehensive income up to the date of sale.

Total loss on disposal of CGI recognized in the 2018 consolidated profit or loss amounted to ₱6.1 million.

9. Cash and Cash Equivalents

		2019		2018
Cash on hand and in banks	₱	**1,516,027,511**	₱	1,601,784,276
Cash equivalents		**792,850,744**		1,163,730,790
	₱	**2,308,878,255**	₱	2,765,515,066

Cash with banks earn interest at the respective bank deposit rates ranging from 0.20% to 0.75%, 0.25% to 1.60% and 0.10% to 1.25% in 2019, 2018 and 2017, respectively. Cash equivalents with interest rates ranging from 0.88% to 4.00%, 0.36% to 6.50% and 0.16% to 2.64% in 2019, 2018 and 2017, respectively, are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 24).

10. FVPL Investments

		2019		2018
Quoted equity shares	₱	**7,616,776,828**	₱	6,588,212,129
Unquoted equity shares		**1,137,142,219**		1,086,225,778
Funds and equities		**1,131,737,165**		766,122,276
Bonds		**793,929,295**		655,218,123
Proprietary shares		**367,437,073**		324,377,072
Others		**83,225,493**		17,792,108
	₱	**11,130,248,073**	₱	9,437,947,486

This account consists of investments that are designated as FVPL and held-for-trading investments. Quoted equity shares consist of marketable equity securities that are listed and traded in the Philippine Stock Exchange (PSE) and the Nasdaq Stock Market (NASDAQ). The fair market values of these listed shares are based on their quoted market prices as at December 31, 2019 and 2018 which are assessed to be the exit prices.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g, call and put options) that significantly modify the security's cash flow. These investments are classified under bonds.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 3.95% to 9.00%, 3.50% to 9.00% and 3.38% to 9.00% in 2019 , 2018 and 2017, respectively. As at December 31, 2019 and 2018, the Group has equity investments amounting to ₱10,336.3 million and ₱8,782.7 million, respectively.

As at December 31, 2019 and 2018, the Company has FVPL investments amounting to ₱1,524.0 million and ₱1,185.1 million, respectively, that are pledged as collateral for its long-term debt (see Note 20).

The Group's FVPL unquoted equity shares and significant investment in funds and equities include the following:

a. KSA Realty Corporation (KSA)

On June 15, 2016, the Company acquired additional shares in KSA amounting to ₱236.5 million. This increased the Company's stake in KSA from 11.30% in 2015 to 14.28% in 2016.

In 2019 and 2018, the Company recognized ₱80.1 million and ₱188.7 million gain on fair value adjustment in its investment in KSA which is presented in the consolidated profit or loss.

As at December 31, 2019 and 2018, the Company's investment in KSA amounted to ₱1,021.8 million and ₱941.7 million, respectively (see Note 30).

The Company received cash dividends from KSA amounting to ₱189.9 million, ₱151.4 million and ₱114.2 million in 2019, 2018 and 2017, respectively.

b. Macquarie ASEAN Technology Investment Holdings II LP (Macquarie)

On July 13, 2018, the Company invested US$5.0 million (₱267.7 million) in Macquarie, a special purpose vehicle that invested exclusively in shares of Grab Holdings, Inc. (Grab). Grab is a Singapore-based technology company that offers ride-hailing transport services, food delivery and payment solutions through GrabTaxi, GrabFood and GrabPay.

As at December 31, 2019 and 2018, the carrying value of the investment in Macquarie, inclusive of foreign exchange adjustment, amounted to ₱253.2 million and ₱262.9 million, respectively. Investment in Macquarie is included under "Funds and equities" account.

c. Madaket, Inc. (Madaket)

In May 2017, AI invested US$1.0 million (₱49.7 million) in equity shares at Madaket, the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

AI recognized losses in fair value adjustment in its investment in Madaket, Inc. amounting to ₱13.3 million and ₱40.3 million in 2019 and 2017, respectively. Gain on fair value adjustment recognized in 2018 amounted to ₱21.0 million.

As at December 31, 2019 and 2018, the Group's total investment in Madaket, inclusive of foreign exchange adjustment, amounted to ₱16.7 million and ₱31.2 million, respectively.

d. Element Data, Inc. (Element Data)

In June 2017, AI invested US$1.0 million (₱49.5 million) in Series Seed preferred shares of Element Data, a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of the Group's investment in BM, an associate of the Group.

In December 2017, AI invested additional US$1.0 million (₱50.6 million) in Series Seed preferred shares of Element Data.

In 2019, AI invested additional US$0.5 million (₱26.4 million) in Element Data.

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱26.7 million, ₱12.0 million and ₱87.0 million, respectively, in its investment in Element Data.

Total investment in Element Data, inclusive of foreign exchange adjustment, amounted to nil and ₱1.5 million as at December 31, 2019 and 2018, respectively.

e. Navegar I LP and Navegar II LP (Navegar)

In March 2013, AI invested US$0.6 million (₱26.4 million) in Navegar, a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.

In July 2017, AI invested additional US$0.07 million (₱3.6 million).

In October 2018, the partial disposal of Navegar's investments resulted to the return of capital and gain amounting to US$0.3 million (₱13.4 million) and US$0.8 million (₱43.5 million), respectively.

AI invested additional US$0.2 million (₱10.1 million) in 2019.

In 2019 and 2018, AI recognized losses on fair market value adjustment in its investment in Navegar amounting to ₱2.2 million and ₱20.2 million, respectively. In 2017, the Group recognized gain on fair value adjustment of ₱12.6 million.

Total investment in Navegar, inclusive of foreign exchange adjustment, amounted to ₱36.4 million and ₱17.6 million as at December 31, 2019 and 2018, respectively. In 2019, the Group committed to invest US$10.0 million in Navegar II LP.

f. Sierra Madre Philippines I LP (Sierra Madre)

In 2017, AI entered into an equity investment agreement with Sierra Madre, a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

In 2019 and 2018, AI made additional investments to Sierra Madre amounting to US$0.9 million (₱48.0 million) and US$1.0 million (₱50.4 million).

In 2019, 2018 and 2017, AI recognized losses on fair value adjustment amounting to ₱31.1 million, ₱3.3 million and ₱12.2 million, respectively.

As at December 31, 2019 and 2018, total investment in Sierra Madre, inclusive of foreign exchange adjustment, amounted to ₱62.3 million and ₱47.1 million, respectively. The Group committed to invest US$ 9.0 million.

g. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration.

The Company received cash dividends from Enderun amounting to ₱4.8 million in 2017.

In 2017, the Company sold its shares in Enderun for ₱370.0 million which resulted to a gain of ₱83.8 million.

The carrying value of the investment in Enderun amounted to nil as at December 31, 2019 and 2018.

Net gains (losses) on increase (decrease) in market value of FVPL investments as at December 31 are as follows (in millions):

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2019	2018	in 2019
Quoted equity shares	₱ 3,252.6	₱ 2,242.3	₱ 1,010.3
Unquoted equity shares	472.1	487.5	(15.4)
Proprietary shares	329.8	286.7	43.1
Bonds	(15.9)	(54.9)	39.0
Funds and equities	(14.6)	(41.8)	27.2
Others	(5.8)	(7.6)	1.8
Total	4,018.2	2,912.2	1,106.0
Add realized gain on sale of FVPL investments			45.8
Net gain on increase in market value of FVPL investments			₱ 1,151.8

	Unrealized Valuation Gains (Losses) in Market Value		Gains (Losses) on Increase (Decrease) in Market Value of FVPL Investments
	2018	2017	in 2018
Quoted equity shares	₱ 2,242.3	₱ 2,357.6	(₱ 115.3)
Unquoted equity shares	487.5	280.7	206.8
Bonds	(54.9)	(16.9)	(38.0)
Funds and equities	(41.8)	(9.8)	(32.0)
Proprietary shares	286.7	179.6	107.1
Others	(7.6)	1.5	(9.1)
Total	2,912.2	2,792.7	119.5
Add realized loss on sale of FVPL investments			(86.0)
Net gain on increase in market value of FVPL investments			₱ 33.5

There were no outstanding forward transactions as at December 31, 2019, 2018 and 2017.

11. Receivables

	2019	2018
Trade	₱ 1,782,362,910	₱ 1,837,485,963
Note receivable	238,905,000	240,030,000
Tax credits/refunds	143,954,166	180,109,900
Interest receivable	24,518,133	33,693,522
Receivables from villa owners	17,341,766	15,179,905
Advances to employees	12,533,168	14,295,820
Dividend receivable	–	3,299,071
Others	17,071,649	19,390,178
	2,236,686,792	2,343,484,359
Less allowance for expected credit losses	114,084,174	73,242,670
	₱ 2,122,602,618	₱ 2,270,241,689

Trade receivables are noninterest-bearing and are normally settled on a 30-day term.

Note receivable pertains to a one-year convertible note and security agreement entered on August 1, 2018 with Powersource Group Holdings Corporation (Powersource) to provide a pre-development support and pre-development funding for the projects of Powersource. The Company may exercise its option to convert the note into common shares upon execution of subscription agreement within the agreed time frame or to convert the loan and all outstanding interest on maturity date. The interest on the loan shall be six percent (6%) per annum, which shall accrue beginning from the issuance of the loan and be due and payable every end of the quarter. Total interest income recognized in the consolidated profit or loss amounted to ₱14.3 million and ₱5.9 million in 2019 and 2018, respectively (see Note 24).

On July 31, 2019, the Group amended the convertible loan and security agreement with Powersource by extending the maturity of the loan to February 1, 2020. As at December 31, 2019 and 2018, the carrying amount of note receivable from Powersource amounted to ₱238.9 million.

On February 19, 2020, Powersource paid all outstanding notes receivable.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and FVOCI investments in debt instruments.

Receivables from villa owners pertain to SSRLI's net rental share and handling fees and reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Movements in the allowance for expected credit losses of trade and other receivable accounts are as follows:

2019	Trade	Interest and Others	Total
At January 1	₱ 70,818,417	₱ 2,424,253	₱ 73,242,670
Provision for the year (Note 24)	40,841,504	–	40,841,504
At December 31	₱ 111,659,921	₱ 2,424,253	₱ 114,084,174

2018		Trade		Interest and Others		Total
At January 1	₱	57,974,044	₱	2,424,253	₱	60,398,297
Provision for the year (Note 24)		15,430,275		–		15,430,275
Write-off		(14,716)		–		(14,716)
Recovery (Note 24)		(2,571,186)		–		(2,571,186)
At December 31	₱	70,818,417	₱	2,424,253	₱	73,242,670

12. Inventories

	2019	2018
At cost:		
Raw materials	₱ **92,365,315**	₱ 141,218,087
Materials in transit	**24,379,166**	32,862,852
Food and beverage	**15,266,566**	13,588,467
Aircraft parts in transit	**22,402,096**	8,694,321
Reel inventory	**7,791,270**	5,661,835
	162,204,413	202,025,562
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱26.5 million in 2019 and ₱23.8 million in 2018	**376,609,807**	420,997,799
Work in process - net of allowance for inventory obsolescence of ₱11.0 million in 2019 and ₱9.0 million in 2018	**148,090,979**	147,536,989
Raw materials - net of allowance for inventory obsolescence of ₱2.8 million in 2019 and ₱2.9 million in 2018	**113,294,068**	117,336,643
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱32.8 million in 2019 and ₱37.1 million in 2018	**61,808,329**	98,295,809
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱9.5 million in 2019 and ₱8.6 million in 2018	**41,814,368**	43,662,471
Construction-related materials - net of allowance for inventory obsolescence of ₱0.6 million in 2019 and 2018	**605,556**	605,556
	742,223,107	828,435,267
	₱ **904,427,520**	₱ 1,030,460,829

Net provision for inventory obsolescence recognized in 2019 amounted to ₱1.4 million and net reversals for inventory obsolescence recognized in 2018 and 2017 amounted to ₱2.6 million and ₱4.3 million, respectively (see Note 22).

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as at December 31, 2019 and 2018.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villa or future repair or renovation of villas.

Inventories charged to cost of good sold and services sold amounted to ₱6,207.8 million, ₱6,664.8 million and ₱5,709.9 million in 2019, 2018 and 2017, respectively (see Note 22).

13. FVOCI Investments

		2019		2018
Current portion	₱	**94,535,324**	₱	15,419,085
Noncurrent portion		**235,949,189**		678,904,133
	₱	**330,484,513**	₱	694,323,218

FVOCI investments in bonds represent the following:

a. Foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 4.00% to 7.38% in 2019, 3.00% to 7.38% in 2018 and 2.47% to 7.38% in 2017. Maturity dates range from March 17, 2020 to July 31, 2024 for bonds held as at December 31, 2019 and September 10, 2019 to July 31, 2024 for bonds held as at December 31, 2018.

b. Geothermal Project

   In January 2014, a loan and investment agreement was entered by the Company with SKI Construction Company, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power), collectively referred to as Red Core Group, to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to lend up to ₱172.0 million for the exploration phase of the three sites.

   The Company may choose to convert each note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company opts not convert the note within the agreed time frame, these notes will accrue interest until they mature 62 months from the initial drawdown date.

   In 2017, the Company recognized ₱82.9 million impairment loss (nil in 2018 and 2019), which is presented in consolidated profit or loss, bringing the investment balance to nil as at December 31, 2019 and 2018.

   In March 2018, the Company filed before the Regional Trial Court of Makati City a civil case for specific performance in order to compel Red Core Group to comply with the provisions of the loan and investment agreement signed by the parties. As at February 19, 2020, the case is still ongoing.

In 2019 and 2017, gain on sale of FVOCI investments amounted to ₱11.9 million and ₱13.9 million, respectively. In 2018, loss on sale of FVOCI investments amounted to ₱2.7 million.

Below is the rollforward of the unrealized valuation gains (losses) on FVOCI investments recognized in equity:

		2019		2018
Beginning balance	(₱	8,128,524)	₱	14,157,787
Gain (loss) recognized directly in equity - net of tax		25,170,172		(24,176,732)
Amount removed from equity and recognized in consolidated profit or loss - net of tax		(8,301,959)		1,890,421
Ending balance	₱	8,739,689	(₱	8,128,524)

14. Investments and Advances

		2019		2018
Investments at equity - net of valuation allowance	₱	995,882,967	₱	1,581,020,764
Advances - net of allowance for expected credit losses of ₱564.8 million in 2019 and 2018		82,772,036		823,718
	₱	1,078,655,003	₱	1,581,844,482

Investments at equity consist of:

		2019		2018
Acquisition cost				
Common shares	₱	2,549,574,872	₱	2,549,574,872
Preferred shares		6,448,973		6,448,973
Total		2,556,023,845		2,556,023,845
Accumulated equity in net losses - net of valuation allowance		(1,833,880,993)		(1,316,790,931)
Effect of foreign exchange differences		273,740,115		341,787,850
	₱	995,882,967	₱	1,581,020,764

The significant transactions involving the Group's investments in associates in 2019 and 2018 follow:

AGP-SG and AGP-BVI

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated. AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27%, giving the Group significant influence over AGPI.

In 2018, AGPI merged with AGP-BVI, its subsidiary, with the latter being the surviving entity. The Group retained its 27% ownership in AGP-BVI and its preference shares were converted to common shares upon the merger.

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased the Group's interest in AGP-SG from 27% to 21%. The Group assessed that it still has significant influence over the AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore, while the principal place of business of AGP-BVI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

The total acquisition cost of the investment in AGP-SG amounted to ₱2.0 billion. As at December 31, 2019 and 2018, the carrying value of the investment amounted to ₱682.5 million and ₱1,274.8 million, respectively.

The Group recognized a valuation allowance of ₱232.3 million (after considering the effect of dilution), nil and ₱500.0 million in 2019, 2018 and 2017, respectively. In 2019 and 2018, the Group recognized equity in net losses amounting to ₱294.1 million and ₱266.6 million, respectively.

The following are the significant financial information of AGP-SG and AGP-BVI as at and for the years ended December 31, 2019 and 2018 (in millions):

	2019	2018
Balance Sheets:		
Current assets	₱ 7,737.0	₱ 2,475.3
Noncurrent assets	15,793.1	13,692.9
Current liabilities	6,896.5	3,639.2
Noncurrent liabilities	6,253.4	5,061.1
Equity	10,491.6	7,462.6
Statements of Comprehensive Income:		
Revenue	₱ 9,063.1	₱ 1,507.9
Loss from continuing operations, before tax	1,257.1	906.9
Loss from continuing operations	1,239.6	985.9

AIMP

In 2013, the Company invested ₱18.8 million in 15,000,000 common shares and ₱18.8 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares in AIMP. These investments gave the Company a total of 10% interest in the entity.

On July 6, 2017, the Company invested additional ₱91.3 million equivalent to 15,000,000 common shares, resulting to an increase in ownership from 10% to 20%, which allowed the Company to exercise significant influence over AIMP.

On December 22, 2017, AIMP redeemed the 12,300,000 preferred shares held by the Company for ₱15.6 million, inclusive of dividends accumulating to the Company amounting to ₱3.3 million.

As at December 31, 2019 and 2018, the carrying value of the investment in AIMP amounted to ₱134.3 million and ₱124.6 million, respectively.

AIMP reported net income amounting to ₱48.1 million and ₱33.1 million in 2019 and 2018, respectively. The Group recognized equity in net earnings amounting to ₱9.8 million, ₱5.2 million and ₱2.9 million in 2019, 2018 and 2017, respectively.

FHI

On November 22, 2017, the Company and a stockholder of FHI, entered into a conditional deed of sale for the Company's purchase of 12.75% stake in FHI. The Company made an advance payment of ₱77.4 million for the said transaction.

On April 2, 2018, the advance payment of ₱77.4 million was reclassified under "Investments at equity - net of valuation allowance" upon transfer of 37,636,615 shares to the Company. On the same date, the Company entered into a deed of sale for the acquisition of 37,636,613 common shares in FHI for a total consideration of ₱103.0 million. The additional purchase of shares resulted to an increase in ownership interest from 12.75% to 25.5%.

In 2019, Anscor made a cash advance to FHI amounting to ₱80.6 million.

FHI reported net loss amounting to ₱2.1 million and ₱7.2 million in 2019 and 2018, respectively. As at December 31, 2019 and 2018, the carrying value of the investment and advances in FHI amounted to ₱259.6 million and ₱179.6 million, respectively.

The Group recognized equity in net losses amounting to ₱0.5 million and ₱0.8 million in 2019 and 2018, respectively.

BM

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constituted 10% of the total Series A preferred units outstanding. In the first quarter of 2012, all of AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-stage technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the-art mathematics that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million). In March 2016, AI invested an additional US$0.44 million (₱20.5 million) through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and AI invested an additional US$0.814 million (₱39.2 million) for a 20.5% shareholding in BM. The increased ownership allows AI to exercise significant influence over BM.

In 2016, AI provided impairment loss on its investment in BM amounting to ₱62.2 million presented under "Equity in net losses - net of valuation allowance" in the consolidated profit or loss.

As at December 31, 2019 and 2018, the net carrying value of AI's investment in BM amounted to nil.

Prople Limited

In November 2013, AI invested US$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015 and February 2016, AI purchased Tranche C notes of Prople Limited amounting to US$0.5 million (₱22.6 million) and US$0.2 million (₱10.6 million), respectively. These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first three years and if not converted on the third anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five-year US Dollar Republic of the Philippines (ROP), plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, AI converted the notes to equity, giving AI a 32% equity stake and a significant influence over Prople Limited.

In prior years, the Group recognized impairment loss on the investment in Prople Limited.

As at December 31, 2019 and 2018, the net carrying value of AI's investment in Prople Limited amounted to nil.

The associates as at December 31, 2019 and 2018 have no contingent liabilities or capital commitments.

15. Property and Equipment

	2019					
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,722,844,921	₱1,063,069,548	₱ 510,404,741	₱ 221,735,321	₱ 20,172,856	₱ 4,538,227,387
Additions	22,029,912	91,129,913	36,278,461	10,691,218	98,002,423	258,131,927
Reclassification	5,421,619	64,214,690	–	–	(69,636,309)	–
Retirement/disposals	–	–	(28,053,077)	(14,813,279)	–	(42,866,356)
December 31	2,750,296,452	1,218,414,151	518,630,125	217,613,260	48,538,970	4,753,492,958
Accumulated Depreciation and Amortization						
January 1	843,544,117	613,174,917	377,454,085	143,223,831	–	1,977,396,950
Depreciation and amortization (Note 22)	52,288,643	108,679,535	68,931,106	26,599,467	–	256,498,751
Retirement/disposals	–	–	(28,053,077)	(14,813,279)	–	(42,866,356)
December 31	895,832,760	721,854,452	418,332,114	155,010,019	–	2,191,029,345
Net Book Value	₱ 1,854,463,692	₱ 496,559,699	₱ 100,298,011	₱ 62,603,241	₱ 48,538,970	₱ 2,562,463,613

	2018					
	Land, Buildings and Improvements	Flight, Ground, Machineries and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,688,286,831	₱ 1,021,901,832	₱ 469,959,870	₱ 208,359,071	₱ 19,291,702	₱ 4,407,799,306
Additions	25,784,958	14,926,192	24,191,318	32,618,921	58,698,888	156,220,277
Reclassification	8,773,132	26,241,524	22,435,221	367,857	(57,817,734)	–
Retirement/disposals	–	–	(6,181,668)	(19,610,528)	–	(25,792,196)
December 31	2,722,844,921	1,063,069,548	510,404,741	221,735,321	20,172,856	4,538,227,387
Accumulated Depreciation and Amortization						
January 1	765,856,151	510,142,878	329,696,479	133,914,999	–	1,739,610,507
Depreciation and amortization (Note 22)	77,687,966	103,032,039	49,705,882	22,394,317	–	252,820,204
Retirement/disposals	–	–	(1,948,276)	(13,085,485)	–	(15,033,761)
December 31	843,544,117	613,174,917	377,454,085	143,223,831	–	1,977,396,950
Net Book Value	₱ 1,879,300,804	₱ 449,894,631	₱ 132,950,656	₱ 78,511,490	₱ 20,172,856	₱ 2,560,830,437

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of assembling machineries and equipment.

Depreciation from continuing operations amounted to ₱256.5 million, ₱252.8 million and ₱229.7 million in 2019, 2018 and 2017, respectively (see Note 22).

16. Investment Properties

	2019		
	Land	Condominium	Total
Cost			
January 1	₱ 238,104,974	₱ –	₱ 238,104,974
Additions	–	293,595,000	293,595,000
Reclassification	(94,403)	–	(94,403)
December 31	238,010,571	293,595,000	531,605,571
Accumulated Depreciation and Amortization			
January 1	–	–	–
Depreciation and amortization (Note 22)	–	1,223,313	1,223,313
December 31	–	1,223,313	1,223,313
Net Book Value	₱ 238,010,571	₱ 292,371,687	₱ 530,382,258

In 2018, the rollforward of investment properties, which pertain to land, is as follows:

January 1	₱ 236,521,635
Additions	1,583,339
December 31	₱ 238,104,974

The Group's investment properties include 144.4 hectares of land in Palawan, 36.9 hectares of land in Cebu, and 97.4 hectares of land in Guimaras.

In 2019, the Company purchased two (2) commercial units amounting to ₱293.6 (exclusive of VAT) million which are held for lease to other parties and associate.

Based on the valuation performed by professionally qualified, accredited and independent appraisers as at October 2019 to January 2020, the aggregate fair market values of land amounted to ₱3,602.6 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are either for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties. Under Department of Agrarian Reform (DAR) rules, AFC has to complete the development on the Guimaras land by September 2018. On November 11, 2018, DAR approved the Group's request for extension to develop the property within a non-extendible period of five years from the receipt of order or until December 6, 2023. The notice of order was received by the Group on December 7, 2018.

In 2019, the Group recognized rental income of ₱1.0 million from these investment properties (nil in 2018 and 2017).

The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2019, 2018 and 2017.

17. Other Noncurrent Assets and Other Noncurrent Liabilities

The Group's other noncurrent assets comprise the following as of December 31:

	2019	2018
Fund for villa operations and capital expenditures (Note 31)	₱ 107,790,478	₱ 94,405,140
Deposit to suppliers	101,610,508	101,805,516
Computer software - net of accumulated depreciation of ₱8.9 million and ₱5.5 million as at December 31, 2019 and 2018, respectively	8,887,115	11,964,834
Property development in progress (Note 31)	3,676,224	3,177,197
Refundable deposits	1,426,368	1,426,368
Others	255,738	9,717,525
	₱ 223,646,431	₱ 222,496,580

Deposits to suppliers include advances to suppliers for the maintenance of IAI's aircraft and for the acquisition of specific property and equipment.

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 31).

Other noncurrent liabilities amounted to ₱148.0 million and ₱143.4 million as at December 31, 2019 and 2018, respectively, which include the related liability for the fund asset of PRI recognized above and other liabilities arising from funds for future infrastructure and utility development of villas and funds for replacement of power generating units and desalination plant.

18. Notes Payable

Notes payable as at December 31, 2018 represent unsecured, short-term, interest-bearing liabilities of PDP amounting to ₱250.0 million.

Details of the Group's short-term borrowing transactions are as follows:

a. PDP availed of loans from a local bank totaling to ₱450.0 million in 2018. Terms of the loans is 32 to 58 days with rates ranging from 3.5% to 5.7%.
b. The Group's unavailed loan credit line from banks amounted to ₱3,329.6 million and ₱2,915.0 million as at December 31, 2019 and 2018, respectively.
c. Total interest expense from these loans recognized in the consolidated profit or loss amounted to ₱0.5 million, ₱2.3 million and nil in 2019, 2018 and 2017, respectively (see Note 24).

The Group has no outstanding notes payable as of December 31, 2019.

19. Accounts Payable and Accrued Expenses

		2019		2018
Trade payables	₱	**310,878,102**	₱	306,518,584
Accrued expenses (Note 33)		**230,404,765**		144,645,647
Refundable deposits		**211,118,416**		200,866,484
Payable to villa owners		**55,560,904**		42,610,853
Contract liabilities (Note 5)		**52,693,634**		41,056,559
Payable to government agencies		**36,517,947**		30,673,126
Payable to contractors		**17,049,237**		15,091,164
Other payables (Note 33)		**17,097,152**		25,718,398
	₱	**931,320,157**	₱	807,180,815

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group and bonus to a key officer related to the sale of Cirrus, among others.

Refundable deposits pertain to advance payments made by guests.

Contract liabilities pertain to the customers' advances for the delivery of goods and services.

Payable to contractors are amount due to suppliers for ongoing and completed construction projects.

20. Long-term Debt

The Group's outstanding long-term debt from local banks pertain to the following companies:

		2019		2018
Anscor	₱	**114,295,500**	₱	591,525,000
PDP Energy		**378,571,428**		530,000,000
IAI		**10,440,675**		16,562,700
		503,307,603		1,138,087,700
Less current portion		**276,164,746**		635,690,371
	₱	**227,142,857**	₱	502,397,329

a. On June 24, 2013, the Company obtained a loan amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AGPI. The loan is payable quarterly in seven years, inclusive of a two-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱1,524.0 million and ₱1,185.1 million as at December 31, 2019 and 2018, respectively (see Note 10). This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% of the outstanding loan balance, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness. As at December 31, 2019 and 2018, the Company is in compliance with the debt covenants.

b. In 2015, PDP Energy obtained a long-term loan to partially fund the ₱1.5 billion cash dividend paid to Anscor. Principal amount of the loan amounted to ₱1.2 billion payable in seven years with annual interest of 4.5%, subject to repricing at the end of the fifth year.

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks except for working capital requirement; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2019 and 2018, PDP Energy is in compliance with the debt covenants.

   In addition, the long-term loan is secured by the following collaterals, among others:

   - Real estate mortgage over the land owned by Minuet;
   - Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy and PDEI's premises;
   - Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
   - Assignment of leasehold rentals of the properties located in PDP Energy's premises.

On December 19, 2016, the pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor was released by the bank.

The long-term loan also provides for pretermination without penalty.

c. In 2014, IAI converted the short-term loan amounting to US$1.1 million (₱47.0 million) to long-term loan. The term of the loan is six years, inclusive of one year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

Total interest expense recognized in the consolidated profit or loss amounted to ₱44.4 million, ₱70.5 million and ₱84.8 million 2019, 2018 and 2017, respectively (see Note 24).

21. Equity

Equity holders of the Parent

Capital stock as at December 31, 2019 and 2018 consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as at December 31, 2019 and 2018 totaled 1,250,127,754 and 1,211,911,354, respectively. The Company's number of equity holders as at December 31, 2019 and 2018 is 11,087 and 11,131, respectively.

The Philippine SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.00 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the Philippine SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2019, 2018 and 2017, the Company declared the following cash dividends:

	2019	2018	2017
Month of declaration	**February and November**	February	February
Cash dividend per share	**₱ 0.25 and ₱0.25**	₱ 0.50	₱ 0.20
Total cash dividends	**₱ 1,250.0 million**	₱ 1,250.0 million	₱ 500.0 million
Share of a subsidiary	**₱ 634.6 million**	₱ 641.4 million	₱ 255.6 million

As at December 31, 2019 and 2018, the Company's dividends payable amounted to ₱284.0 million and ₱285.8 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as at December 31, 2019 and 2018 due to problematic addresses of some of the Company's stockholders.

The Company's BOD approved the following appropriation of the Company's unrestricted retained earnings:

Date of Appropriation	Amount
2011	₱ 2,100,000,000
2013	900,000,000
2014	1,600,000,000
2015	1,700,000,000
2016	850,000,000
	₱ 7,150,000,000

The appropriation will be used for the Company's investment program within the next three years on business activities related to tourism, business process outsourcing and manufacturing, whether based in the Philippines or offshore.

Appropriations in 2011 and 2013 were extended in 2017. Appropriations in 2014 and 2015 were extended in 2018 and 2019, respectively.

The unappropriated retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting ₱89.1 million and ₱80.1 million as at December 31, 2019 and 2018, respectively.
- Shares in the undistributed retained earnings of subsidiaries amounting to ₱4.1 billion and ₱3.6 billion as at December 31, 2019 and 2018, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As at December 31, 2019 and 2018, Anscorcon holds 1,249,872,246 shares and 1,288,088,646 shares, respectively, of the Company. Anscorcon purchased the Company's shares amounting to ₱119.0 million (17,783,600 shares) and ₱32.2 million (5,261,900 shares) in 2019 and 2018, respectively. In 2019, Anscorcon sold 56.0 million Company shares for ₱359.9 million.

22. Cost of Goods Sold and Services Rendered and Operating Expenses

Cost of goods sold consists of:

	2019	2018	2017
Materials used and changes in inventories (Note 12)	₱ 6,182,201,800	₱ 6,634,879,313	₱ 5,676,034,719
Salaries, wages and employee benefits (Note 23)	123,726,961	110,439,330	103,673,725
Repairs and maintenance	103,648,290	88,279,128	96,049,867
Utilities	81,758,417	83,013,181	95,680,984
Depreciation and amortization (Note 15)	81,236,323	78,937,284	81,484,916
Transportation and travel	7,842,844	6,708,026	7,269,253
Insurance	2,143,719	2,027,792	1,963,935
Dues and subscriptions	1,655,837	1,682,979	1,678,179
Others	6,074,796	4,582,256	5,448,347
	₱ 6,590,288,987	₱ 7,010,549,289	₱ 6,069,283,925

Cost of services rendered consists of:

	2019	2018	2017
Resort operating costs	₱ 160,436,397	₱ 146,884,223	₱ 133,218,885
Salaries, wages and employee benefits (Note 23)	65,974,344	72,475,563	63,117,105
Transportation and travel	53,711,346	38,946,171	16,521,018
Depreciation and amortization (Note 15)	39,749,485	37,966,471	36,007,747
Fuel cost	35,731,780	44,173,953	38,697,088
Repairs and maintenance	30,384,808	31,336,351	31,669,833
Materials and supplies - resort operations (Note 12)	25,548,530	29,910,544	33,887,885
Commissions	15,313,975	17,201,564	14,433,118
Insurance	4,515,573	4,887,652	4,735,964
Outside services	1,142,487	1,383,256	1,362,504
Variable nurse costs	–	1,122,567	4,301,692
Others	14,550,117	11,219,874	18,018,531
	₱ 447,058,842	₱ 437,508,189	₱ 395,971,370

Operating expenses consist of:

	2019	2018	2017
Salaries, wages and employee benefits (Note 23)	₱ 343,715,912	₱ 347,286,847	₱ 410,770,485
Depreciation and amortization (Notes 15, 16 and 31)	151,194,031	135,916,449	132,268,068
Advertising, marketing and management fee (Note 31)	149,896,970	147,533,312	126,476,694
Shipping and delivery expenses	89,675,097	82,775,651	71,917,913
Utilities	79,746,977	76,226,590	59,820,387
Repairs and maintenance	56,982,751	51,645,741	37,356,821
Taxes and licenses	55,210,882	48,090,154	59,832,031
Professional and directors' fees	49,816,241	72,891,128	45,933,124
Transportation and travel	47,347,552	46,524,779	44,828,828
Commissions	34,019,789	30,268,954	26,174,903
Insurance	21,649,585	22,997,892	23,691,621
Security services	21,220,110	20,613,634	18,834,745
Computer programming	13,450,049	6,177,406	4,592,662
Communications	12,719,346	12,230,631	14,268,396
Donation and contribution	9,618,796	6,632,200	11,888,895
Medical expenses	8,984,153	5,171,806	6,137,045
Meetings and conferences	8,820,470	7,459,777	11,760,474
Association dues	8,113,533	7,808,276	7,278,115
Office supplies	6,786,878	6,097,933	5,316,103
Entertainment, amusement and recreation	6,122,508	6,923,568	7,034,567
Rental (Note 31)	160,736	7,773,918	10,571,402
Others	42,553,261	45,336,970	42,522,165
	₱ 1,217,805,627	₱ 1,194,383,616	₱ 1,179,275,444

In 2019, 2018 and 2017, the Company paid bonus to its non-executive directors amounting to ₱4.6 million, ₱10.7 million and ₱10.4 million, respectively.

As approved in 2004, the directors are given bonus representing no more than 1.0% of previous year's net income.

23. Personnel Expenses

		2019		2018		2017
Salaries and wages	₱	**348,909,427**	₱	422,082,781	₱	492,515,391
Pension costs (Note 25)		**13,203,358**		37,124,451		16,747,851
Social security premiums and other employee benefits		**171,304,432**		70,994,508		68,298,073
	₱	**533,417,217**	₱	530,201,740	₱	577,561,315

In 2019, 2018 and 2017, the Company declared and paid bonuses to its executive officers amounting to ₱37.0 million, ₱51.8 million and ₱48.7 million, respectively.

Annual bonus of no more than 3.0% of the preceding year's net income is given to executive officers as approved in 2004.

24. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

		2019		2018		2017
Debt instruments (Notes 10 and 13)	₱	**75,190,235**	₱	75,378,770	₱	78,484,323
Cash and cash equivalents (Note 9)		**34,410,510**		26,825,911		13,674,413
Others (Note 11)		**14,877,290**		7,311,466		6,718,619
	₱	**124,478,035**	₱	109,516,147	₱	98,877,355

Interest income on debt instruments is net of bond discount amortization amounting to ₱1.8 million, ₱0.8 million and ₱1.7 million in 2019, 2018 and 2017, respectively.

Interest expense arose from the following:

		2019		2018		2017
Long-term debt (Note 20)	₱	**44,390,418**	₱	70,524,251	₱	84,832,172
Lease liabilities (Note 31)		**3,286,888**		–		–
Notes payable (Note 18)		**495,072**		2,293,068		–
Others		**192,245**		91,052		306,006
	₱	**48,364,623**	₱	72,908,371	₱	85,138,178

Other income (charges) consists of:

	2019	2018	2017
Receipt of escrow fund and tax refund	₱ 88,301,725	₱ 38,640,000	₱ –
Valuation allowances on:			
Receivables (Note 11)	(40,841,504)	(15,430,275)	(12,541,567)
Other current and noncurrent assets	(910,582)	(1,599,246)	–
FVOCI investments (Note 13)	–	–	(82,906,040)
Construction materials and other supplies	–	–	(5,363,689)
Recovery of valuation allowances (Notes 11 and 12)	–	7,632,131	–
Rental income (Note 31)	2,909,532	8,566,268	6,709,294
Sale of property	526,784	448,832	19,162,207
Claims and other refunds	–	54,024,733	–
Service and handling fees (Note 31)	–	–	103,303,424
Others	18,866,131	(12,574,068)	23,965,138
	₱ 68,852,086	₱ 79,708,375	₱ 52,328,767

Others included ASAC's reimbursement from lessees and reversal of accrued expenses.

In relation to the sale of Cirrus (see Note 8), an amount in escrow was established to which the Group will be entitled to receive over a period of three years until 2020, subject to certain conditions. In 2019 and 2018, the Group partially received the escrow fund and tax refund, respectively. As at December 31, 2019, the remaining balance of the escrow fund amounted to US$1.7 million (₱88.3 million).

25. Pension

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641.

The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Group contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Group contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as at December 31, 2019 and 2018 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 3.4% to 11.3% in 2019, from 3.5% to 10.1% in 2018 and from 2.1% to 7.9% in 2017, and have maturities from January 12, 2020 to January 24, 2039 in 2019, from October 16, 2019 to July 19, 2031 in 2018, and from May 23, 2018 to December 7, 2026 in 2017.

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 3.2% to 5.4%, from 3.4% to 5.8% and from 0.2% to 8.0% in 2019, 2018, 2017, respectively, and have maturities from August 11, 2020 to July 3, 2027, from January 8, 2019 to July 3, 2027 and from January 3, 2018 to July 19, 2031 in 2019, 2018 and 2017, respectively.

d. Investments in equity securities, which consist of actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As at December 31, 2019 and 2018, the Company's defined benefit retirement fund (Fund) has investments in shares of stock of the Company with a cost of ₱405.8 million and ₱43.1 million, respectively. The fair value of the shares of stock amounted to ₱400.7 million and ₱41.7 million, as at December 31, 2019 and 2018, respectively.

All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total losses and gains arising from the changes in market prices amounted to ₱8.3 million and ₱2.4 million in 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the Fund's fair value amounted to ₱492.6 million and ₱435.8 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated profit or loss and the funded status and amounts recognized in the consolidated balance sheets.

	2019	2018	2017
Retirement benefit cost:			
Current service cost	₱ 17,562,357	₱ 22,420,634	₱ 19,689,927
Net interest	(4,358,999)	(3,508,392)	(2,942,076)
Past service cost	–	18,212,209	–
Net benefit expense (Note 23)	₱ 13,203,358	₱ 37,124,451	₱ 16,747,851
Actual return on plan assets	₱ 38,309,338	(₱ 11,890,805)	₱ 38,487,657

Changes in net retirement plan asset are as follows:

	2019	2018	2017
Net retirement plan asset, beginning	₱ 65,391,589	₱ 93,706,684	₱ 60,191,266
Current service cost	(11,281,011)	(16,376,425)	(14,782,486)
Net interest	5,115,853	3,113,413	3,133,176
	(6,165,158)	(13,263,012)	(11,649,310)
Actuarial changes arising from:			
Changes in financial assumptions	(21,613,963)	19,895,193	11,077,214
Experience adjustments	13,906,841	(5,457,343)	29,303,887
Changes in the effect of asset ceiling	10,662,932	443,348	(23,307,335)
Remeasurement of plan assets	4,002,083	(34,561,863)	17,799,154
Changes in demographic adjustments	2,205,744	–	–
	9,163,637	(19,680,665)	34,872,920
Contribution	16,196,994	17,143,550	10,291,808
Transfer to net retirement payable	(116,223)	(12,514,968)	–
Net retirement plan asset, end	₱ 84,470,839	₱ 65,391,589	₱ 93,706,684

Changes in net retirement benefits payable are as follows:

	2019	2018	2017
Net retirement benefits payable, beginning	(₱ 12,858,113)	(₱ 9,184,074)	(₱ 4,211,769)
Current service cost	(6,281,346)	(6,044,209)	(4,907,441)
Net interest	(756,854)	394,979	(191,100)
Past service cost	–	(18,212,209)	–
	(7,038,200)	(23,861,439)	(5,098,541)
Actuarial changes arising from:			
Changes in financial assumptions	(14,606,935)	11,954,837	(5,204,141)
Experience adjustments	(5,868,754)	(6,466,368)	1,732,226
Remeasurement of plan assets	1,997,522	(4,137,703)	(1,439,886)
Changes in the effect of asset ceiling	10,000	–	–
	(18,468,167)	1,350,766	(4,911,801)
Withdrawal of plan assets	–	–	(1,575,169)
Contribution	5,996,197	5,048,364	6,367,740
Transfer from net retirement asset	116,223	12,514,968	–
Reduction in net retirement benefits payable for disposed subsidiary (Note 8)	–	1,273,302	245,466
Net retirement benefits payable, end	(₱ 32,252,060)	(₱ 12,858,113)	(₱ 9,184,074)

Computation of net retirement plan assets (liabilities):

2019	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱ 301,273,798)	(₱ 118,259,807)	(₱ 419,533,605)
Fair value of plan assets	406,707,993	85,891,524	492,599,517
Surplus (deficit)	105,434,195	(32,368,283)	73,065,912
Effect of the asset ceiling	(20,847,133)	–	(20,847,133)
Transfer to (from) net retirement payable (asset)	(116,223)	116,223	–
Retirement plan assets (liabilities)	₱ 84,470,839	(₱ 32,252,060)	₱ 52,218,779

2018	Net Retirement Plan Assets	Net Retirement Liabilities	Total
Present value of defined benefit obligation	(₱ 258,367,827)	(₱ 95,442,654)	(₱ 353,810,481)
Fair value of plan assets	365,708,666	70,069,573	435,778,239
Surplus (deficit)	107,340,839	(25,373,081)	81,967,758
Effect of the asset ceiling	(29,434,282)	–	(29,434,282)
Transfer to (from) net retirement payable (asset)	(12,514,968)	12,514,968	–
Retirement plan assets (liabilities)	₱ 65,391,589	(₱ 12,858,113)	₱ 52,533,476

Changes in the present value of defined benefit obligation:

	2019	2018
Defined benefit obligation, beginning	₱ 353,810,481	₱ 386,430,372
Current service cost	17,562,357	22,420,634
Interest cost	25,864,951	21,683,834
Past service cost	–	18,212,209
Remeasurement in other comprehensive income:		
Actuarial loss (gain) - changes in financial assumptions	36,220,898	(31,850,030)
Actuarial loss (gain) - experience adjustments	(8,038,087)	11,923,711
Actuarial gain - changes in demographic assumptions	(2,205,744)	–
Benefits paid from plan assets	(3,681,251)	(71,048,606)
Reduction in net retirement benefits payable for disposed subsidiary	–	(3,961,643)
Defined benefit obligation, ending	₱ 419,533,605	₱ 353,810,481

Changes in the fair value of plan assets:

		2019		2018
Fair value of plan assets, beginning	₱	**435,778,239**	₱	499,214,077
Interest income		**32,309,733**		26,808,761
Contributions		**22,193,191**		22,191,914
Remeasurement gain (loss)		**5,999,605**		(38,699,566)
Benefits paid from plan assets		**(3,681,251)**		(71,048,606)
Reduction in plan asset for disposed subsidiary		**–**		(2,688,341)
Fair value of plan assets, ending	₱	**492,599,517**	₱	435,778,239

Changes in the effect of asset ceiling:

		2019		2018
Beginning balance	₱	**29,434,282**	₱	28,261,095
Changes in the effect of asset ceiling		**(10,672,932)**		(443,348)
Interest on the effect of asset ceiling		**2,085,783**		1,616,535
Ending balance	₱	**20,847,133**	₱	29,434,282

The fair value of plan assets as at December 31 are as follows:

		2019		2018
Debt instruments	₱	**349,396,318**	₱	248,676,008
Equity instruments		**119,177,159**		106,658,937
Cash and cash equivalents		**13,744,563**		38,629,986
Unit investment trust funds		**7,495,552**		32,727,952
Others		**2,785,925**		9,085,356
	₱	**492,599,517**	₱	435,778,239

The financial instruments with quoted prices in active market amounted to ₱710.5 million and ₱323.9 million as at December 31, 2019 and 2018, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Company, PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2019	**Change in Rates**		**Effect on Present Value of Defined Benefit Obligation Increase (Decrease)**
Discount rates	**-3.60% to -6.20%**	₱	**18,182,116**
	+3.20% to +7.20%		**(16,045,671)**
Future salary increases	**+3.50% to +7.30%**	₱	**18,107,055**
	-3.20% to -6.40%		**(16,273,402)**

2018	Change in Rates		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	-3.10% to -3.20%	₱	9,623,443
	+2.70% to +3.00%		(8,691,750)
Future salary increases	+3.10% to +6.80%	₱	12,373,655
	-2.80% to -6.00%		(11,115,777)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries except PDP Group and PRI as of the end of the reporting period, assuming all other assumptions were held constant:

2019	Change in Rates		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	**-5.10% to -12.70%**	₱	**1,095,421**
	+5.60% to +10.90%		**(970,425)**
Future salary increases	**+5.60% to +11.70%**	₱	**1,088,780**
	-5.20% to -10.30%		**(982,737)**

2018	Change in Rates		Effect on Present Value of Defined Benefit Obligation Increase (Decrease)
Discount rates	-3.00% to -12.70%	₱	2,322,204
	+3.20% to +10.90%		(2,081,832)
Future salary increases	+3.20% to +11.70%	₱	2,382,590
	-3.10% to -10.30%		(2,168,864)

The Group expects to make contributions amounting to ₱25.3 million to its defined benefit pension plans in 2020.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2019	2018
Discount rate	**3.87% to 5.61%**	6.93% to 7.98%
Future salary increases	**3.00% to 5.00%**	4.00% to 5.00%

The weighted average duration of the defined benefit obligation as at December 31, 2019 and 2018 ranges from 2.0 to 11.9 years and 2.9 to 11.5 years, respectively.

Shown below is the maturity analysis of the expected future benefit payments as at December 31, 2019:

Year		Amount
2020	₱	248,705,413
2021		13,033,895
2022		6,975,653
2023		18,104,488
2024		20,508,142
2025 to 2029		152,148,207

There were no changes from the previous period in the method and assumptions used in preparing the sensitivity analysis.

26. Income Taxes

The provision for income tax consists of:

	2019	2018	2017
Current	**₱ 419,419,841**	₱ 316,870,929	₱ 249,733,903
Deferred	**9,953,813**	30,347,637	3,701,781
	₱ 429,373,654	₱ 347,218,566	₱ 253,435,684

The components of the net deferred income tax assets (liabilities) are as follows:

	2019		2018	
	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax (Liabilities)[2]	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax (Liabilities)[2]
Recognized in the consolidated profit or loss:				
Deferred income tax assets on:				
Allowance for expected credit losses	**₱ 34,225,252**	**₱ –**	₱ 21,972,801	₱ –
Allowance for inventory losses	**24,984,097**	**–**	22,818,454	–
Accrued expenses	**15,467,319**	**–**	17,873,559	–
Retirement benefits payable	**9,409,769**	**–**	4,069,882	–
Unamortized past service cost	**2,558,158**	**926,771**	2,240,814	1,158,466
Unrealized foreign exchange loss	**295,134**	**–**	922,237	–
Market adjustment on FVPL investments	**12,155**	**–**	8,337,973	–
Others	**1,196,004**	**–**	598,450	–
	88,147,888	**926,771**	78,834,170	1,158,466

(Forward)

	2019		2018	
	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax (Liabilities)[2]	Net Deferred Income Tax Assets[1]	Net Deferred Income Tax (Liabilities)[2]
Deferred income tax liabilities on:				
Retirement plan assets	₱ –	(₱ 4,724,625)	(₱ 40,519)	(₱ 3,207,703)
Unrealized foreign exchange gains	–	(9,722,141)	(219,561)	(13,309,704)
Uncollected management fee	–	(8,419,202)	–	(11,094,491)
Fair value adjustment	–	(316,412,386)	–	(324,407,713)
Market adjustment on FVPL investments	–	(120,310,966)	(2,584,218)	(87,847,870)
		(459,589,320)	(2,844,298)	(439,867,481)
	88,147,888	(458,662,549)	75,989,872	(438,709,015)
Recognized in other comprehensive income:				
Deferred income tax assets (liabilities) on:				
Unrealized valuation losses (gains) on FVOCI investments	–	(2,633,436)	–	4,595,798
Cumulative actuarial gains	(991,875)	(18,016,711)	(477,330)	(15,641,944)
	(991,875)	(20,650,147)	(477,330)	(11,046,146)
	₱ 87,156,013	(₱ 479,312,696)	₱ 75,512,542	(₱ 449,755,161)

[1] *Pertain to PDP, SSRLI, ASAC, AHI and Sutton*
[2] *Pertain to Anscor and Anscorcon*

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not probable. These deductible temporary differences are as follows:

	2019	2018
Allowances for:		
Impairment losses	₱ 1,883,617,238	₱ 1,651,360,313
Expected credit losses	564,800,000	564,800,000
NOLCO	198,427,775	138,260,513
MCIT	8,916,210	9,436,514
Provision for probable losses and lawsuits	5,721,158	5,721,158
Accrued pension benefits and others	3,538,754	4,162,004

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2019, 2018 and 2017 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2017 .

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2019	2018	2017
Provision for income tax at statutory tax rates	₱ 710,325,095	₱ 375,612,585	₱ 866,831,825
Additions to (reductions from) income taxes resulting from:			
Dividend income not subject to income tax	(108,395,002)	(83,477,245)	(76,936,509)
Decrease (increase) in market values of marketable equity securities and other investments subjected to final tax	(233,588,466)	167,752,492	(353,191,683)
Income tax at 5% GIT	(85,665,018)	(37,443,654)	(76,130,168)
Movement in unrecognized deferred income tax assets	87,384,190	(48,177,801)	188,773,973
Expired NOLCO and MCIT	7,085,291	53,808,275	33,575,544
Nontaxable income	(13,687,406)	(142,280,407)	(7,203,562)
Interest income already subjected to final tax	(2,556,510)	(3,114,226)	(3,671,966)
Equity in net losses (earnings) of associates not subject to income tax	85,449,941	78,655,241	(870,281)
Nontaxable (gain) loss on sale of subsidiaries	–	2,724,000	(329,358,484)
Others	(16,978,461)	(16,840,694)	11,616,995
	₱ 429,373,654	₱ 347,218,566	₱ 253,435,684

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

<u>NOLCO</u>

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	₱ 8,996,020	₱ –	₱ –	(₱ 8,996,020)	₱ –	₱ –
2017	2018-2020	133,575,220	–	–	–	(15,424,019)	118,151,201
2018	2019-2021	11,113,292	–	–	–	–	11,113,292
2019	2020-2022	–	69,163,282	–	–	–	69,163,282
		₱ 153,684,532	₱ 69,163,282	₱ –	(₱ 8,996,020)	(₱ 15,424,019)	₱ 198,427,775

**Adjustment pertains to unexpired portion of NOLCO of CGI.*

MCIT

Period of Recognition	Availment Period	Amount	Additions	Applied	Expired	Adjustment*	Balance
2016	2017-2019	₱ 4,577,596	₱ –	₱ –	(₱ 4,386,485)	(₱ 191,111)	₱ –
2017	2018-2020	1,831,097	–	–	–	–	1,831,097
2018	2019-2021	3,218,932	–	–	–	–	3,218,932
2019	2020-2022	–	3,866,181	–	–	–	3,866,181
		₱ 9,627,625	₱ 3,866,181	₱ –	(₱ 4,386,485)	(₱ 191,111)	₱ 8,916,210

* *Adjustment pertains to unexpired portion of MCIT of CGI.*

27. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2019	2018	2017
Net income attributable to equity holders of the Parent	₱ **1,843,615,322**	₱ 808,386,813	₱ 2,547,458,719
Net income from continuing operations attributable to equity holders of the Parent	₱ **1,843,615,322**	₱ 808,386,813	₱ 2,595,095,870
Total comprehensive income attributable to equity holders of the Parent	₱ **1,741,633,291**	₱ 857,889,362	₱ 2,485,599,962
Weighted average number of shares	**1,207,960,035**	1,215,525,163	1,224,247,737
Earnings Per Share			
Basic/diluted, for net income attributable to equity holders of the Parent	₱ **1.53**	₱ 0.67	₱ 2.08
Basic/diluted, for net income from continuing operations attributable to equity holders of the Parent	₱ **1.53**	₱ 0.67	₱ 2.12
Basic/diluted, for comprehensive income attributable to equity holders of the Parent	₱ **1.44**	₱ 0.71	₱ 2.03

The Company does not have potentially dilutive common stock equivalents in 2019, 2018 and 2017.

28. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

All related party transactions exceeding ₱5.0 million in a single transaction or in aggregate transactions within the last twelve (12) months shall be disclosed to and evaluated by the Related Party Transaction Committee for approval by at least majority of the BOD.

All material related party transactions, representing 10% or more of the consolidated total assets of the Group, shall be approved by at least two-thirds (2/3) vote of the BOD, with at least majority of the independent directors voting to approve the material related party transactions. These transactions shall be disclosed with the SEC.

In the normal course of business and in addition to those disclosed in Notes 14 and 31, the Group grants/ receives cash advances to/from its associates and affiliates.

Compensation of the Group's key management personnel (in millions):

		2019		2018		2017
Short-term employee benefits (Notes 22 and 23)	₱	116.1	₱	166.8	₱	172.3
Retirement benefits (Notes 22, 23 and 25)		5.7		6.9		7.7
Total	₱	121.8	₱	173.7	₱	180.0

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

On November 4, 2019, the Company granted a five-year loan amounting to ₱363.5 million to A. Soriano Corporation Retirement Plan (the Retirement Plan) at 5% interest per annum. The loan is secured by the Company's shares of stock held by the Retirement Plan with a fair value of ₱359.2 million as of December 31, 2019. The balance of the loan amounted to ₱349.5 million as of December 31, 2019.

29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable, lease liabilities and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:
a) maintaining a bond portfolio that earns adequate cash yields, and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk, and operating and regulatory risks. 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 and Corporate Development Officer, and an independent consultant. Committee meets at least every quarter for the review and evaluation. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counterparty or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counterparty that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2019	2018
Cash in banks	₱ 1,514,820,487	₱ 1,600,596,372
Short-term investments	792,850,744	1,163,730,790
FVPL investments - bonds	793,929,295	655,218,123
FVOCI investments - bonds	330,484,513	694,323,218
Advances	647,572,036	565,623,718
	4,079,657,075	4,679,492,221
Receivables:		
Trade	1,782,362,910	1,837,485,963
Notes receivable	588,404,741	240,030,000
Interest receivable	24,518,133	33,693,522
Receivable from villa owners	17,341,766	15,179,905
Advances to employees	12,533,168	14,295,820
Dividend receivable	–	3,299,071
Others	17,071,649	19,390,178
	2,442,232,367	2,163,374,459
	₱ 6,521,889,442	₱ 6,842,866,680

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.

Trade receivables

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix.

		Days Past Due But Not Impaired					
December 31, 2019	Current	Less than 30 days	31 to 60 days	91 to 120 days	61 to 90 days	More than 120 days	Total
Expected credit loss rate	0%-0.90%	0%-3.03%	0%-7.15%	0%-14.46%	0%-27.11%	0%-56.49%	
Estimated total gross carrying amount at default	₱ 1,092,381,017	₱ 346,870,324	₱ 116,292,945	₱ 63,710,057	₱ 61,779,281	₱ 101,329,286	₱ 1,782,362,910
Expected credit loss	₱ 9,629,208	₱ 10,515,683	₱ 8,313,714	₱ 9,212,078	₱ 16,749,058	₱ 57,240,180	₱ 111,659,921

December 31, 2018	Current	Days Past Due But Not Impaired Less than 30 days	31 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Total
Expected credit loss rate	0%-0.37%	0%-2.99%	0%-6.87%	0%-13.49%	0%-27.11%	0%-57.70%	
Estimated total gross carrying amount at default	₱ 1,131,201,310	₱ 334,342,695	₱ 130,792,046	₱ 77,482,907	₱ 44,993,385	₱ 118,673,620	₱ 1,837,485,963
Expected credit loss	₱ 4,012,893	₱ 9,851,936	₱ 8,952,233	₱ 10,423,682	₱ 12,198,213	₱ 25,379,460	₱ 70,818,417

Other financial assets

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group invests only on quoted debt securities with very low credit risk. The Group's debt instruments at fair value through OCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

2019	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	₱ 1,514,820,487	₱ –	₱ –	₱ 1,514,820,487
Short-term investments	792,850,744	–	–	792,850,744
FVOCI investments - bonds	330,484,513	–	–	330,484,513
Receivables:				
Notes receivable*	588,404,741	–	–	588,404,741
Interest receivable	23,927,038	–	591,095	24,518,133
Receivable from villa owners	17,341,766	–	–	17,341,766
Advances to employees	12,533,168	–	–	12,533,168
Others	15,238,491	–	1,833,158	17,071,649
Advances	82,772,036	–	564,800,000	647,572,036
	₱ 3,378,372,984	₱ –	₱567,224,253	₱ 3,945,597,237

* *Including noncurrent portion amounting to ₱349.5 million.*

2018	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks	₱ 1,600,596,372	₱ –	₱ –	₱ 1,600,596,372
Short-term investments	1,163,730,790	–	–	1,163,730,790
FVOCI investments - bonds	694,323,218	–	–	694,323,218
Receivables:				
Notes receivable	240,030,000	–	–	240,030,000
Interest receivable	33,102,427	–	591,095	33,693,522
Receivable from villa owners	15,179,905	–	–	15,179,905
Advances to employees	14,295,820	–	–	14,295,820
Dividend receivable	3,299,071	–	–	3,299,071
Others	17,557,020	–	1,833,158	19,390,178
Advances	823,718	–	564,800,000	565,623,718
	₱ 3,782,938,341	₱ –	₱ 567,224,253	₱ 4,350,162,594

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2019	Within 6 Months	6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand and in banks	₱ 1,516,027,511	₱ –	₱ –	₱ –	₱ 1,516,027,511
Short-term investments	792,850,744	–	–	–	792,850,744
FVPL investments - bonds	128,863,357	–	532,866,257	132,199,681	793,929,295
FVOCI investments - bonds	94,535,324	–	235,949,189	–	330,484,513
Receivables*	1,782,362,910	196,285,542	–	349,499,741	2,328,148,193
	₱ 4,314,639,846	₱ 196,285,542	₱ 768,815,446	₱ 481,699,422	₱ 5,761,440,256
Accounts payable and accrued expenses**	₱ 837,059,115	₱ 5,049,461	₱ –	₱ –	₱ 842,108,576
Lease liabilities	4,953,932	4,953,932	27,466,781	–	37,374,645
Long-term debt	143,302,711	132,862,035	227,142,857	–	503,307,603
Dividends payable	283,974,578	–	–	–	283,974,578
	₱ 1,269,290,336	₱ 142,865,428	₱ 254,609,638	₱ –	₱ 1,666,765,402

* *Excluding non-financial assets amounting to ₱144.0 million. Notes receivables amounting to ₱349.5 million is included.*

** *Excluding non-financial liabilities amounting to ₱89.2 million.*

December 31, 2018	Within 6 Months	6 to 12 Months	Over 1 Year to 5 Years	Over 5 Years	Total
Cash on hand and in banks	₱ 1,601,784,276	₱ –	₱ –	₱ –	₱ 1,601,784,276
Short-term investments	1,163,730,790	–	–	–	1,163,730,790
FVPL investments - bonds	57,875,395	30,613,128	368,872,650	197,856,950	655,218,123
FVOCI investments - bonds	–	15,419,085	544,898,560	134,005,573	694,323,218
Receivables*	1,837,104,070	249,660,423	3,367,296	–	2,090,131,789
	₱ 4,660,494,531	₱ 295,692,636	₱ 917,138,506	₱ 331,862,523	₱ 6,205,188,196
Accounts payable and accrued expenses**	₱ 730,401,669	₱ 5,049,461	₱ –	₱ –	₱ 735,451,130
Notes payable	250,000,000	–	–	–	250,000,000
Long-term debt	317,845,186	317,845,185	502,397,329	–	1,138,087,700
Dividends payable	285,828,593	–	–	–	285,828,593
	₱ 1,584,075,448	₱ 322,894,646	₱ 502,397,329	₱ –	₱ 2,409,367,423

* *Excluding non-financial assets amounting to ₱180.1 million.*

** *Excluding non-financial liabilities amounting to ₱71.7 million.*

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses, dividends payable, lease liabilities and current portion of long-term debt are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, foreign currency risk, copper rod price risk and operating and regulatory risk.

Investments exposed to market risk are foreign and local currency-denominated quoted debt instruments, foreign and local currency-denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following table demonstrates management's best estimate of the sensitivity to reasonably possible change in interest rates, with all other variables held constant (in millions):

Floating Debt Instrument	**Change in Interest Rates [in Basis Points (bps)]**	**Effect on Income Before Tax and Equity Increase (Decrease)**
2019	**+150**	**(₱1.06)**
	-150	**1.06**
2018	+150	(₱7.30)
	-150	7.30

The sensitivity analysis shows the effect on the consolidated profit or loss of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and financial liabilities held as at December 31, 2019 and 2018. There is no other impact on equity other than those affecting profit or loss.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit or loss are bonds classified as FVPL and items affecting equity account are bonds classified as FVOCI. The impact of change in interest rates are as follows (in millions):

2019	Change in Interest Rates (in bps)	Increase (Decrease) Effect on Income Before Tax	Increase (Decrease) Effect on Equity
FVOCI investments	+100	₱ –	(₱ 5.09)
	-100	–	5.31
FVPL investments	+100	(₱ 14.75)	₱ –
	-100	18.20	–

2018	Change in Interest Rates (in bps)	Increase (Decrease) Effect on Income Before Tax	Increase (Decrease) Effect on Equity
FVOCI investments	+100	₱ –	(₱ 14.89)
	-100	–	15.58
FVPL investments	+100	(₱ 19.00)	₱ –
	-100	21.51	–

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the PSE and NASDAQ.

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The table below shows the impact on income before income tax and equity of the estimated future return of the stock investments using a Beta-based sensitivity approach. The impact of the change in equity prices are as follows (in millions):

FVPL Investments	Change in PSE Price Index	Effect on Income Before Tax and Equity Increase (Decrease)
2019	+14.47%	₱ 375.18
	-14.47%	(375.18)
2018	+17.70%	₱ 520.87
	-17.70%	(520.87)

The annual standard deviation of the PSE price index is approximately with 14.47% and 14.73% and with 99% confidence level, the possible change in PSE price index could be +/-14.47% and +/-17.70% in 2019 and 2018, respectively.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The table below shows the impact on income before income tax and equity of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity. The impact of the change in mutual fund prices are as follows (in millions):

Mutual funds	Change in NAV	Effect on Income Before Tax and Equity Increase (Decrease)
2019	**+10.00%**	**₱ 81.10**
	-10.00%	**(81.10)**
2018	+10.00%	₱ 46.25
	-10.00%	(46.25)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency-denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency-denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Australian dollar and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Group occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates to minimize any foreign exchange risks. Thus, all borrowings, whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI and SSRLI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso on income before tax. It assumes that all other variables remain constant. The impact of the change in currency rates are as follows (in millions):

2019	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)
US Dollar	**+5.60%**	**₱ 6.82**
	-5.60%	**(6.82)**
Indonesian Rupiah	**+4.79%**	**(₱ 8.53)**
	-4.79%	**8.53**

2018	Change in Currency Rate	Effect on Income Before Tax and Equity Increase (Decrease)
US Dollar	+4.97%	(₱ 5.20)
	-4.97%	5.20
Indonesian Rupiah	+5.98%	(₱ 10.65)
	-5.98%	10.65

e. Copper rod price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱427.1 million, with an average quantity of about 1,284 metric tons in 2019 and ₱493.3 million, with an average quantity of about 1,326 metric tons in 2018.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility in the price of metal in the world market. The following table represents the effect on income before tax and equity of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant.

The impact of the change in copper prices are as follows (in millions):

	% Change in Copper Rod Prices	Effect on Income Before Income Tax and Equity Increase (Decrease)
2019	**+0.72%**	**(₱ 3.79)**
	-0.72%	**3.79**
2018	+8.36%	(₱ 45.11)
	-8.36%	45.11

PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

Capital management

The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2019 and 2018.

30. Financial Instruments

Categorization of Financial Instruments

December 31, 2019	At Amortized Cost	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and short-term investments	₱ 2,308,878,255	₱ –	₱ –	₱ 2,308,878,255
FVPL investments	–	11,130,248,073	–	11,130,248,073
FVOCI investments	–	–	330,484,513	330,484,513
Receivables*	2,328,148,193	–	–	2,328,148,193
	₱ 4,637,026,448	₱ 11,130,248,073	₱ 330,484,513	₱ 16,097,759,034

**Excluding non-financial assets amounting to ₱144.0 million. Notes receivable amounting to ₱349.5 million is included.*

December 31, 2018	At Amortized Cost	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and short-term investments	₱ 2,765,515,066	₱ –	₱ –	₱ 2,765,515,066
FVPL investments	–	9,437,947,486	–	9,437,947,486
FVOCI investments	–	–	694,323,218	694,323,218
Receivables*	2,090,131,789	–	–	2,090,131,789
	₱ 4,855,646,855	₱ 9,437,947,486	₱ 694,323,218	₱ 14,987,917,559

** Excluding non-financial assets amounting to ₱180.1 million.*

Fair Values of Financial Assets and Financial Liabilities

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable, current portion of lease liabilities 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 investment in KSA are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

- FVPL investments in private equity funds are valued using the adjusted net asset method. The underlying investments under these private equity funds are carried at fair value. Other FVPL investments in unquoted equity shares are based on prices and other relevant information generated by market transactions involving identical and comparable assets, liabilities or a group of assets and liabilities, such as business. The valuation requires management to use market multiples derived from a set of comparables. Multiples might be in ranges with a difference multiple for each comparable. The selection of the appropriate multiple within the range requires judgement, considering qualitative and quantitative factors specific to the measurement.

The following tables provide the Group's fair value measurement hierarchy of its assets:

As at December 31, 2019:

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱ 7,616,776,828	₱ 7,616,776,828	₱ –	₱ –
Unquoted equity shares	1,137,142,219	–	115,433,145	1,021,709,074
Funds and equities	1,131,737,165	1,131,677,465	–	59,700
Bonds	793,929,295	793,929,295	–	–
Proprietary shares	367,437,073	367,437,073	–	–
Others	83,225,493	83,225,493	–	–
	11,130,248,073	9,993,046,154	115,433,145	1,021,768,774
FVOCI investments	330,484,513	330,484,513	–	–
	₱11,460,732,586	₱10,323,530,667	₱ 115,433,145	₱ 1,021,768,774

As at December 31, 2018:

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱ 6,588,212,129	₱ 6,588,212,129	₱ –	₱ –
Unquoted equity shares	1,086,225,778	–	144,575,751	941,650,027
Bonds	766,122,276	766,062,576	–	59,700
Funds and equities	655,218,123	655,218,123	–	–
Proprietary shares	324,377,072	324,377,072	–	–
Others	17,792,108	17,792,108	–	–
	9,437,947,486	8,351,662,008	144,575,751	941,709,727
FVOCI investments	694,323,218	694,323,218	–	–
	₱ 10,132,270,704	₱ 9,045,985,226	₱ 144,575,751	₱ 941,709,727

Description of significant unobservable inputs to valuation of investment in KSA classified under Level 3 (amounts in millions):

2019	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 ₱785 5%: fair value of ₱1,278**
		Liquidity discount of 20%	**10% to 30%**	**10%: fair value of ₱1,149 30%: fair value of ₱894**
		Cost of equity of 12.99%	**12% to 14%**	**12%: fair value of ₱1,030 14%: fair value of ₱940**

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 of the investment in KSA (in millions):

As at 1 January 2018	₱	753.0
Unrealized gains in profit or loss (Note 10)		188.7
As at 31 December 2018		941.7
Unrealized gains in profit or loss (Note 10)		80.1
As at 31 December 2019	**₱**	**1,021.8**

In 2018, Y-mAbs was listed in NASDAQ which resulted to transfer from Level 2 to Level 1 fair value measurement.

For the years ended December 31, 2019 and 2018, there were no transfers other than those mentioned above.

31. Contracts and Agreements

Anscor

a. On November 29, 2019, the Company entered into a lease agreement with ATR Asset Management, Inc., ATRAM Trust Corporation and MET Holdings, Inc. for the lease of its condominium unit commencing on the agreement date until April 30, 2021. The Company will receive monthly rental payments of ₱1.0 million.

   The Company recognized rental income amounting to ₱1.0 million in 2019 (see Note 24).

Sutton

a. In January 2016, CGI and IQHPC entered into a new Service Agreement where IQHPC will pay CGI the agreed specific rate that corresponds the type of medical staff deployed to a facility. The term of the agreement is valid for a period of 36 months from the commencement date. Fees shall be billed upon deployment and are due within 30 days. Interest shall accrue at the rate of 2% per month on any unpaid balance.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

   Service income recognized in 2019, 2018 and 2017 amounted to nil, ₱2.5 million and ₱7.4 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2016 and 2017, the lease agreement was renewed for a one-year term.

   Rent expense in 2018 and 2017 amounted to ₱2.7 million and ₱3.3 million, respectively (see Note 22).

d. In 2017, CGI entered into an agreement to sublease a portion of its leased office space to Cirrus Global Services, Inc. for a period of one year commencing August 1, 2017. This was extended until December 31, 2018.

   Rent income from the sublease agreement in 2018 and 2017 amounted ₱2.6 million and ₱0.9 million, respectively (see Note 24).

e. In April 2012, CGI entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for CGI to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by CGI, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

   Permitted fees are to be invoiced in the following manner:
   - 25% of fee upon signing the contract offer of employment;
   - 50% of fee upon deployment; and
   - 25% of fee upon completion of the probationary 90-day time period at CCAD.

   CGI records deferred revenue equal to a percentage of service fee invoiced to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met. Total deferred revenues as at December 31, 2018 and 2017 amounted to nil and ₱9.5 million, respectively.

   Service income recognized in 2018 and 2017 amounted to ₱12.9 million and ₱10.3 million, respectively. Service income recognized in 2018 is for the period ended September 28, 2018 (see Note 8).

<u>Cirrus</u>

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱2.0 billion in 2017. The service income recognized in 2017 is for the period ended October 19, 2017 (see Note 8).

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

   Rent expense in 2017 amounted to ₱9.2 million.

c. On June 30, 2017, Cirrus invested in Cirrus Global Services, Inc. (CGSI) which handles the general and administrative services of the nurse staffing entities. CGSI, as part of the Cirrus Group, was subsequently sold through a merger agreement on October 19, 2017 (see Note 8).

<u>IAI</u>

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of the engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary by a Honeywell authorized service center. Deposits for the MSP as at December 31, 2019 and 2018 amounted to ₱44.7 million and ₱81.3 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets (see Note 17).

b. IAI entered into a lease or concessionaire agreement with Manila International Airport Authority (MIAA) which granted IAI to operate as an aircraft hangar and conduct fixed base operations within the leased premises. The agreement shall be effective for a period of one (1) year commencing on January 1, 2016. After the end of the first year, the lease is automatically renewed until IAI is permitted to stay in Ninoy Aquino International Airport (NAIA) Complex. IAI will continue to operate at NAIA Complex by virtue of the Certificate of Public Convenience and Necessity to operate Domestic Scheduled Air Transportation Services issued on January 31, 2017 and valid from March 1, 2017 up to February 28, 2022.

On October 15, 2019, MIAA issued a memorandum stating that all general aviation operations be transferred to other alternate airports to ease the traffic congestion at the NAIA Complex. MIAA gave general aviation companies until May 31, 2020 to vacate and turn over the leased premises.

IAI is still operating at NAIA Complex as of February 19, 2020.

Set out below is the carrying amount of right-of-use asset recognized in 2019 and the movements during the year.

Cost	
Beginning/Ending balance	₱ 10,605,283
Accumulated Amortization	
Beginning balance	–
Amortization for the year	3,569,833
Ending balance	3,569,833
Net Book Value	₱ 7,035,450

The carrying amount of PFRS 16 lease liability as at December 31, 2019 follows:

Beginning balance	₱ 10,605,283
Accretion of interest	201,791
Lease payments	(3,724,402)
	7,082,672
Less current portion of lease liability	4,606,460
Ending balance	₱ 2,476,212

The lease liability were measured at the present value of the remaining lease payments discounted at IAI's incremental borrowing rates as at January 1, 2019 for the lease with MIAA. The weighted average incremental borrowing rates applied to the lease liabilities on January 1, 2019 was 6.83%.

Shown below is the maturity analysis of lease liability pertaining to contractual undiscounted cash flows as at December 31, 2019:

Within one year	₱ 4,797,398
After one year but not more than five years	2,512,695
Total undiscounted lease liability	₱ 7,310,093

Rental expenses relating to short-term leases of office building amounted to ₱2.3 million in 2019.

c. IAI conducts its operations from leased facilities with ASAC, which include the aircraft hangar or ramp, battery shop, parking lots, mechanics' quarters and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and was subsequently renewed. The renewed lease agreement was terminated on August 31, 2019. On September 1, 2019, IAI renewed the lease agreement valid for two years ending August 31, 2021.

Operating lease commitments - IAI as lessee (Effective Prior to January 1, 2019)

As at December 31, 2018, future minimum lease payments based on the agreed minimum rate as stated in the lease contract with ASAC amounted to ₱2.3 million that is due not later than one year.

Rent expense recognized in operations amounted to ₱3.5 million and ₱3.2 million in 2018 and 2017.

<u>SSRLI and PRI</u>

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation of machineries and equipment on PEZA-covered registered activities under the Registration Agreement.

On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as a locator at the Pamalican Island Ecozone Tourism Zone. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank, except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for a period of 20 years beginning July 1, 2011. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Effective January 1, 2016, the annual rental fee upon mutual agreement of both parties was decreased to ₱42.8 million.

b. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.9 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million (see Note 7).

c. Since 1995, the Company charges a monthly fee amounting to US$15,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to PRI.

   Starting January 1, 2018, both parties mutually agreed to a monthly fee amounting to ₱650,000 (eliminated in the consolidated profit or loss), inclusive of VAT.

d. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of the resort and a reserve cash funding equivalent to 3% of gross revenues, which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment.

   On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as "Management fee". In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

   Likewise, a Marketing Service Agreement (MSA) was also entered by PRI with Amanresorts Services Limited (ASL) with marketing fee charges of 3% of PRI's annual gross hotel revenues. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

   On June 24, 2011, PRI also executed a Reservation Service Agreement (RSA) with Hotel Sales Services Ltd. (HSSL), a company established in British Virgin Islands, in which PRI will pay the latter a monthly fee of 6.5% on gross accommodation charges for all realized bookings processed through HSSL's central sales and reservation offices with the exception of bookings made through the Global Distribution System (GDS) in which PRI will pay US$100 per booking. An annual maintenance fee of US$1,000 shall also be paid to HSSL.

   On October 10, 2014, PRI and HSSL executed a new agreement effective January 1, 2015, with similar terms as the original agreement, except for a higher annual maintenance fee which increased to US$3,000 from US$1,000, and a lower transaction fee for GDS Network bookings for US$100 from US$300.

   PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort for a monthly fee of US$1,000.

   The OMA, marketing and license contracts will expire on the thirty first (31st day) of December of the fifth full calendar year following their commencement. Further, AMBV has the option to extend the operating term for a period of five years from the date of its expiration.

   On January 18, 2018 and March 9, 2018, the Aman Group notified PRI of the assignment of the OMA, MSA and RSA, among others, to Aman Group S.A.R.L., a company incorporated in Switzerland.

On November 28, 2018, Aman Group S.A.R.L. issued a Notice of Extension to PRI containing its election and intention to extend the operating term with PRI for a period of five (5) years from the date of expiration, which is on December 31, 2018, under the same terms and conditions as contained in the management agreement.

Total fees related to these agreements amounted to ₱109.7 million, ₱105.5 million and ₱76.0 million in 2019, 2018 and 2017, respectively.

e. PRI entered into an agreement with IAI wherein the latter will provide regular air transport service. IAI shall charge PRI a fixed round trip rate, subject to an annual review by both parties, with a guarantee that all IAI's operating cost will be covered. The agreement has a duration of three (3) years and was executed effective July 1, 2011. The agreement was renewed for another 3 years on February 13, 2015. The duration of the contract may be extended upon such terms and condition as may be mutually agreed by both parties.

   On February 15, 2018, both parties entered into a renewal agreement which shall have a duration of not less than three years unless, otherwise pre-terminated.

f. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years. The lease agreement was renewed in 2019. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

g. On May 31, 2013, Anscor Property Holdings, Inc. (APHI) and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱0.6 million exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI. The monthly fee was reduced to ₱0.5 million, exclusive of VAT, from August 1, 2016 until March 21, 2017. On December 15, 2016, the agreement with APHI was transferred to AHI.

   On January 3, 2017, the monthly fee was reduced to ₱0.3 million, exclusive of VAT, from January to March 31, 2017.

   On May 31, 2017, AHI and SSRLI entered into a management contract in which SSRLI shall pay a fixed monthly fee amounting to ₱0.3 million, exclusive of VAT, effective June 1, 2017 until September 30, 2017. The monthly fee was reduced to ₱0.2 million, exclusive of VAT for October 2017.

h. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein it shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities, which are not subject to handling fees), incurred in providing services to the villa guests. PRI's share in the net villa rental proceeds including handling fees amounted to ₱168.7 million, ₱163.4 million and ₱120.8 million in 2019, 2018 and 2017, respectively, and presented as "Services" revenue account in the consolidated profit or loss.

As part of the agreement, PRI will also receive a fund which shall be used for future maintenance requirements of the villas. As at December 31, 2019 and 2018, the restricted fund amounted to ₱85.3 million and ₱83.0 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 17).

i. In November 2005, the DENR awarded to SSRLI the use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

j. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2018 and 2017, SSRLI recognized handling fee, included under "Services" revenue account which amounted to ₱0.7 million and ₱4.7 million, respectively (nil in 2019).

k. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As at December 31, 2019 and 2018, total property development in progress amounted to ₱3.7 million and ₱3.2 million, respectively. This is presented as part of "Other noncurrent assets" in the consolidated balance sheets (see Note 17).

l. In 2017, SSRLI redeemed Class A preferred stock of 46,284,261 shares and Class B preferred stock of 30,915,739 shares amounting to ₱77.2 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive), plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy (eliminated in the consolidated balance sheets) amounted to ₱23.6 million and ₱41.4 million as at December 31, 2019 and 2018, respectively. Management fees (eliminated in the consolidated profit or loss) amounted to ₱99.0 million, ₱77.6 million and ₱67.6 million in 2019, 2018 and 2017, respectively.

b. In 2012, the PDP Energy entered into a contract of lease with a third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties. Set out below are the carrying amount of right-of-use assets recognized in 2019 and the movement during the period.

Cost		
Beginning/Ending balance	₱	35,792,042
Accumulated Amortization		
Beginning balance		–
Amortization for the year		7,535,167
Ending balance		7,535,167
Net Book Value	₱	28,256,875

Set out below is the carrying amount of lease liability and its movements in 2019:

Beginning balance	₱ 35,792,042
Accretion of interest	3,085,097
Lease payments	(8,585,166)
	30,291,973
Less current portion of lease liability	5,301,404
Ending balance	₱ 24,990,569

Operating lease commitments - PDP Energy as lessee (Effective prior to January 1, 2019)

The future aggregate minimum lease payments under the said lease are as follows:

	2019	2018
Not later than 1 year	₱ 8,865,270	₱ 7,481,987
More than 1 year but not later than 5 years	27,564,028	31,166,064
	₱ 36,429,298	₱ 38,648,051

Rental expense incurred amounted to ₱7.6 million and ₱6.7 million in 2018 and 2017, respectively.

c. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GCTC) wherein GCTC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GCI) which provides, among others, the exclusive distributor, reseller and representative for the sale of GCI products to customers within the Philippines.

32. Changes in Liabilities Arising from Financing Activities

	January 1, 2019	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	Accretion of Interest	December 31, 2019
Notes payable	₱ 250,000,000	₱ –	(₱ 250,000,000)	₱ –	₱ –	₱ –	₱ –
Long-term debt	1,138,087,700	5,124,000	(635,732,071)	–	(4,172,026)	–	503,307,603
Dividends payable	285,828,593	–	(617,229,791)	615,375,776	–	–	283,974,578
Lease liabilities (Note 2)	46,397,325	–	(12,309,568)	–	–	3,286,888	37,374,645
Total liabilities from financing activities	₱ 1,720,313,618	₱ 5,124,000	(₱ 1,515,271,430)	₱ 615,375,776	(₱ 4,172,026)	₱ 3,286,888	₱ 824,656,826

	January 1, 2018	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	December 31, 2018
Notes payable	₱ –	₱ 450,000,000	(₱ 200,000,000)	₱ –	₱ –	₱ 250,000,000
Long-term debt	1,718,724,321	–	(640,036,621)	–	59,400,000	1,138,087,700
Dividends payable	252,554,370	–	(575,312,404)	608,586,627	–	285,828,593
Total liabilities from financing activities	₱ 1,971,278,691	₱ 450,000,000	(₱1,415,349,025)	₱608,586,627	₱ 59,400,000	₱ 1,673,916,293

	January 1, 2017	Cash Flow for Availment	Cash Flow for Repayments	Dividend Declaration	Foreign Exchange Movement	December 31, 2017
Notes payable	₱ 91,948,200	₱ –	(₱ 91,948,200)	₱ –	₱ –	₱ –
Long-term debt	2,545,581,343	–	(838,534,464)	–	11,677,442	1,718,724,321
Dividends payable	242,208,406	–	(234,015,487)	244,361,451	–	252,554,370
Total liabilities from financing activities	₱ 2,879,737,949	₱ –	(₱ 1,164,498,151)	₱ 244,361,451	₱ 11,677,442	₱ 1,971,278,691

33. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As at December 31, 2019, the refund process has remained pending.

b. ASAC is a defendant in labor lawsuits and claims. As at December 31, 2019 and 2018, management has recognized provisions for losses amounting to ₱5.7 million that may be incurred from these lawsuits (see Note 19).

c. Some subsidiaries of the Group have claims, commitments, litigations and contingent liabilities that arise in the normal course of the operations which are not reflected in the consolidated financial statements. Management is of the opinion that as at December 31, 2019 and 2018, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

d. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed as they may prejudice the Group's negotiations with third parties.

34. Subsequent Events

a. On February 19, 2020, Anscor's BOD approved the amendment of its Articles of Incorporation wherein authorized capital stock of 5,000,000 common shares (par value of ₱1.00 per share) amounting to ₱5.0 million will be reclassified to 500,000,000 preferred shares (par value of ₱0.01 per share) amounting to ₱5.0 million.

b. The wide spread in the beginning of 2020 of a new virus strain called 2019 coronavirus (COVID-19) which originated from Wuhan, China compelled the World Health Organization to declare a global health emergency. This led to travel restrictions and put health authorities on alert for both preventive and curative measures to contain and resolve its impact. The Group has initially assessed the impact of the outbreak and will continue to monitor the developments and take the necessary measures in the future.

BOARD OF **DIRECTORS**

1 **ANDRES SORIANO III**
Chairman of the Board/
Chief Executive Officer/President

2 **EDUARDO J. SORIANO**
Vice Chairman

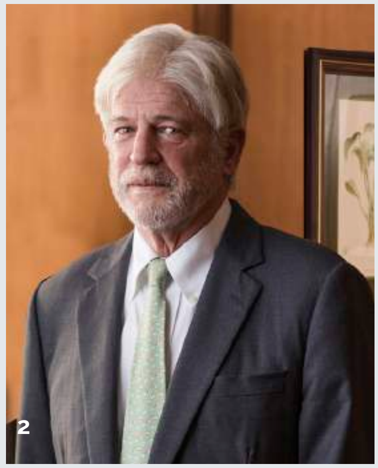
3 **ERNEST K. CUYEGKENG**

4 **JOHNSON ROBERT G. GO, JR.**

5 **OSCAR J. HILADO**

6 **JOSE C. IBAZETA**

7 **ALFONSO S. YUCHENGCO IIII**



OFFICERS & **CORPORATE DIRECTORY**

CORPORATE DIRECTORY

Corporate Social Responsibility Arm
The Andres Soriano Foundation, Inc. (ASF)
Andrews Avenue, Pasay City
(632) 8831-99-41 • (632) 8851-55-07
www.asorianofoundation.org

Address
7th Floor Pacific Star Building,
Makati Ave. cor Gil Puyat Ave. Ext., 1209
Makati City, Philippines

Post Office Box
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1252 Makati City, Philippines

Websites
www.anscor.com.ph
www.sorianogroup.com.ph

Telephone Numbers
(632) 8819-02-51 to 60

Fax Number
(632) 8811-50-68

External Auditors
SyCip Gorres Velayo & Co.

Stock Transfer Agent
Stock Transfer Service, Inc.
34th Floor, Unit D, Rufino Pacific Tower
6784 Ayala Avenue, Makati City

Legal Counsels
Angara Abello Concepcion Regala & Cruz
Kapunan & Castillo
Picazo Buyco Tan Fider & Santos
Tan Acut Lopez & Pison

** Assigned to AHI*
*** Assigned to ASF*

OFFICERS

ERNEST K. CUYEGKENG
Executive Vice President & Chief Financial Officer

WILLIAM H. OTTIGER
Senior Vice President & Corporate Development Officer/Treasurer

NARCISA M. VILLAFLOR
Vice President & Comptroller

LORENZO D. LASCO*
Vice President

JOSHUA L. CASTRO
Vice President & Assistant Corporate Secretary

SALOME M. BUHION
Assistant Vice President

MARIA VICTORIA L. CRUZ
Assistant Vice President

LEMIA L. SIMBULAN**
Executive Assistant

LORNA P. KAPUNAN
Corporate Secretary

SUBSIDIARIES

A. Soriano Air Corporation
AFC Agribusiness Corporation
Anscor Consolidated Corporation
Anscor Holdings, Inc. (AHI)
Anscor International, Inc.
IQ Healthcare Professional Connection, LLC
Island Aviation, Inc.
Minuet Realty Corporation
Pamalican Island Holdings, Inc.
Pamalican Resort, Inc.
PD Energy International Corporation
Phelps Dodge International Philippines, Inc.
Phelps Dodge Philippines Energy Products Corporation
Seven Seas Resorts and Leisure, Inc.
Sutton Place Holdings, Inc.

AFFILIATES

AGP International Holdings Pte Ltd.
ATRAM Investment Management Partners Corporation
DirectWithHotels, Inc.
Fremont Holdings, Inc.
KSA Realty Corporation
Navegar LP
Prople Limited
Sierra Madre Philippines I LP
Vicinetum Holdings, Inc.
Y-mAbs Therapeutics, Inc.

A. SORIANO CORPORATION
7th Floor, Pacific Star Building
Makati Avenue corner Gil Puyat Avenue Ext.
1209 Makati City, Philippines

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P W 2

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type		Department requiring the report	Secondary License Type, If Applicable
17-Q	(AMENDED)	**SEC**	**NA**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.com.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	Third Wednesday of April	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended March 31, 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

   Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

   7/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office Postal Code

   8190251
8. Issuer's telephone number, including area code

   N/A
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

……………………………………………………………………………………………………
……………………………………………………………………………………………………

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP - Asst. Corporate Secretary

Date: May 14, 2019

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: May 14, 2019

SEC Form17-Q
May 14, 2019

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A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	March 31	December 31
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	**2,627,127**	2,765,515
Fair value through profit and loss (FVPL) investments	**10,749,010**	9,437,947
Receivables	**2,331,224**	2,270,242
Inventories	**929,988**	1,030,461
Property development in progress	**3,177**	3,177
Fair value through other comprehensive income (FVOCI) investments - current	**116,354**	15,419
Prepayments	**46,652**	29,004
Other current assets	**17,191**	16,062
Total Current Assets	**16,820,724**	15,567,828
Noncurrent Assets		
FVOCI investments - net of current portion	**697,059**	678,904
Investments and advances	**1,516,701**	1,581,844
Goodwill	**1,302,276**	1,302,276
Property and equipment	**2,554,961**	2,560,830
Investment properties	**238,010**	238,105
Retirement plan asset	**62,977**	65,392
Deferred tax assets	**75,513**	75,513
Other noncurrent assets	**198,918**	219,319
Total Noncurrent Assets	**6,646,415**	6,722,184
TOTAL ASSETS	**23,467,139**	22,290,011

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**-**	250,000
Accounts payable and accrued expenses	**813,562**	807,181
Dividends payable	**588,672**	285,829
Income tax payable	**180,090**	103,460
Current portion of long-term debt	**634,441**	635,690
Total Current Liabilities	**2,216,765**	2,082,160

(Forward)

	March 31	December 31
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion	**346,059**	502,397
Deferred income tax liabilities - net	**460,883**	449,755
Retirement benefits payable	**12,379**	12,858
Other noncurrent liabilities	**131,719**	143,406
Total Noncurrent Liabilities	**951,040**	1,108,416
Total Liabilities	**3,167,805**	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	**396,369**	385,513
Unrealized valuation gains (losses) on FVOCI investments	**5,028**	(8,129)
Remeasurement on retirement benefits	**39,853**	39,853
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**10,434,253**	9,259,614
Cost of shares held by a subsidiary	**(2,399,947)**	(2,356,556)
	19,731,171	18,575,909
Noncontrolling interests	**568,164**	523,526
Total Equity	**20,299,334**	19,099,435
TOTAL LIABILITIES AND EQUITY	**23,467,139**	22,290,011

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2019	2,018
REVENUES		
Sale of goods – net	**2,139,568**	2,077,491
Services	**420,349**	371,296
Interest income	**25,620**	27,089
Dividend income	**11,570**	63,183
Equity in net earnings (losses) of associates	**(81,818)**	2,523
	2,515,288	2,541,582
INVESTMENT GAINS (LOSSES)		
Gain (loss) on increase (decrease) in market values of FVPL investments	**1,308,123**	(28,351)
Loss on sale of FVOCI investments	**-**	(163)
	1,308,123	(28,514)
	3,823,411	2,513,068
Cost of goods sold	**(1,760,890)**	(1,737,623)
Services rendered	**(120,582)**	(104,607)
Operating expenses	**(300,913)**	(317,837)
Foreign exchange gain	**7,496**	88,655
Interest expense	**(14,225)**	(18,659)
Other charges – net	**(2,842)**	(4,135)
	(2,191,956)	(2,094,206)
INCOME BEFORE INCOME TAX	**1,631,455**	418,863
PROVISION FOR INCOME TAX – NET	**109,334**	107,876
NET INCOME	**1,522,120**	310,987
OTHER COMPREHENSIVE INCOME		
Unrealized valuation gain (loss) on FVOCI investments	**18,796**	(15,088)
Realized loss on sale of FVOCI investments, net of impairment losses	**-**	163
Income Tax Effect	**(5,639)**	4,478
Unrealized loss on remeasurement of retirement benefits	**-**	(3,722)
Cumulative Translation Adjustment	**10,856**	110,338
OTHER COMPREHENSIVE INCOME	**24,013**	96,169
TOTAL COMPREHENSIVE INCOME	**1,546,133**	407,156

	Periods Ended March 31	
	2019	2,018
Net Income Attributable to:		
Equity holders of the parent	**1,477,483**	273,521
Noncontrolling interest	**44,637**	37,466
	1,522,120	310,987
Total Comprehensive Income Attributable to:		
Equity holders of the parent	**1,501,496**	369,690
Noncontrolling interest	**44,637**	37,466
	1,546,133	407,156
Earnings Per Share		
Basic/Diluted, for net income attributable to equity holders of the Parent	**1.23**	0.22
Earnings Per Share		
Basic/Diluted, for total comprehensive income attributable to equity holders of the Parent	**1.25**	0.30

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 Gains on FVOCI Investments	Cumulative Actuarial Gains	Cumulative Translation Adjustment	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
Balance at 12/31/2017	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	-	-	-	(10,448)	(3,722)	110,338	-	273,521	-	37,466	407,156
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	3	3
Restated, Balance at 03/31/2018	2,500,000	1,605,614	(26,357)	3,710	54,273	405,920	7,150,000	8,724,748	(2,324,315)	496,113	18,589,707
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	-	-	-	13,157	-	10,856	-	1,477,483	-	44,637	1,546,133
Cash dividends - net	-	-	-	-	-	-	-	(302,844)	-	-	(302,844)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(43,391)	-	(43,391)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	1	-
Restated, Balance at 03/31/2019	**2,500,000**	**1,605,614**	**-**	**5,028**	**39,853**	**396,369**	**7,150,000**	**10,434,253**	**(2,399,947)**	**568,164**	**20,299,334**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**1,631,455**	418,863
Adjustment for:		
Equity in net losses of associates	**81,818**	(2,523)
Depreciation and amortization	**64,959**	63,090
Interest expense	**14,225**	18,659
Loss (gain) on decrease (increase) in market values of FVPL investments	**(1,308,123)**	28,351
Interest income	**(25,620)**	(27,089)
Dividend income	**(11,570)**	(63,183)
Foreign exchange gain	**(7,819)**	(78,695)
Loss on sale of FVOCI investments	**-**	163
Gain on sale of property and equipment	**-**	(41)
Operating income before working capital changes	**439,326**	357,594
Decrease (increase) in:		
FVPL investments	**2,841**	(66,772)
Receivables	**(60,982)**	(341,106)
Inventories	**100,472**	(362,351)
Increase (decrease) in:		
Accounts payable and accrued expenses	**6,381**	139,694
Retirement benefits payable	**1,936**	(6,593)
Net cash generated from (used in) operations	**489,973**	(279,534)
Dividend received	**11,570**	63,183
Interest received	**25,620**	26,996
Interest paid	**(14,225)**	(18,659)
Income taxes paid	**(30,666)**	(24,483)
Net cash flows from (used in) operating activities	**482,273**	(232,498)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
FVOCI investments	**-**	13,217
Property and equipment	**-**	1,266
Addition to:		
FVOCI investments	**(96,092)**	-
Property and equipment	**(59,090)**	(34,594)
Investment properties	**95**	(135)
Decrease (increase) in:		
Prepayments and other assets	**1,624**	(30,263)
Other noncurrent liabilities	**(11,687)**	(39,277)
Advances to affiliates	**(9,608)**	9,237
Net cash flows used in investing activities	**(174,758)**	(80,549)

(Forward)

	Periods Ended March 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of:		
Notes payable	**(250,000)**	-
Long-term debt	**(157,588)**	(156,909)
Company shares purchased by a subsidiary	**(43,391)**	-
Increase (decrease) in:		
Deferred revenue	**-**	(9,248)
Noncontrolling interest	**-**	3
Net cash flows used in financing activities	**(450,978)**	(166,153)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**5,076**	50,907
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(138,388)**	(428,293)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,765,515**	3,255,535
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,627,127**	2,827,242

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	March 31 2019	December 31 2018
ASSETS		
Cash and Cash Equivalents	**972,485**	1,193,946
Fair Value through Profit and Loss (FVPL) Investments	**9,518,712**	8,455,478
Fair value through other comprehensive income (FVOCI) investments	**813,413**	694,323
Receivables - net	**426,637**	443,160
Investments and Advances- net	**6,914,861**	7,190,993
Property and Equipment - net	**14,084**	15,984
Retirement Plan Asset	**62,832**	62,832
Other Assets	**1,367**	982
TOTAL ASSETS	**18,724,391**	18,057,699
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**30,552**	41,664
Dividends Payable	**588,672**	285,829
Long-term Debt	**475,038**	591,525
Deferred Income Tax Liabilities - net	**121,201**	111,524
Total Liabilities	**1,215,463**	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 (losses on FVOCI investments	**5,028**	(8,129)
Remeasurement on Retirement Benefits	**36,455**	36,455
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**6,227,645**	5,759,032
Total Equity	**17,508,928**	17,027,158
TOTAL LIABILITIES AND EQUITY	**18,724,391**	18,057,699

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended March 31	
	2019	2018
REVENUES		
Management fees	**24,422**	22,029
Interest income	**24,206**	26,710
Dividend income	**14,570**	63,183
	63,199	111,922
INVESTMENT GAINS (LOSSES)		
Gains (loss) on increase (decrease) in market values of FVPL investments	**1,095,416**	(34,037)
Loss on sale of FVOCI investments	**-**	(163)
	1,095,416	(34,200)
	1,158,615	77,722
Operating expenses	**(64,117)**	(96,686)
Interest expense	**(6,662)**	(10,337)
Foreign exchange gain	**6,333**	84,152
Others net	**4,244**	2,604
	(60,201)	(20,267)
INCOME BEFORE INCOME TAX	**1,098,414**	57,455
PROVISION FOR INCOME TAX - NET	**4,800**	17,629
NET INCOME	**1,093,614**	39,826
OTHER COMPREHENSIVE INCOME (LOSS)		
Unrealized valuation gain (loss) on FVOCI investments	**18,796**	(15,088)
Realized loss on Sale of FVOCI investments	**0**	163
Income Tax Effect	**(5,639)**	4,478
OTHER COMPREHENSIVE INCOME (LOSS)	**13,157**	(10,448)
TOTAL COMPREHENSIVE INCOME	**1,106,770**	29,378
Earnings Per Share:		
Net income	**0.437**	0.016
Total comprehensive income	**0.443**	0.012

A. SORIANO CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	RESTATED (Note 1)						
	Capital Stock	Additional Paid-in Capital	Unrealized Valuation Gains on FVOCI Investments	Unrealized Actuarial Gain	Retained Earnings Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,781
Comprehensive income	0	0	(10,448)		0	39,826	29,378
Cash dividends	0	0	0	0	0	(1,250,000)	(1,250,000)
Restated, Balance at 03/31/2018	2,500,000	1,589,800	3,710	53,817	7,150,000	5,025,833	16,323,159
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	0	0	13,157	(0)	0	1,093,614	1,106,770
Cash dividends	0	0	0	0	0	(625,000)	(625,000)
Restated, Balance at 03/31/2019	**2,500,000**	**1,589,800**	**5,028**	**36,455**	**7,150,000**	**6,227,645**	**17,508,928**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	For the Periods Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	**1,098,414**	57,455
Adjustment for:		
Interest expense	**6,662**	10,337
Depreciation and amortization	**1,994**	2,285
Loss (gain) on decrease (increase) in market values of FVPL investments	**(1,095,416)**	34,037
Interest income	**(24,206)**	(26,710)
Dividend income	**(14,570)**	(63,183)
Unrealized foreign exchange gain	**(11,608)**	(84,152)
Loss on sale of FVOCI investments	**-**	163
Gain on sale of property and equipment	**-**	(41)
Operating loss before working capital changes	**(38,731)**	(69,809)
Increase (decrease) in:		
Receivables	**16,524**	1,298
FVPL investments	**37,962**	(42,267)
Decrease in accounts payable and accrued expenses	**(11,112)**	(3,809)
Net cash generated (used in) operations	**4,642**	(114,588)
Dividend received	**14,570**	63,183
Interest received	**24,206**	26,617
Interest paid	**(6,662)**	(10,337)
Income tax paid	**(762)**	-
Net cash flows from (used in) operating activities	**35,995**	(35,125)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of :		
FVOCI investments	**-**	13,217
Property and equipment	**-**	1,266
Additions to:		
FVOCI investments	**(96,092)**	-
Property and equipment	**(94)**	(1,200)
Increase in:		
Advances to affiliates	**(46,024)**	(8,174)
Other assets	**(384)**	(193)
Net cash flows from (used in) investing activities	**(142,595)**	4,915

(Forward)

	For the Periods Ended March 31	
	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of long-term debt	**(118,001)**	(117,484)
Net cash flows used in financing activities	**(118,001)**	(117,484)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**3,140**	46,405
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(221,461)**	(101,289)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,193,946**	1,696,679
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**972,485**	1,595,390

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
03/31/2019							
REVENUE	2,139,568	363,745	604,893	1,158,615	4,266,821	(443,410)	**3,823,411**
TOTAL COMPREHENSIVE INCOME	198,066	110,262	535,096	1,106,770	1,950,195	(404,062)	**1,546,133**
TOTAL ASSETS	4,347,691	1,747,166	13,094,478	18,724,391	37,913,727	(14,446,589)	**23,467,139**
INVESTMENTS PORTFOLIO *	19,577	77,373	24,185,381	17,246,986	41,529,317	(28,212,183)	**13,317,134**
PROPERTY & EQUIPMENT	624,057	758,769	83,354	14,084	1,480,264	1,074,696	**2,554,961**
TOTAL LIABILITIES	1,087,662	494,135	2,696,797	1,215,463	5,494,056	(2,326,252)	**3,167,805**
DEPRECIATION AND AMORTIZATION	18,471	26,134	11,697	1,994	58,297	6,663	**64,959**

	Before Eliminations						
			Other				After
	Wire Manufacturing	Resort Operation	Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**Eliminations Consolidated**
03/31/2018							
REVENUE	2,077,491	312,707	712,672	77,722	3,180,592	(667,524)	**2,513,068**
TOTAL COMPREHENSIVE INCOME	180,965	92,123	644,752	29,378	947,218	(540,062)	**407,156**
TOTAL ASSETS	4,227,479	1,574,962	13,182,122	18,889,548	37,874,111	(14,884,309)	**22,989,802**
INVESTMENTS PORTFOLIO *	15,367	90,471	12,540,910	17,035,311	29,682,059	(17,189,249)	**12,492,810**
PROPERTY & EQUIPMENT	624,021	800,338	93,920	18,842	1,537,121	1,101,347	**2,638,468**
TOTAL LIABILITIES	1,372,152	475,539	2,824,021	2,572,722	7,244,434	(3,024,373)	**4,220,060**
DEPRECIATION AND AMORTIZATION	17,966	25,210	10,966	2,285	56,427	6,663	**63,090**

*** *Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***

**** *Excluding IQHPC operations which were consolidated into Cirrus Global (IQMAN), the latter formed part of other operations.***

Note 1 Consolidated operations also included are the operations of A. Soriano Air Corporation, Anscor International, Inc. and Anscor Holdings, Inc.

- The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered.
- Healthcare staffing segment engages in the contract and temporary staffing and permanent placement of nurses and allied healthcare professional (e.g. physical therapists) in the USA. This investment was sold on October 19, 2017.
- Holding company segment pertains to the operation of the parent company with earnings from income of its financial and operating investment assets.
- Other operations include hangarage, real estate holding and management and manpower services.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at FVPL) and FVOCI investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Thousand Peso unless otherwise stated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 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 March 31, 2019 and December 31, 2018:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Current Versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2019**	2018
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	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.*

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 BVI, United States of America and Hongkong, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Disposal Group and Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVOCI equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in

equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVOCI financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments
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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 March 31, 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 on nurse placements is recognized upon the nurses’ arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. The Company does not, in the ordinary course of business, give refunds. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Company to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Company contracts with other staffing companies to provide the travelers to fill the jobs for the Company. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest
Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends
Dividend income is recognized when the shareholders' right to receive the payment is established.

Rental
Rental income is accounted for on a straight-line basis over the lease term.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses

All selling and general and administrative expenses are expensed as incurred.

<u>Other Comprehensive Income</u>

Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

<u>Cash and Cash Equivalents</u>

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

<u>Inventories</u>

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

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 March 31, 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 March 31, 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 March 31, 2019:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱7,864,222**	**₱7,864,222**	**₱–**	**₱–**
Unquoted equity shares	**1,118,467**	**-**	**176,817**	**941,650**
Bonds and convertible note	**775,789**	**775,789**	**–**	**–**
Funds and equities	**647,629**	**647,569**	**–**	**60**
Proprietary shares	**324,377**	**324,377**	**–**	**–**
Others	**18,526**	**18,526**	**–**	**–**
	10,749,010	**9,630,483**	**176,817**	**941,710**
FVOCI investments:				
Bonds and convertible note	**813,413**	**813,413**	**–**	**–**
	813,413	**813,413**	**–**	**–**
	₱11,562,423	**₱10,443,896**	**₱178,817**	**₱941,710**

As of December 31, 2018

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱6,588,212	₱6,588,212	₱–	₱–
Unquoted equity shares	1,086226	–	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	–	–
	₱10,132,271	₱9,045,985	₱144,576	₱941,710

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 31 March 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 March 31, 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 March 31, 2019 versus December 31, 2018.

Cash and Cash Equivalents

The decrease in cash and cash equivalents can be attributed to net cash used in investing and financing activities amounting to P625.7 million partially offset by cash generated from operating activities.

(Please see attached consolidated cash flow statements for detailed analysis of cash movements on pages 6 and 7).

Fair Value Through Profit and Loss (FVPL) Investments

The increase in the account can be attributed to the P1.3 billion increase in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net additions for the period amounted to P2.8 million and unrealized foreign exchange gain related to foreign denominated investments amounts to P94.5 million.

Receivables

The increase in receivables was mainly due to improved revenues of the wire manufacturing business.

Inventories
The decrease is traced to inventories sold by the wire manufacturing subsidiary and the spare parts and supplies utilized for three months by the aviation and resort subsidiaries.

Fair value through other comprehensive income (FVOCI) investments - current & noncurrent
Net increase in this account amounted to P119.1 million. The increase can be attributed to higher market value of investments of about P18.8 million; net additions to investments of P96.1 million and unrealized foreign exchange gain of 4.2 for three months of 2019.

Prepayments and other current assets
Increase in this account can be attributed mainly to prepaid expenses related manufacturing and resort operations.

Investments and Advances
The decrease in investments and advances were due take up of share in the net loss of an associate amounting to P81.8 million offset by the unrealized foreign exchange gain related to foreign equity investment of P7.1 million.

Property, Plant and Equipment - net
Decrease can be traced to depreciation amounting to P65.0 million offset by acquisition of property and equipment of P59.1 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Notes Payable
The decrease in the account was due to payment of short term loan by PDP Energy.

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Accounts Payable and Accrued Expenses
The increase was mainly attributable to the recorded liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Dividends Payable
On February 21, 2019, the Parent Company approved the declaration of cash dividends of P0.25 per share (P0.05 per share special and P0.20 per share regular) to shareholders, which was paid on April 10, 2019.

Income Tax Payable
Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for three 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 P157.6 million loan paid by the Parent Company and PDP, offset by the increase in value of the foreign denominated loans of the Parent Company when translated to the exchange rate as of March 31, 2019.

Deferred income tax liabilities - net

Increase in the account was mainly due to the deferred tax effect on the increase in value of FVOCI & FVPL investments, accrued management fees and unrealized foreign exchange gain.

Other noncurrent liabilities

Decrease in the account balance was mainly due to the use of deposit from villa owners for back of house facilities improvement of the resort subsidiary.

Cumulative Translation Adjustment (CTA)

This account includes translation adjustments of Anscor International, Inc., and Cirrus Global, Inc.'s subsidiary, IQHPC. Due to lower value of Philippine peso vis-à-vis US$, CTA balance increased by P10.9 million.

Unrealized valuation gains (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 March 31, 2019.

Noncontrolling Interests

Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for three months of 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 March 31	
	2019	*2018*
Revenues (excluding investment gains or losses)	***63,199***	*111,922*
Investment Gains (Losses)	***1,095,416***	*(34,200)*
Total Comprehensive Income (Loss)	***1,106,770***	*29,378*
Earnings (Loss) Per Share	***0.44***	*0.02*
Market Price Per Share (PSE)	***6.5***	*6.64*

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues
This year's consolidated gross revenues of P3.8 billion was significantly higher than last year's revenue of P2.5 billion due to the gain on increase in market value of FVPL investments of P1.3 billion vs a loss of P28.4 million in 2018. Also, PDP Energy and resort operation reported improved revenues.

Cost of Goods Sold
Increase in cost of goods sold was mainly attributable to higher cost of goods of the wire manufacturing subsidiary due to their increased revenues.

Services Rendered
Increase in cost of services rendered was mainly due to higher cost of services of the resort operation due to their increased revenues.

Operating Expenses
The Group reported lower operating expenses for three months of 2019 mainly due to decreased expenses of the Parent Company.

Foreign Exchange Gain

Due to the appreciation of dollar and euro vis-à-vis peso, the parent company reported foreign exchange gain on its foreign currency denominated investments in financial assets, offset by foreign exchange loss on its dollar denominated loan.

Interest Expense

Amount in 2019 was slightly lower than 2018 due to payment of long-term loan by the parent company and PDP.

Provision for Income Tax - net

The current provision for income tax of the Group increased due higher taxable income of PDP and the Resort which reported higher profits for three months of 2019.

9. Cash Flows

Management has no knowledge of known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.

10. Financial information

- There is neither a change in composition of the registrant, no business combination nor any restructuring.
- There are no seasonality or cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:

- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,294,747,146 shares of Anscor. During three months of 2019, Anscorcon purchased 6.7 million Anscor shares amounting P43.4 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 March 31	
	2019	*2018*
Volume sold (MT)	**4,189**	4,185
Revenue	**2,139,568**	2,077,491
Net Income	**198,066**	180,965

PDP Energy's revenue slightly increased in 2019 as against 2018's revenues.

PDP recorded a net income of P198.1 million for three months of 2019, higher than the P181.0 million profit recorded last year.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 61.9% for three months of 2019, higher than the 2018 average occupancy rate of 59.4%. Average room rate was P77,332, an increase from last year's average room rate of P73,515. Total hotel revenues amounted to P363.7 million, an improvement from last year's revenues of P312.7 million partially helped by the appreciation of the Philippine peso vis-à-vis US$. Gross operating profit (GOP) of P200.5 million increased by P26.8 million versus 2018's GOP.

Seven Seas reported a consolidated net income of P110.3 million for three months of 2019, higher by 19.8% from last year's net income of P92.1 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		03/31/2019	03/31/2018
1.	Book Value Per Share (Note 1)	**16.37**	15.01
2.	Current Ratio (Note 2)	**7.59**	6.02
3.	Debt to Equity Ratio (Note 3)	**0.16**	0.23
4.	Asset to Equity Ratio (Note 4)	**1.19**	1.26
5.	Profit Ratio (Net Income Attributable to Equity Holdings of the Parent/Total Revenues)	**38.64%**	10.9%
6.	Return on Equity (Net Income/Equity Attributable to Equity Holdings of the Parent)	**7.49%**	1.5%

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

	03/31/2019	03/31/2018
1. Volume	**4,189**	4,185
2. Revenue	**2,139,568**	2,077,491
3. Net income	**198,066**	180,965

Seven Seas Group

In Thousand Pesos

	03/31/2019	03/31/2018
1. Occupancy rate	**61.9%**	**59.4%**
2. Hotel revenue	**363,745**	**312,707**
3. Gross operating profit (GOP)	**200,467**	**173,701**

4. GOP ratio	**55.1%**	**55.6%**
5. Net income	**110,262**	**92,123**

Occupancy rate is based on actual room nights sold over available room nights on a 3-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P W 2

COMPANY NAME

A SORIANO CORPORATION AND
SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building,
Makati Avenue corner Gil Puyat
Avenue Extension, Makati City

Form Type		Department requiring the report	Secondary License Type, If Applicable
17-Q	(AMENDED)	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.com.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	Third Wednesday of April	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 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/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City

7. Address of issuer's principal office Postal Code

8190251

8. Issuer's telephone number, including area code

N/A

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange	Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ ] No. [x]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: August 14, 2019

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: August 14, 2019

SEC Form17-Q
August 14, 2019

SEC FORM 17 – Q
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A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos)

	June 30	December 31
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	**2,958,703**	2,765,515
Fair value through profit and loss (FVPL) investments	**10,413,261**	9,437,947
Receivables	**2,059,964**	2,270,242
Inventories	**1,056,408**	1,030,461
Property development in progress	**3,177**	3,177
Fair value through other comprehensive income (FVOCI) investments - current	**112,818**	15,419
Prepayment and other current assets	**66,145**	45,066
Total Current Assets	**16,670,475**	15,567,828
Noncurrent Assets		
FVOCI investments - net of current portion	**662,255**	678,904
Investments and advances	**1,351,887**	1,581,844
Goodwill	**1,302,276**	1,302,276
Property and equipment	**2,529,514**	2,560,830
Investment properties	**238,010**	238,105
Retirement plan asset	**62,977**	65,392
Deferred tax assets	**70,917**	75,513
Other noncurrent assets	**206,177**	219,319
Total Noncurrent Assets	**6,424,013**	6,722,184
TOTAL ASSETS	**23,094,488**	22,290,011

LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable	**-**	250,000
Accounts payable and accrued expenses	**684,088**	807,181
Dividends payable	**283,975**	285,829
Income tax payable	**118,508**	103,460
Current portion of long-term debt	**508,855**	635,690
Total Current Liabilities	**1,595,426**	2,082,160

(Forward)

	June 30	December 31
	2019	2018
Noncurrent Liabilities		
Long-term debt - net of current portion	**302,857**	502,397
Deferred income tax liabilities - net	**449,020**	449,755
Retirement benefits payable	**11,873**	12,858
Other noncurrent liabilities	**132,433**	143,406
Total Noncurrent Liabilities	**896,183**	1,108,416
Total Liabilities	**2,491,609**	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	**318,572**	385,513
Unrealized valuation gain (loss) on FVOCI investments	**10,746**	(8,129)
Remeasurement on retirement benefits	**39,853**	39,853
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**10,900,868**	9,259,614
Cost of shares held by a subsidiary	**(2,458,013)**	(2,356,556)
	20,067,640	18,575,909
Noncontrolling interests	**535,239**	523,526
Total Equity	**20,602,879**	19,099,435
TOTAL LIABILITIES AND EQUITY	**23,094,488**	22,290,011

A. SORIANO CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
REVENUES				
Sale of goods - net	**3,914,022**	4,006,528	**1,774,454**	1,929,037
Services	**747,753**	732,301	**327,404**	361,005
Dividend income	**229,011**	219,621	**217,441**	156,437
Interest income	**53,545**	53,480	**27,925**	26,391
Equity in net earnings (losses) of associates	**(198,961)**	3,553	**(117,143)**	1,030
	4,745,370	5,015,483	**2,230,082**	2,473,901
INVESTMENT GAINS (LOSSES)				
Gain (loss) on increase (decrease) in market values of FVPL investments	**1,420,741**	(1,135,659)	**112,618**	(1,107,308)
Gain (loss) on sale of FVOCI investments	**380**	(163)	**380**	-
	1,421,121	(1,135,822)	**112,998**	(1,107,308)
	6,166,491	3,879,661	**2,343,080**	1,366,593
Cost of goods sold	**(3,194,841)**	(3,337,876)	**(1,433,951)**	(1,600,253)
Cost of services rendered	**(221,700)**	(235,683)	**(101,118)**	(131,076)
Operating expenses	**(554,646)**	(577,954)	**(253,733)**	(260,117)
Foreign exchange gain (loss)	**(50,646)**	138,666	**(58,142)**	50,011
Interest expense	**(25,630)**	(39,658)	**(11,405)**	(20,999)
Other income - net	**82,695**	48,465	**85,537**	52,600
	(3,964,767)	(4,004,039)	**(1,772,811)**	(1,909,834)
INCOME (LOSS) BEFORE INCOME TAX	**2,201,724**	(124,378)	**570,269**	(543,241)
PROVISION FOR INCOME TAX				
Current	**197,042**	179,290	**89,747**	87,044
Deferred	**(7,679)**	13,268	**(9,718)**	(2,362)
	189,363	192,557	**80,029**	84,681
NET INCOME (LOSS)	**2,012,361**	(316,935)	**490,240**	(627,922)

(Forward)

	Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	**27,343**	(31,022)	**8,548**	(15,934)
Realized loss (gain) on sale of FVOCI investments, net of impairment losses	**(380)**	163	**(380)**	0
Unrealized loss on remeasurement of retirement Benefits	**(0)**	(5,316)	**0**	(1,595)
Cumulative Translation Adjustment	**(66,941)**	173,053	**(77,797)**	62,715
Income Tax Effect	**(8,089)**	10,853	**(2,450)**	6,375
OTHER COMPREHENSIVE INCOME (LOSS)	**(48,066)**	147,730	**(72,079)**	51,561
TOTAL COMPREHENSIVE INCOME (LOSS)	**1,964,294**	**(169,205)**	**418,161**	(576,361)
Net Income (Loss) Attributable to:				
Equity holders of the parent	**1,944,098**	(380,058)	**466,614**	(653,579)
Minority interest	**68,263**	63,122	**23,626**	25,657
	2,012,361	(316,935)	**490,240**	(627,922)
Total Comprehensive Income (Loss) Attributable to:				
Equity holders of the parent	**1,896,031**	(232,328)	**394,535**	(602,018)
Minority interest	**68,263**	63,122	**23,626**	25,657
	1,964,294	(169,205)	**418,161**	(576,361)
Earnings Per Share				
Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	**1.62**	(0.31)	**0.39**	(0.54)
Earnings Per Share				
Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	**1.58**	(0.19)	**0.33**	(0.49)

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)	-	-	-	(21,601)	(3,722)	173,053	-	(380,058)	-	63,122	(169,205)
Cash dividends - net	-	-	-	-	-	-	-	(608,587)	-	-	(608,587)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(39,189)	(39,189)
Balance at 06/30/2018	2,500,000	1,605,614	(26,357)	(7,444)	54,273	468,635	7,150,000	8,071,169	(2,324,315)	482,578	17,974,154
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)	-	-	-	18,874	-	(66,941)	-	1,944,098	-	68,263	1,964,294
Cash dividends - net	-	-	-	-	-	-	-	(302,844)	-	-	(302,844)
Shares repurchased during the year	-	-	-	-	-	-	-	-	(101,457)	-	(101,457)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(56,550)	(56,550)
Balance at 06/30/2019	**2,500,000**	**1,605,614**	**-**	**10,746**	**39,853**	**318,572**	**7,150,000**	**10,900,868**	**(2,458,013)**	**535,239**	**20,602,879**

A. SORIANO CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax	**2,201,724**	(124,378)	**570,269**	(543,241)
Adjustment for:				
Depreciation and amortization	**126,858**	126,544	**61,899**	63,454
Unrealized foreign exchange loss (gain)	**24,716**	(91,283)	**32,534**	(12,588)
Interest expense	**25,630**	39,658	**11,405**	20,999
Equity in net losses (earnings) of associates	**198,961**	(3,553)	**117,143**	(1,030)
Valuation allowances- net	-	200	-	106
Loss (gain) on decrease (increase) in market values of FVPL investments	**(1,420,741)**	1,135,659	**(112,618)**	1,107,308
Dividend income	**(229,011)**	(219,621)	**(217,441)**	(156,437)
Interest income	**(53,545)**	(53,480)	**(27,925)**	(26,391)
Loss (gain) on sale of FVOCI investments	**(380)**	163	**(380)**	-
Gain on sale of property and equipment	**-**	(103)	**-**	(63)
Operating income before working capital changes	**874,211**	809,806	**434,885**	452,118
Decrease (increase) in:				
FVPL investments	**412,085**	92,369	**409,245**	159,141
Receivables	**210,278**	(201,259)	**271,260**	139,941
Inventories	**(25,947)**	(243,096)	**(126,419)**	119,255
Increase (decrease) in:				
Accounts payable and accrued expenses	**(123,093)**	(115,147)	**(129,474)**	(254,841)
Retirement benefits payable	**1,430**	(6,367)	**(506)**	225
Net cash generated from operations	**1,348,965**	336,306	**858,992**	615,840
Dividend received	**229,011**	219,621	**217,441**	156,437
Interest received	**53,545**	53,305	**27,925**	26,309
Interest paid	**(25,630)**	(39,658)	**(11,405)**	(20,999)
Income taxes paid	**(181,994)**	(139,319)	**(151,328)**	(114,836)
Net cash flows from operating activities	**1,423,897**	430,254	**941,625**	662,752

(*Forward*)

	Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**51,979**	33,945	**51,979**	20,728
Property and equipment	**-**	1,268	**-**	2
Addition to:				
FVOCI investments	**(122,460)**	(199,140)	**(26,368)**	(199,140)
Long-term investments	**(10,204)**	(102,946)	**(10,204)**	(102,946)
Investment properties	**95**	(435)	**-**	(300)
Property and equipment	**(95,542)**	(58,403)	**(36,452)**	(23,809)
Decrease (increase) in:				
Prepayments and other assets	**(7,937)**	1,417	**(9,560)**	31,679
Other noncurrent liabilities	**(10,973)**	(39,102)	**714**	176
Advances to affiliates	**(1,552)**	991	**8,055**	(8,246)
Net cash flows used in investing activities	**(196,593)**	(362,405)	**(21,835)**	(281,856)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from (payment of):				
Notes payable	**(250,000)**	200,000	**-**	200,000
Long-term debt	**(315,393)**	(317,316)	**(157,805)**	(160,407)
Cash dividends	**(304,698)**	(570,534)	**(304,698)**	(570,534)
Company shares purchased by a subsidiary	**(101,457)**	-	**(58,066)**	-
Increase (decrease) in:				
Deferred revenue	**-**	(9,242)	**-**	6
Minority interest	**(56,550)**	(39,189)	**(56,550)**	(39,192)
Net cash flows used in financing activities	**(1,028,097)**	(736,281)	**(577,119)**	(570,127)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(6,019)**	79,525	**(11,095)**	28,617
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**193,188**	(588,907)	**331,575**	(160,614)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**2,765,515**	3,255,535	**2,627,127**	2,827,242
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**2,958,703**	2,666,628	**2,958,703**	2,666,628

A. SORIANO CORPORATION

PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	June 30 2019	December 31 2018
ASSETS		
Cash and Cash Equivalents	**1,386,112**	1,193,946
Fair Value through Profit and Loss (FVPL) Investments	**9,277,122**	8,455,478
Fair value through other comprehensive income (FVOCI) investments	**775,073**	694,323
Receivables - net	**433,169**	443,160
Investments and Advances- net	**7,134,662**	7,190,993
Property and Equipment - net	**12,104**	15,984
Retirement Plan Asset	**62,832**	62,832
Other Assets	**1,393**	982
TOTAL ASSETS	**19,082,468**	18,057,699

LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable and Accrued Expenses	**38,233**	41,664
Dividends Payable	**283,975**	285,829
Long-term Debt	**346,667**	591,525
Deferred Income Tax Liabilities - net	**115,932**	111,524
Total Liabilities	**784,806**	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	**10,746**	(8,129)
Remeasurement on Retirement Benefits	**36,455**	36,455
Retained Earnings		
Appropriated	**7,150,000**	7,150,000
Unappropriated	**7,010,661**	5,759,032
Total Equity	**18,297,661**	17,027,158
TOTAL LIABILITIES AND EQUITY	**19,082,468**	18,057,699

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings Per Share)

	Periods Ended June30		Quarters Ended June 30	
	2019	2018	**2019**	2018
REVENUES				
Dividend income	**575,461**	1,174,271	**560,891**	1,111,088
Interest income	**48,884**	51,925	**24,677**	25,215
Management fees	**46,224**	43,003	**21,802**	20,974
	670,569	1,269,198	**607,370**	1,157,276
INVESTMENT GAINS (LOSSES)				
Gain (loss) on increase (decrease) in market values of FVPL investments	**1,354,442**	(1,143,764)	**259,026**	(1,109,727)
Gain (loss) on sale of FVOCI investments	**380**	(163)	**380**	-
	1,354,822	(1,143,927)	**259,406**	(1,109,727)
	2,025,391	125,271	**866,776**	47,549
Operating expenses	**(95,744)**	(134,788)	**(31,628)**	(38,101)
Foreign exchange gain (loss)	**(48,373)**	132,707	**(54,706)**	48,554
Interest expense	**(11,997)**	(21,550)	**(5,335)**	(11,212)
Others net	**5,526**	17,053	**1,282**	14,449
	(150,588)	(6,577)	**(90,387)**	13,690
INCOME BEFORE INCOME TAX	**1,874,803**	118,694	**776,389**	61,239
PROVISION FOR INCOME TAX				
Current	**1,854**	1,195	**1,092**	1,195
Deferred	**(3,681)**	17,265	**(7,719)**	(364)
	(1,827)	18,460	**(6,627)**	831
NET INCOME	**1,876,630**	100,234	**783,016**	60,408
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain (loss) on FVOCI investments	**27,343**	(31,022)	**8,548**	(15,934)
Realized gain on Sale of FVOCI investments	**(380)**	163	**(380)**	-
Income Tax Effect	**(8,089)**	9,258	**(2,450)**	4,780
OTHER COMPREHENSIVE INCOME (LOSS)	**18,874**	(21,601)	**5,717**	(11,154)
TOTAL COMPREHENSIVE INCOME	**1,895,504**	78,633	**788,733**	49,254
Earnings Per Share:				
Net income	**0.75**	0.04	**0.31**	0.02
Total comprehensive income	**0.76**	0.03	**0.32**	0.02

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 Appropriated	Retained Earnings Unappropriated	Total
Balance at 12/31/2017	2,500,000	1,589,800	14,158	53,817	7,150,000	6,236,007	17,543,781
Comprehensive income	-	-	(21,601)	-	-	100,234	78,633
Cash dividends	-	-	-	-	-	(1,250,000)	(1,250,000)
Balance at 06/30/2018	2,500,000	1,589,800	(7,444)	53,817	7,150,000	5,086,241	16,372,414
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	-	-	18,874	-	-	1,876,630	1,895,504
Cash dividends	-	-	-	-	-	(625,000)	(625,000)
Balance at 06/30/2019	**2,500,000**	**1,589,800**	**10,746**	**36,455**	**7,150,000**	**7,010,661**	**18,297,661**

A. SORIANO CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	For the Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before tax	**1,874,803**	118,694	**776,389**	61,239
Adjustment for:				
Unrealized foreign exchange gain	**48,903**	(132,707)	**60,511**	(48,554)
Interest expense	**11,997**	21,550	**5,335**	11,212
Depreciation and amortization	**3,990**	4,631	**1,996**	2,346
Loss (gain) on decrease (increase) in market values of FVPL investments	**(1,354,442)**	1,143,764	**(259,026)**	1,109,727
Dividend income	**(575,461)**	(1,174,271)	**(560,891)**	(1,111,088)
Interest income	**(48,884)**	(51,925)	**(24,677)**	(25,215)
Loss (gain) on sale of FVOCI investments	**(380)**	163	**(380)**	-
Gain on sale of property and equipment	**-**	(41)	**-**	-
Operating loss before working capital changes	**(39,473)**	(70,142)	**(742)**	(333)
Increase (decrease) in:				
Receivables	**9,991**	(27,004)	**(6,532)**	(28,302)
FVPL investments	**499,456**	146,272	**461,494**	188,540
Increase (decrease) in accounts payable and accrued expenses	**(3,431)**	(7,202)	**7,681**	(3,393)
Net cash generated operations	**466,543**	41,925	**461,900**	156,512
Dividend received	**450,461**	284,271	**435,891**	221,088
Interest received	**48,884**	51,750	**24,677**	25,133
Interest paid	**(11,997)**	(21,550)	**(5,335)**	(11,212)
Income tax paid	**(1,854)**	(1,195)	**(1,092)**	(1,195)
Net cash flows from operating activities	**952,036**	355,201	**916,041**	390,326

(Forward)

	For the Periods Ended June 30		Quarters Ended June 30	
	2019	2018	**2019**	2018
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from the sale of :				
FVOCI investments	**51,979**	33,945	**51,979**	20,728
Property and equipment	**-**	1,205	**-**	(60)
Redemption of preferred shares	**-**	10,000	**-**	10,000
Additions to:				
FVOCI investments	**(122,460)**	(199,140)	**(26,368)**	(199,140)
Long-term investments	**(10,204)**	(102,946)	**(10,204)**	(102,946)
Property and equipment	**(110)**	(3,675)	**(16)**	(2,475)
Increase in:				
Advances to affiliates	**(130,621)**	180,418	**(84,597)**	188,592
Other assets	**(411)**	(447)	**(26)**	(254)
Net cash flows used in investing activities	**(221,826)**	(80,640)	**(69,232)**	(85,555)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of:				
Long-term debt	**(233,876)**	(237,791)	**(115,875)**	(120,308)
Cash dividends	**(304,698)**	(608,587)	**(304,698)**	(608,587)
Net cash flows used in financing activities	**(538,574)**	(846,378)	**(420,573)**	(728,894)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(9,469)**	73,565	**(12,609)**	27,160
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**192,166**	(498,252)	**413,627**	(396,963)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,193,946**	1,696,679	**972,485**	1,595,390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**1,386,112**	1,198,427	**1,386,112**	1,198,427

Additional Notes to Consolidated Financial Statements

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
06/30/2019							
REVENUE	3,914,022	649,187	773,200	2,025,391	7,361,800	(1,195,309)	**6,166,491**
TOTAL COMPREHENSIVE INCOME	374,861	165,938	733,790	1,895,504	3,170,093	(1,205,798)	**1,964,294**
TOTAL ASSETS	4,211,473	1,614,002	13,211,928	19,082,468	38,119,872	(15,025,384)	**23,094,488**
INVESTMENTS PORTFOLIO *	19,577	77,250	24,405,953	17,186,857	41,689,637	(28,911,406)	**12,778,231**
PROPERTY & EQUIPMENT	620,113	748,787	80,477	12,104	1,461,480	1,068,033	**2,529,514**
TOTAL LIABILITIES	1,024,650	455,294	2,647,456	784,806	4,912,206	(2,420,597)	**2,491,609**
DEPRECIATION AND AMORTIZATION	36,168	51,085	22,289	3,990	113,533	13,326	**126,858**

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
06/30/2018							
REVENUE	4,006,528	595,676	795,060	125,271	5,522,536	(1,642,875)	**3,879,661**
TOTAL COMPREHENSIVE INCOME	351,159	152,168	684,608	78,633	1,266,567	(1,435,772)	**(169,205)**
TOTAL ASSETS	4,319,494	1,485,506	11,639,007	17,629,310	35,073,317	(13,495,825)	**21,577,492**
INVESTMENTS PORTFOLIO *	15,367	90,583	11,156,744	15,855,237	27,117,931	(15,546,251)	**11,571,680**
PROPERTY & EQUIPMENT	612,689	789,400	83,079	19,032	1,504,199	1,094,685	**2,598,884**
TOTAL LIABILITIES	1,543,972	430,039	2,695,509	1,256,897	5,926,417	(2,503,113)	**3,423,304**
DEPRECIATION AND AMORTIZATION	36,399	50,780	21,409	4,631	113,218	13,326	**126,544**

***   Inclusive of FVPL investments, FVOCI investments, advances & investments and investment properties.***

Note 1 Consolidated 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 June 30, 2019 and December 31, 2018:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Current Versus Noncurrent Classification</u>
The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**2019**	2018
Associates			
Prople Limited	Business Process Outsourcing	**32**	32
Vicinetum Holdings, Inc. (VHI)	Holding	**32**	32
AGP International Holdings Ltd. (AGPI) *	Holding	**27**	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 BVI, United States of America and Hongkong, respectively.

<u>Business Combinations and Goodwill</u>

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any noncontrolling interests in the acquiree. For each business combination, the Group elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Asset Acquisitions
If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Disposal Group and Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of income.

Foreign Currency Translation
Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to FVOCI equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in

equity relating to that particular foreign operation is recognized in the consolidated statement of income.

<u>Fair Value Measurement</u>
The Group measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the 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 June 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 June 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 June 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 June 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 June 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.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.
Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

* *or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

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.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the

expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that have been enacted or substantively enacted as of end of the reporting period.

Deferred income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carry forward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carry forward of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are re-assessed at each end of reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT)
Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.
For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of June 30, 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.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 June 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 June 30, 2019:

		Fair value measurement using		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱7,576,527**	**₱7,576,527**	**₱–**	**₱–**
Unquoted equity shares	**1,091,520**	**-**	**149,870**	**941,650**
Bonds and convertible note	**729,725**	**729,725**	**–**	**–**
Funds and equities	**663,819**	**663,759**	**–**	**60**
Proprietary shares	**329,377**	**329,377**	**–**	**–**
Others	**22,293**	**22,293**	**–**	**–**
	10,413,261	**9,321,681**	**149,870**	**941,710**
FVOCI investments:				
Bonds and convertible note	**775,073**	**775,073**	**–**	**–**
	775,073	**775,073**	**–**	**–**
	₱11,188,334	**₱10,096,754**	**₱149,870**	**₱941,710**

As of December 31, 2018

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱6,588,212	₱6,588,212	₱–	₱–
Unquoted equity shares	1,086226	–	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	–	–
	₱10,132,271	₱9,045,985	₱144,576	₱941,710

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 31 June 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 June 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 June 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 P1.4 billion increase in market value of local traded shares and foreign denominated investment in bonds, stocks and funds. Net disposal/sale for the period amounted to P412.1 million and unrealized foreign exchange loss related to foreign denominated investments amounts to P33.3 million.

Receivables

The decrease was mainly attributable to the collection of receivables from customers of the resort and wire manufacturing subsidiaries.

Inventories

The increase was due to higher level of finished goods and raw materials inventories of the wire manufacturing subsidiary and higher to spare parts and supplies of the aviation subsidiary.

Fair value through other comprehensive income (FVOCI) investments - current & noncurrent

Net increase in this account amounted to P80.8 million. The increase can be attributed to higher market value of investments of about P27.0 million and net additions to investments of P70.9 million offset by unrealized foreign exchange loss of P17.1million for six 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 P199.0 million and the unrealized foreign exchange loss related to foreign equity investment of P42.8 million.

Property and Equipment - net

Decrease can be traced to depreciation amounting to P95.5 million offset by acquisition of property and equipment of P126.9 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

Deferred Tax Assets

Movement in the account was mainly due to deferred tax provision on increase in market value of FVOCI and FVPL bonds/investments.

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 decrease was mainly attributable to the payment of liabilities to the suppliers of the resort and wire manufacturing subsidiaries.

Income Tax Payable
Movement in the account was attributable to tax provision of the resort and wire manufacturing subsidiaries for six months of 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 P315.4 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 June 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 P66.9 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 June 30, 2019.

Noncontrolling Interests
Increase was mainly due to share of minority shareholders in the higher net income of Seven Seas for six months of 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)	**670,569**	1,269,198
Investment Gains (Losses)	**1,354,822**	(1,143,927)
Total Comprehensive Income	**1,895,504**	78,633
Earnings Per Share		
Net Income	**0.75**	0.04
Total Comprehensive Income	**0.76**	0.03
Market Price Per Share (PSE)	**7.10**	6.00

The discussions below were based on the consolidated results of the Company and its subsidiaries.

Revenues

This year's consolidated gross revenues of P6.2 billion was significantly higher than last year's revenue of P3.9 billion due to the gain on increase in market value of FVPL investments of P1.4 billion vs a loss of P1.1 billion in 2018. Also, the resort operation 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 due to the slight decrease in revenues.

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 six months of 2019 mainly due to decrease in overhead of the Parent Company.

Foreign Exchange Gain
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 cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer's continuing operations.

In the interim period:
- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,303,374,046 shares of Anscor. During six months of 2019, Anscorcon purchased 15.3 million Anscor shares amounting P101.4 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 June 30	
	2019	2018
Volume sold (MT)	**7,608**	7,913
Revenue	**3,914,022**	4,006,528
Net Income	**374,861**	351,159

PDP Energy's revenue slightly decreased in 2019 as against 2018's revenues.

PDP recorded a net income of P374.9 million for six months of 2019, higher than the P351.2 million profit recorded last year due to lower manufacturing cost.

Seven Seas' Amanpulo Resort ended up with an occupancy rate of 59.2% for six months of 2019, lower than the 2018 average occupancy rate of 62.0%. Average room rate was P72,924 an increase from last year's average room rate of P66,800. Total hotel revenues amounted to P649.2 million, an improvement from last year's revenues of P595.7 million. Gross operating profit (GOP) of P329.6 million increased by P23.3 million versus 2018's GOP.

Seven Seas reported a consolidated net income of P165.9 million for six months of 2019, higher by 9.0% from last year's net income of P152.2 million.

12. Financial Indicators

Significant financial indicators of the Group are the following:

		06/30/2019	06/30/2018
1.	Book Value Per Share (Note 1)	**16.77**	14.52
2.	Current Ratio (Note 2)	**10.45**	7.12
3.	Debt to Equity Ratio (Note 3)	**0.12**	0.19
4.	Asset to Equity Ratio (Note 4)	**1.15**	1.22
5.	Profit Ratio (Net Income (loss) Attributable to Equity Holdings of the Parent/Total Revenues)	**31.5%**	(9.8%)
6.	Return on Equity (Net Income (loss)/Equity Attributable to Equity Holdings of the Parent)	**9.7%**	(2.2%)

Note 1 – Equity Attributable to Equity Holdings of the Parent/Outstanding Shares
Note 2 – Current Assets/Current Liabilities
Note 3 – Total Liabilities/Equity Attributable to Equity Holdings of the Parent
Note 4 – Total Assets/Equity Attributable to Equity Holdings of the Parent

The key financial indicators of our major subsidiaries are the following:

PDP Energy and PDIPI

In Thousand Pesos except sales volume

	06/30/2019	06/30/2018
1. Volume	**7,608**	7,913
2. Revenue	**3,914,022**	4,006,528
3. Net income	**374,861**	351,159

Seven Seas Group

In Thousand Pesos

	06/30/2019	06/30/2018
1. Occupancy rate	**59.2%**	62.0%
2. Hotel revenue	**649,187**	595,676
3. Gross operating profit (GOP)	**329,555**	306,220
4. GOP ratio	**50.8%**	51.4%
5. Net income	**165,938**	152,168

Occupancy rate is based on actual room nights sold over available room nights on a 6-month period. Hotel revenues include rooms, food and beverage and other ancillary services. GOP is total revenues less direct costs and GOP ratio is GOP over total hotel revenues.

COVER SHEET
for
SEC FORM 17- Q

SEC Registration Number

P	W	2

COMPANY NAME

A SORIANO CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City

Form Type		Department requiring the report	Secondary License Type, If Applicable
17-Q	(AMENDED)	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
info@anscor.com.ph	**819-0251**	**N/A**

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	Third Wednesday of April	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	**nancievillaflor1029@gmail.com**	**819-0251**	**N/A**

CONTACT PERSON's ADDRESS

7TH FLOOR PACIFIC STAR BLDG., MAKATI AVE., CORNER GIL PUYAT AVE. EXTENSION, MAKATI CITY

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

SECURITIES AND EXCHANGE COMMISSION

SEC FROM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended September 30, 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/F Pacific Star Bldg., Gil J. Puyat Ave. corner Makati Avenue, Makati City
7. Address of issuer's principal office Postal Code

8190251
8. Issuer's telephone number, including area code

N/A
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
Common	2,500,000,000

11. Are any or all of the securities listed on a Stock Exchange?

Yes [x] No [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange Common

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x]   No   [   ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [   ]   No. [x]

PART I – FINANCIAL INFORMATION

Item 1.Financial Statements.

Financial statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and content of Financial Statements, shall be furnished as specified therein.

Please see SEC FORM 17-Q - Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex "C".

Please see SEC FORM 17-Q - Table of Contents

PART II – OTHER INFORMATION

The issuer may, at its option, report under item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: A. SORIANO CORPORATION

Signature and Title: (Sgd.) JOSHUA CASTRO
VP- Asst. Corporate Secretary

Date: November 14, 2019

Principal Financial/Accounting Officer/Controller: (Sgd.) NARCISA M. VILLAFLOR
Signature and Title VP - Comptroller

Date: November 14, 2019

SEC Form17-Q
November 14, 2019

A. SORIANO CORPORATION

CONSOLIDATED BALANCE SHEETS

(In Thousand Pesos Except Earnings Per Share)

	September 30	December 31
	2019	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 2019	December 31 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

1. Segment Information

Information with regard to the Company's significant business segments are shown below (in thousand pesos):

	Before Eliminations						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
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						
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total	**Eliminations**	**After Eliminations Consolidated**
09/30/2018							
REVENUE	5,985,198	776,658	1,561,581	358,232	8,681,669	(1,801,604)	**6,880,065**
TOTAL COMPREHENSIVE INCOME	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:

		Percentage of Ownership	
	Nature of Business	**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 these are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated profit or loss.

The following are the Group's associates:

		Percentage of Ownership	
	Nature of Business	**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.

<u>Costs and Expenses</u>
Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold
The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold
The cost of real estate sold includes the acquisition cost of the land determined based on average method and the actual construction and furnishing costs.

Costs of services rendered
Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

<u>Other Comprehensive Income</u>
Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight and ground equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

* *or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

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.

<u>Goodwill</u>
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.

<u>Borrowing Costs</u>
Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Pension Benefits</u>
The Group has a non-contributory defined benefit retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the

expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

<u>Income Taxes</u>

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		
	Total	**Quoted prices in active Markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
FVPL investments:				
Quoted equity shares	**₱7,225,913**	**₱7,225,913**	**₱–**	**₱–**
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**	**–**	**–**
	₱11,054,541	**₱9,916,712**	**₱196,179**	**₱941,650**

As of December 31, 2018

		Fair value measurement using		
	Total	Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Quoted equity shares	₱6,588,212	₱6,588,212	₱–	₱–
Unquoted equity shares	1,086226	–	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	–	–
	₱10,132,271	₱9,045,985	₱144,576	₱941,710

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.

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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 cyclicality trends in the business that would have material effect on the Company's result of operations and financial condition.
- There are no significant elements of income or loss that did not arise from the issuer’s continuing operations.

In the interim period:
- No issuance or repayment of equity securities.
- The parent company has not repurchased its equity securities except for its 100%-owned subsidiary, Anscor Consolidated Corporation (Anscorcon) which todate owns 1,305,872,246 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
Volume sold (MT)	**11,749**	11,674
Revenue	**6,005,150**	5,985,198
Net Income	**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.

A. SORIANO CORPORATION AND SUBSIDIARIES

LIST OF SUBSIDIARIES AND ASSOCIATES
DECEMBER 31, 2019

A. Soriano Corporation has the following direct/indirect subsidiaries and associates as of December 31, 2019:

Company	Ownership	Business	Jurisdiction
A. Soriano Air Corporation	100%	Service/Rental	Philippines
Pamalican Island Holdings, Inc.	62%	Holding Company	Philippines
Island Aviation, Inc.	62%	Air Transport	Philippines
Anscor Consolidated Corporation	100%	Holding Company	Philippines
Anscor International, Inc.	100%	Holding Company	British Virgin Island
IQ Healthcare Investments Ltd.	100%	Manpower Services	British Virgin Island
IQ Healthcare Professional Connection, LLC	93%	Manpower Services	USA
Prople Limited	32%	Business Processing & Outsourcing	Hongkong
Prople, Inc.	32%	Business Processing & Outsourcing	Philippines
AG&P International Holdings, Pte Ltd.	21%	Modular Steel Engineering / LNG Construction	Singapore
Anscor Holdings, Inc.	100%	Real Estate Holding	Philippines
Akapulko Holdings, Inc.	100%	Real Estate Holding	Philippines
Lakeroad Corporation	100%	Real Estate Holding	Philippines
Mainroad Corporation	100%	Real Estate Holding	Philippines
Makatwiran Holdings, Inc.	100%	Real Estate Holding	Philippines
Makisig Holdings, Inc.	100%	Real Estate Holding	Philippines
Malikhain Holdings, Inc.	100%	Real Estate Holding	Philippines
Mountainridge Corporation	100%	Real Estate Holding	Philippines
Rollingview Corporation	100%	Real Estate Holding	Philippines
Timbercast Corporation	100%	Real Estate Holding	Philippines
Sutton Place Holdings, Inc.	100%	Holding Company	Philippines
Phelps Dodge International Philippines, Inc.	100%	Holding Company	Philippines
Minuet Realty Corporation	100%	Landholding	Philippines
Phelps Dodge Philippines Energy Products Corporation	100%	Wire Manufacturing	Philippines
PD Energy International Corporation	100%	Wire Manufacturing	Philippines

Company	Ownership	Business	Jurisdiction
AFC Agribusiness Corporation	81%	Real Estate Holding	Philippines
Seven Seas Resorts and Leisure, Inc.	62%	Villa Project Development	Philippines
Pamalican Resort, Inc.	62%	Resort Operations	Philippines
Summerside Corporation	40%	Holding	Philippines
Vicinetum Holdings, Inc.	32%	Holding Company	Philippines
Fremont Holdings, Inc.	26%	Real Estate Holding	Philippines
BehaviorMatrix, LLC	21%	Behavior Analytics Services	USA
ATRAM Investment Management Partners Corp.	20%	Asset Management	Philippines
DirectWithHotels Inc.	15%	Online Reservation	Cayman Islands
KSA Realty Corporation	14%	Realty	Philippines

Anscor International, Inc.

Financial Statements

For the Years Ended December 31, 2019 and 2018

Prepared By:

SALOME BUHION

Approved By:

NARCISA VILLAFOR

ANSCOR INTERNATIONAL INC.

BALANCE SHEETS

		December 31		
		2019		2018
ASSETS				
Cash and Cash Equivalents	**$**	**411,792**	$	1,349,313
Fair Value Through Profit or Loss (FVPL) Investments (Notes 3, 4 and 5)		**25,938,085**		17,029,938
Receivables (Note 6)		**92,835**		438,567
Investments and Advances (Note 3, 4 and 6)		**21,578,590**		26,165,475
TOTAL ASSETS	**$**	**48,021,302**	$	44,983,293
LIABILITIES AND CAPITAL DEFICIENCY				
Liabilities				
Accounts Payable and Accrued Expenses	**$**	**1,639,182**	$	-
Due to Stockholder (Note 7)		**49,789,522**		49,132,026
Total Liabilities		**51,428,704**		49,132,026
Equity				
Capital Stock		**1**		1
Deficit		**(3,407,403)**		(4,148,734)
Capital Deficiency		**(3,407,402)**		(4,148,733)
TOTAL LIABILITIES AND EQUITY	**$**	**48,021,302**	$	44,983,293

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
REVENUES		
Gain on increaase inmarket value of FVPL investments (Note 5)	**$ 5,694,056**	$ 9,142,978
Interest income	**1,642**	14,050
Dividend income (Note 6)	**-**	2,713
Other income	**1,704,806**	730,181
	7,400,504	9,889,922
Operating expenses	**(2,072,288)**	(871,076)
Valuation allowances (Note 6)	**(4,586,885)**	-
NET INCOME	**741,331**	9,018,846
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME	**$ 741,331**	$ 9,018,846

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

		Capital Stock	Deficit	Total
BALANCE AT JANUARY 1, 2018		1	(13,167,580)	(13,167,579)
Total comprehensive income for the year		-	9,018,846	9,018,846
BALANCE AT DECEMBER 31, 2018		1	(4,148,734)	(4,148,733)
Total comprehensive income for the year		-	741,331	741,331
BALANCE AT DECEMBER 31, 2019	**$**	**1**	**($ 3,407,403)**	**($ 3,407,402)**

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Total comprehensive income	**$ 741,331**	$ 9,018,846
Valuation allowances	**4,586,885**	-
Loss (gain) on decrease (increaase) in market values of FVPL investments	**(5,694,056)**	(9,142,978)
Interest income	**(1,642)**	(14,050)
Dividend income	**-**	(2,713)
Operating gain (loss) before working capital changes	**(367,482)**	(140,895)
Increase in:		
FVPL investments	**(3,214,091)**	(2,521,772)
Receivables	**345,732**	(345,732)
Decrease in accounts payable and accrued expenses	**1,639,182**	(885,076)
Net cash used in operations	**(1,596,659)**	(3,893,475)
Interest received	**1,642**	14,050
Dividend received	**-**	2,713
Net cash flows used in operating activities	**(1,595,017)**	(3,876,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from sale of long term investment	**-**	-
Net cash from investing activities	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to stockholder	**657,496**	56,698
Net cash flows from (used in) financing activities	**657,496**	56,698
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(937,521)**	(3,820,014)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,349,313**	5,169,327
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 411,792**	$ 1,349,313

See accompanying Notes to Financial Statements.

ANSCOR INTERNATIONAL, INC.
(A Subsidiary of A. Soriano Corporation)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Anscor International was incorporated on April 2, 2004 in the British Virgin Islands (BVI) under the International Business Company Act. Cap. 291, primarily to buy, sell, underwrite, invest in, exchange or otherwise acquire, and to hold, manage, develop, deal with turn to account any bonds, debentures, shares, stocks, options, commodities, futures, forward contracts, notes or securities of governments, states, municipalities, public authorities or public or private limited or unlimited companies in any part of the world and to lend money either unsecured or against the security of any of the aforementioned property.

The registered office of the Company is at IFS Chambers, Road Town, Tortola, British Virgin Islands.

The Company is not required to file audited financial statements in BVI.

2. Basis of Preparation

Basis of Preparation
The Company financial statements have been prepared on a historical cost basis, except for securities available-for-sale (AFS) investments that have been measured at fair value. The accompanying financial statements have been prepared using the historical cost basis and are presented in US$, which is the Company's functional and presentation currency, and rounded to the nearest dollar, except otherwise stated.

3. Summary of Significant Accounting Policies

Investments in Subsidiaries and Associates
Investments in Subsidiaries
Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates
Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in subsidiaries and associates are carried at cost, less impairment in value, in the financial statements. Dividends received are reflected as income in the statements of income.

The Company's subsidiaries and associates with the respective percentages of ownership as of December 31, 2019 and 2018 follow:

Name of Subsidiary/Associates	**Principal Activities**	**Country of Incorporation**	**% Equity Interest 2019**	**% Equity Interest 2018**
IQ Healthcare Investments Limited (IQHIL))	Healthcare Services	USA	**100**	100
IQ Healthcare Professional Connection, LLC (IQHPC)	Healthcare Services	USA	**93**	93
Prople Limited (Prople)	Business Processing Outsourcing	Hongkong	**32**	32
AGP International Holdings Pte Ltd. (AGP – SG)	Holding	Singapore	**21**	-
AGP Group Holdings Pte Ltd. (AGP - BVI)	Holding	British Virgin Island	**-**	27
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	USA	**21**	21

<u>Fair Value Measurement</u>
The Company measures financial assets (such as FVPL and FVOCI investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as unquoted FVPL financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Initial recognition and measurement of financial instruments
At initial recognition, financial assets are classified as, and measured at amortized cost, FVOCI, and FVPL. Financial liabilities are classified and measured as financial liabilities at FVPL and amortized cost.

Classification of financial instruments
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in three categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at FVPL

As at December 31, 2019 and 2018, the Company has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading, financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss, or financial assets and liabilities mandatorily required to be measured at fair value. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a Company of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in “Gain (loss) on increase (decrease) in market values of FVPL investments”. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As at December 31, 2019 and 2018, the Company has designated as FVPL all equity investments, amounting to $25.9 million and $17.0 million, respectively. No financial liability at FVPL is outstanding as at December 31, 2019 and 2018.

(b) Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included as interest income in the profit or loss. The losses arising from impairment of such financial assets are recognized as “Valuation allowances” account under “Other income (charges) - net” in the profit or loss.

Included under financial assets at amortized cost are cash in banks, short-term investments and other receivables.

(c) Financial assets at FVOCI (debt instruments)

The Company measures debt instruments at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the profit or loss and computed in the same manner as financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI.

When the debt instrument is disposed of, the cumulative gain or loss previously recognized under OCI is transferred to profit or loss as “Gain (loss) on sale of FVOCI investments”. Where the Company holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding FVOCI investments are reported as interest income using the effective interest rate.

The Company classifies bonds held as FVOCI investments as current assets when the investments are expected to mature within 12 months after the reporting period.

As at December 31, 2019 and 2018, the Company has no FVOCI investments.

(d) Financial liabilities - loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As at December 31, 2019 and 2018, included in this category are the Company's accounts payable and accrued expenses.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognized or removed from the balance sheet where:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the profit or loss.

Impairment of Financial Assets

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the balance sheet. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

The following specific recognition criteria must be met before revenue is recognized:

Other Income

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

Dividend income is recognized when the shareholders’ right to receive the payment is established.

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in the profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Selling, general and administrative expenses
All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises of items of income and expense that are not recognized in the profit or loss for the year in accordance with PFRSs. Other comprehensive income of the Company pertains to gains and losses on remeasuring FVOCI investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Impairment of Nonfinancial Assets
At each reporting date, the Company assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock
Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital
Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings
Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared and the effects of retrospective restatement recognized in accordance with the PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors.*

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, other comprehensive income (loss) and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Company financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the company financial statements.

Determination of functional currency

The Company's functional currency was determined to be US Dollar ($). It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Company classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the balance sheets.

Classification and measurement of financial assets depend on the result of the SPPI and business model test. The Company determines the business model at a level that reflects how Company's of financial assets are managed together to achieve particular business objectives. In classifying the investments not held for trading as at December 31, 2019 and 2018, the Company made an irrevocable election at initial recognition to designate the instruments as FVPL investments.

Estimates and Assumptions

The key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses of receivables

For the advances to related parties, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Company evaluates specific accounts where the Company has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Company's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. There is no allowance for doubtful accounts as of December 31, 2019 and 2018.

Valuation of unquoted FVPL equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Company measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. In valuing the Company's unquoted FVPL equity instruments at fair value in compliance with PFRS, management applied judgment in selecting the valuation technique and comparable companies and used assumptions in estimating future cash flows from its equity instruments considering the information available to the Company.

Unquoted FVPL equity investments amounted to $2.6 million and $3.1 million as December 31, 2019 and 2018, respectively.

Impairment of FVOCI debt investments
For FVOCI debt investments, the Company assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Company assesses whether the credit risk on that financial instrument has increased significantly since initial recognition.

Investments carried under the equity method
Investments carried under the equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company's impairment test on investments carried at equity is based on value-in-use calculations that use a discounted cash flow model. The expected cash flows are estimated from the operations of the associates for the next four years as well as the terminal value at the end of fourth year. The recoverable amount is most sensitive to the discount rates used for the discounted cash flow model, as well as the expected future cash inflows, revenue growth rates and long-term growth rates used for extrapolation purposes.

The carrying amounts of the investments amounted to$21.6 million and $26.2 million as at December 31, 2019 and 2018, respectively.

Provisions and contingencies
Judgment is exercised by management to distinguish between provisions and contingencies.

5. Fair Value Through Profit & Loss Investments (FVPL)

	2019	2018
Quoted equity shares		
Y-mAbs Therapeutics, Inc.	**$ 23,308,375**	$ 13,930,304
Unquoted equity shares		
Sierra Madre Philippines I LP	**1,230,513**	896,049
Navegar GP Ltd I	**487,681**	335,672
Medifi	**350,000**	350,000
Madaket, Inc.	**330,407**	592,820
Navegar GP Ltd II	**231,109**	-
Pacific Synergies Venture Partners Limited	**-**	897,168
Element Data, Inc.	**-**	27,925
	2,629,710	3,099,634
	$ 25,938,085	$ 17,029,938

The FVPL unquoted equity shares include the following:

a. In December 2015, IQHPC invested $1.0 million in Y-mAbs Therapeutics, Inc. (Y-mAbs), a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer.

   On November 10, 2016, IQHPC made additional investments to Y-mAbs amounting to $0.75 million. In November 2016, IQHPC transferred all its investment of 399,544 shares of common stock in Y-mAbs to the Company.

   On January 6, 2017 and September 25, 2017, the Company made additional investment to Y-mAbs amounting to $0.3 million and S$1.0 million, respectively.

   In 2019 and 2018, the Company made an additional investment of $1.3 million and $2.3 million, respectively, in Y-mAbs.

   In 2019 and 2018, the Company recognized unrealized gain on fair value adjustment in its investment in Y-mAbs amounting to $8.0 million and $8.6 million, respectively
   .

b. In May 2017, the Company invested $1.0 million in equity shares at Madaket Inc., the owner of Madaket Healthcare. Madaket developed Electronic Data Interchange Enrollment, a service platform that automates healthcare provider data management processes in the United States.

   The Company recognized fair value adjustment in its investment in Madaket, Inc. amounting to a loss of $0.3 million and a gain of of $0.4 million in 2019 and 2018, respectively.

c. In March 2013, AI invested $0.6 million in Navegar I LP (Navegar), a limited partnership established to acquire substantial minority position through privately negotiated investments in equity and equity-related securities of Philippine companies that are seeking growth capital and/or expansion capital.
In July 2017, AI invested additional $0.1 million.

In October 2018, the disposal of Navegar's investments resulted to the return of capital and gain amounting to $0.3 million and US$0.8 million, respectively.

The Company invested additional $0.2 million in 2019.

In 2019 and 2018, AI recognized fair market value adjustment in its investment in Navegar amounting to a loss of $0.04 million and $0.4 million, respectively.

In 2019, AI committed to invest $10.0 million in Navegar II LP.

d. In 2017, the Company entered into an equity investment agreement with Sierra Madre Philippines I LP (Sierra Madre), a newly formed private equity fund staffed by experienced local operators and private equity professionals. The fund will focus on providing growth capital to small and mid-sized Philippine companies.

In 2019 and 2018, the Company made additional investments to Sierra Madre amounting to $$0.9 million and $1.0 million, respectively.

In 2019 and 2018, the Company recognized losses on fair value adjustment amounting to $0.6 million and $0.1 million, respectively.

e. In June 2017, the Company invested US$1.0 million in Series Seed preferred shares of Element Data, Inc. (Element Data), a Seattle, Washington-based Artificial Intelligence Company. Its Decision Intelligence platform incorporates a deep learning knowledge-graph with an active sense-and-response architecture, powering a decision intelligence engine that understands complex interdependencies between data and people.

In October 2017, Element Data acquired all of the intellectual property of the Company's investment in Behavior Matrix, an associate of the Company.

In December 2017, the Company invested additional US$1.0 million in Series Seed preferred shares of Element Data.

In 2019, AI invested additional US$0.5 million in Element Data.

In 2019 and 2018, the Company recognized losses on fair value adjustment amounting to $0.5 million and $0.2 million, respectively in its investment in Element Data.

6. Investments and Advances

	2019	2018
Investments in subsidiaries and associates		
AGP Group Holdings Pte. Ltd. – net of valuation allowance of $23.4 million and $18.8 million in 2019 and 2018	**$ 21,578,590**	$ 26,165,475
BehaviorMatrix, LLC – net of valuation allowance of $6.8 million in 2019 and 2018	**-**	-
Prople Limited – net of valuation allowance of $5.3 million in 2019 and 2018	**-**	-
	$ 21,578,590	$ 26,165,475

The significant transactions involving the company's investments in subsidiaries and associates for 2019 and 2018 follow:

<u>AGP Group Holdings Pte. Ltd. (AG&P) (formerly AGP International Holdings Ltd., AGPI)</u>
In December 2011, the Company entered into a subscription agreement with AGPI for $5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note.

The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a BVI business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, the Company converted the $5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, the Company signed a definitive agreement with AGPI amounting to $40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased the Company's holdings to 27% giving the Company significant influence over AGPI.

In 2018, AGPI merged with AGP-BVI, its subsidiary, with the latter being the surviving entity. AI retained its 27% ownership in AGP-BVI and its preference shares were converted to common shares upon the merger.

On July 1, 2019, AGP-BVI entered into a share swap agreement with AGP-SG to make the latter the sole owner of the former.

On July 22, 2019, AGP-SG obtained additional equity investment from new investors which effectively decreased the Company's interest in AGP-SG from 27% to 21%. The Company assessed that it still has significant influence over the AGP-SG.

The principal place of business of AGP-SG is 600 North Bridge Road, Parkview Square, Singapore, while the principal place of business of AGP-BVI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola, British Virgin Island.

The total cost of the investment in AGPI amounted to $45.0 million. The carrying value of the investment amounted to $21.6 million and $26.2 million as at December 31, 2019 and 2018, respectively.

BehaviorMatrix, LLC (BM)
In October 2011, the Company entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, the Company's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

In July 2015 and March 2014, the Company made additional investment in Predictive amounting to $0.5 million and $1.0 million, respectively.

In March 2016, the Company invested an additional $0.437 million through a convertible note. In October 2016, Predictive merged with BM, its subsidiary, with the latter being the surviving company. As part of the restructuring of BM, the convertible notes and accrued interest were converted to equity on the same date and the Company invested an additional $0.814 million for a 20.5% shareholding in BM. The increased ownership allows the company to exercise significant influence over BM.

Prople Limited (Prople)
In November 2013, the Company invested in $4.0 million convertible notes to Prople Limited. In August 2015, the Company purchased Tranche C notes of Prople amounting to $0.5 million. These notes are convertible at the option of the holder into common shares of Prople. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippines (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In February 2016, the Company converted the notes to equity, giving the Company a 32% equity stake and significant influence over Prople.

7. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

In the ordinary course of business, the Company obtains cash advances from its shareholder, ANSCOR, to finance its working capital requirements and investments in various companies.

	Amount/Volume		Outstanding Balance			
	2019	2018	**2019**	2018	Terms	Condition
Anscor	**$657,496**	$56,698	**$49,789,522**	$ 49,132,026	Non-interest bearing	Unsecured

8. Financial Instruments and Risk Management Objectives and Policies

The Company's principal financial instruments comprise cash, receivables, investments in unquoted equity securities, investments in mutual and hedge funds. The Company's other financial instruments include accounts payable, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and
b) maintaining a stable equity portfolio that generates capital gains through a combination of long term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. These risks are monitored by the Company.

The Company evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund.

The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk
The Company is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of an individual, counterparty or issuer being able to or unwilling to honor its contractual obligations. The Company is exposed to credit risk arising from the counterparties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Company does not have a counterparty that accounts for more than 10% of the company revenues.

Credit risk management
In managing credit risk on these investments, capital preservation is paramount. The Company transacts only with recognized and creditworthy counterparties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Liquidity risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Company ensures investments have ample liquidity to finance operations and capital requirements.

The Company's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due.

Market risk
Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Company. The Company is exposed primarily to the financial risks of changes in interest rates, foreign currency risk, and equity price risks.

Investments exposed to market risk are equity instruments, and mutual fund/hedge fund investments.

There has been no change to the Company's manner of managing and measuring the risk.

Capital management
The primary objective of the Company's capital management is to ensure an adequate return to its shareholder and to maximize its value to its shareholders. In pursuance of this goal, the Company establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Company establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Company monitors capital on the basis of the carrying amount of equity as presented on the face of the balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2019 and 2018.

2019
SUSTAINABILITY REPORT

A. SORIANO CORPORATION

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ABOUT THIS REPORT

102-46, 102-50, 102-52, 102-53, 102-54

This Sustainability Report (SR) describes the performance disclosures, both financial and non-financial aspects of A. Soriano Corporation (Anscor) and in scope, subsidiaries that include Phelps Dodge Philippines Energy Products Corporation (PDP), Seven Seas Resorts and Leisure, Inc. (SSRLI) and The Andres Soriano Foundation, Inc. (ASF), collectively, the Anscor Group.

This SR was prepared in accordance with the GRI - Core Framework and is the first SR prepared by Anscor. The reporting period covers from January 1, 2019 to December 31, 2019, and follows the annual reporting cycle of the Company.

Sustainability for Anscor goes beyond compliance. Rather, it is having sustainability as intrinsic and firmly embedded in its processes that has fueled its operations and guided Management in making sound decisions of balanced and viable investments that are respectful of people and planet. These have resulted in growth in our investments, compliant with regulations and laws.

ABOUT THE COMPANY

102-1,102-3, 102-4, 102-6, 102-7, 102-16

A. SORIANO CORPORATION

Anscor is a publicly-listed holding company with diverse investments in financial assets such as local equities traded in the Philippine Stock Exchange (PSE), bonds and equity funds, and in operating companies such as PDP and SSRLI, among others.

As a holding company, the principal sources of income for the Company are shares in net earnings of the companies in which it has investments, management fees, interest income, dividends and gains from sale of investments, mainly, trading gain on marketable securities and bonds.

The Company was incorporated on February 13, 1930 with principal office at the 7th Floor, Pacific Star Building, Gil Puyat Avenue corner Makati Avenue, Makati City.

PROFIT WITH HONOR

The late Col. Andres Soriano shaped the corporate philosophy of Anscor 90 years ago when he saw the need to align people, planet and profit for socially responsible companies to operate with viability, sustainability and service as inseparable.

The strength of Anscor's businesses is financial stability with extraordinary public service, aligned with the national welfare, so that there exists:

- Fair and balanced financial returns for the Company and its stockholders through transparent, accountable and good governance;
- Effective management of direct and indirect impacts in the company's value chain from employees, customers, suppliers, resort guests, and local communities; and,
- Development of surrounding communities where the Company has corporate presence and a commitment to conserve terrestrial and marine biodiversity.

VISION

A successful and reliable investment company that generates adequate and/or superior returns in both income and cash dividends

MISSION

Invest in a diversified base of earnings and cash flow, achieve a good balance between short-term and long-term investments, invest with strategic partners in businesses with good prospects for growth, and give management a high level of controlled autonomy within the purview of corporate governance standards

VALUES

- Build relationships with our stakeholders founded on mutual respect, trust and confidence and fair play
- Maintain a high degree of integrity and transparency in all our dealings, both internal and external
- Responsibility to Society – Profit with Honor: Couple financial stability with extraordinary public service aligned to the national welfare

SUBSIDIARIES IN THIS REPORT

102-2, 102-13

PDP is the leading domestic integrated manufacturer of quality wires and cables. Its product line is composed principally of copper-based wires and cables, and aluminum wires, cables and accessories.

It is a wholly owned subsidiary of the Company. Its main office is at the 2nd Floor, BCS Prime Building, 2297 Chino Roces Avenue Extension, Makati City and its manufacturing plant is located in Luisita Industrial Park, San Miguel, Tarlac City. PDP currently chairs the Philippine Electrical Wire Manufacturers Association (PEWMA).

AMANPULO

SSRLI is the owner of the world-renowned Amanpulo Resort. The Company's holdings comprise 62% ownership of SSRLI. Managed by Aman Resorts, Amanpulo is located on an 89-hectare island called Pamalican, an idyllic tropical haven for beach lovers surrounded by white sand beaches, turquoise waters and coral reefs. Its world-class facilities continue to attract foreign and local tourists. Amanpulo has consistently been recognized internationally as a premier beach resort.

Amanpulo is a member of the Philippine Hotel Owners Association, Cost Controller's Association in the Hospitality Industry, Inc. and the Information Technology Association of the Philippines.

asf the andres soriano foundation

ASF is the corporate social responsibility arm of the Company that helps local communities develop sustainably by providing infrastructure and tools for self-reliance. ASF has three main programs: Small Island Development Program, Cancer Care Program and Disaster Relief Response Program. ASF's main office is located at A. Soriano Aviation Hangar, Andrews Avenue, Pasay City. It has field offices in Barangays Manamoc and Tenga-Tenga, both in Cuyo, and in Barangay Cambian, Agutaya, all in the province of Palawan.

ASF actively participates in these national networks of non-government organizations (NGOs): League of Corporate Foundations, Philippine Council for NGO Certification, and the Association of Foundations. ASF represents the latter association in one of the four Commissions of Caucus of Development NGOs (CODE-NGO), an umbrella organization of 12 NGO Networks in the country.

STAKEHOLDER ENGAGEMENT

102-40, 102-41, 102-42, 102-43, 102-44

The Company and the in-scope subsidiaries acknowledge and put a premium on the immense value of our stakeholders. It is because of them that we strive to be leaders and be the best in our respective industries. We regularly communicate and engage our stakeholders on issues and concerns that are significant to them.

	Our Commitment	Our Engagement Channels
Employees	Our employees are an important resource of the Anscor Group. We provide them with competitive salaries and benefits, ensure their safety and security in their workplace, and regularly engage them to keep them motivated and maintain industrial peace.	• Quarterly town hall meetings/dialogues • General Manager's (GM) Dialogue • Annual employee survey • The Voice • Family Council • Social and recreational gatherings • Labor-Management Council
Customers and Guests	We recognize that we must live up to the needs and wants of our customers and guests. We therefore constantly conduct research and development to provide them with superior products and services that adhere to universally accepted norms and standards on safety for both our customers and the environment.	• Contact building for product development • Monthly face-to-face visits and phone calls • Post-stay survey on guest experiences • Guest ratings in online travel companies like Trip Advisor • Feedback within 24 hours on delivery and production concerns
Suppliers and business partners	We work towards establishing reciprocal partnerships with small, medium and large companies that share our ideals and values in doing business.	• Regular phone calls for day-to-day transactions • Annual meetings to review partnership expectations • Audit review
Local communities and society	We endeavor to be a good corporate citizen by providing livelihood opportunities, access to education and medical services to our local partner communities. We ensure that we comply with all laws and regulations that govern and affect our businesses including those that pertain to the protection of the environment and the health, safety and security of local communities and society.	• Provide livelihood to neighboring communities by supporting local products and fresh produce • Local initiatives of ASF
Stockholders	The Anscor Group is committed to achieving its goals and objectives in profitability, growth and shareholder value, and protecting the interests of its shareholders.	• Annual stockholders meeting • Quarterly and bi-monthly board meetings and one-on-one meetings • Project briefings

MATERIALITY ASSESSMENT

1

IDENTIFICATION

A Management Team was formed from the Anscor Group to identify stakeholder issues and concerns considered important, guided by the GRI standards framework.

2

PRIORITIZATION

The Management Team identified, prioritized, evaluated and managed key sustainability topics affecting Anscor's businesses and stakeholders.

- Created a sustainability risk universe of topics affecting the governance, economic, social and environmental dimensions of business operations from financial and non-financial data for reporting accuracy;
- Identified material topics and sub-topics and assessed and prioritized each topic based on the Materiality Principle; and,
- Held two rounds of review to assess and prioritize the materiality of the topics chosen.

Review and analysis have given us valuable learning and insights into our inner working system and allowed us to identify strengths, opportunities and areas for improvement to further scale up impact in our future undertakings.

3

VALIDATION

The list of material topics was presented to and validated by the Sustainability Reporting Committee of Anscor composed of the Executive Vice President for Finance and Chief Financial Officer (CFO), the Vice President-Comptroller, and the Vice President and Assistant Corporate Secretary/Compliance Officer.

4

ALIGNMENT

Anscor aligned its impacts in business and humanity with the universal targets of the 17 United Nations' (UN) Sustainable Development Goals.

5

APPROVAL

All information in this Sustainability Report including the material topics and aligned SDGs were approved by Anscor's Management.

6

REPORTING

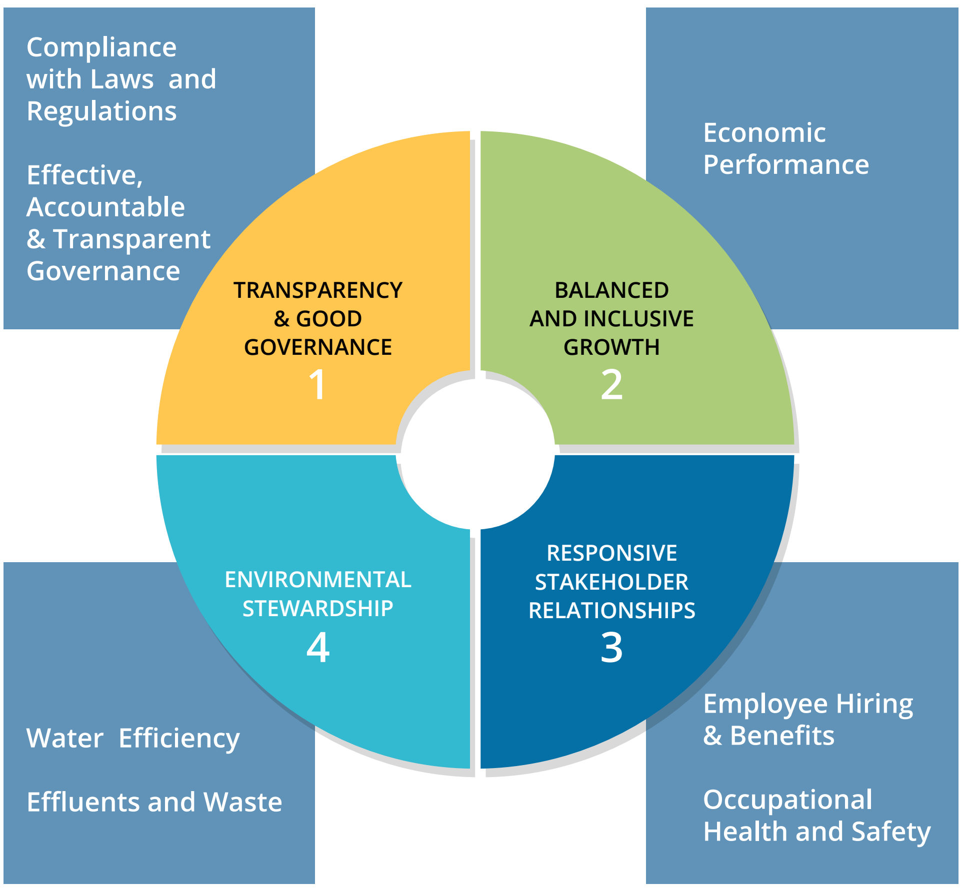
The 2019 Anscor SR that contains the Anscor Group's sustainability framework and four pillars was produced, published and submitted to the Securities and Exchange Commission (SEC) in compliance with the Sustainability Reporting Guidelines for Publicly-Listed Companies under SEC Memorandum Circular No. 4-2019.

SUSTAINABILITY FRAMEWORK

102-47

The Company's overall business strategy is anchored on four basic sustainability pillars. The Sustainability Framework defines and provides credence to the long-standing belief of aligning profit, people and planet guided by business ethical standards to attain the desired level of sustainability.

This SR highlights material topics within each pillar, namely, compliance with laws and regulations, economic performance, employee hiring and benefits, occupational health and safety, water efficiency and effluents and waste.



CHAIRMAN'S MESSAGE

102-14

VALUES WITHIN US, PRINCIPLES THAT BIND US

Our Company begins this year, its first Corporate Sustainability Report (SR), in accordance with the Global Reporting Initiative (GRI) to present how Anscor has been delivering positive results to our investments while always operating on principles and values that have, through the years, enabled our Company to be a responsible corporate citizen.

Sustainability for Anscor goes beyond compliance. Rather, it is having sustainability as intrinsic and firmly embedded in its processes that has fueled its operations and guided Management in making sound decisions of balanced and viable investments that are respectful of people and planet. These have resulted in growth in our investments, compliant with regulations and laws.

Our four sustainability pillars - areas in Corporate Governance (Transparency and Good Governance), Economic Performance (Balanced and Inclusive Growth), Social (Responsive Stakeholder Relations) and Environmental (Environmental Stewardship) - that henceforth will be tracked and recorded in succeeding SRs, bring to life Anscor's corporate values of trust, fairness, integrity, transparency, and responsibility to society.

Our Company remains steadfast in its corporate mission of balancing short-term and long-term investments, choosing similarly principled strategic partners in viable businesses to carry out its vision of being a respected and reliable investment company.

Internally, our corporate culture and organizational structure and practices will continue to support our vision and mission.

Through its investments both in the Philippines and abroad, Anscor is committed through its sustainable business strategy to contribute to the attainment of 14 out of 17 Sustainable Development Goals of the United Nations, "a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030."

ANSCOR'S COMMITMENT TO THE UN SDGs. *The Company through its operations, products and services is committed to contribute to 14 Sustainable Development Goals of the United Nations.*

The Company operates its businesses ensuring a greater return for its investments while at the same time guaranteeing that the natural environmental integrity is not sacrificed and the human capital is respected. In Anscor, sustainability drives business success.

In this 2019 SR, we focus on our best practices from Anscor Group companies, namely: Phelps Dodge Philippines Energy Products Corporation (PDP), Seven Seas Resorts and Leisure, Inc. (SSRLI) and the Andres Soriano Foundation (ASF).

In succeeding Anscor SRs, we will continue to discuss our subsidiaries' best practices and progress as we enhance our sustainability framework and set measurable targets.

Sustainability integrated in our business strategies focuses our Company on doing well by doing good especially in difficult times.

With the current outbreak of the pandemic caused by the 2019 coronavirus (COVID-19), Anscor will continue to implement contingency plans for the safety, health and security of our employees, the communities we serve, customers, guests and partners; effect measures to help stem the spread of COVID 19, extend relief assistance to communities affected by the enhanced community quarantine; and ensure business continuity.

We thank our stakeholders - our stockholders, employees, suppliers, customers, partners, communities we serve - for co-creating value with us not only to grow investments, but more so to consistently carry out sustainable and responsible operations respectful of people and planet.

ANDRES SORIANO III
Chairman and CEO

COMPANY HIGHLIGHTS

CORPORATE GOVERNANCE

TRANSPARENCY & GOOD GOVERNANCE

- The Anscor Group is composed of competent and capable leadership committed to corporate governance.
- The functional governance structure clearly delineates roles and functions of the Board, Committees and Management.
- There is strict adherence to the reporting and disclosure requirements of the Securities and Exchange Commission and the Philippine Stock Exchange under pertinent rules and regulations.

ECONOMIC

BALANCED & INCLUSIVE GROWTH

- Consolidated total assets stood at P23.1 billion while consolidated revenues amounted to P10.7 billion with a net income of P1.84 billion.

SOCIAL

RESPONSIVE STAKEHOLDER RELATIONSHIPS

- There were no work-related fatalities for both employee and non-employee workers.
- The Anscor Group has established credibility and quality standards for its products and services as demonstrated by continuing presence of product patronage and returning guests.
- ASF is a "Go To" NGO by Local Government Units (LGUs) and partners - National and Local Government agencies and other private companies - where it has a social development presence.
  * Provided relief assistance for 2,000 families or 10,000 individuals in three barangays in Makilala, North Cotabato affected by four successive earthquakes in October 2019 and trained 28 community volunteers for psycho-social support for children and youth in distress
  * COVID-19 assistance: Donated medical supplies, thermal scans and PPEs for 402 frontline health workers from five hospitals and three rural health units; and food packs and hygiene kits for 10 barangay health centers. Fifty cancer patients were provided with a month's supply of Vitamin C and 4,208 families or 21,040 individuals in Palawan sites were provided with food packs.

ENVIRONMENTAL

ENVIRONMENTAL STEWARDSHIP

- The Anscor Group has not been involved nor has it experienced any sanctions in environmental violations, be it in the form of fines, administrative or judicial sanctions. It had no experience on spills related to GRI 306: Effluents and Waste.
- SSRLI has had no experience of organizational default from its waste disposal contractor.
- No hazardous wastes were imported, exported nor treated onsite.
- Water consumption in Amanpulo will be reduced by 10% by 2020.

AWARDS & RECOGNITIONS

- The Anscor Group has been cited for community service, customer service excellence and world class standards of facilities.

DepEd RECOGNITION. ASF received a Plaque of Recognition from DepEd Undersecretary Tonisito M.C. Umali (right) for its lifelong support for DepEd's Senior High School Program. The award was given during the recent Partners Recognition at the DepEd Central Office, Pasig City.

ASF

- Highly recognized as an NGO-Partner by the Department of Education (DepEd)
- Recognized by LGUs as the only active NGO in Cuyo, Agutaya and Magsaysay, Northern Palawan
- Received the Seal of Good Housekeeping and Good Governance from the Philippine Council for NGO Certification
- Certified as a Donee Institution by the Bureau of Internal Revenue
- Recognized by the Department of Social Welfare and Development (DSWD) as the first community-based NGO with Level 3 Accreditation for its programs and services

PDP

- Our Plant is certified under the following management systems: ISO 9001:2015 for quality management, ISO 14001:2015 for environmental management, and OHSAS 18001:2007 for safety management.
- Hall of Fame Awardee from the Philippine National Red Cross Tarlac Provincial Chapter for consistent support for its blood donation program

Amanpulo (SSRLI)

- Mentioned as "The Resort to Visit" by *Harper's Bazaar Magazine*, a leading US lifestyle magazine. The Philippines was named as the 10th top destination out of the 20 Best Places to Travel in 2020
- Nominated for the Pathfinder Award at the Aman Global Awards 2019 for innovations that bring both guest experience and remarkable revenues
- "Best Resort in Asia" second place by the benchmark-setting elite publication for high-end travelers, *Gallivanter's Guide*
- Featured in *Conde Nast Traveler's Gold List 2019* for the "wow factor" of the private pool of its treetop pool casita
- Named in November 2019 as one of the best luxury resorts in Palawan by *Lifestyle Asia Singapore*
- Preparing for ISO 22000 certification in 2020

CORPORATE GOVERNANCE: TRANSPARENCY AND GOOD GOVERNANCE 102-5, 102-7, 102-18

17 PARTNERSHIPS FOR THE GOALS

GOVERNANCE STRUCTURE

The Board of Directors is primarily responsible for the governance of Anscor. It is composed of seven Directors with diverse knowledge and experience relevant to the Company's industry sector. The Board is a mixture of executive and non-executive Directors to allow a balance of ideas and experience in the business of the Company.

The Board is guided by the Company's By-laws and Manual on Corporate Governance issued in compliance with SEC Memorandum Circular No. 19-2016 promulgating the Code of Corporate Governance for Publicly Listed Companies and other Company Policies which are all posted in the Company's website. Policies that guide employees in fulfilling their duties are in the Anscor Code of Business Ethics and the Anscor Employee Handbook.

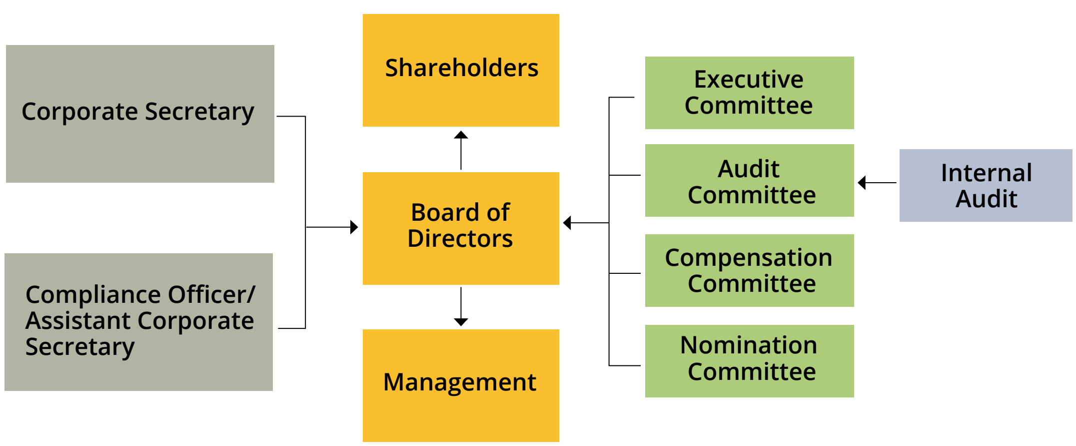
At least two of the Directors are Independent Directors as required under the Securities Regulation Code. The Independent Directors serve for a maximum cumulative term of nine years. Should the Company want to retain an Independent Director who has served for nine years, the Board shall provide meritorious justification and seek shareholders' approval at the annual shareholders' meeting.

The Board has constituted several Committees to support the effective performance of the Board's functions. These Committees are the Executive, Audit, Compensation and Nomination Committees. The present Audit and Compensation Committees are chaired by an Independent Director.

The Company strictly adheres to the reporting and disclosure requirements of the SEC and PSE under pertinent rules and regulations.

With respect to its subsidiaries, Anscor has an existing Management Agreement with PDP, with Anscor's CFO acting at the same time as PDP's President.

For SSRLI, as a 62.3% owned subsidiary, Anscor nominates five out of the nine Directors in its Board. Amanpulo's operation is handled by Aman Resorts on behalf of SSRLI by virtue of an Operating Agreement.



CORPORATE GOVERNANCE MECHANISMS

- By-laws
- Manual on Corporate Governance
- Audit Committee Charter
- Material Related Party Transaction Policy
- Company Policies

BOARD OF DIRECTORS

1 **ANDRES SORIANO III**
Chairman of the Board/
Chief Executive Officer/President

2 **EDUARDO J. SORIANO**
Vice Chairman

3 **ERNEST K. CUYEGKENG**

4 **JOHNSON ROBERT G. GO, JR.***

5 **OSCAR J. HILADO****

6 **JOSE C. IBAZETA**

7 **ALFONSO S. YUCHENGCO III****

Executive Committee

Andres Soriano III	*Chairman*
Eduardo J. Soriano	*Vice Chairman*
Oscar J. Hilado	*Member*
Ernest K. Cuyegkeng	*Member*
Jose C. Ibazeta	*Member*

Audit Committee

Oscar J. Hilado	*Chairman*
Eduardo J. Soriano	*Member*
Jose C. Ibazeta	*Member*

Compensation Committee

Oscar J. Hilado	*Chairman*
Andres Soriano III	*Member*
Alfonso S. Yuchengco III	*Member*

Nomination Committee

Eduardo J. Soriano	*Chairman*
Oscar J. Hilado	*Member*
Alfonso S. Yuchengco III	*Member*

** Elected on November 19, 2019 to serve the unexpired term of Mr. John L. Gokongwei, Jr. who passed away on November 9, 2019*
*** Independent Directors of the Company*

QUALITY ASSURANCE

102-11

PDP

When PDP launches or introduces a new sourced or manufactured product, the process below is followed:

01	02	03	04
Conduct a market study to establish the product demand as part of developing a product concept.	**Look** for a potential supplier of the proposed product where materials can be sourced or where insight can be learned on how to produce such a product.	**Establish** certifications which should be recognized internationally and adhere to Philippine standards.	**Research** on project references (white paper) to establish credibility, integrity and authority for the product.

SSRLI

Given Amanpulo's island location, its core response team which includes its medical staff and security force has been rigorously trained on systematic and procedural handling of emergency situations.

Amanpulo has an Emergency and Evacuation Plan that has been implemented a number of times during typhoons which threaten the safety and security of guests and employees in the resort.

COMPLIANCE WITH LAWS AND REGULATIONS 103-1, 103-2, 103-3

Data Privacy 418-1

Protecting information is an integral part of the business of the Anscor Group to foster mutually beneficial and long-term business relationships with its customers and partners.

With Anscor, given its 11,087 stockholders, data privacy is important. The Company is committed to comply with the Data Privacy Act (DPA) of 2012 and its policy of protecting the fundamental human right of privacy and communication for free flow of information that promotes innovation and growth.

The Company implements the National Privacy Commission's Five Pillars of Data Privacy Accountability and Compliance:

1. Appoint a Data Protection Officer
2. Conduct a Privacy Impact Assessment
3. Have a Privacy Manual
4. Implement Data Privacy and Protection Measures
5. Exercise Breach Reporting Procedures

To safeguard the privacy of stockholders' personal information, a dedicated Stock Relations Officer is assigned to handle stockholder inquiries and data storage capabilities, and security measures are implemented. Anscor's stock transfer agent has its own Data Protection Policy outlining the scope, its responsibilities, protection of information, and disciplinary consequences for any breach of the policy.

No incidents or complaints were reported and received by Anscor or by its stock transfer agent for loss or breach of data in 2019. Likewise, PDP had no incidents of breach of customer privacy or loss of customer data during the year.

Environmental Compliance 307-1

The Anscor Group is committed to minimize its impact on the environment especially in areas where it has corporate presence. This is particularly true for its operations in Palawan where Amanpulo is located.

Pamalican Island is a natural nesting and feeding ground of the critically endangered hawksbill sea turtle *(Eretmochelys imbricata)* and green sea turtles *(Chelonia mydas)*. The surrounding reefs are home to fish, rays, sharks, clams, pygmy seahorses and a diverse species of corals.

The ecological importance of the island as a habitat not only to these two endangered species but also to others of the same vulnerability both in the marine and terrestrial environments underscores its importance to the operation of the resort.

SSRLI aligned its protection and conservation efforts with the island's ecosystem requirements by commissioning an Environmental Impact Assessment and preparing a long-term Environmental Management Plan (EMP).

The EMP emphasized SSRLI's policy statement of protecting the island's natural integrity of both terrestrial and marine habitats and the lives dependent on it, without compromising economic viability.

SSRLI complies with the following environment laws: Wildlife Resources and Their Habitat (Republic Act [RA] No. 9147), the Ecological Solid Waste Management (RA No. 9003), Toxic Substances and Hazardous Wastes Control Act of 1990 (RA No. 6969), Philippine Clean Air Act of 1999 (RA No. 8749), Presidential Decree 1586 on Philippine Environmental Impact Statement System, and The Philippine Clean Water Act of 2004 (RA No. 9275).

Amanpulo has an Environmental Compliance Team with the General Manager as the Chief Environmental Executive working with two Pollution Control Officers (PCOs) accredited by the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB). It has also commissioned a marine biologist to assist in protecting and conserving the coral reefs and other marine life.

To keep the island's ecological balance, the resort has carefully chosen land and water activities that guests can enjoy without harming life below water. Mooring buoys mark the anchorage of speedboats during diving and snorkeling. There are specific locations for anchoring service pump boats owned by the staff residing in the nearby island communities, and established sea lanes for incoming and outgoing pump boats.

Monitoring the live coral cover continues as natural occurrences can threaten coral reefs. In the past three years there have been sea temperature changes, tidal wave actions, and the invasion of the Crown-of-Thorns Sea Star, a large starfish, and the Drupella snails that both feed on live corals. These can create stress for corals causing them to lose the zooxanthellae, the algae that live in corals and give them color and produce food. These factors slow down growth making corals susceptible to be overgrown by algae, to contract diseases and eventually die.

SSRLI is reviewing its EMP and depending on reassessment results, future programs could include the Turtle Protection Program, a phased Coral Recovery Program, and a sustainable Marine Protection Management Plan.

From a barren and coconut plantation, flora and fauna have flourished on Pamalican Island. Endemic trees, plants and shrubs have been regrown and other plant species were also introduced to the island. The resort has pioneered the use of electrical and solar-driven club cars for guests and service staff to protect the clean air of the island.

On solid waste management, a detailed classification of and segregation at source including collection, recovery, disposal and transport were included in its solid waste management plan and the company heavily invested in its implementation.

SSRLI has not been involved nor has it experienced any sanction be it in the form of fines, administrative or judicial sanctions. It has no experience on spills related to GRI 306: Effluents and Waste.

ECONOMIC: BALANCED AND INCLUSIVE GROWTH

201-1, 201-4

Anscor systematically reviews the Company's strategy and its financial plans to meet its goals and objectives in profitability, growth and shareholder value.

As of December 31, 2019, the Anscor Group's (including other subsidiaries and affiliates of Anscor not covered in this SR) consolidated total assets stood at P23.1 billion while consolidated revenues amounted to P10.7 billion with a net income of P1.84 billion.

Anscor invests in both operating companies and financial assets from which dividends, equity earnings, interest income and gain on sale of investments are derived as revenues. It keeps a tight watch on the existing portfolio of businesses and on new opportunities.

Direct Economic Value Generated and Distributed*
(In Million Pesos)

	2019	2018	2017
Direct Economic Value Generated	10,695.4	9,781.0	10,584.6
a. Operating Costs	7,656.9	8,057.5	6,995.2
b. Employee Wages & Benefits	533.4	530.2	577.6
c. Dividends given to Stockholders and Interest Payments to Loan Providers	663.8	681.5	329.5
d. Taxes given to Government	484.6	395.3	313.3
e. Investments to Community	9.6	6.6	11.9
Direct Economic Value Distributed	9,348.3	9,671.1	8,227.5
Direct Economic Value Retained	1,347.1	109.9	2,357.1

** The data presented are derived from the Audited Financial Statements for the period 2019, in accordance with relevant Philippine Financial Reporting Standards.*

SUPPLY CHAIN 102-9, 102-10

Amanpulo Supply Chain

As of this reporting period, there were no significant changes to the organization's size, structure, ownership or supply chain of both Amanpulo and PDP.

Amanpulo is located on a private island known as Pamalican (Filipino word meaning "a place to return to or keep going back"), set among the Quiniluban Group of Cuyo Islands, 360 kilometers southwest of Manila. With its remote location, the only way to get to the island is through a private charter.

For supplies needed by the resort, the company relies on two modes of transportation. The daily fresh produce, other perishables, imported meats, seafoods and premium beverages for the guests are transported via plane. Dry goods, chemicals, office supplies, LPG, linens, other fuel and oil, engineering supplies, construction materials and other operating equipment are forwarded to the island via Batil, a Filipino boat transporter of inter-island goods.

PDP Supply Chain

PDP's supply chain is a flexible component of its intricate business operation. Its modern-day practices of supply chain management still provide elbow room even as most of the suppliers are traditional companies. The decision-making process responds first to the needs of the business and how it affects the supply chain. PDP has to think differently and unconventionally with a creative thinking process to maintain its market leader position within the industry.

01

PDP's supply chain has various components and usually starts with:

a. A planning group for production that schedules machine operations and determines the needed raw materials for the operations

b. Promotional activity planning handled by the marketing group.

02

Once a need is identified and a plan has been formulated, it is then referred to the purchasing group for proper identification of sources/suppliers. PDP has about 340 suppliers: 80 foreign and 260 domestic. These suppliers are of a varied kind, from the complex (suppliers of production machines, special alloys, etc.) to the usual suppliers of office supplies and the like. Foreign suppliers are spread across different countries. Estimated monetary value paid to suppliers monthly is about P500 million, the bulk of which is for the payment of copper rods.

03

PDP's system ensures that our suppliers adhere to our standards and comply with laws and regulations. We require them to submit documents to establish the legitimate nature of their company as well as their financial capability. Part of our process is to conduct supplier visits to check their facility, meet their core team, and inspect the quality of their products. This is done regularly throughout the year.

SOCIAL: RESPONSIVE STAKEHOLDER RELATIONSHIPS

OUR PEOPLE AND VALUES

The Anscor Group firmly believes that its progress and leadership in its industries largely depend on its most valuable assets - the employees - who are carefully selected, trained and motivated to be achievers.

On this premise, the Anscor Group maintains the highest standards of professionalism in their organization by recognizing and optimizing the individual's strength, capabilities and productivity through training and development.

Professional development maximizes the efficiency and effectiveness of the employee's performance of functions, duties and responsibilities, improves morale, and deepens the commitment to and practice of corporate values.

The Human Resources (HR) Departments in the Anscor Group identify training and development needs based on the employee's career path and program needs and match the individual to the job that best suits his ability. This provides the opportunities for advancement and growth for job satisfaction, high morale and harmonious employee relations.

The Anscor Group has 685 employees, itemized in the table below.

Distribution of Employees by Classification per Company (According to Position and Rank)

Position Category	Parent	Subsidiaries			Group Total
		SSRLI	PDP	ASF	
Top Management	12	8	6	4	30
Middle Management	0	40	7	2	49
Supervisors	0	44	13	0	57
Rank & File	12	288	235	14	549
TOTAL	24	380	261	20	685

EMPLOYMENT 102-8, 103-1,103-2,103-3, 401, 401-1, 401-2

The Anscor Group upholds the dignity of labor by implementing HR policies and practices that put a premium on the importance of people in the organization.

PDP

In a competitive industry, PDP is a market leader, recognized for both its high quality products of wires and wiring solutions, earning it ISO certifications for its quality, environmental and safety management. To sustain these established standards, PDP requires dedicated and competent employees.

PDP is 100% compliant with all the mandatory benefits required by law. Aside from the mandatory benefits, PDP also provides benefits which are above labor standards

PDP has social activities for employees such as team building sessions and company outings.

such as medical and dental benefits, life and accident insurance, special allowances, employee loans and social activities for employees like the annual team building and Christmas party.

This has positively impacted employee satisfaction and retention. The annual data in the last three years from 2017 to 2019, showed that employee turnover plateaued in the last two years.

Laying the groundwork for employee growth and satisfaction leading to PDP's success begins at the hiring process. As a highly technical production company, it ensures that the applicants' knowledge, attitude and skills are closely related to the nature of the enterprise as these impact the overall business environment of the company. PDP regularly reviews its employee hiring policies and practices by benchmarking with industry standards.

PDP New Employee Hires 2019

		2019
By Age Group	18 years old and below	0
	19-30 years old	24
	31-40 years old	7
	41-50 years old	1
	51 years old and above	0
By Gender	Male	25
	Female	7
By Region	NCR	13
	Central Luzon	16
	Region XII	1
	Region V	1
	Region VI	0
	Region X	1

PDP Employee Turnover 2019

		2019
By Age Group	18 years old and below	0
	19-30 years old	3
	31-40 years old	2
	41-50 years old	12
	51 years old and above	0
By Gender	Male	8
	Female	9
By Region	NCR	13
	Central Luzon	4
	Region X	0

Amanpulo

For Amanpulo, an industry-appropriate and adequate benefit package is provided to regular, full-time employees, so that this benefit package is competitive and well within the standard of the industry.

In addition to the 10 employee fringe benefits required by law, 15 additional benefits bring the total benefits to 25, a key factor in employee retention and high employee productivity. These include entitlement to stay at any Aman Hotel free of charge for seven nights a year plus 50% discount on food and beverage, recognition of employees through its annual Outstanding Employee Award for rank and file, supervisors and managers, and provision of recreational, healthy lifestyle, and gym facilities to its staff.

Amanpulo New Employee Hires 2019

		Total
By Age Group	18 years old and below	0
	19-30 years old	23
	31-40 years old	10
	41-50 years old	1
	51 years old and above	2
By Gender	Male	15
	Female	21
By Region	Mimaropa	4
	NCR	31
	Expat	1

Amanpulo Employee Turnover 2019*

		Total
By Age Group	18 years old and below	0
	19-30 years old	23
	31-40 years old	25
	41-50 years old	1
	51 years old and above	3
By Gender	Male	17
	Female	35
By Region	Mimaropa	11
	NCR	36
	Expat	5

** Employee turnover in 2019 was recorded at 52, or 28% and 37% lower from 2018 and 2017, respectively, a normal trend due to the nature and location of the business.*

OCCUPATIONAL HEALTH AND SAFETY 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9.

A core value of the Anscor Group is providing a healthy, safe and risk-free working environment for its personnel and stakeholders who work or have business at its workplace. Safety is an integral part of managing the business that defines workplace and job-related risks and establishes appropriate preventive measures. Everyone who has working relationships with the business is expected to behave safely inside and outside of work.

Occupational Health and Safety (OHS) is a material topic for the Anscor Group primarily for PDP because of the nature of its business and its impact on stakeholders and the organization.

PDP's OHS Management System complies with all applicable OHS legal requirements by the Department of Labor and Employment (DOLE), the Bureau of Fire Protection (BFP) and the LGU. It is implemented based on OHS Assessment Series 18001:2007

PDP's OHS Program covers employees of PDP, third-party contractors and all PDP activities in the Makati Office and the Tarlac Plant. It prevents accidents and cases of work-related ill health for potential work-related safety risks by providing guidelines and information, and adequate training for safety competence and awareness.

- Policies ensure compliance and that violations have an equivalent consequence for the employee.
- Every stakeholder is required to sign annually safety expectations containing the commitment of each one to have various safety nets to prevent casualties and accidents.
- Safety goals and objectives are incorporated into the employees' individual scorecards, which are part of PDP's performance management system.
- Various committees such as the Safety Committee and the Employee Health and Safety (EHS) Committee monitor safety program implementation. Recognition or simple tokens are given monthly to employees who exhibit noteworthy safety behavior.

The management approach on OHS and the progress of each department's key performance indicators are evaluated by internal auditors and externally by an ISO audit.

The OHS system includes procedures for Job Hazard Analysis and Hazard Identification Risk Assessment and Control that are regularly implemented and reviewed. These are included in safety refresher courses so workers can identify significant risks and determine controls to lessen, if not, eradicate those risks.

The following trainings are provided to the workers annually:

- OSH Training - an 8-hour session given to employees to refresh them on the various aspects of the OSH program
- JSA Training (Job Safety Analysis Training)
- BBS Training (Behavior-based Safety Training)
- 5S Training (Good Housekeeping Training)
- Daily Dialogue on Safety: At the start of every shift, employees (per group/team) gather to discuss various safety issues and topics. An employee is assigned or volunteers to share a topic on safety which can be discussed by the group. It is also an avenue to inform everyone and discuss with them should there be any safety-related incidents involving one of their co-employees.

SAFETY TRAININGS. Chemical safety training (top photo) and Fire Brigade Training (above)

SAFETY RECORD

Based on the Safety Record and Report of PDP for its employees, no fatality occurred during the period although one incident of high-consequence work-related injury was recorded in September 2019.

The same information/situation has been noted for all workers who are not employees but whose workplace is controlled by PDP.

Work-Related Injuries 2019

Company Employees			Third-Party Workers		
Fatality Occurrence	Incidence of high consequence work-related injury	Rate of high consequence work-related injury*	Fatality Occurrence	Incidence of high consequence work-related injury	Rate of high consequence work-related injury*
0	1	1.62	0	1	1.62

** The rate of high-consequence work-related injuries (excluding fatalities) of 1.62 was calculated based on the following formula: 1 (incident)/618,910 (man-hours) x 1,000,000 (hours worked).*

To eliminate hazards and minimize risks using the hierarchy of controls, PDP:
- Reviews the safety standards and safety incidents with the workers through the Behavior-based Safety Team
- Reviews procedures, provides job instructions and visual aids, and installs warning signs
- Reviews and updates the job safety analysis process
- Modifies the safety guard of the machine involved and replicates the improved practice and standard for safe operation of other machines
- Enforces appropriate disciplinary actions for the concerned operator for unsafe work behavior

THE ISLAND TRANSFORMED

Barren before resort operation
Pamalican Island in the northern part of Palawan province was a barren land before Amanpulo started operations in 1993. The previous owner converted the island into a coconut plantation. When the resort broke ground, cultivated areas that were previously planted with coconuts were allowed to revert to its natural state to begin rehabilitation of the island.

Below is Pamalican today
Lush green vegetation now covers the island. There are an estimated 192 plant species in the resort. Of these, 123 species are indigenous or native to the island, 56 species are exotic or those introduced to the area, and 13 species are endemic or found only in the area. Pamalican Island has 20 species of inland and coastal birds as of last survey. With the positive change from the rehabilitation, resident birds including Palawan's renowned tabon scrubfowl have already been found on the island. As biologists say, the two main inputs for any rich land's flora and fauna are sunlight and water.

ENVIRONMENTAL: ENVIRONMENTAL STEWARDSHIP

As a testament to its mission of protecting the environment, Amanpulo, has come to be known for its sustainable small island tourism practicing service excellence and environmental stewardship of both terrestrial and marine ecosystems.

With its successful development of Pamalican Island, SSRLI continues to support and nurture the biodiversity on the island and effect responsible water use for a sustainable island.

WATER EFFICIENCY 103-1, 103-2, 103-3, 303-1, 303-2

The Anscor Group is committed to reducing the dependence of its businesses on surface and groundwater as part of its mission of protecting the natural environment.

This Company mission is evident in the operations of Amanpulo resort where there is no fresh surface water source.

SSRLI's EMP identified the need for a safe, regular and sustainable source of water and a limit on the number of guests on the resort at any given time.

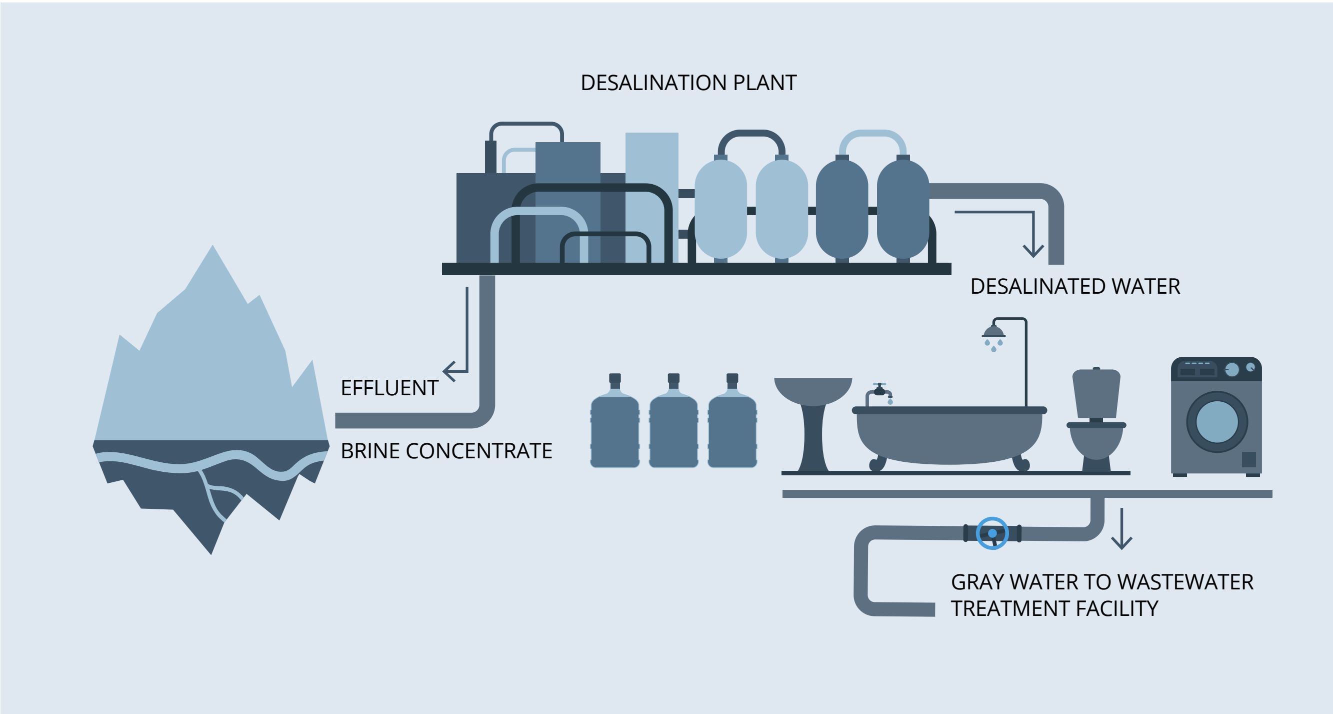
Due to the negative effects of pumping of groundwater on the water table, SSRLI decided not to draw water from the ground to secure the quality of fresh water and prevent saltwater intrusion, underground cracks and cave-ins.

Instead, with the abundance of sea water, desalination was deemed the most environment-friendly and sound solution. Drawing water from the ocean brings with it microorganisms such as planktons, eggs and larvae of marine life in a given area. Research findings also showed that discharging effluent or liquid waste from the desalination plant back into the ocean had insignificant effect on marine life.

Notwithstanding the insignificant findings, SSRLI observes stringent and regular effluent impact monitoring. This proved beneficial for marine life in the island and its environs with healthy coral reefs, abundant fin and reef fishes, and various species of marine turtles that inhabit the island and seek sanctuary during the spawning season.

To-date, the resort's fresh water supply from the 330-cubic meter per day reverse osmosis desalination plant, has been upgraded to a total capacity of 1,450 cubic meters per day. Total water discharged was at 337 mega liters per year.

Besides water consumption in resort facilities such as in the guests' rooms and restaurants, water is also used in the resort's pools and by the resort's staff and suppliers of vegetable, meat and seafood, among others.



- *Effluent from the desalination plant made up of brine concentrate is brought back to the ocean through a discharge pipe. An outfall situated on one side of the island showed insignificant effect on marine life.*

- *Desalinated seawater (fresh water) is used as: tap water for sinks, toilets and baths of hotel rooms; in resorts' restaurants for food preparation and cooking; housekeeping department's laundry and hotel room cleaning; in swimming pools; staff houses' toilets and baths; offices' tap water for sinks and toilets and; most importantly, for potable drinking by the resort guests, staff; and for cooking for the staff cafeteria.*

- *Gray water from the kitchen and bath are treated through a wastewater treatment facility. The treatment process consists of comminution, aeration, settling, chlorination and aerobic digestion for excess sludge. Treated water is collected in a 1,800 cubic meter pond and used daily for irrigating the resort grounds and watering ornamental plants.*

Managing Water Discharge Impact 303-2

In compliance with the Philippine Clean Water Act of 2004, Amanpulo strictly implements policies protecting the terrestrial and surrounding marine environment and sourcing its water responsibly from the ocean. It has two DENR-EMB accredited PCOs.

A quarterly self-monitoring report (SMR) with water sampling analysis for potable water and waste water, from an accredited and qualified third-party laboratory is submitted to the DENR-EMB.

Water quality data for the coastal water of Pamalican has been tracked since 1990. Although the monitoring parameters vary, the basic pollution indicators of oil and grease, biochemical oxygen demand, total coliform, fecal coliform, phosphates and nitrates have consistently been measured.

Before resort operations, waste water infiltrated the groundwater from the septic tank. To-date, the coastal water of Pamalican has shown no signs of contamination. Moreover, the bacteriological contamination declined which could be due to the operation of the wastewater treatment plant.

Such improvements in water quality indicate the efficiency of the EMP. The twice-a-year monitoring by four marine monitoring stations and current monitoring parameters will be observed. There are only two locations that can be considered as catchments: the area where water is drawn from the ocean and the area where effluents are discharged.

The Company conducts awareness sessions on water conservation for employees at least twice a year, and sessions for local communities and action groups to advocate for water conservation and proper effluent disposal.

Laboratory Testing Parameters and Standards

Parameter	Limit (based on effluent standards)
pH	6.0 – 9.0
Color (true)	100 TCU
Biochemical Oxygen Demand (BOD)	30 mg/L
Chemical Oxygen Demand	60 mg/L
Oil & Grease	5 mg/L
Ammonia	0.5 mg/L
Nitrate	14 mg/L
Phosphate	1 mg/L
Surfactants	3 mg/L
Fecal Coliform Count	200 MPN/100mL

As of this report, initiatives to manage the resort's solid wastes were found efficient and effective. In addition, treated water used daily in irrigating the resort grounds and watering ornamental plants helped the island's flora and fauna flourish.

Sustainable Water Withdrawal, Discharge and Consumption 303-3, 303-4, 303-5

SSRLI's only source of water is from the ocean or seawater with recorded water withdrawal of 563 mega liters per year. Since seawater is withdrawn to produce desalinated or fresh water, there is no known water stress area in the island.

Currently, only brine water from the desalination plant at an estimated 28 mega liters per month is discharged back directly to the ocean. There is no identified area with water stress.

Considering that recycled water is regularly used as irrigation, SSRLI recognizes the importance of the resort management's continuous monitoring of the quality of the groundwater.

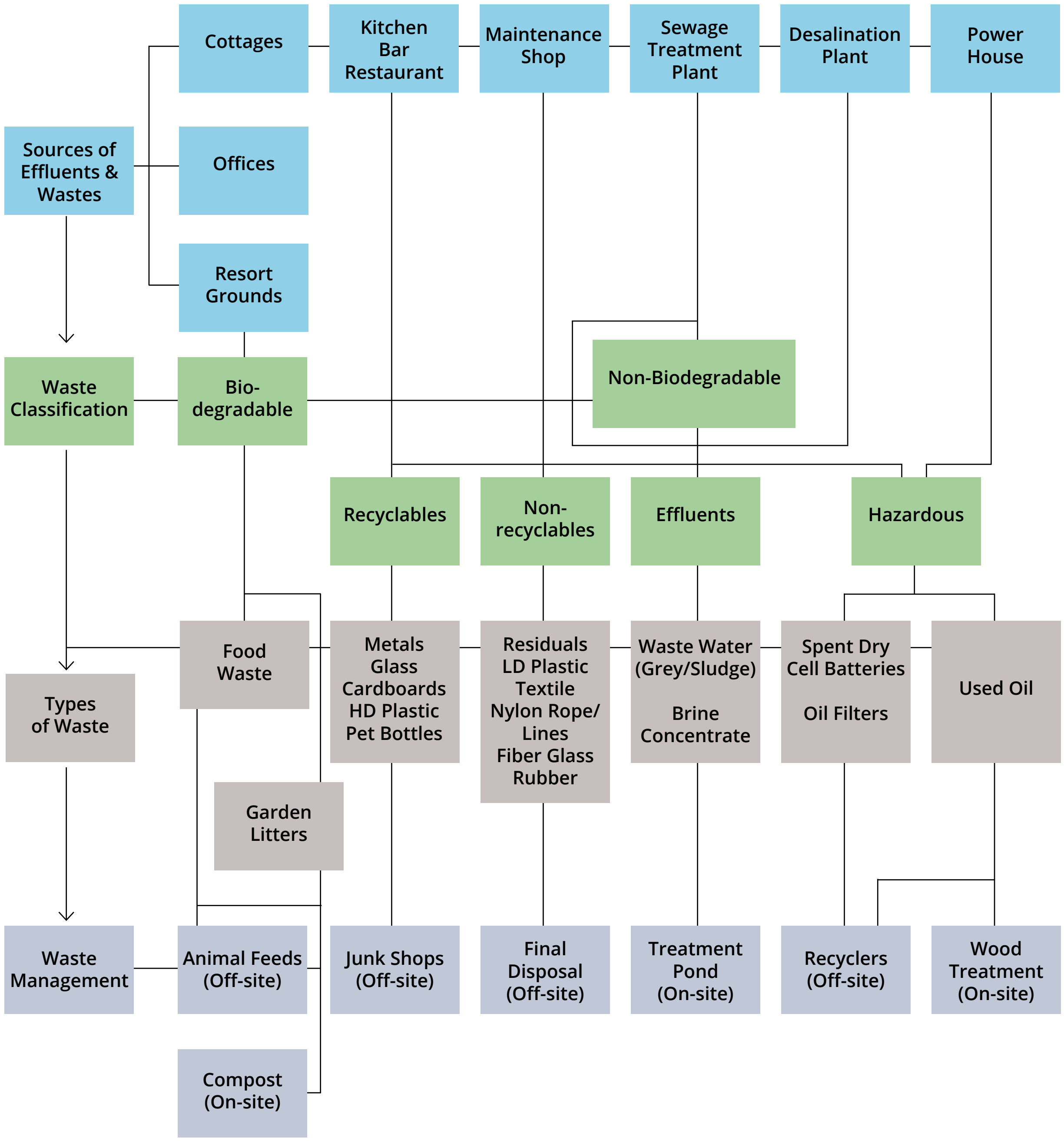
Water consumption will be reduced by 10% by 2020. To achieve this target, a drip irrigation system will be installed for plant watering activities to conserve water to help in business continuity.

EFFLUENTS AND WASTE

103-1, 103-2, 103-3, 303-1, 306-2, 306-3, 306-4

To combat the worsening climate change and pollution, SSRLI designed its waste management system to be doable, practical and environment-friendly for both the business and its stakeholders. Its Material Recovery Facility segregates hazardous wastes that are transported locally to the DENR-EMB-authorized Treater Facility.

Effluents and Waste Management



An environmental assessment which identified types and sources of various effluents and waste generated by the different branches of resort operations led to the preparation of an EMP. Various strategic options had been put in place to mitigate related negative impacts such as contamination of groundwater and the ocean, and unsustainable practices in solid waste management.

Various mitigating approaches that reduce or prevent negative impacts of effluents and waste were undertaken after mapping out sources and range of effluent and waste resulting from resort operation. Classification and segregation at source including collection, recovery, disposal and transport were carried out as shown in the algorithm above.

Identified potential impacts are in coastal waters and ground water on the island from the effluents of the desalination plant (brine concentrate) and wastewater treatment facility (grey and sewage water), hazardous materials from Power House and Maintenance Shop, biodegradable and non-biodegradable wastes generated by cottages and offices, resort grounds and the kitchen, bar and restaurants.

Solid waste management in a small island can be challenging. This is especially true for a remote island resort like Pamalican where all recyclables and residual wastes have to be shipped out.

- The resort practices waste segregation. Biodegradable wastes are separated from the non-biodegradable wastes. For non-biodegradable wastes, all residual and recyclable wastes, including hazardous wastes such as lubricating oil and used oil are shipped out from the island. These are loaded into the supply barge that delivers supplies to the island resort. Upon arrival in Manila, a DENR-accredited waste contractor hauls the waste from the cargo ship for appropriate disposal.

- Biodegradable materials such as food and kitchen waste along with garden litter and other biodegradables are composted on the island. A composting facility has been established in the resort's plant nursery. The sludge from the Sewage Treatment Plant is also brought to the composting facility.

The resort is aiming for zero-waste pet bottles from mineral water provided to resort guests. The company plans to produce its own reusable custom-made glass bottles.

Results of water quality monitoring (i.e., treated wastewater, groundwater and coastal marine water) indicate that wastewater management of the resort is effective and efficient as shown by the results of the regular monitoring of the ground water quality.

Values of Waste Water Quality Parameters Monitored from 2018 to 2019

Parameters	2018	2019
BOD, mg/l	81	68
oil & grease, mg/L	2	5
Phosphates, mg/L	<0.007	<0.007
Nitrates, mg/L	0.25	<0.03
fecal coli forms, MPN/100 mL	<1.8	<1.8

UNDERWATER TODAY. Snorkeling in its crystal clear ocean is a testament to the care given to the surrounding marine environment.

A. Narcissus Flycatcher
Ficedula narcissina

B. Barred Rail
Gallirallus torquatus
Local Name: Tikling

C. Island Collared Dove
Streptopelia dusumieri

D. Eurasian Tree Sparrow
Passer montanus
Local Name: Maya

E. Philippine Pied Fantail
Rhipidura nigritorquis
Local Name: Maria-capra

F. Common Emerald Dove
Chalcophaps indica
Local Name: Umamban, Imamatad

G. Philippine Megapode
Megapodius cumingii
Local Name: Tabon

H. Asian Koel
Eudynamys scolopaceus
Local Name: Tuhel, Koel

I. Asian Glossy Starling
Aplonis panayensis
Local Name: Mamadyang

J. Slender-billed Crow
Corvus enca
Local Name: Uwak

K. Mantanani Scops Owl
Otus mantananensis
Local Name: Gukguk

L. Leviton Bronzeback Snake
Dendrelaphis leviton

M. Black-naped Oriole
Oriolus chinensis
Local Name: Kilyawan / Tutulyaw

N. Intermediate Egret
Egretta intermedia
Local Name: Tagak

O. Pied Triller
Lalage nigra

P. Greater Sand Plover
Charadrius leschenaultii

Q. Collared Kingfisher
Todiramphus chloris
Local Name: Kasay-Kasay, kik-kik

R. White-breasted Woodswallow
Artamus leucorynchus
Local Name: Gitgit

S. Hooded Pitta
Pitta sordida
Local Name: Wawa

AFTER 27 YEARS. The barren land is now an island of abundant flora and fauna. Diverse species thrive on Pamalican Island with its ecosystem supportive of biodiversity conservation.

All hazardous wastes identified such as spent dry cell batteries, oil filters and used oil are transported to government-accredited disposal contractors off-site. Non-hazardous wastes are generally classified into recyclables, composting and residual waste.

During the period covered, there were 119.05 tons of recyclables with 120 tons of waste for compost and 175.70 tons classified as residual wastes.

Disposal methods were decided based on the type and/or classification of waste. Those that are detrimental to the cleanliness, sanitation and impact on the environment were transported out of the island through a waste contractor accredited by DENR. Disposal contractors should show appropriate documentation approved by DENR before hiring.

SSRLI has had no experience of organizational default from its disposal contractor.

No spills in terms of volume, location, material of spill and impact of spill were recorded. Preventive and mitigating strategies and policies assure that: 1) All fuel tank-related facilities have bund walls for securing from water spillage; 2) The Sewerage Treatment Plant has the capacity to manage waste water processing and, 3) The Desalination Plant is equipped to manage the seawater production of potable water and has a reliable water distribution pipe.

Total weight of hazardous waste transported amounts to 54.2 metric tons. No hazardous wastes were imported, exported nor treated onsite. Standards and methodologies used were adopted from guidelines issued by DENR on hazardous waste.

“Of our work in Palawan, it is critical that the children who will inherit the islands be given the skills in life to protect and be responsible for the natural beauty of their patrimony.”

Andres Soriano III
Chairman
The Andres Soriano Foundation, Inc.

EMPOWERING COMMUNITIES. ENRICHING LIVES.

ANSCOR'S CORPORATE SOCIAL RESPONSIBILITY

102-12

THE ANDRES SORIANO FOUNDATION, INC. (ASF)

ASF has three flagship programs: The Small Island Sustainable Development Program, the Cancer Care Program and the Disaster Relief Response Program.

SMALL ISLAND SUSTAINABLE DEVELOPMENT PROGRAM

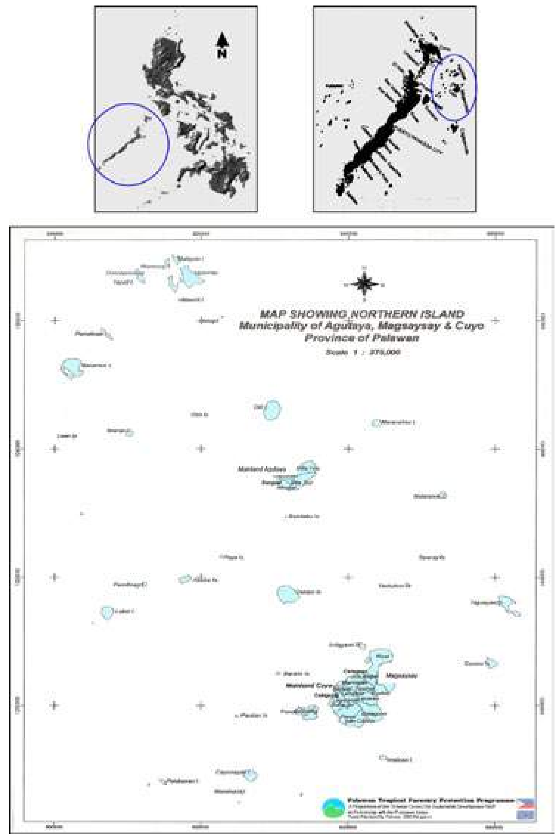
ASF's Small Island Sustainable Development Program is implemented in three fourth-class island municipalities of Cuyo, Agutaya and Magsaysay located northeast off the main island of Palawan Province.

The Program seeks to enhance the quality of life in small island communities while preserving the islands' natural integrity. From a single community in 1986, ASF went on to implement a programmatic approach to its community development work in over 30 island and coastal communities following its four program components.

Environment Protection and Conservation

The protection program component focuses on food security in partnership with local government units, and fishery and land-based sectors of farmers, fishers and coastal dwellers. With these sectors, ASF is able to:

- Sustainably manage its established 10 fish sanctuaries in 10 island communities
- Train over a hundred local ocean watch volunteers to patrol the seas deterring illegal fishing that threatened the food supply and livelihood of coastal communities
- Protect more than 200 hectares of mangrove forests with over 28 hectares reforested
- Conduct twice-a-year Coastal and Mangrove Clean-ups in partnership with assisted coastal and island communities
- Conduct an Information, Education Campaign on Waste Classification, Segregation and Proper Disposal and construct two Material Recovery Facilities in two island barangays



ASF PROJECT SITES. A geographical map depicting the project sites of ASF's Community Development Program in Northeastern Palawan. (Below) Community leaders are trained to monitor the reefs that are checked twice a year.

- Promote the use of biogas using hog manure and install over 25 units in various island communities
- Promote using solar energy and install solar panels in various community structures like day care centers, school libraries, computer labs and health centers
- Encourage tree planting in open spaces and growing plant species of Palawan Cherry and other endemic plants in the islands

PROTECTED AREAS. A 100-hectare mangrove forest in Adunrat Island and a marine-protected area (MPA) in Barangay Rizal, Magsaysay, Northeastern Palawan are protected natural resources. The bahay kubo and banca are used by Bantay Dagat volunteers as a station during patrol and surveillance activities to prevent illegal cutting of mangroves and illegal fishing activities in the protected areas. This is an ASF project in partnership with the community and the Magsaysay LGU.

Social Enterprise Development and Management

The Social Enterprise Development component has promoted and supported environment-friendly small and medium enterprises such as those related to organic farming, poultry and livestock. This has improved and diversified income opportunities for our coastal and island communities.

- Provides technical assistance and starting capital for seaweeds farming
- Provides technical assistance in organic farming, poultry and livestock (hog-raising) and in sustainably utilizing indigenous raw materials, to produce hand-crafted products from pandan and buri leaves, cogon, coconut shells and bamboo.

LIVELIHOOD ENTERPRISES. Beach hat weaving is one of the enterprises that ASF is supporting for the women of small island communities.

Community-Based Health

- Annual Health Caravans and Medical Missions are held in the adopted town of Agutaya and in the island of Manamoc in Palawan.
- Over 32,300 free medical services were rendered through 168 volunteer doctors for more than 25,350 adults and children in over 12 years.
- More than 3,500 children between the ages of two to nine years old received supplementary meals to improve nutrition.
- Midwives and community health volunteers are trained in the delivery of health services in the island villages. The Department of Health (DOH) has recognized the training provided on the latest mobile health technology on safe delivery for emergency delivery procedures.

Education

This component provides scholarships for both formal academic and technical-vocational learning, training of preschool teachers; building, rebuilding and repairing classrooms, child development centers and school laboratories; and providing supplementary books and school equipment. To-date, 126 Senior High School learners have graduated from the Technical-Vocational Track of Tourism-related courses in Manamoc National High School.

Over time, ASF has built 90 classroom structures, the latest of which is the P17.0 million tourism-related Technical-Vocational Laboratory Facilities for the Senior High School in Barangay Manamoc, Cuyo.

It was built with the help of its principal, donors, partners and friends and in partnership with the Department of Education (DepEd) and the Manamoc National High School.

These facilities included technical training rooms for Cookery, Bread & Pastries, Food and Beverage, Housekeeping and Back of the House's Linen, Laundry and Storage. The initiative will provide access to education and employment opportunities for the community's senior high school graduates who cannot afford university education.

CANCER CARE PROGRAM

ASF has a three-pronged program of research and training (fellowship and cancer lecture series), treatment services for indigent patients and consensus building.

- ASF pioneered the Cancer Research, Training and Oncology Fellowship Program in the Philippines and:
  - » Trained eight International Research Fellows and 41 local Fellows, five of whom are in training at the Cancer Institute of the University of the Philippines-Philippine General Hospital (UP-PGH) in Manila.
  - » Pioneered the Specialized Nursing Oncology Course in partnership with an ASF Fellow and a university in the Visayas. Twenty-two registered nurses graduated from the course after one year. The oncology nursing curriculum was eventually adopted by the university for its graduate studies in nursing.
  - » Holds the Cancer Lecture series all over the country. To-date, 24 local and international lecture series had been conducted and attended by local and international oncology practitioners, the medical community and lay persons.

- Fully renovated and transformed, as the principal proponent, the 50-year old X-ray and Radiotherapy Building at the UP-PGH. Now known as the Cancer Institute, it has become a one-stop center for cancer treatment and management where thousands of patients from all over the country are treated.
- Supports 55 breast cancer patients by providing their maintenance chemotherapy medicines for a five-year protocol
- Donated, in partnership with Johnson and Johnson, Philippines, a brand-new mobile infusion van to the Cancer Institute at the UP-PGH for use by cancer patients.

TURNOVER. Turnover of the Mobile Infusion Van by J & J and ASF to the Cancer Institute, UP-PGH, Manila

ROLL-OUT OF MOBILE INFUSION VAN. Dr. Antonio H. Villalon, ASF Trustee and former ASF International Medical Oncology Fellow during the ceremonial roll-out of Mobile Infusion Van, welcomes the guests from J & J's Asia-Pacific Operations at the Cancer Institute, Manila.

DISASTER RELIEF RESPONSE PROGRAM

ASF has a quick response mechanism to respond to calamities and disasters by providing relief supplies, hygiene kits to affected communities anywhere in the country. This brings the affected communities back on track through long-term rehabilitation assistance with funding support from its various partners.

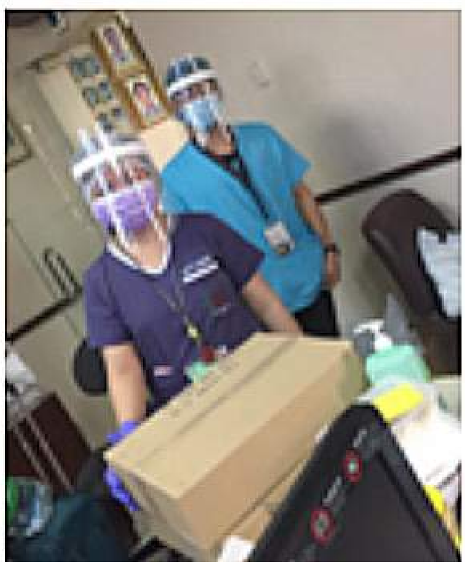
Immediate assistance was extended to victims of the Mt. Pinatubo eruption and Typhoon Haiyan (Yolanda) through housing and core shelters, victims of successive earthquakes in Mindanao, and those affected by the pandemic due to COVID-19.

TAAL VOLCANO ERUPTION. Relief packs and hygiene kits were distributed to over a thousand families in Batangas to help alleviate hunger at the height of the Taal Volcano eruption.

POST-DISASTER REHABILITATION. (Above) While bringing relief goods to affected communities greatly alleviates the immediate post-disaster plight, this assistance is short-lived. ASF seeks to bring these communities back on track through long-term rehabilitation assistance. ASF funded the construction of 300 units of core shelters in the island barangays of Concepcion and Algeciras after Typhoon Haiyan wreaked havoc in the lives of typhoon victims. Engineer Mario Ocampo conducts field inspection of the housing units built after the super typhoon hit.

NORTH COTABATO EARTHQUAKE. Immediate response after successive earthquakes in North Cotabato in October 2019 included relief operations helping 2,000 families or 10,000 individuals in three barangays in the Municipality of Makilala by providing food packs and sanitation and hygiene kits; and training 28 community volunteers to provide psycho-social support for children and youth in distress.

COVID-19 ASSISTANCE. With the outbreak of the COVID-19 pandemic, ASF donated medical supplies, thermal scans and personal protective equipment (PPE) for frontline health workers from five hospitals and three rural health units; and food packs and hygiene kits for 10 barangay health centers. Fifty cancer patients were provided with a month's supply of Vitamin C at UP-PGH and 4,208 families or 21,040 individuals in Palawan project sites were provided with food packs. ASF with support from its generous donors and partners launched an immediate response through an information-education campaign (IEC) in assisted barangays in Northern Palawan.



GLOBAL REPORTING INITIATIVE (GRI) INDEX

102-55

GRI Standard Code	GRI Standard Description	Cross-Reference/ Remarks	Reason for omission	Explanation for omission
GENERAL DISCLOSURES				
Organization Profile				
102-1	Name of the organization	Page 2		
102-2	Activities, brands, products and services	Page 4		
102-3	Location of headquarters	Page 2		
102-4	Location of operations	Pages 2 - 4		
102-5	Ownership and legal form	Page 12		
102-6	Markets served	Page 4		
102-7	Scale of organization	Pages 2 - 4, Page 12		
102-8	Information on employees and other workers	Pages 18 - 20		
102-9	Supply chain	Pages 16 - 17		
102-10	Significant changes to the organization and its supply chain	Pages 16 - 17		
102-11	Precautionary principle or approach	Page 18		
102-12	External initiatives	Pages 32 - 37		
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Strategy				
102-14	Statement from Senior Decision Maker	Pages 8 - 9		
Ethics and Integrity				
102-16	Values, principles, standards, and norms of behavior	Pages 2 - 3		
Governance				
102-18	Governance structure	Pages 12 - 13		
Stakeholder Engagement				
102-40	List of stakeholder groups	Page 5		
102-41	Collective bargaining agreements	Pages 5 - 7		
102-42	Identifying and selecting stakeholders	Pages 5 - 7		
102-43	Approach to stakeholder engagement	Page 5		
102-44	Key topics and concerns raised	Page 5		
Reporting Practice				
102-45	Entities included in the consolidated financial statements	2019 Audited Financial Statements		
102-46	Defining report content and topic boundaries	Inside Front Cover		
102-47	List of material topics	Page 7		
102-48	Restatements of information		Not applicable	Disclosure not applicable as there were no restatements of information made for the year 2019.

GRI Standard Code	GRI Standard Description	Cross-Reference/ Remarks	Reason for omission	Explanation for omission
102-49	Changes in reporting		Not applicable	Disclosure not applicable as there were no changes in reporting made for the year 2019.
102-50	Reporting period	Inside Front Cover		
102-51	Date of most recent report	2020 Sustainability Report		
102-52	Reporting cycle	Inside Front Cover		
102-53	Contact point for questions regarding the report	Inside Back Cover		
102-54	Claims of reporting in accordance with the GRI Standards	Inside Front Cover		
102-55	GRI content index	Pages 38-41		
102-56	External assurance		Not applicable	No external assurance has been made as this is the first sustainability report made by the Anscor group.
MATERIAL TOPICS				
ECONOMIC DISCLOSURES				
201 - Economic Performance				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Pages 16 - 17		
103-2	The management approach and its components	Pages 16 - 17		
103-3	Evaluation of the management approach	Pages 16 - 17		
Topic-specific Disclosures				
201	Economic Performance	Pages 16 - 17		
201-1	Direct Economic Value Generated & Distributed	Pages 16 - 17		
201-4	Financial Assistance Received from the Government		Not applicable	Disclosure not applicable as there has been no financial assistance provided by the government to the Anscor Group in the covered period.
ENVIRONMENT DISCLOSURES				
303 - Water Efficiency and Sustainable Water Withdrawal				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Pages 24 - 26		
103-2	The management approach and its components	Pages 24 - 26		
103-3	Evaluation of the management approach	Pages 24 - 26		

GRI Standard Code	GRI Standard Description	Cross-Reference/ Remarks	Reason for omission	Explanation for omission
Topic-specific Disclosures				
303-1	Interaction with Water as a Shared Resource	Pages 24 - 28		
303-2	Management of Water Discharge-Related Impacts	Pages 24 - 28		
303-3	Water Withdrawal	Pages 24 - 28	Not applicable	As seawater is the only water source used by Amanpulo, all other water sources indicated in the GRI Standards (surface water, ground water, produced water, and third-party water) are not applicable. Further, there are no water-stressed areas in the island.
303-4	Water Discharge	Pages 24 - 28	Not applicable	Other than brine water, all other forms of water stated in the GRI standards are not applicable as only brine water is discharged back into the ocean. Further, there are no water-stressed areas in the island.
303-5	Water Consumption	Pages 24 - 28	Information unavailable	Substantial information is not yet available for this disclosure, thus only future plans of reducing the water consumption by 10% have been discussed.
306 - Effluents and Waste				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Pages 26 - 29		
103-2	The management approach and its components	Pages 26 - 29		
103-3	Evaluation of the management approach	Pages 26 - 29		
Topic-specific Disclosures				
306-2	Waste by Type and Disposal Method	Pages 26 - 29		
306-3	Significant Spills	Pages 26 - 29		
306-4	Transport of Hazardous Waste	Pages 26 - 29		
SOCIAL DISCLOSURES				
401 - Employment				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Pages 18 - 20		
103-2	The management approach and its components	Pages 18 - 20		
103-3	Evaluation of the management approach	Pages 18 - 20		
Topic-specific Disclosures				
401-1	New Employee Hire & Employee Turnover	Pages 19 - 20		
401-2	Benefits provided to full-time employees that are not provided to Temporary or Part-time Employees	Pages 18 - 20		

GRI Standard Code	GRI Standard Description	Cross-Reference/ Remarks	Reason for omission	Explanation for omission
403 - Occupational Health and Safety				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Pages 21 - 22		
103-2	The management approach and its components	Pages 21 - 22		
103-3	Evaluation of the management approach	Pages 21 - 22		
403-1	Occupational Health and Safety Management System	Pages 21 - 22		
403-2	Hazard Identification, Risk Assessment and Incident Investigation	Pages 21 - 22		
403-3	Occupational Health Services	Pages 21 - 22		
403-4	Worker Participation, Consultation and Communication on Occupational Health and Safety	Pages 21 - 22		
403-5	Worker Training on Occupational Health and Safety	Pages 21 - 22		
403-6	Promotion of Worker Health	Pages 21 - 22		
403-7	Prevention & Mitigation of Occupational Health and Safety Impacts	Pages 21 - 22		
Topic-specific Disclosures				
403-9	Work-Related Injuries	Page 22		
COMPLIANCE WITH LAWS AND REGULATIONS				
307 - Environmental Compliance				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Page 14		
103-2	The management approach and its components	Page 14		
103-3	Evaluation of the management approach	Page 14		
Topic-specific Disclosures				
307-1	Non-compliance with Environmental Laws and Regulations	Page 14		
418 - Data Privacy (Customer Privacy)				
Management Approach Disclosures				
103-1	Explanation of the material topic and its boundary	Page 14		
103-2	The management approach and its components	Page 14		
103-3	Evaluation of the management approach	Page 14		
Topic-specific Disclosures				
418-1	Substantiated Complaints Concerning Breaches of Customer Privacy and Losses of Customer Data	Pages 14 - 15		

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