

# COVER SHEET

for  
SEC FORM 17-Q

SEC Registration Number

P	W	2							
---	---	---	--	--	--	--	--	--	--

## COMPANY NAME

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

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

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

Form Type

1	7	-	Q
---	---	---	---

Department requiring the report

C	R	M	D	
---	---	---	---	--

Secondary License Type, If Applicable

N	A		
---	---	--	--

## COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
info@anscor.ph	8819-0251	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
11,067	April 20	12/31

## CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Narcisa M. Villaflor	nancie.villaflor@anscor.com.ph	8819-0251	N/A

## CONTACT PERSON's ADDRESS

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

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

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



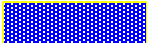
# SECURITIES AND EXCHANGE COMMISSION

## SEC 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, 2022
2. Commission identification number: PW-2 3. BIR Tax Identification No. 000-103-216

#### A. SORIANO CORPORATION

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

Title of each Class	Number of shares of common Stock outstanding and amount Of debt outstanding
---------------------	---

<u>Common</u>	<u>2,500,000,000</u>
<u>Preferred</u>	<u>500,000,000</u>

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

Yes [ x ] No [ ]

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

<u>Philippine Stock Exchange</u>	<u>Common</u>
----------------------------------	---------------

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☐ No. ☒

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

Please see SEC FORM 17-Q - Table of Contents

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

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

Please see SEC FORM 17-Q - Table of Contents


## PART II – OTHER INFORMATION

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

## SIGNATURES

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

Issuer: A. SORIANO CORPORATION

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

Date: November 14, 2022

Principal Financial/Accounting Officer/Controller:  
Signature and Title

  
(Sgd.) NARCISA M. VILLAFIOR  
VP - Comptroller

Date: November 14, 2022

**TABLE OF CONTENTS**  
**PART I – FINANCIAL INFORMATION**

	<b>PAGE NO.</b>
<b>Item 1. Financial Statements</b>	
Consolidated Balance Sheets	1 - 2
Consolidated Statements of Comprehensive Income	3 - 4
Consolidated Statements of Changes in Equity	5
Consolidated Statements of Cash Flows	6 - 7
Parent Company Balance Sheets	8
Parent Company Statements of Comprehensive Income	9
Parent Company Statements of Changes in Equity	10
Parent Company Statements of Cash Flows	11 - 12
Notes to Consolidated Financial Statements	
1. Segment Information	13 - 14
2. Basic of Preparation and Changes in Accounting Policies and Disclosures	15 - 20
3. Summary of Significant Accounting and Financial Reporting Policies	20 - 46
4. Significant Accounting Judgments, Estimates and Assumptions	46 - 50
5. Financial Risk Management Objective and Policies	51 - 54
6. Financial Instruments	54 - 57
 <b>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operation</b>	
Notes to Consolidated Financial Statements	
7. Financial Condition	57 - 59
8. Result of Operation	59 - 60
9. Cash flows	60
10. Other Financial Information	60 - 61
11. Subsidiaries and Affiliates	61 - 62
12. Financial Indicators	63 - 65

**A. SORIANO CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(In Thousand Pesos)

	September 30	December 31
	2022	2021
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,291,327	2,729,230
Fair value through profit and loss (FVPL) investments	11,609,343	11,677,814
Receivables	2,331,637	1,997,228
Inventories	1,553,651	1,625,125
Prepayments	45,677	44,808
Other current assets	9,634	19,536
<b>Total Current Assets</b>	<b>18,841,269</b>	<b>18,093,741</b>
<b>Noncurrent Assets</b>		
Fair value through other comprehensive income (FVOCI) investments	43,165	46,396
Notes receivables	274,376	297,608
Investments and advances	361,035	329,433
Goodwill	1,302,276	1,302,276
Property and equipment	2,684,192	2,544,387
Investment properties	470,326	480,125
Retirement plan asset	144,283	147,142
Deferred tax assets	112,721	111,523
Right of use assets	13,155	13,186
Other noncurrent assets	378,295	259,157
<b>Total Noncurrent Assets</b>	<b>5,783,824</b>	<b>5,531,233</b>
<b>TOTAL ASSETS</b>	<b>24,625,093</b>	<b>23,624,974</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Notes payable	-	23,166
Accounts payable and accrued expenses	1,199,879	1,110,782
Dividends payable	455,120	519,529
Income tax payable	93,690	138,914
Current portion of lease liability	9,811	9,811
Current portion of long-term debt	-	75,714
<b>Total Current Liabilities</b>	<b>1,758,500</b>	<b>1,877,916</b>

(Forward)

	September 30	December 31
	2022	2021
<b>Noncurrent Liabilities</b>		
Lease liability - net of current portion	6,790	6,790
Deferred income tax liabilities - net	484,110	521,284
Retirement benefits payable	41,078	48,147
Other noncurrent liabilities	115,933	113,731
<b>Total Noncurrent Liabilities</b>	<b>647,911</b>	<b>689,952</b>
<b>Total Liabilities</b>	<b>2,406,411</b>	<b>2,567,868</b>
<b>Equity Attributable to Equity Holdings of the Parent</b>		
Capital stock	2,505,000	2,505,000
Additional paid-in capital	1,859,383	1,859,383
Cumulative translation adjustment	300,188	226,174
Unrealized valuation gains (loss) on FVOCI investments	( 3,739)	273
Remeasurement on retirement benefits	75,656	75,656
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	12,360,712	11,299,307
Cost of shares held by a subsidiary	( 2,655,215)	( 2,655,215)
	<b>21,591,985</b>	<b>20,460,579</b>
<b>Noncontrolling interests</b>	<b>626,697</b>	<b>596,528</b>
<b>Total Equity</b>	<b>22,218,682</b>	<b>21,057,106</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>24,625,093</b>	<b>23,624,974</b>

## A. SORIANO CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF INCOME

(In Thousand Pesos Except Earnings per Share)

	Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>REVENUES</b>				
Sale of goods - net	7,952,579	6,258,740	2,683,361	2,151,836
Services	715,360	605,141	186,714	118,398
Dividend income	245,521	321,744	30,100	196,730
Interest income	41,608	30,097	17,281	11,856
	8,955,068	7,215,722	2,917,456	2,478,820
<b>INVESTMENT GAINS (LOSSES)</b>				
Gain on sale of long term investments	2,208,757	-	-	-
Gain on sale of FVOCI investments	764	3,549	1,276	1,452
Gain (loss) on increase (decrease) in market values of FVPL investments	(1,948,782)	1,091,605	(607,869)	614,707
	260,739	1,095,154	(606,593)	616,159
Equity in net earnings of associates	26,469	7,467	657	2,582
	9,242,276	8,318,343	2,311,520	3,097,561
Cost of goods sold	(6,558,206)	(4,959,939)	(2,287,989)	(1,796,908)
Services rendered	(299,979)	(210,103)	(96,610)	(61,883)
Operating expenses	(1,013,736)	(757,880)	(304,579)	(241,978)
Foreign exchange gain	518,235	131,633	262,911	107,321
Interest expense	(1,227)	(7,122)	49	(1,916)
Other income (charges) - net	34,960	(474)	13,501	7,177
	(7,319,953)	(5,803,885)	(2,412,717)	(1,988,187)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	1,922,323	2,514,458	(101,197)	1,109,374
<b>PROVISION FOR INCOME TAX</b>				
Current	252,801	253,091	67,536	54,333
Deferred	(35,837)	37,093	67,633	18,829
	216,964	290,184	135,169	73,162
<b>NET INCOME (LOSS)</b>	1,705,359	2,224,274	( 236,366)	1,036,212

(Forward)

	Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized valuation loss on FVOCI investments	(4,585)	(6,193)	(123)	(6,664)
Realized gain on sale of FVOCI investments, net of impairment losses	(764)	(3,549)	(1,276)	(1,452)
Income tax effect	1,337	2,435	350	1,849
Cumulative translation adjustment	74,014	124,986	148,547	102,883
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>70,002</b>	<b>117,679</b>	<b>147,498</b>	<b>96,616</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>1,775,361</b>	<b>2,341,953</b>	<b>(88,868)</b>	<b>1,132,828</b>
Net Income (Loss) Attributable to:				
<b>Equity holders of the parent</b>	<b>1,675,190</b>	<b>2,225,547</b>	<b>(228,275)</b>	<b>1,054,111</b>
Minority interest	30,169	(1,273)	(8,091)	(17,899)
	<b>1,705,359</b>	<b>2,224,274</b>	<b>(236,366)</b>	<b>1,036,212</b>
Total Comprehensive Income (Loss) Attributable to:				
<b>Equity holders of the parent</b>	<b>1,745,192</b>	<b>2,343,226</b>	<b>(80,777)</b>	<b>1,150,727</b>
Minority interest	30,169	(1,273)	(8,091)	(17,899)
	<b>1,775,361</b>	<b>2,341,953</b>	<b>(88,868)</b>	<b>1,132,828</b>
<b>Earnings Per Share</b>				
Basic/Diluted, for net income (loss) attributable to equity holders of the Parent	<b>1.36</b>	<b>1.81</b>	<b>(0.19)</b>	<b>0.86</b>
<b>Earnings Per Share</b>				
Basic/Diluted, for total comprehensive income (loss) attributable to equity holders of the Parent	<b>1.42</b>	<b>1.91</b>	<b>(0.07)</b>	<b>0.94</b>



## A. SORIANO CORPORATION

### CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Attributable to Equity Holders of the Parent										
	Capital Stock			Unrealized Valuation Gain (Loss) on FVOCI Investments	Remeasurement on Retirement Benefits	Cumulative Translation Adjustment	Retained Earnings		Cost of Shares Held by a Subsidiary	Noncontrolling Interests	Total
	Common	Preferred	Additional Paid-in Capital				Appropriated	Unappropriated			
Balance at 12/31/2020	2,500,000	-	1,859,383	2,522	23,720	99,261	7,150,000	9,715,904	(2,655,215)	564,815	19,260,391
Subscription of preferred shares	-	5,000	-	-	-	-	-	-	-	-	5,000
Comprehensive income (loss)	-	-	-	(7,307)	-	124,986	-	2,225,547	-	(1,273)	2,341,953
Cash dividends - net	-	-	-	-	-	-	-	(613,785)	-	-	(613,785)
Movement in noncontrolling interest	-	-	-	-	-	-	-	-	-	(1,800)	(1,800)
Balance at 09/30/2021	2,500,000	5,000	1,859,383	(4,785)	23,720	224,247	7,150,000	11,327,666	(2,655,215)	561,742	20,991,759
Balance at 12/31/2021	2,500,000	5,000	1,859,383	273	75,656	226,174	7,150,000	11,299,307	(2,655,215)	596,528	21,057,106
Comprehensive (loss) income	-	-	-	(4,012)	-	74,014	-	1,675,190	-	30,169	1,775,361
Cash dividends - net	-	-	-	-	-	-	-	(613,785)	-	-	(613,785)
Balance at 09/30/2022	2,500,000	5,000	1,859,383	(3,739)	75,656	300,188	7,150,000	12,360,712	(2,655,215)	626,697	22,218,682

## A. SORIANO CORPORATION

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax	<b>1,922,323</b>	2,514,458	<b>(101,197)</b>	1,109,374
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	<b>1,948,782</b>	(1,091,605)	<b>607,869</b>	(614,707)
Depreciation and amortization	<b>230,900</b>	220,118	<b>80,408</b>	80,752
Interest expense	<b>1,227</b>	7,122	<b>(49)</b>	1,916
Gain on sale of long term investment	<b>(2,208,757)</b>	-	-	-
Dividend income	<b>(245,521)</b>	(321,744)	<b>(30,100)</b>	(196,730)
Unrealized foreign exchange loss (gain)	<b>(175,949)</b>	538	<b>(88,212)</b>	1,114
Interest income	<b>(41,608)</b>	(30,097)	<b>(17,281)</b>	(11,856)
Equity in net earnings of associates	<b>(26,469)</b>	(7,467)	<b>(657)</b>	(2,582)
Gain on sale of FVOCI investments	<b>(764)</b>	(3,549)	<b>(1,276)</b>	(1,452)
Gain on sale of property and equipment	<b>(222)</b>	(129)	<b>(95)</b>	(63)
Operating income before working capital changes	<b>1,403,942</b>	1,287,645	<b>449,410</b>	365,766
Decrease (increase) in:				
FVPL investments	<b>(1,563,594)</b>	(298,008)	<b>(894,519)</b>	(102,191)
Receivables	<b>(311,177)</b>	(234,093)	<b>(364,575)</b>	(182,152)
Inventories	<b>71,474</b>	(267,710)	<b>435,029</b>	156,339
Increase (decrease) in:				
Accounts payable and accrued expenses	<b>89,097</b>	237,366	<b>152,363</b>	75,676
Retirement plan assets	<b>(4,211)</b>	602	<b>(3,334)</b>	(1,778)
Net cash generated from (used in) operations	<b>(314,469)</b>	725,802	<b>(225,626)</b>	311,660
Dividend received	<b>245,521</b>	321,744	<b>30,100</b>	196,730
Interest received	<b>41,608</b>	30,218	<b>17,281</b>	11,978
Interest paid	<b>(1,227)</b>	(7,122)	<b>49</b>	(1,916)
Income taxes paid	<b>(298,025)</b>	(294,670)	<b>(85,687)</b>	(54,270)
Net cash flows from (used in) operating activities	<b>(326,592)</b>	775,972	<b>(263,883)</b>	464,182

(Forward)

	Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of :				
Long-term investment	1,974,596	-	-	-
FVOCI investments	31,730	70,054	1,363	37,047
Property and equipment	2,115	129	1,988	63
Addition to:				
FVOCI investments	(27,163)	(193,943)	(176)	(29,302)
Investment properties	(1,211)	-	(1,211)	-
Property and equipment	(361,588)	(223,963)	(175,195)	(101,229)
Decrease (increase) in:				
Prepayments and other assets	(110,106)	25,211	(149,905)	56,562
Other noncurrent liabilities	2,204	13,149	880	11,490
Advances to affiliates	(5,133)	1,238	965	3,373
Net cash flows from (used) in investing activities	1,505,444	(308,125)	(321,291)	(21,996)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of:				
Notes payable	(23,166)	-	-	-
Long-term debt	(75,714)	(113,571)	-	(37,857)
Cash dividends	(678,195)	(574,050)	-	-
Increase (decrease) in:				
Lease liabilities	32	-	-	(20)
Minority interest	-	(1,800)	-	(1,610)
Net cash flows used in financing activities	(777,043)	(689,421)	-	(39,487)
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>				
	160,288	4,005	75,110	3,143
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
	562,097	(217,570)	(510,064)	405,841
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>				
	2,729,230	3,091,959	3,801,391	2,468,548
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
	3,291,327	2,874,390	3,291,327	2,874,390

## A. SORIANO CORPORATION

### PARENT COMPANY BALANCE SHEETS

(In Thousand Pesos)

	September 30 2022	December 31 2021
<b>ASSETS</b>		
Cash and Cash Equivalents	1,440,529	557,227
Fair Value through Profit and Loss (FVPL) Investments	8,991,720	10,209,886
Fair value through other comprehensive income (FVOCI) investments	43,165	46,396
Receivables - net	458,810	491,269
Investments and Advances- net	6,698,543	7,556,096
Investment Properties	227,190	238,200
Property and Equipment - net	11,644	7,261
Retirement Plan Asset	144,283	144,283
Other Assets	2,582	1,923
<b>TOTAL ASSETS</b>	<b>18,018,466</b>	<b>19,252,541</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts Payable and Accrued Expenses	124,160	165,048
Dividends Payable	455,120	519,529
Deferred Income Tax Liabilities - net	175,445	206,622
<b>Total Liabilities</b>	<b>754,723</b>	<b>891,199</b>
<b>Equity</b>		
Capital Stock - 1 Par Value	2,505,000	2,505,000
Additional Paid-in Capital	1,589,800	1,589,800
Unrealized valuation gains on FVOCI investments	(3,739)	273
Remeasurement on Retirement Benefits	93,172	93,172
Retained Earnings		
Appropriated	7,150,000	7,150,000
Unappropriated	5,929,510	7,023,097
<b>Total Equity</b>	<b>17,263,743</b>	<b>18,361,342</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,018,466</b>	<b>19,252,541</b>

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF INCOME

(In Thousand Pesos)

	Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>REVENUES</b>				
Dividend income	1,220,301	918,744	24,806	196,730
Management fees	73,533	83,551	19,571	21,895
Interest income	34,725	25,953	15,094	9,898
	1,328,559	1,028,248	59,471	228,523
<b>INVESTMENT GAINS (LOSSES)</b>				
Gain (loss) on increase (decrease) in market values of FVPL investments	(1,972,626)	1,654,618	(616,323)	742,902
Gain on sale of FVOCI investments	764	3,549	1,276	1,452
	(1,971,862)	1,658,167	(615,047)	744,354
	(643,303)	2,686,415	(555,576)	972,877
Operating expenses	(198,344)	(105,617)	(33,187)	(36,682)
Foreign exchange gain	506,969	126,781	256,394	104,037
Valuation allowance - net of reversal	440,408	-	-	-
Interest expense	(8)	(9)	(8)	-
Others net	21,272	14,344	4,820	8,422
	770,297	35,499	228,019	75,777
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	126,994	2,721,914	(327,557)	1,048,654
<b>PROVISION FOR INCOME TAX</b>				
Current	421	1,489	311	508
Deferred	(29,840)	43,090	69,632	20,827
	(29,419)	44,579	69,943	21,335
<b>NET INCOME (LOSS)</b>	156,413	2,677,335	(397,500)	1,027,319
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized valuation loss on FVOCI investments	(4,585)	(6,193)	(123)	(6,664)
Realized gain on sale of FVOCI investments	(764)	(3,549)	(1,276)	(1,452)
Income Tax Effect	1,337	2,435	350	1,849
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	(4,012)	(7,307)	(1,049)	(6,267)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	152,401	2,670,028	(398,549)	1,021,052
<b>Earnings Per Share:</b>				
Net income (loss)	0.06	1.07	(0.16)	0.41
Total comprehensive income (loss)	0.06	1.07	(0.16)	0.41

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In Thousand Pesos)

	Capital Stock		Additional	Unrealized	Remeasurement	Retained Earnings		
	Common	Preferred	Paid-in	Valuation	on Retirement	Appropriated	Unappropriated	Total
			Capital	Gains (loss)	Benefits			
				on FVOCI	Gain			
				Investments				
Balance at 12/31/2020	2,500,000	-	1,589,800	2,522	48,011	7,150,000	5,538,392	16,828,725
Subscription of preferred shares	-	5,000	-	-	-	-	-	5,000
Comprehensive income	-	-	-	( 7,307)	-	-	2,677,335	2,670,028
Cash dividends	-	-	-	-	-	-	( 1,250,000)	(1,250,000)
Balance at 09/30/2021	2,500,000	5,000	1,589,800	(4,785)	48,011	7,150,000	6,965,727	18,253,753
Balance at 12/31/2021	2,500,000	5,000	1,589,800	273	93,172	7,150,000	7,023,097	18,361,342
Comprehensive income	-	-	-	(4,012)	-	-	156,413	152,401
Cash dividends	-	-	-	-	-	-	(1,250,000)	(1,250,000)
Balance at 09/30/2022	2,500,000	5,000	1,589,800	(3,739)	93,172	7,150,000	5,929,510	17,263,743

## A. SORIANO CORPORATION

### PARENT COMPANY STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

	For the Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before tax	<b>126,994</b>	2,721,914	<b>( 327,557)</b>	1,048,654
Adjustment for:				
Loss (gain) on decrease (increase) in market values of FVPL investments	<b>1,972,626</b>	( 1,654,618)	<b>616,323</b>	( 742,902)
Depreciation and amortization	<b>13,622</b>	14,241	<b>3,594</b>	5,095
Gain on sale of property and equipment	<b>70</b>	-	<b>70</b>	-
Interest expense	<b>8</b>	9	<b>8</b>	-
Dividend income	<b>( 1,220,301)</b>	( 918,744)	<b>( 24,806)</b>	( 196,730)
Unrealized foreign exchange gain	<b>( 484,125)</b>	( 124,448)	<b>( 241,508)</b>	( 101,770)
Reversal of allowance - net	<b>( 440,408)</b>	-	<b>-</b>	-
Interest income	<b>( 34,725)</b>	( 25,953)	<b>( 15,094)</b>	( 9,898)
Gain on sale of FVOCI investments	<b>( 764)</b>	( 3,549)	<b>( 1,276)</b>	( 1,452)
Operating gain (loss) before working capital changes	<b>( 67,003)</b>	8,852	<b>9,754</b>	997
Decrease (increase) in:				
Receivables	<b>32,459</b>	13,339	<b>( 3,298)</b>	( 24,955)
FVPL investments	<b>( 437,743)</b>	243,307	<b>( 480,534)</b>	89,673
Increase (decrease) in accounts payable and accrued expenses	<b>( 40,888)</b>	74,586	<b>( 7,356)</b>	3,669
Net cash generated (used in) operations	<b>( 513,175)</b>	340,084	<b>( 481,434)</b>	69,384
Dividend received	<b>585,301</b>	571,744	<b>149,806</b>	196,730
Interest received	<b>34,725</b>	26,075	<b>15,094</b>	10,020
Interest paid	<b>( 8)</b>	( 9)	<b>( 8)</b>	-
Income tax paid	<b>( 421)</b>	( 1,489)	<b>( 311)</b>	( 508)
Net cash flows from (used in) operating activities	<b>106,422</b>	936,405	<b>( 316,853)</b>	275,626

(Forward)

	For the Periods Ended September 30		Quarters Ended September 30	
	2022	2021	2022	2021
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale of :				
FVOCI investments	31,730	70,054	1,363	37,047
Property and equipment	1,823	-	1,823	-
Additions to:				
FVOCI investments	( 27,163)	( 193,943)	( 176)	( 29,302)
Long-term investments	( 93,450)	-	-	-
Property and equipment	( 8,887)	( 4,015)	289	( 2,892)
Increase in:				
Advances to affiliates	1,390,196	( 65,495)	( 134,945)	( 16,262)
Other assets	( 659)	( 577)	( 145)	( 122)
Net cash flows from (used in) investing activities	1,293,590	( 193,976)	( 131,791)	( 11,531)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of cash dividends	( 678,195)	( 574,050)	-	-
Net cash flows used in financing activities	( 678,195)	( 574,050)	-	-
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS</b>	161,485	4,003	79,580	3,145
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	883,302	172,382	( 369,064)	267,240
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	557,227	529,192	1,809,593	434,334
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	1,440,529	701,574	1,440,529	701,574



## A. SORIANO CORPORATION AND SUBSIDIARIES

### Additional Notes to Consolidated Financial Statements

#### 1. Segment Information

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

	Before Eliminations					Eliminations	After Eliminations Consolidated
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
<b>09/30/2022</b>							
REVENUE	7,790,249	742,116	2,864,286	(643,303)	10,753,348	(1,511,072)	<b>9,242,276</b>
TOTAL COMPREHENSIVE INCOME (LOSS)	690,075	78,598	2,641,855	152,401	3,562,929	(1,787,568)	<b>1,775,361</b>
TOTAL ASSETS	5,827,716	1,763,167	15,447,221	18,018,466	41,056,570	(16,431,477)	<b>24,625,093</b>
INVESTMENTS PORTFOLIO *	19,762	206,251	30,966,824	15,960,618	47,153,455	(34,669,586)	<b>12,483,869</b>
PROPERTY & EQUIPMENT	805,774	687,368	197,989	11,644	1,702,775	981,417	<b>2,684,192</b>
TOTAL LIABILITIES	691,095	521,102	1,970,386	754,723	3,937,306	(1,530,895)	<b>2,406,411</b>
DEPRECIATION AND AMORTIZATION	69,722	83,464	44,104	13,622	210,912	19,988	<b>230,900</b>

	Before Eliminations					Eliminations	After Eliminations Consolidated
	Wire Manufacturing	Resort Operation	Other Operations (Note 1)	Holding Co (Parent)	Total		
<b>09/30/2021</b>							
REVENUE	6,258,740	506,752	657,857	2,686,416	10,109,765	(1,791,422)	<b>8,318,343</b>
TOTAL COMPREHENSIVE INCOME (LOSS)	733,848	(6,354)	518,458	2,670,028	3,915,980	(1,574,027)	<b>2,341,953</b>
TOTAL ASSETS	5,425,756	1,732,307	13,539,816	18,973,980	39,671,859	(16,170,572)	<b>23,501,287</b>
INVESTMENTS PORTFOLIO *	17,662	121,876	26,036,207	17,671,178	43,846,923	(31,268,271)	<b>12,578,652</b>
PROPERTY & EQUIPMENT	629,771	728,812	121,133	7,912	1,487,628	1,008,068	<b>2,495,696</b>
TOTAL LIABILITIES	908,787	505,286	3,024,077	720,227	5,158,377	(2,648,848)	<b>2,509,529</b>
DEPRECIATION AND AMORTIZATION	66,806	84,227	34,856	14,241	200,130	19,988	<b>220,118</b>

**\* 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 real estate holding, aviation 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**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new accounting standards effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- **Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021***  
The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before September 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

#### 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, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*  
The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:
  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

*Effective beginning on or after January 1, 2025*

- 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, 2022 and December 31, 2021:

	Nature of Business	Percentage of Ownership	
		2022	2021
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)	Holding	100	100
IQ Healthcare Professional Connection, LLC (IQHPC)	Inactive	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
Summerside Corp.	Holding	100	40
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



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 there are such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

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

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

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

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

The following are the Group's associates:

	Nature of Business	Percentage of Ownership	
		2022	2021
<b>Associates</b>			
Prople Limited	Business Process Outsourcing	32	32
Vicinetum Holdings, Inc. (VHI)	Holding	32	32
Fremont Holdings, Inc. (FHI)	Real Estate Holding	25	25
BehaviorMatrix, LLC (BM)	Behavior Analytics Services	21	21
ATRAM Investment Management Partners Corp (AIMP)	Asset Management	20	20
AG&P International Holdings, Pte Ltd (AGP-SG)*	Modular Steel Engineering / LNG Construction	-	21

*\* 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.

#### 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021.

(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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, included in this category are the Group’s notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

## Derecognition of Financial Assets and Financial Liabilities

### *Financial assets*

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

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

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

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

### *Financial liabilities*

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

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

## Impairment of Financial Assets

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

flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

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

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

#### "Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes

the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated profit or loss unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

#### Offsetting Financial Instruments

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

#### Revenue from Contracts with Customers

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

##### *Sale of goods*

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

##### *Sale of real estate*

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

##### *Rendering of services*

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

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

#### *Interest*

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

#### *Dividends*

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

#### *Rental*

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

#### Costs and Expenses

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

#### *Cost of goods sold*

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

#### *Cost of real estate sold*

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

#### *Costs of services rendered*

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

#### *Selling, general and administrative expenses*

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

#### Other Comprehensive Income

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



### Cash and Cash Equivalents

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

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

### Inventories

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

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

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

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

### Prepayments

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

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

### Property and Equipment

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

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

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

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

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

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

*\* or lease term, whichever is shorter*

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

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

### Property Development in Progress

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

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

### Investment Properties

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

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

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

### Impairment of Nonfinancial Assets

At each reporting date, the Group assesses whether there is any indication that its nonfinancial assets (namely, property and equipment and investment properties) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in

use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

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

### Goodwill

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

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

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

#### Other Noncurrent Assets and Other Noncurrent Liabilities

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

#### Capital Stock

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

#### Additional Paid-in Capital

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

#### Retained Earnings

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

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

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

#### Cost of Shares Held by a Subsidiary

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

#### Leases

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

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

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

#### *The Group as Lessee*

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

#### *The Group as Lessor*

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

#### Borrowing Costs

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

#### Pension Benefits

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

#### Provisions and Contingencies

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

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

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

### Income Taxes

#### *Current income tax*

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

#### *Deferred income tax*

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

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

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

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



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

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

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

#### *Value-added Tax (VAT)*

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

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

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

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

#### Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of September 30, 2022 and December 31, 2021.

#### 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 September 30, 2022 and December 31, 2021, 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; reliability 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, 2022.

## **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, 2022:**

		Fair value measurement using		
		Quoted prices in active Markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
FVPL investments:				
Quoted equity shares	<b>P5,530,897</b>	<b>P5,530,897</b>	<b>P–</b>	<b>P–</b>
Unquoted equity shares	<b>2,941,077</b>	<b>–</b>	<b>1,919,368</b>	<b>1,021,709</b>
Funds and equities	<b>2,334,828</b>	<b>–</b>	<b>2,334,827</b>	<b>–</b>
Proprietary shares	<b>478,157</b>	<b>–</b>	<b>478,157</b>	<b>–</b>
Bonds and convertible note	<b>318,970</b>	<b>318,970</b>	<b>–</b>	<b>–</b>
Others	<b>5,414</b>	<b>5,414</b>	<b>–</b>	<b>–</b>
	<b>11,609,343</b>	<b>5,855,281</b>	<b>4,732,353</b>	<b>1,021,709</b>
FVOCI investments:				
Bonds and convertible note	<b>43,165</b>	<b>43,165</b>	<b>–</b>	<b>–</b>
	<b>P11,652,508</b>	<b>P5,898,446</b>	<b>P4,732,353</b>	<b>P1,021,709</b>

As of December 31, 2021

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	P7,405,487	P7,405,487	P–	P–
Unquoted equity shares	1,827,307	–	805,598	1,021,709
Funds and equities	1,790,856	–	1,790,856	–
Proprietary shares	399,877	–	399,877	–
Bonds and convertible note	246,425	246,425	–	–
Others	7,862	7,862	–	–
	11,677,814	7,659,774	2,996,331	1,021,709
FVOCI investments	46,396	46,396	–	–
	P11,724,210	P7,706,170	P2,996,331	P1,021,709

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

2022 and 2021

	Valuation Technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
KSA	DCF Model	Dividend payout is 121.0 million 3% annual increase at the end of 2 <sup>nd</sup> year	0% to 5%	0% fair value of P780 5% fair value of P1,069
		Liquidity discount of 20%	10% to 30%	10%: fair value of P1,034 30% fair value of P805
		Cost of equity of 13.2%	12.2% to 14.0%	12%: fair value of P981 14% fair value of P879

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 2021	P1,021.7
Unrealized gain in profit or loss	–
As at 31 December 2021	1,021.7
Unrealized gain in profit or loss	–
<b>As at 30 September 2022</b>	<b>P1,021.7</b>

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, 2022 and December 31, 2021, there were no transfers other than mentioned above.

## **7. Financial Condition**

There was no other significant change in the Company's Consolidated Balance Sheet as of September 30, 2022 versus December 31, 2021.

### ***Cash and Cash Equivalents***

The increase in cash and cash equivalents can be attributed to net cash generated from investing activities mainly the net proceeds from sale of investment in AG&P, partially offset by cash used in operating activities 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 decrease in market value of local traded shares and foreign denominated investment in bonds, stocks and funds of P1.9 billion partially offset by net additions of P1.6 million mainly investment in PE Funds and foreign exchange gain of P316.7 million.

### ***Receivables***

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

### ***Inventories***

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

### ***Prepayments and other current assets***

Decrease in this account can be attributed mainly to use up of the prepaid expenses related to manufacturing and resort operations.

### ***Fair value through other comprehensive income (FVOCI) investments***

Net decrease in this account amounted to P3.2 million. The decrease can be attributed to net disposal of investments of P3.8 million and the decline in market value of the FVOCI investments of P5.3 million partially offset by foreign exchange gain of P5.9 million.

**Notes Receivables**

The decrease was attributable to the collection of advances partially offset by accrued interest related to the advances by the Parent company to Anscor Retirement Trust Fund.

**Investments and Advances**

The increase in investments and advances was mainly due to share in the equity earnings of the associates amounting to P26.5 million and advances to associates of P5.1 million.

**Property and Equipment - net**

The increase can be traced to net acquisition of property and equipment of P359.7 million offset by depreciation amounting to P219.9 million, mainly attributable to capital expenditures of the manufacturing, aviation and resort subsidiaries.

**Investment Properties**

Decrease was due to depreciation amounting to P11.0 million partially offset by additions of P1.2 million.

**Other noncurrent assets**

Change in the account balance can be attributed to the increase in deposit to supplier by the manufacturing subsidiary offset by the decrease in fund of the resort subsidiary for the villa operation which was used for maintenance and capex requirements.

**Accounts Payable and Accrued Expenses**

The increase was mainly attributable to the recorded liabilities to the suppliers of the resort and wire manufacturing subsidiaries as a result of increased volume of their businesses.

**Dividends Payable**

On February 23, 2022, the Parent Company approved the declaration of cash dividends of P0.50 per share to shareholders, which was paid on April 5, 2022. Balance of P455.1 million as of September 30, 2022, represents accumulated cash dividend of stockholders with problematic addresses.

**Income Tax Payable**

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

**Deferred Income Tax Liabilities**

Decrease in the account was mainly due to the deferred tax effect of unrealized decline in market value of FVPL investments.

**Cumulative Translation Adjustment (CTA)**

This account includes translation adjustments of Anscor International, Inc., and IQHPC. CTA balance increased by P74.0 million, mainly due to appreciation of US dollar vis a vis Philippine peso.

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

Decrease in the account is attributable to the decline in market values of FVOCI investments, mainly bonds, from January 1 to September 30, 2022.

**Others**

There were no commitments for major capital expenditures in 2022.

**8. Results of Operation**

Management is not aware of any known trends, events or uncertainties except for political, market uncertainties and COVID-19 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 September 30	
	2022	2021
Revenues (excluding investment gains or losses)	1,328,559	1,028,248
Investment Gains (Losses)	(1,971,882)	1,658,167
Total Comprehensive Income (Loss)	152,401	2,670,028
Earnings Per Share		
Net Income (Loss)	0.06	1.07
Total Comprehensive Income (Loss)	0.06	1.07
Market Price Per Share (PSE)	8.95	6.96

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

***Revenues***

This year's consolidated gross revenues of P9.2 billion was higher from last year's revenue of P8.3 billion due to gain on sale of investment in AGP of P2.2 billion and higher revenues of the resorts and the wire manufacturing operations.

***Cost of Goods Sold***

Increase was attributable to higher cost of goods sold of the wire manufacturing subsidiary.

***Cost of Services Rendered***

Increase in cost of services rendered was mainly due to higher cost of services by the resort and aviation subsidiary.

***Operating Expenses***

The Group reported an increase in consolidated operating expenses for nine months of 2022 due to higher overhead of the parent company (from bonus paid based on higher net income in 2021) and rise in operating expenses of the resort and wire manufacturing subsidiaries due to higher volume of business.

***Foreign Exchange Gain***

Increase can be traced to foreign exchange gain on dollar-denominated investments due to appreciation of the US dollar vs. Philippine peso.

***Provision for income tax***

The current tax provision of the resort, aviation and wire manufacturing subsidiaries was offset by the benefit from deferred income tax mainly of the parent company attributable to unrealized loss from decline in market value of FVPL investments.

**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 cyclicity 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, Anscorcon which todate owns 1,272,429,761 shares of Anscor. No additional shares were purchased during nine months of 2022.
- 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	
	2022	2021
<i>Volume sold (MT)</i>	<b>11,052</b>	10,805
<i>Revenue</i>	<b>7,790,249</b>	6,258,740
<i>Net Income</i>	<b>690,075</b>	733,848

PDP Energy's revenue improved in 2022 as against 2021's revenues.

PDP recorded a net income of P690.1 million for nine months of 2022, slightly lower than the P733.8 million profit recorded last year due to higher copper price.

**Seven Seas' Amanpulo Resort** ended up with an occupancy rate of 45% for nine months of 2022, higher than the 2021 average occupancy rate of 34%. Average room rate was P65,063 from last year's average room rate of P55,879. Total hotel revenues amounted to P742.1 million, an increase from last year's revenues of P506.7 million, mostly coming from local guests.

Seven Seas reported a consolidated net income of P78.6 million in 2022, compared to last year's consolidated net loss of P6.4 million.

## 12. Financial Indicators

Significant financial indicators of the Group are the following:

			September 30, 2022		September 30, 2021	
i	Current Ratio	Total Current Assets	<b>18,841,269</b>	10.71 : 1	<b>17,965,457</b>	9.94 : 1
		Total Current Liabilities	<b>1,758,500</b>		<b>1,807,939</b>	
ii	Acid Test Ratio	Total Current Assets less Inventories, Prepayments and Other Current Assets	<b>17,232,307</b>	9.80 : 1	<b>16,591,936</b>	9.18 : 1
		Total Current Liabilities	<b>1,758,500</b>		<b>1,807,939</b>	
iii	Solvency Ratio	Net Income Attributable to Equity Holders of the Parent + Depreciation and Amortization	<b>1,906,090</b>	79.21%	<b>2,445,665</b>	97.46%
		Total Liabilities	<b>2,406,411</b>		<b>2,509,528</b>	
iv	Debt-to-Equity Ratio	Total Liabilities	<b>2,406,411</b>	0.11 :1	<b>2,509,528</b>	0.12 : 1
		Equity Attributable to Equity Holders of the Parent	<b>21,591,985</b>		<b>20,430,017</b>	
v	Asset-to-Equity Ratio	Total Assets	<b>24,625,093</b>	1.14	<b>23,501,287</b>	1.15
		Equity Attributable to Equity Holders of the Parent	<b>21,591,985</b>		<b>20,430,017</b>	
vi	Interest Rate Coverage Ratio	EBIT (earnings before interest and taxes)	<b>1,923,550</b>	1,567.69	<b>2,521,580</b>	354.06
		Interest Expense	<b>1,227</b>		<b>7,122</b>	
vii	Return on Equity Ratio	Net Income Attributable to Equity Holders of the Parent	<b>1,675,190</b>	7.76%	<b>2,225,547</b>	10.89%
		Equity Attributable to Equity Holders of the Parent	<b>21,591,985</b>		<b>20,430,017</b>	

			<u>September 30, 2022</u>		<u>September 30, 2021</u>	
viii	Return on Assets	Net Income Attributable to Equity Holders of the Parent	<u>1,675,190</u>	6.80%	<u>2,225,547</u>	9.47%
		Total Assets	<u>24,625,093</u>		<u>23,501,287</u>	
ix	Profit Ratio	Net Income Attributable to Equity Holders of the Parent	<u>1,675,190</u>	18.13%	<u>2,225,547</u>	26.75%
		Total Revenues	<u>9,242,276</u>		<u>8,318,342</u>	
x	Book Value per Share	Equity Attributable to Equity Holders of the Parent	<u>21,591,985</u>	17.59	<u>20,430,017</u>	16.64
		Outstanding Number of Shares	<u>1,227,570</u>		<u>1,227,570</u>	

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

***PDP Energy and PDIPI***

In Thousand Pesos except sales volume

	<b>09/30/2022</b>	09/30/2021
1. Volume	<b>11,052</b>	10,805
2. Revenue	<b>7,790,249</b>	6,258,740
3. Net income	<b>690,075</b>	733,848

***Seven Seas Group***

In Thousand Pesos

	<b>09/30/2022</b>	09/30/2021
1. Occupancy rate	<b>45%</b>	34%
2. Hotel revenue	<b>742,116</b>	506,739
3. Gross operating profit (GOP)	<b>273,706</b>	159,777
4. GOP ratio	<b>36.9%</b>	31.5%
5. Net income	<b>78,598</b>	(6,354)

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.