



For BIR
Use Only

BCS/
Item



1702-RT06/13P1

Republika ng Pilipinas Kagawaran ng Pananalapi Kawanihan ng Rentas Internas		Annual Income Tax Return For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X". Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>		BIR Form No. 1702-RT June 2013 Page 1	
1 For ☒ Calendar ☐ Fiscal		3 Amended Return? ☐ Yes ☒ No		4 Short Period Return? ☐ Yes ☒ No	
2 Year Ended (MM/20YY) 12 2018		5 Alphanumeric Tax Code (ATC) IC055 Minimum Corporate Income Tax (MCIT) ☒ IC010 ☒ CORPORATION IN GENERAL - JAN 1, 2009 ☒			
Part I - Background Information					
6 Taxpayer Identification Number (TIN)* 242 - 603 - 734 - 000		7 RDO Code 123			
8 Date of Incorporation/Organization (MM/DD/YYYY) 04/03/2003					
9 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) VIVANT CORPORATION					
10 Registered Address (Indicate complete registered address) SUITE 907 AYALA LIFE FGU CEBU SUITE 907 AYALA LIFE FGU CEBU CEBU					
11 Contact Number 234-2256		12 Email Address dyan.olegario@vivant.com.ph			
13 Main Line of Business FINANCIAL HOLDING COMPANY ACTIVITIES		14 PSIC Code 6694			
15 Method of Deductions ☒ Itemized Deductions [Section 34 (A-J), NIRC] ☐ Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]					
Part II - Total Tax Payable (Do NOT enter Centavos)					
16 Total Income Tax Due (Overpayment) (From Part IV Item 44)		0			
17 Less: Total Tax Credits/Payments (From Part IV Item 45)		121,156,029			
18 Net Tax Payable (Overpayment) (Item 16 Less Item 17) (From Part IV Item 46)		(121,156,029)			
19 Add: Total Penalties (From Part IV Item 50)		0			
20 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 18 and 19) (From Part IV Item 51)		(121,156,029)			
21 If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable) ☐ To be refunded ☐ To be issued a Tax Credit Certificate (TCC) ☒ To be carried over as tax credit next year/quarter					
We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach authorization letter and indicate TIN)					
Signature over printed name of President/Principal Officer/Authorized Representative DENNIS M.A. GARCIA		Signature over printed name of Treasurer/Assistant Treasurer MINUEL CARMELA N. FRANCO			
Title of Signatory CHAIRMAN		TREASURER		Number of pages filed 8	
22 ☒ Community Tax Certificate (CTC) Number ☐ SEC Reg No.		00078736		23 Date of Issue (MM/DD/YYYY) 01/17/2019	
24 Place of Issue CEBU CITY		25 Amount, if CTC		10,500.00	
Part III - Details of Payment					
Details of Payment		Drawee Bank/Agency		Number	
26 Cash/Bank Debit Memo				Date (MM/DD/YYYY)	
27 Check				Amount	
28 Tax Debit Memo				0	
29 Others (Specify Below)				0	
Machine Validation/Revenue Official Receipts Details (if not filed with an Authorized Agent Bank)					
Stamp of receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)					

Annual Income Tax Return

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Taxpayer Identification Number (TIN)	Registered Name
242 -603 -734 -000	VIVANT CORPORATION

Part IV - Computation of Tax (Do NOT enter Centavos)

30 Net Sales/Revenues/Receipts/Fees (From Schedule 1 Item 6)	195,769,348
31 Less: Cost of Sales/Services (From Schedule 2 Item 27)	283,854,590
32 Gross Income from Operation (Item 30 Less Item 31)	(88,085,242)
33 Add: Other Taxable Income Not Subjected to Final Tax (From Schedule 3 Item 4)	8,621,057
34 Total Gross Income (Sum of Items 32 & 33)	(79,464,185)

Less: Deductions Allowable under Existing Law

35 Ordinary Allowable Itemized Deductions (From Schedule 4 Item 40)	170,914,162
36 Special Allowable Itemized Deductions (From Schedule 5 Item 5)	0
37 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Schedule 6A Item 8D)	0
38 Total Itemized Deductions (Sum of Items 35 to 37)	170,914,162

OR [in case taxable under Sec 27(A) & 28(A)(1)]

39 Optional Standard Deduction (40% of Item 34)	0
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40 Net Taxable Income (Item 34 Less Item 38 OR 39)	(250,378,347)
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41 Income Tax Rate	30.0%
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42 Income Tax Due other than MCIT (Item 40 x Item 41)	0
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43 Minimum Corporate Income Tax (MCIT) (2% of Gross Income in Item 34)	0
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44 Total Income Tax Due (Normal Income Tax in Item 42 or MCIT in Item 43, whichever is higher) (To part II Item 16)	0
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45 Less: Total Tax Credits/Payments (From Schedule 7 Item 12) (To Part II Item 17)	121,156,029
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46 Net Tax Payable (Overpayment) (Item 44 Less Item 45) (To Part II Item 18)	(121,156,029)
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Add Penalties

47 Surcharge	0
48 Interest	0
49 Compromise	0

50 Total Penalties (Sum of Items 47 to 49) (To part II Item 19)	0
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51 Total Amount Payable (Overpayment) (Sum Item 46 & 50) (To Part II Item 20)	(121,156,029)
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Part V - Tax Relief Availment (Do NOT enter Centavos)

52 Special Allowable Itemized Deductions (30% of Item 36)	0
53 Add: Special Tax Credits (From Schedule 7 Item 9)	0
54 Total Tax Relief Availment (Sum of Items 52 & 53)	0

Part VI - Information - External Auditor/Accredited Tax Agent

55 Name of External Auditor/Accredited Tax Agent

SYCIP GORRES VELAYO AND CO.

56 TIN	000	-	502	-	547	-	002
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57 Name of Signing Partner (If External Auditor is a Partnership)
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MA. OENALIN Q. AREVALO

58 TIN	224	-	024	-	926	-	000
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59 BIR Accreditation No.	60 Issue Date (MM/DD/YYYY)	61 Expiry Date (MM/DD/YYYY)
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08 -001998 -123 -2017 02/09/2017 02/08/2020

Annual Income Tax Return**Page 3 - Schedules 1 & 2**

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1702-RT06/13P3

Taxpayer Identification Number (TIN)

242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 1 - Sales/Revenues/Receipts/Fees (Attach additional sheet/s, if necessary)

1 Sale of Goods/Properties	0
2 Sale of Services	195,769,348
3 Lease of Properties	0
4 Total (Sum of Items 1 to 3)	195,769,348
5 Less: Sales Returns, Allowances and Discounts	0
6 Net Sales/Revenues/Receipts/Fees (Item 4 Less Item 5) (To Part IV Item 30)	195,769,348

Schedule 2 - Cost of Sales (Attach additional sheet/s, if necessary)**Schedule 2A - Cost of Sales** (For those Engaged in Trading)

1 Merchandise Inventory - Beginning	0
2 Add: Purchases of Merchandise	0
3 Total Goods Available for Sale (Sum of Items 1 & 2)	0
4 Less: Merchandise Inventory, Ending	0
5 Cost of Sales (Item 3 Less Item 4) (To Schedule 2 Item 27)	0

Schedule 2B - Cost of Sales (For those Engaged in Manufacturing)

6 Direct Materials, Beginning	0
7 Add: Purchases of Direct Materials	0
8 Materials Available for Use (Sum of Items 6 & 7)	0
9 Less: Direct Materials, Ending	0
10 Raw Materials Used (Item 8 Less Item 9)	0
11 Direct Labor	0
12 Manufacturing Overhead	0
13 Total Manufacturing Cost (Sum of Items 10, 11 & 12)	0
14 Add: Work in Process, Beginning	0
15 Less: Work in Process, Ending	0
16 Cost of Goods Manufactured (Sum of Items 13 & 14 Less Item 15)	0
17 Finished Goods, Beginning	0
18 Less: Finished Goods, Ending	0
19 Cost of Goods Manufactured and Sold (Sum of Items 16 & 17 Less Item 18) (To Sched. 2 Item 27)	0

Schedule 2C - Cost of Services

(For those Engaged in Services, indicate only those directly incurred or related to the gross revenue from rendition of services)

20 Direct Charges - Salaries, Wages and Benefits	143,176,232
21 Direct Charges - Materials, Supplies and Facilities	16,864,172
22 Direct Charges - Depreciation	17,409,401
23 Direct Charges - Rental	10,444,556
24 Direct Charges - Outside Services	63,823,786
25 Direct Charges - Others	32,136,443
26 Total Cost of Services (Sum of Items 20 to 25) (To Item 27)	283,854,590

27 Total Cost of Sales/Services (Sum of Items 5, 19 & 26, if applicable) (To Part IV Item 31)	283,854,590
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Taxpayer Identification Number (TIN)

242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 3 - Other Taxable Income Not Subjected to Final Tax (Attach additional sheet/s, if necessary)

1	REALIZED GAIN-UITF	7,812,032
2	OTHER INCOME	809,025
3		0
4	Total Other Taxable Income Not Subjected to Final Tax (Sum of Items 1 to 3) (To Part IV Item 33)	8,621,057

Schedule 4 - Ordinary Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

1	Advertising and Promotions	6,282,188
	Amortizations (Specify on Items 2, 3 & 4)	
2		0
3		0
4		0
5	Bad Debts	46,934
6	Charitable Contributions	0
7	Commissions	0
8	Communication, Light and Water	0
9	Depletion	0
10	Depreciation	0
11	Director's Fees	0
12	Fringe Benefits	0
13	Fuel and Oil	0
14	Insurance	1,771,504
15	Interest	138,223,874
16	Janitorial and Messengerial Services	0
17	Losses	0
18	Management and Consultancy Fee	0
19	Miscellaneous	2,087,756
20	Office Supplies	0
21	Other Services	6,876,797
22	Professional Fees	0
23	Rental	0
24	Repairs and Maintenance - (Labor or Labor & Materials)	0
25	Repairs and Maintenance - (Materials/Supplies)	0
26	Representation and Entertainment	1,957,694
27	Research and Development	0
28	Royalties	0
29	Salaries and Allowances	0

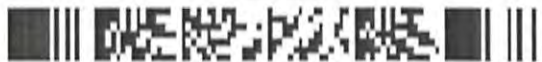
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242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 4 - Ordinary Allowable Itemized Deductions (Continued from Previous Page)

30 Security Services	0
31 SSS, GSIS, Philhealth, HDMF and Other Contributions	0
32 Taxes and Licenses	0
33 Tolling Fees	0
34 Training and Seminars	0
35 Transportation and Travel	0
Others [Specify below; Add additional sheet(s), if necessary]	
36 CORPORATE SOCIAL RESPONSIBILITY	505,638
37 DUES AND SUBSCRIPTION	2,365,576
38 MEETINGS AND CONFERENCES	928,992
39 FINANCE CHARGES	9,867,209
40 Total Ordinary Allowable Itemized Deductions (Sum of Items 1 to 39) (To Part IV Item 35)	170,914,162

Schedule 5 - Special Allowable Itemized Deductions (Attach additional sheet/s, if necessary)

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
5 Total Special Allowable Itemized Deductions (Sum of Items 1 to 4) (To Part IV Item 36)		0

Schedule 6 - Computation of Net Operating Loss Carry Over (NOLCO)

1 Gross Income (From Part IV Item 34)	(79,464,185)
2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law	170,914,162
3 Net Operating Loss (To Schedule 6A)	(250,378,347)

Schedule 6A - Computation of Available Net Operating Loss Carry Over (NOLCO)

Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4 2018	250,378,347	0
5 2017	226,798,098	0
6 2016	158,211,454	0
7 2015	194,790,272	0

Continuation of Schedule 6A (Item numbers continue from the table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied)
4 0	0	250,378,347
5 0	0	226,798,098
6 0	0	158,211,454
7 194,790,272	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV Item 37)	0	

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Taxpayer Identification Number (TIN)

242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 7 - Tax Credits/Payments (attach proof) (Attach additional sheet/s, if necessary)

1 Prior Year's Excess Credits Other Than MCIT	96,566,525
2 Income Tax Payment under MCIT from Previous Quarter/s	0
3 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
4 Excess MCIT Applied this Current Taxable Year (From Schedule 8 Item 4F)	0
5 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	14,593,539
6 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	9,995,965
7 Foreign Tax Credits, if applicable	0
8 Tax Paid in Return Previously Filed, if this is an Amended Return	0
9 Special Tax Credits (To Part V Item 53)	0
Other Credits/Payments (Specify)	
10	0
11	0
12 Total Tax Credits/Payments (Sum of Items 1 to 11) (To Part IV Item 45)	121,156,029

Schedule 8 - Computation of Minimum Corporate Income Tax (MCIT)

	Year	A) Normal Income Tax as Adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	2016	0	441,767	441,767
2	2015	0	46,356	46,356
3		0	0	0

Continuation of Schedule 8 (Line numbers continue from table above)

	D) Excess MCIT Applied/Used for Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s
1	0	0	0	441,767
2	0	46,356	0	0
3	0	0	0	0
4 Total Excess MCIT (Sum of Column for Items 1F to 3F) (To Schedule 7 Item 4)			0	

Schedule 9 - Reconciliation of Net Income per Books Against Taxable Income (Attach additional sheet/s, if necessary)

1 Net Income/(Loss) per books	864,362,921
Add: Non-deductible Expenses/Taxable Other Income	
2 NONDEDUCTIBLE EXPENSES	40,808,627
3	0
4 Total (Sum of Items 1 to 3)	905,171,548
Less: A) Non-taxable Income and Income Subjected to Final Tax	
5 NONTAXABLE DIVIDEND INCOME	1,090,552,417
6 OTHERS	64,997,478
B) Special Deductions	
7	0
8	0
9 Total (Sum of Items 5 to 8)	1,155,549,895
10 Net Taxable Income (Loss) (Item 4 Less Item 9)	(250,378,347)

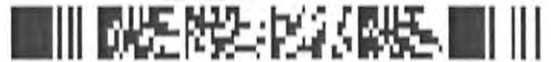
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1702-RT06/13P7

Taxpayer Identification Number (TIN)

242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 10 - BALANCE SHEET

Assets

1 Current Assets	2,279,996,284
2 Long-Term Investment	6,443,344,373
3 Property, Plant and Equipment - Net	68,481,322
4 Long-Term Receivables	0
5 Intangible Assets	0
6 Other Assets	151,312,511
7 Total Assets (Sum of Items 1 to 6)	8,943,134,490

Liabilities and Equity

8 Current Liabilities	65,264,209
9 Long-Term Liabilities	2,877,798,186
10 Deferred Credits	0
11 Other Liabilities	0
12 Total Liabilities (Sum of Items 8 to 11)	2,943,062,395
13 Capital Stock	1,023,456,698
14 Additional Paid-in Capital	8,339,452
15 Retained Earnings	4,968,275,945
16 Total Equity (Sum of Items 13 to 15)	6,000,072,095
17 Total Liabilities and Equity (Sum of Items 12 & 16)	8,943,134,490

Schedule 11- ☒ Stockholders ☐ Partners ☐ Members Information (Top 20 Stockholders, partners or Members)

(On column 3 enter the amount of capital contribution and on the last column enter the percentage this represents on the entire ownership)

REGISTERED NAME	TIN	Capital Contribution	% to Total
MAI-I RESOURCES CORPORATION	699 - 426 - 000 - 000	464,831,568	45.42
JEG DEVELOPMENT CORPORATION	004 - 269 - 787 - 000	311,524,642	30.44
GLOBAL BUSINESS POWER CORPORATION	216 - 792 - 884 - 000	116,555,553	11.39
PCD NOMINEE CORPORATION-FILIPINO	004 - 774 - 849 - 000	68,602,961	6.69
POPSIVAN HOLDINGS CORPORATION	277 - 598 - 633 - 000	31,498,212	3.08
MALACAPAS HOLDINGS INC.	008 - 410 - 931 - 000	27,677,848	2.7
PCD NOMINEE CORPORATION-FOREIGN	004 - 774 - 840 - 000	495,526	0.05
EULALIO C. ARCE	182 - 341 - 872 - 000	343,750	0.03
ALFREDO A. CRUZ	201 - 143 - 681 - 000	34,062	0.01
MARIETTA P. LAVIN	181 - 431 - 782 - 000	27,750	0.01
EBC SECURITIES CORPORATION	000 - 339 - 563 - 000	20,625	0.01
CONSORTIUM INDUSTRIES INC.	000 - 527 - 588 - 000	20,500	0.01
ROSE MARIE R. LOPEZ	110 - 540 - 599 - 000	19,687	0.01
MARINO OLONDRIZ	103 - 915 - 063 - 000	16,000	0.01
ROSARIO PAJE RIVERA	108 - 029 - 776 - 000	15,625	0.01
RODULFO SEVILLA	123 - 920 - 672 - 000	15,625	0.01
JUN M. BORRES	000 - 000 - 000 - 000	15,000	0.01
ANITA TE AND OR OSCAR TE	000 - 000 - 000 - 000	15,000	0.01
OSCAR O. MARTINEZ	000 - 000 - 000 - 000	13,437	0.01
SIA PHOA A. HON	000 - 000 - 000 - 000	12,625	0.01

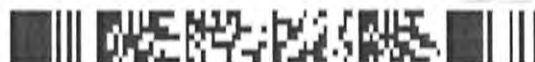
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1702-RT06/13P8

Taxpayer Identification Number (TIN)

242 -603 -734 -000

Registered Name

VIVANT CORPORATION

Schedule 12 - Supplemental Information (Attach additional sheet/s, if necessary)

I) Gross Income/ Receipts Subjected to Final Withholding	A) Exempt	B) Actual Amount/Fair Market Value/Net Capital Gains	C) Final Tax Withheld/Paid
1 Interests	0	64,965,944	12,571,881
2 Royalties	0	0	0
3 Dividends	1,090,552,417	0	0
4 Prizes and Winnings	0	0	0

II) Sale/Exchange of Real properties	A) Sale/Exchange #1	B) Sale/Exchange #2
5 Description of Property (e.g. land, improvement, etc.)		
6 OCT/TCT/CCT/Tax Declaration No.		
7 Certificate Authorizing Registration (CAR) No.		
8 Actual Amount/Fair Market Value/Net Capital Gains		
9 Final Tax Withheld/Paid		

III) Sale/Exchange of Shares of Stock	A) Sale/Exchange #1	B) Sale/Exchange #2
10 Kind(PS/GS)/Stock Certificate Series No.		
11 Certificate Authorizing Registration (CAR) No.		
12 Number of Shares		
13 Date of Issue (MM/DD/YYYY)		
14 Actual Amount/Fair Market Value/Net Capital Gains		
15 Final Tax Withheld/Paid		

IV) Other Income (Specify)	A) Other Income #1	B) Other Income #2
16 Other Income Subject to Final Tax Under Sections 57 (A)/127/others of the Tax Code, as amended (Specify)		
17 Actual Amount/Fair Market Value/Net Capital Gains		
18 Final Tax Withheld/Paid		

19 Total Final Tax Withheld Paid (Sum of Items 1C to 4C, 9A, 9B, 15A, 15B, 18A & 18B)	12,571,881
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Schedule 13 - Gross Income/Receipts Exempt from Income Tax

1 Return of Premium (Actual Amount/Fair Market Value)	0
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I) Personal/Real Properties Received thru Gifts, Bequests, and Devices	A) Personal/Real Properties #1	B) Personal/Real Properties #2
2 Description of Property (e.g. land, improvement, etc.)		
3 Modes of Transfer (e.g. Donation)		
4 Certificate Authorizing Registration (CAR) No.		
5 Actual Amount/Fair Market Value		

II) Other Exempt Income/Receipts	A) Other Exempt Income #1	B) Other Exempt Income #2
6 Other Exempt Income/Receipts Under Sec. 32 (B) of the Tax Code, as amended (Specify)		
7 Actual Amount/Fair Market Value/Net Capital Gains		

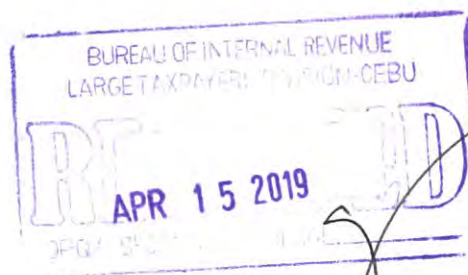
8 Total Income Receipts Exempt From Income Tax (Sum of Items 1, 5A, 5B, 7A & 7B)	0
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REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 242-603-734-000
Name	: VIVANT CORPORATION
RDO	: 123
Form Type	: 1702
Reference No.	: 121900029955347
Amount Payable (Over Remittance)	: -121,156,029.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2018
Date Filed	: 04/11/2019
Tax Type	: IT

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BIR FORM 1702
SUMMARY ALPHALIST OF WITHHOLDING TAXES (SAWT)
FOR THE MONTH OF DECEMBER, 2018

TIN : 242603734-0000
PAYEE'S NAME: VIVANT CORPORATION

SEQ NO	TAXPAYER IDENTIFICATION NUMBER	CORPORATION (Registered Name)	INDIVIDUAL (Last Name, First Name, Middle Name)	ATC CODE	NATURE OF PAYMENT	AMOUNT OF INCOME PAYMENT	TAX RATE	AMOUNT OF TAX WITHHELD
(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)
1	007-833-205-0000	1590 ENERGY CORPORATION		WC150	Income payments made by top withholding	1,276,189.50	2.00	25,523.79
2	007-833-205-0000	1590 ENERGY CORPORATION		WC051	Management and technical consultants - If	11,550,000.00	15.00	1,732,500.00
3	007-895-862-0000	CALAMIAN ISLANDS POWER CORPORATION		WC120	Income payments made by top withholding	1,230.00	2.00	24.60
4	007-895-862-0000	CALAMIAN ISLANDS POWER CORPORATION		WC150	Income payments made by top withholding	66,900.00	2.00	1,338.00
5	007-895-862-0000	CALAMIAN ISLANDS POWER CORPORATION		WC011	Professionals/ talent fees paid to juridical p	930,330.00	15.00	139,549.50
6	268-129-205-0000	CEBU ENERGY DEVELOPMENT CORPORATION		WC011	Professionals/ talent fees paid to juridical p	13,250,000.00	15.00	1,987,500.00
7	005-255-399-0000	CEBU PRIVATE POWER CORPORATION		WC011	Professionals/ talent fees paid to juridical p	32,704,874.11	15.00	4,905,731.12
8	005-255-399-0000	CEBU PRIVATE POWER CORPORATION		WC100	Rentals in excess of P10,000 annually	2,671,302.68	5.00	133,565.13
9	005-255-399-0000	CEBU PRIVATE POWER CORPORATION		WC150	Income payments made by top withholding	14,960,050.00	2.00	299,201.00
10	431-572-703-0000	CORENERGY INC		WC100	Rentals in excess of P10,000 annually	22,321.43	5.00	1,116.07
11	005-962-777-0000	DELTA P INC		WC011	Professionals/ talent fees paid to juridical p	3,019,004.00	15.00	452,850.60
12	005-962-777-0000	DELTA P INC		WC150	Income payments made by top withholding	384,980.00	2.00	7,699.60
13	241-271-251-0000	GIGAWATT POWER INC		WC150	Income payments made by top withholding	107,714.53	2.00	2,154.29
14	000-554-801-0000	HIJOS DE F ESCANO INC		WC051	Management and technical consultants - If	210,000.00	15.00	31,500.00
15	244-345-478-0000	SOUTHERN GROVE PROPERTIES AND DEVELOPMENT CORP.		WC051	Management and technical consultants - If	300,000.00	15.00	45,000.00
16	000-566-230-0000	VISAYAN ELECTRIC CO. INC.		WC150	Income payments made by top withholding	2,330.00	2.00	46.60
17	243-203-984-0000	VIVANT ENERGY CORPORATION		WC150	Income payments made by top withholding	59,832.50	2.00	1,196.65
18	243-203-984-0000	VIVANT ENERGY CORPORATION		WC051	Management and technical consultants - If	1,500,000.00	15.00	225,000.00
19	243-203-984-0000	VIVANT ENERGY CORPORATION		WC100	Rentals in excess of P10,000 annually	3,800.00	5.00	190.00
20	267-711-344-0000	VIVANT INTEGRATED GENERATION CORPORATION		WC150	Income payments made by top withholding	2,949.55	2.00	58.99
21	424-092-091-0000	VIVANT MALOGC HYDROPOWER CORPORATION		WC150	Income payments made by top withholding	210,975.60	2.00	4,219.51

Grand Total : 9,995,965.45

END OF REPORT

Ma. Fredlin S. Agang

From: eSubmission <esubmission@bir.gov.ph>
Sent: Friday, April 12, 2019 10:08 PM
To: fredlin.agang@vivant.com.ph
Subject: eSubmission Validation Report

ACKNOWLEDGEMENT RECEIPT NUMBER: 20190412-G082437

This is to confirm receipt of the file(s) as stated below:

Total attachment/file(s) received : 1

No. of valid file(s) : 1

No. of invalid file(s) : 0

We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 04/11/2019 3:42:43 PM

Filename(s):

1. Attachment : 24260373400001220181702.DAT

24260373400001220181702.DAT - VALID

CONFIRMATION RECEIPT NUMBER - 2019-0000134516

VALIDATION REPORT:

1. Attachment : 24260373400001220181702.DAT

TIN of Withholding Agent TIN: 242603734-0000

Alphalist Form : 1702

Taxable Month : 12/2018

LINE NUM	SCHEDULE	ERROR DESCRIPTION
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0000000000		No Errors Encountered
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Thank You.

This is a system generated report. For inquiries, please email us at contact_us@bir.gov.ph or call us at 981-7020 / 981-7030 / 981-7046 / 981-7040 / 981-7003.



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **VIVANT CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

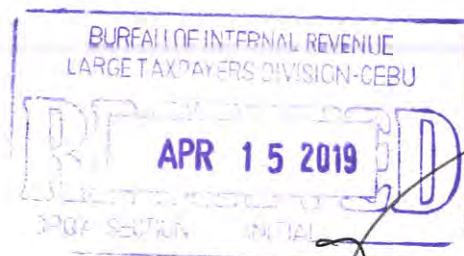
In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **VIVANT CORPORATION** complete and correct in all material respects. Management likewise affirms that:

- a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- c) the **VIVANT CORPORATION** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


DENNIS N.A. GARCIA

Chairman of the Board/ Chief Executive Officer


MINUEL CARMELA N. FRANCO
Chief Financial Officer



Headquarters Cebu office
9th floor | Ayala Life-FGU Center | Mindanao Avenue corner Biliran Road
Cebu Business Park | Cebu City | Philippines 6000 | T: +63 (32) 2342256

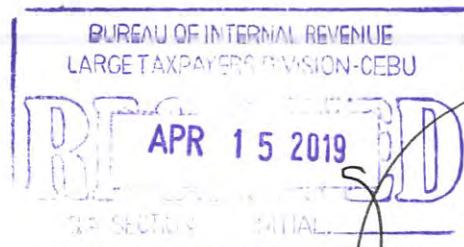
SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Cebu, this 4th day of April, 2019. Affiants personally appeared **DENNIS N.A. GARCIA** with his Philippine Passport with No. P8023865A issued on July 21, 2018 at DFA Cebu and **MINUEL CARMELA N. FRANCO** exhibited to me her Philippine Passport with No. P2168178A which will expire on March 5, 2022 issued at DFA Cebu as competent proof of their identities.

Witness my hand and notarial seal.

Doc. No. 399 ;
Page No. 80 ;
Book No. XXVII ;
Series of 2019.



Joan A. Giduquio-Baron
ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 018-19
NOTARY PUBLIC
UNTIL DEC. 31, 2020
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 0177135 - CEBU CITY - 1-9-2019
IBP LIFETIME NO. 019431 - CEBU CITY



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
Unit 907-908 Ayala Life-FGU Center
Mindanao Avenue Corner Biliran Road
Cebu Business Park, Barangay Luz
Cebu City, Philippines 6000

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the parent company financial statements, including a summary of significant accounting policies.

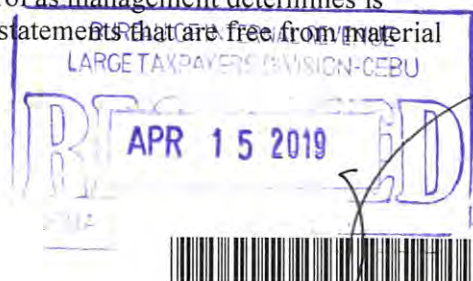
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2018, in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

Basis for Opinion

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

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

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



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

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

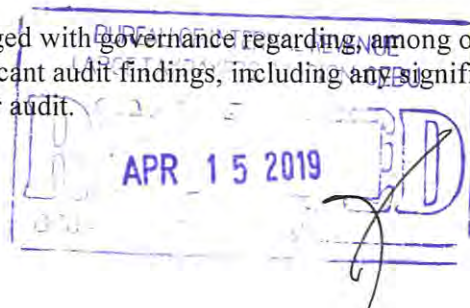
Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 21 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this Independent auditor's report is
Ma. Genalin Q. Arevalo.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo

Partner

CPA Certificate No. 108517

SEC Accreditation No. 1613-A (Group A),

March 2, 2017, valid until March 1, 2020

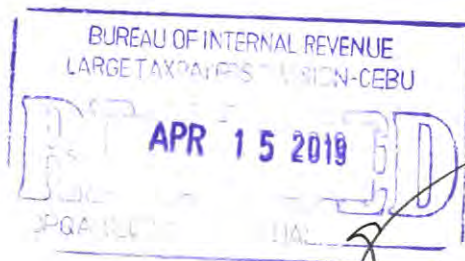
Tax Identification No. 224-024-926

BIR Accreditation No. 08-001998-123-2017,

February 9, 2017, valid until February 8, 2020

PTR No. 7332522, January 3, 2019, Makati City

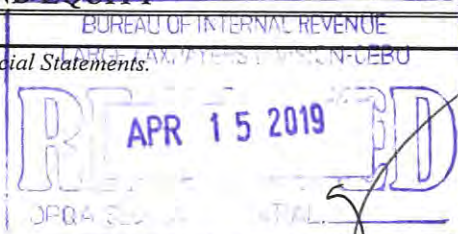
April 4, 2019



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱2,193,499,060	₱2,963,358,526
Trade and other receivables (Note 7)	73,703,037	50,145,621
Prepaid expenses and other current assets (Note 8)	12,794,187	11,761,582
Total Current Assets	2,279,996,284	3,025,265,729
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	6,443,344,373	5,186,656,184
Property and equipment (Note 10)	68,481,322	60,154,394
Deferred income tax assets - net (Note 16)	20,895,450	15,974,331
Other noncurrent assets (Note 11)	130,417,061	104,065,607
Total Noncurrent Assets	6,663,138,206	5,366,850,516
TOTAL ASSETS	₱8,943,134,490	₱8,392,116,245
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 13)	₱25,428,019	₱25,616,946
Trade and other current liabilities (Note 12)	39,836,190	43,626,695
Total Current Liabilities	65,264,209	69,243,641
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	2,844,726,970	2,870,154,989
Pension liability (Note 15)	33,071,216	31,758,049
Total Noncurrent Liabilities	2,877,798,186	2,901,913,038
Total Liabilities	2,943,062,395	2,971,156,679
Equity		
Capital stock (Note 17)	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452
Remeasurement of employee benefits (Note 15)	5,180,809	771,173
Remeasurement of AFS investments (Note 11)	1,295,000	—
Retained earnings (Note 17)		
Appropriated for business expansion	3,972,397,789	3,422,808,228
Unappropriated	989,402,347	965,584,015
Total Equity	6,000,072,095	5,420,959,566
TOTAL LIABILITIES AND EQUITY	₱8,943,134,490	₱8,392,116,245

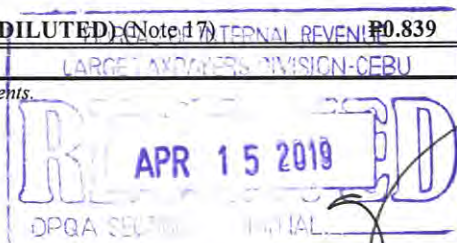
See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
INCOME			
Dividend income (Note 9)	P1,090,552,417	P1,095,190,876	P713,260,234
Management fees (Note 14)	182,373,580	206,161,967	209,482,223
Interest income (Note 6)	72,777,976	47,323,234	46,493,674
Others (Note 14)	14,236,326	17,068,278	41,783,003
	1,359,940,299	1,365,744,355	1,011,019,134
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	150,788,879	136,379,255	112,134,666
Professional fees (Note 14)	63,823,785	53,391,327	56,862,508
Travel	25,103,222	25,031,124	20,084,848
Depreciation (Note 10)	17,409,401	16,279,765	15,413,285
Rent and association dues	10,444,556	12,218,764	8,210,744
Representation	8,427,372	7,027,912	5,282,804
Supplies	7,256,867	5,292,769	5,184,073
Outside services	6,876,797	5,666,345	5,348,326
Communication and utilities	6,456,585	6,306,449	5,055,604
Marketing	6,282,187	7,174,604	1,200,000
Director's per diem	4,864,300	6,621,650	4,014,968
Repairs and maintenance	3,158,352	2,022,237	2,192,912
Taxes and licenses	2,848,040	2,193,517	8,302,675
Meetings and conferences	928,993	817,847	743,595
Corporate social responsibility	505,637	3,280,772	2,352,179
Impairment loss on investment in a subsidiary (Note 9)	—	21,306,182	—
Others	6,489,506	5,989,651	5,671,826
	321,664,479	317,000,170	258,055,013
INCOME FROM OPERATIONS	1,038,275,820	1,048,744,185	752,964,121
FINANCE CHARGES			
Interest expense (Note 13)	172,448,986	174,002,357	174,992,188
Other financing charges	1,463,913	3,798,782	2,218,359
	173,912,899	177,801,139	177,210,547
INCOME BEFORE INCOME TAX	864,362,921	870,943,046	575,753,574
PROVISION FOR INCOME TAX (Note 16)	5,205,918	7,385,225	6,475,580
NET INCOME	859,157,003	863,557,821	569,277,994
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 15)	6,299,480	(4,724,334)	(1,073,493)
Remeasurement gain (loss) on AFS investments (Note 11)	1,850,000	—	—
Income tax effect	(2,444,844)	1,417,300	322,048
Other comprehensive income (loss) for the year, net of tax	5,704,636	(3,307,034)	(751,445)
TOTAL COMPREHENSIVE INCOME	P864,861,639	P860,250,787	P568,526,549
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	P0.839	P0.844	P0.556

See accompanying Notes to Financial Statements.

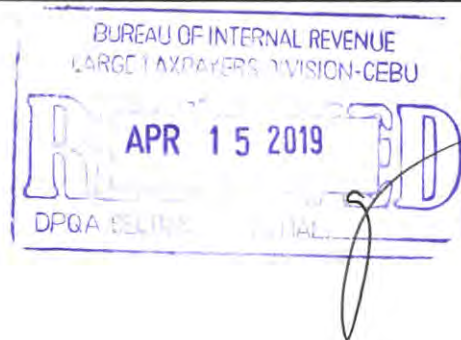


VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of AFS Investments (Note 11)	Retained Earnings (Note 17)		Total
					Appropriated	Unappropriated	
At January 1, 2018	P1,023,456,698	P8,339,452	P771,173	P-	P3,422,808,228	P965,584,015	P5,420,959,566
Net income	-	-	-	-	-	859,157,003	859,157,003
Other comprehensive income	-	-	4,409,636	1,295,000	-	-	5,704,636
Total comprehensive income (loss)	-	-	4,409,636	1,295,000	-	859,157,003	864,861,639
Appropriation for business expansion	-	-	-	-	1,700,000,000	(1,700,000,000)	-
Reversal of appropriation for business expansion	-	-	-	-	(1,150,410,439)	1,150,410,439	-
Cash dividends declared	-	-	-	-	-	(285,749,110)	(285,749,110)
At December 31, 2018	P1,023,456,698	P8,339,452	P5,180,809	P1,295,000	P3,972,397,789	P989,402,347	P6,000,072,095
At January 1, 2017	P1,023,456,698	P8,339,452	P4,078,207	P-	P2,778,783,261	P1,031,800,271	P4,846,457,889
Net income	-	-	-	-	-	863,557,821	863,557,821
Other comprehensive income	-	-	(3,307,034)	-	-	-	(3,307,034)
Total comprehensive income (loss)	-	-	(3,307,034)	-	-	863,557,821	860,250,787
Appropriation for business expansion	-	-	-	-	1,250,000,000	(1,250,000,000)	-
Reversal of appropriation for business expansion	-	-	-	-	(605,975,033)	605,975,033	-
Cash dividends declared	-	-	-	-	-	(285,749,110)	(285,749,110)
At December 31, 2017	P1,023,456,698	P8,339,452	P771,173	P-	P3,422,808,228	P965,584,015	P5,420,959,566
At January 1, 2016	P1,023,456,698	P8,339,452	P4,829,652	P-	P2,493,584,261	P1,015,662,237	P4,545,872,300
Net income	-	-	-	-	-	569,277,994	569,277,994
Other comprehensive income	-	-	(751,445)	-	-	-	(751,445)
Total comprehensive income (loss)	-	-	(751,445)	-	-	569,277,994	568,526,549
Appropriation for business expansion	-	-	-	-	690,500,000	(690,500,000)	-
Reversal of appropriation for business expansion	-	-	-	-	(405,301,000)	405,301,000	-
Cash dividends declared	-	-	-	-	-	(267,940,960)	(267,940,960)
At December 31, 2016	P1,023,456,698	P8,339,452	P4,078,207	P-	P2,778,783,261	P1,031,800,271	P4,846,457,889

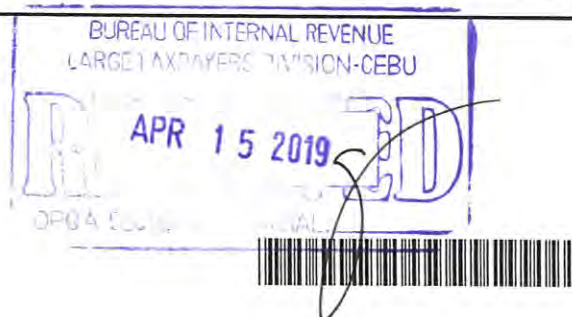
See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P864,362,921	P870,943,046	P575,753,574
Adjustments for:			
Dividend income (Note 9)	(1,090,552,417)	(1,095,190,876)	(713,260,234)
Interest expense (Note 13)	172,448,986	174,002,357	174,992,188
Interest income (Note 6)	(72,777,976)	(47,323,234)	(46,493,674)
Depreciation (Note 10)	17,409,401	16,279,765	15,413,285
Pension expense (Note 15)	7,612,647	6,316,314	5,459,950
Gain on disposal of property and equipment (Note 10)	(508,480)	(1,111,600)	(639,636)
Unrealized foreign exchange gain	(31,534)	(3,921)	(60,434)
Impairment loss (Note 9)	—	21,306,182	—
Operating income (loss) before working capital changes	(102,036,452)	(54,781,967)	11,165,019
Decrease (increase) in:			
Trade and other receivables	(21,452,359)	26,363,155	(38,133,793)
Prepaid expenses and other current assets	(1,032,605)	(2,761,104)	(470,155)
Creditable tax withheld under other noncurrent assets	(24,661,069)	(28,242,190)	(26,058,393)
Increase (decrease) in trade and other current liabilities	(3,689,873)	(3,728,029)	4,421,576
Net cash used in operations	(152,872,358)	(63,150,135)	(49,075,746)
Interest paid	(168,328,308)	(170,077,476)	(170,194,087)
Net cash flows used in operating activities	(321,200,666)	(233,227,611)	(219,269,833)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and an associate (Note 9)	1,090,552,417	1,100,354,260	713,260,234
Interest received	58,101,038	40,516,744	39,266,146
Additions to:			
Investments in and advances to subsidiaries and associates (Note 9)	(1,256,688,189)	(644,642,533)	(445,801,000)
Property and equipment (Note 10)	(27,265,391)	(25,790,315)	(16,885,672)
Other noncurrent assets	159,615	(1,934,995)	(116,117)
Proceeds from disposal of property and equipment	1,723,819	1,111,607	517,700
Net cash flows from (used in) investing activities	(133,416,691)	469,614,768	290,241,291
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 17 and 20)	(285,273,643)	(285,388,549)	(266,737,916)
Notes payable (Notes 13 and 20)	(30,000,000)	(30,000,000)	(30,000,000)
Cash flows used in financing activities	(315,273,643)	(315,388,549)	(296,737,916)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(769,891,000)	(79,001,392)	(225,766,458)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	31,534	3,921	60,434
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,963,358,526	3,042,355,997	3,268,062,021
CASH AND CASH EQUIVALENTS AT END OF YEAR (see Note 6)	P2,193,499,060	P2,963,358,526	P3,042,355,997

See accompanying Notes to Financial Statements.



VIVANT CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2018, 2017 and in 2016. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Ave. Cor. Biliran Rd, Cebu Business Park, Bgy. Luz, Cebu City.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2018 and 2017 are shown below:

	Percentage of Direct Ownership
Subsidiaries	
Hijos De F. Escaño (HDFE)	50.94
Southern Grove Properties & Development Corp. (SGPDC)	100.00
Vivant Energy Corporation (VEC)	100.00
Vivant Infracore Holdings Inc. (VIHI)	100.00
Associates	
Visayan Electric Company, Inc. (VECO)	34.81
Prism Energy, Inc. (PEI)	40.00

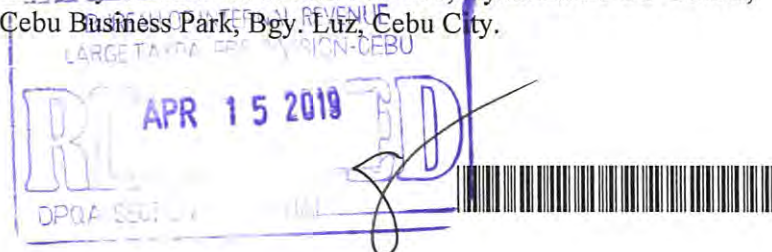
The parent company financial statements as of and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the Board of Directors (BOD) on April 4, 2019.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The financial statements of the Parent Company have been prepared on a historical cost basis and are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as these separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at Unit 907-908, Ayala Life-FGU Center, Mindanao Ave. Cor. Biliran Rd, Cebu Business Park, Bgy. Luz, Cebu City.



Statement of Compliance

The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

3. **Changes in Accounting Policies and Disclosures**

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2018:

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Parent Company has assessed that the adoption of these amendments does not have any impact on the 2018 financial statements as it has no share-based payment transactions.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Parent Company applied PFRS 9 using modified retrospective approach, and chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.
- The Parent Company discloses the accounting policies for both the current and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.



- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Parent Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

As at January 1, 2018, the Parent Company has reviewed and assessed all its existing financial assets.

- *Classification and Measurement.* PFRS 9 requires debt instruments to be classified either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification under PFRS for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI).

An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets, or both. If a debt instrument is held to collect contractual cash flows, it is classified as at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI.

Under the new model, FVPL is the residual category – financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortized cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Parent Company's debts instruments which consist of trade and other receivables have contractual cash flows that are solely payments of principal and interest and accordingly measured at amortized cost under PFRS 9.

There is no significant impact arising from measurement of these instruments under PFRS 9. PFRS 9 requires all equity instruments to be carried at FVPL, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income.

Equity investments in non-listed companies previously classified as AFS financial assets are now classified and measured as equity instruments designated at FVOCI. The Parent Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. A net remeasurement gain was recognized for the increase in the fair value of these equity instruments as at December 31, 2018 amounting to ₱1.3 million net of income tax effect recognized in other comprehensive (see Note 11).



The Parent Company has assessed which business model apply to the financial assets held by the Parent Company at the date of initial application of PFRS 9 and has classified its financial instruments into the appropriate PFRS 9 categories.

Summarized below is the effect of adoption of PFRS 9 in the classification of the Parent Company's financial instruments at January 1, 2018:

Financial Instruments	Under PAS 39		Under PFRS 9	
	Classification	Amount	Classification	Amount
Financial assets:				
Cash and cash equivalents	Loans and receivables (measured at amortized cost)	P2,963,358,526	Financial assets measured at amortized cost	P2,963,358,526
Trade and other receivables	Loans and receivables (measured at amortized cost)	50,145,621	Financial assets measured at amortized cost	50,145,621
AFS investments	AFS investments (measured at cost less any impairment)	3,700,000	Equity instruments designated at FVOCI	3,700,000
Financial liabilities:				
Trade and other current liabilities, and notes payable	Other financial liabilities (measured at amortized cost)	2,907,360,325	Other financial liabilities (measured at amortized cost)	2,907,360,325

- **Impairment.** The new impairment model for financial assets requires the recognition of allowance of impairment losses on financial assets based on expected credit losses, rather than only incurred credit losses as under current PAS 39. The main impact for the Parent Company relates to trade receivables that do not contain a significant financing component, and as allowed by PFRS, the Parent Company uses a simplified approach whereby the loss allowance will be measured at the initial recognition and throughout the life of the receivable at an amount equal to its lifetime expected credit losses. In calculating the expected credit loss rates, the Parent Company considers the customers' ability to fulfill their obligations based on historical performance, current condition and credit evaluations, and adjusted for forward-looking factors specific to the debtors and the economic environment.

The adoption of new impairment model under PFRS 9 did not have a significant effect on the Parent Company's financial statements.

In conclusion, the effect of adoption of PFRS 9 has no material impact on the Parent Company's financial statements.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.



The amendments are not applicable to the Parent Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

▪ PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

While the Parent Company elected to apply the modified retrospective approach in the adoption of PFRS 15, it did not result to a cumulative adjustment in the retained earnings as at January 1, 2018 based on the Parent Company's evaluation.

The first step was to evaluate whether the existing contracts meet the definition of contracts with customers as per PFRS 15. The relevant attributes of contracts under PFRS 15 are: approval of the contracts by the parties to the contract, ability to identify each party's rights regarding the services to be rendered, clear payment terms, commercial substance of the contract and expectation that the consideration can be collected from the customer. The Parent Company's customer contracts can be clearly identified based on the customer requirements with clear terms and individual pricing and thus no significant changes in the identification of contracts compared to existing revenue recognition practices were noted. The second step was to identify the performance obligations included in revenue contracts. The Parent Company's revenue mainly comprises of sale of services, where performance obligations are satisfied at the time services are rendered to the customer. No additional separate performance obligations have been identified in the contracts with customers that would materially impact the revenue recognition under PFRS 15 standard compared to the prior revenue recognition practices. No contracts were identified where the Parent Company would act as an agent on behalf of another party. The adoption of PFRS 15 did not significantly change the timing or amount of revenue recognized under these arrangements.

The third and fourth steps relate to determining and allocating the transaction price. Transaction price is the amount the Parent Company expects to receive in exchange for a fulfilled performance obligation. The prices received by the Parent Company are fixed and do not include significant financing components. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Accordingly, PFRS 15 does not materially change the principles applied by the Parent Company regarding the determination and allocation of the transaction price.

The fifth step is about recognizing revenue in the period during which the services transfers to the customers. The terms applied by the Parent Company in its revenue contracts determine the period, at which the services are to be rendered to the customer. As such, the revenue recognition principles did not change the timing or amount of revenue recognized. In addition, the timing of revenue recognition does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

In conclusion, the adoption had no significant impact on the substance of the principles applied by the Parent Company to the amount and timing of revenue recognition.



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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

These amendments are not applicable to the Parent Company since it is not a venture capital organization or an investment entity, nor does the Parent Company have associates or joint ventures that is an investment entity.

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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The amendments do not have any impact on the Parent Company since it does not have any investment property.

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Parent Company's current practice is in line with the clarifications issued, it does not expect any effect on its financial statements upon adoption of this interpretation.



New Standards and Interpretation Issued and Effective after December 31, 2018

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective Beginning On or After January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the financial statements of the Parent Company.

▪ PFRS 16, *Leases*

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

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

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

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.



The Parent Company plans to apply the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*. The Parent Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Parent Company also elects to use the exemptions provided by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Moving forward, the Parent Company's cash flows from operating activities will increase and cash flows from financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Parent Company is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date.

▪ Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

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

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

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



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

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Parent Company does not have such long-term interests in its associates and joint ventures, the amendments will not have an impact on its financial statements.

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

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

The interpretation specifically addresses the following:

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

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

The Company plans to adopt the interpretation on the required effective date and does not expect it to have a significant impact on the financial statements.

- Annual Improvements to PFRSs 2015–2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

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



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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Parent Company but may apply to future transactions.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments are not relevant to the Parent Company because its dividend declarations do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Since the Parent Company's current practice is in line with these amendments, it does not expect any effect on its financial statements upon adoption.

Effective Beginning On or After January 1, 2020

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

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



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

These amendments will apply to future business combinations of the Parent Company.

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

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

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

The Parent Company plans to apply these amendments on the required effective date.

Effective Beginning On or After January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard has no impact on the financial statements of the Parent Company because it is not engaged in the insurance business.



Deferred Effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments have no impact on the financial statements of the Parent Company.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company 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 and cash equivalents 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 Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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 to by the Parent Company.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the parent company 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; and,
- 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 parent company financial statements on a recurring basis, the Parent Company 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.

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

Financial Instruments

Initial Recognition and Subsequent Measurement Prior to January 1, 2018. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.



Financial instruments are classified as liability 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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Parent Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the Parent Company's cash and cash equivalents and trade and other receivables.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the parent company statement of comprehensive income.

The Parent Company has AFS investments amounting to ₱3.7 million as of December 31, 2017, and is presented as part of "Other noncurrent assets" account in the parent company statement of financial position.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

Included under this category are the Parent Company's accounts payable, notes payable and accrued interest payable.



Impairment of Financial Assets Prior to the Adoption of PFRS 9. The Parent Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of comprehensive income.

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

- *AFS Financial Assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in parent company statement of comprehensive income, is transferred from equity to the parent company statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in the parent company statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed in the parent company statement of comprehensive income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of comprehensive income.



Initial Recognition and Subsequent Measurement Effective January 1, 2018

- *Classification of Financial Assets.* Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:
 - Financial assets measured at amortized cost;
 - Financial assets measured at FVPL;
 - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and,
 - Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.
- *Contractual Cash Flows Characteristics.* If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

- *Business Model.* The Parent Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Company's business model does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) 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.



These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Bad debt expense" account in the parent company statement of comprehensive income.

The Parent Company's financial liabilities include trade and other payables (under "Trade and other current liabilities") and interest-bearing loans (under "Notes payable").

- *Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Parent Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Parent Company's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and,
- the amount of the dividend can be measured reliably.

As at December 31, 2018, the Parent Company has financial assets at FVOCI amounting to ₱5.6 million and is presented as part of "Other noncurrent assets".



- *Classification of Financial Liabilities.* Financial liabilities are measured at amortized cost, except for the following:
 - Financial liabilities measured at fair value through profit or loss;
 - Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Parent Company retains continuing involvement;
 - Financial guarantee contracts;
 - Commitments to provide a loan at a below-market interest rate; and,
 - Contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Parent Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Parent Company's financial liabilities include trade and other payables, notes payable and accrued interest payable (under "Trade and other current liabilities") (see Notes 12 and 13).

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Parent Company recognizes ECL for the following financial assets that are not measured at FVPL:

- Debt instruments that are measured at amortized cost and FVOCI;
- Loan commitments; and,
- Financial guarantee contracts

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and,
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.



Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or,
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Parent Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

- *Determination of the Stage for Impairment.* At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

- *Simplified Approach.* The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade and other receivables'. The Parent Company has established a provision matrix for commercial and industrial business segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



The Parent Company considers a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position 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.

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

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. 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 Parent Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

- *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 is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.



Cash and Cash Equivalents

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

Prepaid Expenses and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the parent company statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the parent company statement of comprehensive income.

Investments in and Advances to Subsidiaries and Associates

A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity over which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. 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 and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.



Depreciation is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are depreciated using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units and improvements	5-40
Transportation equipment	5
Office furniture and equipment	2-10
Leasehold improvements	3-10
Other equipment	3-5

The useful lives and depreciation method are reviewed at each reporting date to ensure that such useful lives and depreciation method are consistent with the expected pattern of economic benefits from those assets.

Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Property and equipment under construction are not depreciated until such time as the relevant assets are completed and put into operational use.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect to those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired 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 Parent Company estimates the asset's or CGU's recoverable amount.

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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition

Revenue is measured based on the consideration to which the Parent Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

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

Dividends. Dividends are recognized when the stockholders' right to receive the payment is established.

Management Fees. Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized when the related services are rendered based on the terms of the management and service contracts.



Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Other income includes intercompany charges, rental income and gain on disposal of property and equipment. These are generally recognized when earned. Revenue from intercompany charges are recognized when the related services are rendered based on agreed hourly billing rates. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property and equipment is recognized as the difference between the proceeds received upon disposal and the book value of the property, plant and equipment disposed.

Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in the parent company statement of comprehensive income when incurred.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, 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 Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, 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 a borrowing cost.

Pension Benefits

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; and,
- Remeasurements of net defined benefit liability or asset.

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

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

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 parent company statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. 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.

Income Taxes

Current Income Tax. Current 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 amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on 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, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.



Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises 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 profit nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Value-Added Tax (VAT)

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

When VAT from sales of services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the parent company statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of services (output VAT), the excess is recognized as an asset in the parent company statement of financial position to the extent of the recoverable amount.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.



Earnings Per Share

Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents.

As of December 31, 2018 and 2017, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods.

The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments

In the process of applying the Parent Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements:

Determining Fair Value of Long-term Notes Payable. The Parent Company has long-term notes payable for which fair value is required to be disclosed. Determining the fair value requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., interest rates), the amount of changes in fair values would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of the long-term notes payable would affect the fair value of the long-term notes payable disclosed in the parent company financial statements.

Where the fair value of the long-term notes payable disclosed in the parent company financial statements cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of parent company financial statements.



As of December 31, 2018 and 2017, the fair values of the Parent Company's long-term notes payable amounted to ₱2,808.2 million and ₱3,011.9 million, respectively (see Note 19).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries and associates as of December 31, 2018 and 2017, the Parent Company has the ability to exercise control over the subsidiaries and has significant influence over the associates (see Note 1).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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.

Estimating Allowance for Impairment of Losses on Investments in and Advances to Subsidiaries and Associates. Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, it was determined that the carrying value of the investment in HDFE exceeded its recoverable amount. As a result, an impairment loss amounting to ₱21.3 million was recognized arising from the appraisal and disposal of HDFE's investment properties and depreciation of land improvements (see Note 9). No impairment and reversal of prior impairment was recognized in 2018.

Estimating Provision for Pension Liability. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An 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.

The pension liability as of December 31, 2018 and 2017 amounted to ₱33.1 million and ₱31.8 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.



Gross deferred income tax assets amounted to P26.7 million and P24.5 million as of December 31, 2018 and 2017, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of P635.4 million and P579.8 million as of December 31, 2018 and 2017, respectively, and minimum corporate income tax (MCIT) of P0.4 million and P0.5 million as of December 31, 2018 and 2017, respectively, because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized (see Note 16).

6. Cash and Cash Equivalents

	2018	2017
Cash on hand and in banks	P15,280,298	P138,389,511
Short-term investments	2,178,218,762	2,824,969,015
	P2,193,499,060	P2,963,358,526

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term investment rates.

Interest income recognized from cash in banks and short-term investments amounted to P72.8 million, P47.3 million, and P46.5 million in 2018, 2017 and 2016, respectively.

7. Trade and Other Receivables

	2018	2017
Accounts receivable:		
Third parties	P6,339,442	P5,407,438
Related parties (see Note 14)	46,196,699	24,806,676
Advances to related parties (see Note 14)	13,485,499	14,623,234
Accrued interest receivable	4,404,061	2,299,004
Advances to employees	2,166,199	1,669,716
Others (Note 14d)	1,972,645	1,672,585
	74,564,545	50,478,653
Less allowance for impairment and credit losses	861,508	333,032
	P73,703,037	P50,145,621

Accounts receivable represent amounts owed by third parties and related parties for consultancy, management, technical and other related services rendered by the Parent Company. These are noninterest-bearing and collectible within 10 to 30 days.

Advances to employees pertain to cash advanced to the Parent Company's employees for official business expenses which are subject to liquidation upon completion of the purpose for which the cash is advanced.

In 2018, the Parent Company recognized provision for estimated credit losses amounting to P0.5 million as a result from performing collective impairment test of its trade receivables using simplified approach. In 2017, the Parent did not recognize any allowance for impairment losses.



8. Prepaid Expenses and Other Current Assets

	2018	2017
Prepayments	P7,446,465	P7,446,194
Others	5,347,722	4,315,388
	P12,794,187	P11,761,582

Prepayments include prepaid rentals and advance payments for health insurance coverage and all risks of direct physical loss or damage to the Parent Company's properties.

Others include dues and subscriptions and unused office supplies.

9. Investments in and Advances to Subsidiaries and Associates

The components of the carrying values of investments accounted for under the cost method and advances to subsidiaries and associates are as follows:

	Nature of Business	Ownership	2018	2017
Investments in Subsidiaries				
VEC	Power generation	100.00	P5,188,814,762	P4,015,905,323
HDFE	Holding company	50.94	760,507,362	760,507,362
SGPDC [formerly VC Ventures Net, Inc. (VNI)]	Real estate	100.00	5,000,000	1,250,000
VIHI	Holding company	100.00	62,500	-
			5,954,384,624	4,777,662,685
Less allowance for impairment loss			517,539,638	517,539,638
			5,436,844,986	4,260,123,047
Investments in Associates				
VECO	Power distribution	34.81	919,693,137	919,633,137
PEI	Retail electricity supplier	40.00	6,900,000	500,000
			926,593,137	920,133,137
Advances for Future Stock Subscription				
SGPDC			53,750,000	-
VRVC			26,156,250	-
PEI			-	6,400,000
			79,906,250	6,400,000
			P6,443,344,373	P5,186,656,184

Subsidiaries

VEC, HDFE, SGPDC, and VIHI qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

VEC

VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.



VEC is a holding company with the following direct equity shareholdings:

		Percentage of Direct Ownership		
	Nature of Business	2018	2017	2016
Subsidiaries				
Vivant Integrated Generation Corporation (VIGC)	Holding company	100	100	100
Vivant Renewable Energy Corporation (VREC)	Holding company	100	100	100
Corenergy Inc. (Corenergy)	Retail Electricity Supplier	100	100	100
Vivant Isla Inc. (VII)	Power generation	100	100	100
Vivant Integrated Diesel Corporation (VIDC)	Holding company	100	100	100
Vivant Enercore Integrated Inc. (VEII)	Power generation	100	100	100
Vivant Powercore Active Inc. (VPAI)	Power generation	100	100	100
Vivant-Malogo Hydropower, Inc. (VMHI)	Power generation	62	62	67
1590 Energy Corp. (1590 EC)	Power generation	55	55	53
VICS-Amlan Holdings Corp. (Vics-Amlan)	Holding company	–	–	60
Associate				
Cebu Private Power Corporation (CPPC)	Power generation	40	40	40
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	Power generation	50	50	50
Delta P, Inc. (DPI)	Power generation	50	50	50

In November 2013, VEC participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the winning bidder for seventeen (17) strips of energy of the ULGPP. This allowed VEC to sell seventeen (17) Megawatt (MW) of geothermal power from ULGPP beginning January 1, 2015, the start of commercial operations.

VEC declared dividends to the Parent Company amounting to ₱260.0 million in 2018, ₱450.0 million in 2017 and nil in 2016.

On June 29, 2015, VEC's application for increase in capital stock and issuance of shares has been approved by SEC thereby converting the long-term advance of ₱396.9 million to equity of VEC. Moreover, additional investments in VEC were made in 2015 amounting to ₱911.2 million. The conversion of long-term advance and additional investments in VEC represents 81,617,138 common shares with par value of ₱1.00 per share and 817,041,518 preferred shares with par value of ₱1.00 per share. Additional paid-in capital related to the issuance of the common shares and preferred shares amounted to ₱343.6 million and ₱65.9 million, respectively.

In 2016, the Parent Company made additional investments in VEC amounting to ₱445.8 million, which represents 40,000,000 common shares with par value of ₱1.00 per share and 405,801,000 preferred shares with par value of ₱1.00 per share.

In 2017, the Parent Company made additional investments in VEC amounting to ₱638.2 million, which represents 638,242,533 preferred shares with par value of ₱1.00 per share.

In 2018, the Parent Company made additional investments in VEC amounting to ₱1,172.9 million, which represents 1,172,909,439 preferred shares with par value of ₱1.00 per share.

Vics-Amlan was incorporated on August 26, 2009 with the primary purpose of holding investments in power generation companies. In December 2017, VEC sold to ICS Renewables Holdings, Inc. (ICS) its entire shareholdings in Vics-Amlan representing 60% common ownership for a consideration of ₱0.6 million. Vics-Amlan ceased to be a related party after the sale.



1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. On December 29, 2017, VEC purchased shares held by ICS in 1590 EC, representing 2.5% ownership interest in the latter, in exchange for a total cash consideration of ₱13.9 million. The purchase increased VEC's ownership interest in 1590 EC from 52.7% to 55.2%.

Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC), a joint venture owned indirectly by the Company through its subsidiaries VEC and VREC, was organized on July 9, 2009 primarily to engage in the general business of power generation and sale of electric power to National Power Corporation (NAPOCOR), private electric cooperatives and other entities.

On October 12, 2018, all of VEC's and VREC's ownership shares with VSNRGC was sold to Northern Renewable Energy Corp. (NREC). VSNRGC ceased to be a related party after the sale. Outstanding advances to VSNRGC amounting to ₱10,404 as at December 31, 2018 is presented as "Others" under Trade and other receivables (see Note 7).

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. On June 26, 2012, the SEC approved the latest renewal of HDFE's registration for another 25 years effective April 2, 2013. The primary purpose of HDFE is to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

In 2014, the Parent Company determined that the carrying value of the Parent Company's investment in HDFE exceeded its recoverable amount mainly due to the declaration of property dividends to the Parent Company. Accordingly, an impairment loss amounting to ₱618.7 million was recognized in 2014.

As of December 31, 2015, an appraisal of HDFE's investment properties showed an increase in their fair market value, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss amounting to ₱122.5 million was recognized in the 2015 Parent Company statement of comprehensive income.

As of December 31, 2017, the Parent Company determined that the carrying value of the Parent Company's investment in HDFE exceeded its recoverable amount mainly due to the disposal of a portion of HDFE's investment properties and depreciation of land improvements. Accordingly, the Parent Company recognized an impairment loss of ₱21.3 million in its 2017 statement of comprehensive income. No impairment and reversal of prior impairment was recognized in 2018.

HDFE declared dividends to the Parent Company amounting to ₱64.6 million in 2018.

SGPDC

SGPDC (previously VNI) was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. SGPDC also renders IT services to the companies under its parent company.



On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of the SGPDC's secondary purposes is to conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for its protection or benefit. These amendments made in the SGPDC's Articles of Incorporation were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved its application for change in corporate name from VC Ventures Net, Inc. (VNI) to Southern Grove Properties and Development Corp. (SGPDC) and its primary purpose to engage in real estate business in all its branches and ramifications, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real property such as lands, buildings, commercial centers, housing projects, mixed-use property projects, industrial, urban or other kinds of real property, or to act as real estate broker, for itself or for others, for such fees as may be legal and proper.

On June 1, 2017, the Parent Company received the ₱3.2 million cash dividends declared by SGPDC on December 7, 2015. No cash dividends were declared to the Parent Company in 2017.

On May 19, 2017, SGPDC subscribed to 249,995 common shares with a par value of ₱1 per share of Vivant Realty Ventures Corporation (VRVC), or a total of ₱249,995, resulting to 100% ownership in VRVC.

In 2018, the Parent Company made additional investments in SGPDC amounting to ₱3.75 million, which represents 3,750,000 common shares with par value of ₱1.00 per share. In addition, the Parent Company made advances for future stock subscription to SGPDC and VRVC and amounting to ₱53.75 million and ₱26.2 million, respectively, in 2018.

VIHI

VIHI was incorporated on December 18, 2018. Its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic, or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations.

VIHI is 100%-owned by the Parent Company. VIHI has not yet started commercial operations as of December 31, 2018.

Associates

VECO and PEI qualify as associates of the Parent Company.



VECO

VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2011. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

VECO declared cash dividends to the Parent Company amounting to ₱761.8 million, ₱645.2 million, and ₱713.3 million in 2018, 2017 and 2016, respectively.

PEI

PEI was incorporated on March 24, 2009 and its primary purpose is to engage in a business activity carried on pursuant to Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001, as amended, as a retail energy supplier and energy consolidator including sourcing, selling, brokering, marketing and aggregating of electricity to end-users.

The Energy Regulatory Commission granted the Company a license as a Retail Electricity Supplier (RES) on May 22, 2012, with a term of five years. The application for renewal for another five years was submitted to ERC prior to expiry in 2017. As of March 27, 2018, the Company is awaiting ERC's approval for its application.

On April 26, 2017, the Company began its operations as a RES company providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

In 2017, the Parent Company made additional advances for future stock subscription to PEI amounting to ₱6.4 million. The advances for future stock subscription was already converted to equity in 2018.

PEI declared dividends to the Parent Company amounting to ₱4.1 million in 2018.

10. Property and Equipment

	2018						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱36,421,603	₱32,280,529	₱35,872,877	₱10,517,302	₱7,268,381	₱5,825,514	₱128,186,206
Additions	—	10,105,878	13,464,543	2,324,302	1,230,418	140,250	27,265,391
Reclassifications	—	—	488,299	5,464,961	12,504	(5,965,764)	—
Disposals	—	(5,209,023)	(169,643)	—	—	—	(5,378,666)
At December 31	36,421,603	37,177,384	49,656,076	18,306,565	8,511,303	—	150,072,931
Accumulated Depreciation							
At January 1	21,241,666	15,149,869	24,669,570	2,576,577	4,394,130	—	68,031,812
Additions	1,396,707	6,350,112	6,857,443	1,290,835	1,514,304	—	17,409,401
Reclassifications	—	—	(230)	—	230	—	—
Disposals	—	(3,679,962)	(169,642)	—	—	—	(3,849,604)
At December 31	22,638,373	17,820,019	31,357,141	3,867,412	5,908,664	—	81,591,609
Net Book Value	₱13,783,230	₱19,357,365	₱18,298,935	₱14,439,153	₱2,602,639	₱—	₱68,481,322



	2017						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment		Total
Cost							
At January 1	P36,421,603	P26,894,499	P27,728,828	P10,168,873	P6,152,658	P-	P107,366,461
Additions	-	10,140,349	8,360,300	348,429	1,115,723	5,825,514	25,790,315
Disposals	-	(4,754,319)	(216,251)	-	-	-	(4,970,570)
At December 31	36,421,603	32,280,529	35,872,877	10,517,302	7,268,381	5,825,514	128,186,206
Accumulated Depreciation							
At January 1	18,839,967	14,051,182	19,215,919	1,854,346	2,761,196	-	56,722,610
Additions	2,401,699	5,853,002	5,669,899	722,231	1,632,934	-	16,279,765
Disposals	-	(4,754,315)	(216,248)	-	-	-	(4,970,563)
At December 31	21,241,666	15,149,869	24,669,570	2,576,577	4,394,130	-	68,031,812
Net Book Value	P15,179,937	P17,130,660	P11,203,307	P7,940,725	P2,874,251	P5,825,514	P60,154,394

Construction in progress includes costs for the construction of a new office in 2017 for which the percentage of completion is at 97% as of December 31, 2017. Construction is completed in April 2018.

Fully depreciated property and equipment costing P38.4 million and P27.5 million as of December 31, 2018 and 2017, respectively, are still being used by the Parent Company.

11. Other Noncurrent Assets

	2018	2017
Creditable tax withheld	P121,122,469	P96,461,400
AFS investments	-	3,700,000
Financial assets at FVOCI	5,550,000	-
Others - net of allowance for impairment loss of P46.1 million	3,744,592	3,904,207
	P130,417,061	P104,065,607

Creditable Tax Withheld

In 2018, the Parent Company reclassified its creditable tax withheld to other noncurrent assets. These pertain to taxes withheld by customers on income payments to the Parent Company for sales of services that can be applied against its income tax liabilities.

Financial Assets at FVOCI/AFS Investments

On January 1, 2018, the Parent Company reclassified its AFS investments amounting to P3.7 million to financial assets at FVOCI. These investments were irrevocably designated at FVOCI as the Parent Company intends to hold these investments for the foreseeable future (see Note 3).

As of December 31, 2018 and 2017, the carrying values of the financial assets at FVOCI and AFS investments, respectively, are as follows:

	2018	2017
Cost:		
Cebu Country Club, Inc.	P3,400,000	P3,400,000
Tower Club, Inc.	300,000	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	2,100,000	-
Tower Club, Inc.	(250,000)	-
	1,850,000	-
	P5,550,000	P3,700,000



Cebu Country Club, Inc. In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Tower Club, Inc. In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at fair value based on the published buying and selling prices of these shares.

Fair value hierarchy disclosures for the Parent Company's financial assets at FVOCI and AFS investments are provided in Note 19.

Others

Others include receivable from RFM Corporation, the Parent Company's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2018 and 2017. Also included in this account are security deposits with various tenants and other parties.

12. Trade and Other Current Liabilities

	2018	2017
Accrued interest (see Note 13)	₱25,188,025	₱25,450,401
Accounts payable -	3,302,995	9,423,548
Accrued expenses	846,872	904,149
Dividends payable (see Note 20)	2,806,854	2,331,387
Deferred output value-added tax - net	3,861,079	1,495,275
Accrued taxes payable	3,534,691	3,309,471
Advances from related parties (see Note 14)	67,226	102,253
Others	228,448	610,211
	₱39,836,190	₱43,626,695

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses. Accrued expenses consist of accruals for legal fees, securities and transfer fees, benefits and other expenses. Others include payable to HDMF, SSS, and PHIC contributions and withholding taxes.

13. Notes Payable

	2018	2017
Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 5.7271% interest per annum	₱960,000,000	₱970,000,000
₱2.0 billion at 5.4450% interest per annum	1,920,000,000	1,940,000,000
	2,880,000,000	2,910,000,000
Less unamortized debt issue costs	9,845,011	14,228,065
	2,870,154,989	2,895,771,935
Less current portion - net of unamortized debt issue costs of ₱4.4 million in 2018 and ₱4.2 million in 2017	25,428,019	25,616,946
	₱2,844,726,970	₱2,870,154,989

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to, Minergy Power Corporation and Therma Visayas Incorporated.



The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes will mature on February 3, 2021 and are payable at 1% based on the principal amount of the notes in the first 6 years and 94% at maturity. Interest is payable quarterly.

Repayments of outstanding principal amounts are scheduled as follows:

	2018	2017
Within one year	₱30,000,000	₱30,000,000
More than one year but not more than five years	2,850,000,000	2,880,000,000
	₱2,880,000,000	₱2,910,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the Parent Company's debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2018 and 2017.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱172.4 million, ₱174.0 million and ₱175.0 million in 2018, 2017 and 2016, respectively, and the related accrued interest expense as of December 31, 2018 and 2017 amounted to ₱25.2 million and ₱25.5 million, respectively (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the EIR method, over the term of the related loans.

14. Related Party Transactions

Parties are considered to be related if one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

		2018			
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱260,000,000	₱–	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	64,620,468	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Management fees (income) (see Note 14a):					
1590 EC	46,200,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	67,900	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VEC	6,000,000	–	–	30-60 days; noninterest-bearing	Unsecured

(Forward)



Category	Volume	2018 Outstanding Balance		Terms	Conditions
		Receivable	Payable		
SGPDC	P1,200,000	P-	P-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
1590 EC	3,653,383	351,559	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	271,835	232,411	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	976,021	1,414,354	61,542	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	318,082	114,683	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SGPDC	600	9,923,774	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	3,301	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	44,866	56,628	5,684	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	103,884	8,238	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	279	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
COREENERGY	57,728	9,160	-	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	20,646	15,927	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	9,738	6,424	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	2,241	270	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	115	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VEII	106	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VPAI	106	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
AHC	198	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SPHC	197	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VCCI	616	616	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIHI	47,300	47,300	-	30-60 days; noninterest-bearing	Unsecured; no impairment
EVC	3,616	1,430	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates					
Dividend income (see Note 9):					
VECO	761,827,180	-	-	30-60 days; noninterest-bearing	Unsecured
PEI	4,104,769	-	-	30-60 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a):					
CPPC	32,704,874	20,083,728	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CPPC	17,631,353	19,219,749	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	5,690	616	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
PEI	-	1,532,400	-	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	-	300	-	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)



2018					
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
GLEDC	P30,394	P30,394	P-	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	440	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	9,057,012	1,464,217	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,721,320	-	-	30-60 days; noninterest-bearing	Unsecured
Service fees (see Note 14a):					
CIPC	250,820	54,472	-	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	4,307,770	4,722,047	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	61,564	54,732	-	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	491,650	225,668	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Management fees (expense) (see Note 14b):					
JDC	5,513,866	-	-	30-60 days; noninterest-bearing	Unsecured
MRC	8,270,799	-	-	30-60 days; noninterest-bearing	Unsecured
Service fees (see Note 14a):					
JDC	77,500	-	-	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	-	42,676	-	30-60 days; noninterest-bearing	Unsecured; no impairment
2017					
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
Subsidiaries					
Dividend income (see Note 9):					
VEC	P450,000,000	P-	P-	30-60 days; noninterest-bearing	Unsecured; no impairment
Management fees (income) (see Note 14a):					
1590 EC	46,200,000	-	-	30-60 days; noninterest-bearing	Unsecured
HDFE	840,000	-	-	30-60 days; noninterest-bearing	Unsecured
VEC	6,000,000	-	-	30-60 days; noninterest-bearing	Unsecured
SGPDC	1,200,000	97,000	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
1590 EC	2,784,701	1,280,593	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	4,008,311	700,286	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	305,093	1,179,231	22,320	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	608,499	319,899	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SGPDC	100,465	10,023,700	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	1,749	1,749	-	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
VMHI	P159,272	P79,819	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	1,106,644	498,408	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	353	129	—	30-60 days; noninterest-bearing	Unsecured; no impairment
COREENERGY	129,811	27,950	—	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	23,388	12,421	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	83,214	62,400	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	1,694	129	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	129	129	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VEII	569	569	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VPAI	569	569	—	30-60 days; noninterest-bearing	Unsecured; no impairment
AHC	129	129	—	30-60 days; noninterest-bearing	Unsecured; no impairment
SPHC	129	129	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates					
Dividend income (see Note 9):					
VECO	645,190,876	—	—	30-60 days; noninterest-bearing	Unsecured
Management fees (income)					
(see Note 14a):					
VECO	34,937,352	5,648,205	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	26,675,774	11,640,000	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CPPC	10,388,471	35,357	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
PEI	—	1,532,400	—	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	300	300	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income)					
(see Note 14a):					
DPI	8,761,752	1,416,483	—	30-60 days; noninterest-bearing	Unsecured; no impairment
NR (see Note 14d)	6,782,064	135,257	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,600,000	—	—	30-60 days; noninterest-bearing	Unsecured
Service fees (see Note 14a):					
NR (see Note 14d)	1,809,995	67,308	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	126,770	51,117	—	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	6,296,946	3,517,437	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VSNRGC (see Note 14d)	67,551	79,435	79,933	30-60 days; noninterest-bearing	Unsecured
CIPC	15,857	4,932	—	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	576,649	323,923	—	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Category	Volume	2017		Terms	Conditions
		Outstanding Balance			
		Receivable	Payable		
Stockholders					
Management fees (expense) (see Note 14b):					
JDC	P6,135,893	P—	P—	30-60 days; noninterest-bearing	Unsecured
MRC	9,203,839	—	—	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	—	42,676	—	30-60 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

- Management fees and service income from subsidiaries and associates represent compensation for consultancy, management, technical and other related services rendered by the Parent Company and use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by SLAs or Management Contracts are recognized as part of the "Management fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries, associates and joint ventures on irregular basis are recognized as part of the "Other income" account in the parent company statements of comprehensive income.
- The Parent Company entered into agreements with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand. These are recognized as part of "Professional fees" in the parent company statements of comprehensive income.
- Advances to and from subsidiaries, associates, joint ventures, and shareholders pertain to advances for working capital requirements. Advances to shareholder pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.
- On May 16, 2017, VSNRGC filed a Petition for Corporate Rehabilitation before the Regional Trial Court of Cebu City (Branch 11). On May 26, 2017, the Court issued a Commencement/ Stay Order in favour of VSNRGC. As at December 31, 2017, the Court still has to decide on whether or not to allow the rehabilitation and approve a rehabilitation plan for the Corporation. On October 12, 2018, all of VEC's and VREC's ownership shares with VSNRGC was fully sold to Northern Renewable Energy Corp. (NREC). VSNRGC ceased to be a related party after the sale. Outstanding advances to VSNRGC amounting to P10,404 as at December 31, 2018 is presented under Trade and Other Receivables "Others" (Note 7).

The retirement fund (the Fund) of the Parent Company is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of P14.5 million and P14.2 million as of December 31, 2018 and 2017, respectively (see Note 15). The Parent Company does not have any other transactions with the Fund in 2018 and 2017.



Compensation and Benefits of Key Management Personnel

The compensation of the Parent Company's key management personnel by benefit type follows:

	2018	2017	2016
Short-term employee benefits	₱88,162,681	₱81,133,487	₱64,896,506
Post-employment pension benefits (see Note 15)	6,016,720	4,851,293	3,964,194
	₱94,179,401	₱85,984,780	₱68,860,700

15. Retirement Plan

The Parent Company has a funded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

The retirement fund for the Parent Company's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

The existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense recognized in the parent company statements of comprehensive income and the funded status and amounts recognized in the parent company statements of financial position for the pension plan.

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2018	2017	2016
Current service cost	₱6,372,961	₱5,176,857	₱4,695,435
Interest cost	1,239,686	1,139,457	764,515
Pension expense	₱7,612,647	₱6,316,314	₱5,459,950

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2018	2017	2016
Remeasurement gains (losses) on defined benefit obligation	₱6,781,877	(₱3,947,827)	(₱1,392,012)
Remeasurement gains (losses) on plan assets	(482,397)	(776,507)	318,519
	₱6,299,480	(₱4,724,334)	(₱1,073,493)



The Parent Company's pension liability as of December 31, 2018 and 2017 follows:

	2018	2017
Present value of defined benefit obligation	P47,610,358	P45,956,101
Fair value of plan assets	(14,539,142)	(14,198,052)
Pension liability	P33,071,216	P31,758,049

Changes in the present value of the defined benefit obligation follow:

	2018	2017
At January 1	P45,956,101	P35,329,225
Current service cost	6,372,961	5,176,857
Remeasurement loss (gain) due to:		
Changes in financial assumptions	(6,696,787)	(1,294,187)
Changes in demographic assumptions	(508,322)	1,218,031
Experience adjustments	423,232	4,023,983
Interest cost on defined benefit obligation	2,063,173	1,502,192
At December 31	P47,610,358	P45,956,101

Changes in the fair value of plan assets are as follows:

	2018	2017
At January 1	P14,198,052	P14,611,824
Interest income included in net interest cost	823,487	362,735
Remeasurement gains (losses) on return on plan assets	(482,397)	(776,507)
At December 31	P14,539,142	P14,198,052

Changes in the amounts recognized in the parent company statements of financial position for pension liability follow:

	2018	2017
At January 1	P31,758,049	P20,717,401
Pension expense	7,612,647	6,316,314
Actuarial losses recognized for the year	(6,299,480)	4,724,334
At December 31	P33,071,216	P31,758,049

The major categories of the plan assets are as follows:

	2018	2017
Investments quoted in active markets:		
Government securities	P1,235,806	P-
Unquoted investments:		
Unitized investment trust funds	13,269,469	14,127,323
Cash and cash equivalents	35,033	20,319
Accrued income	156	50,435
Accrued expenses	(1,322)	(25)
Total plan assets	P14,539,142	P14,198,052



The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest, and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The principal assumptions used in determining pension liability obligations for the Parent Company's plan as of December 31 are shown below:

	2018	2017
Discount rate	7.38%	5.80%
Future salary increase rate	7.00%	7.00%

The sensitivity analysis below has been determined based on reasonable possible changes of the significant assumptions on the present value of the defined benefit obligation as of December 31, assuming all other assumptions were held constant:

		Increase (Decrease) in the Present Value of Defined Benefit Obligation	
	Increase (Decrease)	2018	2017
Discount rate	+100 basis points	(P3,412,168)	(P3,824,865)
	-100 basis points	4,024,501	4,595,317
Future salary increase rate	+100 basis points	4,249,104	4,731,236
	-100 basis points	(3,668,935)	(4,019,682)

The average duration of the defined benefit obligation at the end of the reporting period is 18.7 years and 20.4 years as of December 31, 2018 and 2017, respectively.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2018	2017
Less than one year	P22,223,579	P20,768,290
More than 1 year to 5 years	4,702,922	4,169,043
More than 5 years to 10 years	11,287,213	5,521,356
More than 10 years to 15 years	48,355,673	41,027,155
More than 15 years to 20 years	130,386,791	116,777,546
More than 20 years	135,479,540	171,314,308
	P352,435,718	P359,577,698



16. Income Tax

	2018	2017	2016
Current tax:			
Minimum Corporate Income Tax (MCIT) (at 2%)	P-	P-	P441,767
Final (at 20% and 7.5%)	12,571,881	6,532,901	8,744,209
	12,571,881	6,532,901	9,185,976
Deferred	(7,365,963)	852,324	(2,710,396)
	P5,205,918	P7,385,225	P6,475,580

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2018	2017	2016
Income before income tax	P864,362,921	P870,943,046	P575,753,574
Income tax computed at 30%	P259,308,876	P261,282,914	P172,726,072
Adjustments to income tax resulting from:			
Nontaxable dividend income	(327,165,725)	(328,557,263)	(213,978,070)
Unrecognized deferred income tax assets on NOLCO and MCIT	75,113,504	68,039,429	47,905,203
Interest income subjected to final tax	(19,489,783)	(9,882,422)	(12,662,622)
Final taxes paid	12,571,881	6,532,901	8,744,209
Nondeductible expenses	4,876,625	9,969,666	5,018,350
Nontaxable unrealized gain/loss	(9,460)	-	-
Others	-	-	(1,277,562)
	P5,205,918	P7,385,225	P6,475,580

The components of the Parent Company's net deferred income tax assets as of December 31 are as follows:

	2018	2017
Deferred income taxes recognized in profit or loss:		
Deferred income tax assets on:		
Allowance for impairment losses	P13,923,328	P13,923,328
Pension liability	12,141,712	9,857,918
Unamortized past service cost	597,175	709,928
	26,662,215	24,491,174
Deferred income tax liabilities on:		
Unamortized debt issue costs	2,953,503	4,268,419
Unrealized foreign exchange gain	37,916	28,456
Unrealized gain on unitized investment in trust fund	-	3,889,466
	2,991,419	8,186,341
Deferred income taxes recognized in OCI:		
Deferred income tax liabilities on:		
Defined benefit obligation	2,220,346	330,502
AFS investment remeasurement	555,000	-
	2,775,346	330,502
Net deferred income tax assets	P20,895,450	P15,974,331



As of December 31, 2018 and 2017, the Parent Company has accumulated NOLCO and MCIT which can be claimed as deduction against future taxable income and income tax due, respectively, as follows:

Year Incurred	Expiry Date	As of December 31, 2017	Additions	Applied	Expired	As of December 31, 2018
NOLCO						
2018	2021	P-	P250,378,347	P-	P-	P250,378,347
2017	2020	226,798,098	-	-	-	226,798,098
2016	2019	158,211,454	-	-	-	158,211,454
2015	2018	194,790,272	-	-	194,790,272	-
		P579,799,824	P250,378,347	P-	P194,790,272	P635,387,899
MCIT						
2016	2019	P441,767	P-	P-	P-	P441,767
2015	2018	46,356	-	-	46,356	-
		P488,123	P-	P-	P46,356	P441,767

The Parent Company did not recognize deferred income tax assets for NOLCO and MCIT because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that generally affect businesses on a prospective basis, the management assessed that the same did not have any significant impact on the financial statement balances as of the reporting date.

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2018 and 2017.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2018 and 2017, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,425 stockholders as of December 31, 2018, 1,434 stockholders as of December 31, 2017, and 1,443 stockholders as of December 31, 2016, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.



Appropriation of Retained Earnings for Business Expansion

On December 20, 2013, a resolution was passed and duly approved by the BOD allowing the participation and investment by the Parent Company in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which was started in the first quarter of 2014.

Out of the 2013 retained earnings appropriation, the Parent Company invested ₱491.9 million in 2014 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

The BOD has determined, in a BOD meeting held on December 19, 2014, that the Parent Company's operations require additional allocation as reserve for the investment in the two ongoing power plant projects in Visayas and Mindanao and a future investment in a new renewable power plant project also in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,446.2 million to be used for future investments in these projects which were implemented starting 2015 and are expected to be completed starting 2017.

Out of the 2014 retained earnings appropriation, the Parent Company made additional investment of ₱851.2 million in 2015 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 18, 2015, the BOD has determined that the Parent Company's operations require additional allocation as reserve for the investment on the two ongoing power plant in Visayas and Mindanao. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱534.0 million to be used for future investments in these projects which are expected to be completed starting 2017.

Out of the 2015 retained earnings appropriation, the Parent Company made additional investment of ₱405.3 million in 2016 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 16, 2016, the BOD has determined that the Parent Company's operation require additional allocation as reserve for the investment on the two ongoing power plants in Visayas and Mindanao. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱690.5 million to be used for future investments in these projects which are expected to be completed starting 2017.

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require additional allocation as reserve for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.



Out of the 2017 retained earnings appropriation, the Parent Company made additional investment of ₱1.2 billion in 2018 on the power plant projects in the Visayas and in the rooftop solar installation project, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation requires to continue the existing appropriations for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2018	2017	2016
Date of declaration	May 11, 2018	May 12, 2017	May 12, 2016
Date of record	June 6, 2018	May 26, 2017	June 3, 2016
Date of payment	July 3, 2018	June 22, 2017	June 29, 2016
Dividends declared:			
Regular dividends	₱285,749,110	₱203,156,155	₱192,921,585
Special dividends	—	82,592,955	75,019,375
	₱285,749,110	₱285,749,110	₱267,940,960
Dividends per share	₱0.2792	₱0.2792	₱0.2618

Earnings per Share

The earnings per share as of December 31 are computed as follows:

	2018	2017	2016
Net income for the year	₱859,157,003	₱863,557,821	₱569,277,994
Number of outstanding common shares	1,023,456,698	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	₱0.839	₱0.844	₱0.556

There are no potential dilutive shares as of December 31, 2018, 2017 and 2016.

18. Personnel Expenses

	2018	2017	2016
Salaries and employee benefits	₱143,176,232	₱130,062,941	₱106,674,716
Pension expense (see Note 15)	7,612,647	6,316,314	5,459,950
	₱150,788,879	₱136,379,255	₱112,134,666



19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, advances to related parties, AFS investments, trade and other current liabilities and notes payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱2,267.0 million and ₱3,017.0 million as of December 31, 2018 and 2017, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The Parent Company writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Parent Company writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Parent Company may also write-off financial assets that are still subject to enforcement activity. The Parent Company has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2018 and 2017.

Applicable for the Year Ended December 31, 2018. The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2018:

▪ *General Approach*

- *Cash and Cash Equivalents.* As of December 31, 2018, the ECL relating to the cash and cash equivalents and short-term investments of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.



- *Receivables from Related Parties, Accrued Interest Receivables, Advances to Officers and Employees and Other Receivables.* The Parent Company did not recognize ECL relating to receivable from related parties and other receivables since there were no history of default payments, except for the receivable from RFM Corporation, which is specifically and fully provided with allowance for impairment amounting to P46.1 million as of December 31, 2018 and 2017 (see Note 11). This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.
- *Simplified Approach*
 - *Trade Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2018, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P0.9 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P2,215,312,464	P-	P46,078,063	P52,536,141	P2,313,926,668
Loss allowance	-	-	(46,078,063)	(861,508)	(46,939,571)
Carrying amount	P2,215,312,464	P-	P-	P51,674,633	P2,266,987,097

As of December 31, 2018, the aging analysis per class of financial assets is as follows:

	Neither Past Due nor Impaired	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	P2,193,284,060	P-	P-	P-	P-	P-	P2,193,284,060
Trade and other receivables:							
Accounts receivable	44,997,936	1,492,830	3,536	868,463	4,311,868	861,508	52,536,141
Advances to related parties	2,967	483,866	123,174	198,202	12,677,290	-	13,485,499
Accrued interest receivable	4,404,061	-	-	-	-	-	4,404,061
Advances to employees	232,564	200,002	9,751	12,763	1,711,119	-	2,166,199
Others	144,433	37,889	6,759	7,520	1,776,044	-	1,972,645
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063	46,078,063
	P2,243,066,021	P2,214,587	P143,220	P1,086,948	P20,476,321	P46,939,571	P2,313,926,668

Applicable for the Year Ended December 31, 2017 and Prior Years. As of December 31, 2017, the aging analysis of receivables presented per class, is as follows:

	Neither Past Due nor Impaired	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	P2,963,143,526	P-	P-	P-	P-	P-	P2,963,143,526
Trade and other receivables:							
Accounts receivable	23,046,622	-	3,809,554	-	3,024,906	333,032	30,214,114
Advances to related parties	-	834,062	116,401	165,389	13,507,382	-	14,623,234
Accrued interest receivable	2,299,004	-	-	-	-	-	2,299,004
Advances to employees	-	49,788	20,727	46,408	1,552,793	-	1,669,716
Others	-	378,837	-	27,833	1,265,915	-	1,672,585
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063	46,078,063
	P2,988,489,152	P1,262,687	P3,946,682	P239,630	P19,350,996	P46,411,095	P3,059,700,242



The following table summarizes the credit quality per class of financial assets that were neither past due nor impaired as of December 31, 2017:

	Neither Past Due nor Impaired		
	High Grade	Medium Grade	Low Grade
Loans and Receivables			
Cash and cash equivalents (excluding cash on hand)	P2,963,143,526	P—	P—
Trade and other receivables:			
Accounts receivable	23,046,622	—	—
Accrued interest receivable	2,299,004	—	—
	P2,988,489,152	P—	P—

The credit quality of financial assets is managed by the Parent Company using high, medium, and low grades as internal credit ratings:

- *High Grade.* Pertains to counterparty who is not expected by the Parent Company to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and government agencies.
- *Medium and Low Grades.* Other financial assets not belonging to high grade financial assets are included in either of these categories.

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Accounts Receivable, Advances to Officers and Employees, and Others* - high grade since these pertain to receivables from customers or parties who have established good credit standing with the Parent Company, except for past due and impaired trade and other receivables which are considered as medium and low-grade financial assets.
- *Accrued Interest Receivable* - high grade since these arise from cash and cash equivalents which are deposited in reputable banks with good bank standing, thus credit risk is minimal.
- *Advances to Related Parties* - high grade since these pertain to advances to related parties who are consistent in the payment of their accounts.
- *AFS Investments* - high grade since these pertain to investments in AFS securities, which are non-listed shares of companies whose fair values can be reliably measured on quoted market prices or published buying and selling prices.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.



The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

2018				
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years
Financial Assets				
Financial assets at amortized cost				
Cash and cash equivalents	P2,193,499,060	P15,280,298	P2,178,218,762	P-
Trade and other receivables:				
Accounts receivable	51,674,633	-	51,674,633	-
Advances to related parties	13,485,499	-	13,485,499	-
Advances to employees	2,166,199	-	2,166,199	-
Accrued interest receivable	4,404,061	-	4,404,061	-
Others	1,972,645	-	1,972,645	-
Financial assets at FVOCI	5,550,000	5,550,000	-	-
	2,272,752,097	20,830,298	2,251,921,799	-
Financial Liabilities				
Other financial liabilities:				
Notes payable*	P3,209,517,093	P-	P188,430,201	P3,021,086,892
Accrued interest	25,188,025	-	25,188,025	-
Accounts payable	3,302,995	-	3,302,995	-
Dividends payable	2,806,854	-	2,806,854	-
	3,240,814,967	-	219,728,075	3,021,086,892
Net Financial Assets (Liabilities)	(P968,062,870)	P20,830,298	P2,032,193,724	(P3,021,086,892)

2017				
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P2,963,358,526	P138,389,511	P2,824,969,015	P-
Trade and other receivables:				
Accounts receivable	29,881,082	-	29,881,082	-
Advances to related parties	14,623,234	-	14,623,234	-
Advances to employees	1,669,716	-	1,669,716	-
Accrued interest receivable	2,299,004	-	2,299,004	-
Others	1,672,585	-	1,672,585	-
	3,013,504,147	138,389,511	2,875,114,636	-
Financial Liabilities				
Other financial liabilities:				
Accrued interest	25,450,401	-	25,450,401	-
Accounts payable	9,423,548	-	9,423,548	-
Dividends payable	2,331,387	-	2,331,387	-
Notes payable*	3,399,917,631	-	190,400,538	3,209,517,093
	3,437,122,967	-	227,605,874	3,209,517,093
Net Financial Assets (Liabilities)	(P423,618,820)	P138,389,511	P2,647,508,762	(P3,209,517,093)

Fair Value Measurement

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.



Fair Value Hierarchy

The Parent Company uses the following hierarchy for determining the fair value of assets and liabilities:

- 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; and,
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Parent Company's financial assets at FVOCI is carried at fair value classified under Level 2 as at December 31, 2018 and 2017, since its fair value was measured based on published buying and selling prices in a relatively inactive market, and no significant adjustments were made to market observations due to the relatively non-volatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2018 and 2017, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity.

The Parent Company considers the notes payable with fair value of ₱2.8 billion and ₱3.0 billion as of December 31, 2018 and 2017, respectively, under Level 3 classification. The carrying amounts of these notes payable amounted to ₱2.8 billion and ₱2.9 billion as of December 31, 2018 and 2017, respectively.

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Parent Company's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	Fair Value as of December 31, 2018	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱2,808,219,797	Discounted Cash Flow Approach	Risk-free interest rate	5.41%–7.53% (6.92%)

Description	Fair Value as of December 31, 2017	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱3,011,089,999	Discounted Cash Flow Approach	Risk-free interest rate	3.71%–5.31% (4.14%)

Capital Management

The Parent Company considers its total equity as its capital. The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2018, 2017 and 2016.



The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2018 and 2017 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2018 and 2017, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 17).

The Parent Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Parent Company determines net debt as the sum of long-term debt and notes payable less cash and cash equivalents.

Gearing ratios of the Parent Company as of December 31 are as follows:

	2018	2017
Notes payable	₱2,870,154,989	₱2,895,771,935
Less: Cash and cash equivalents	2,193,499,060	2,963,358,526
Net cash and cash equivalents (a)	676,655,929	(67,586,591)
Equity	6,000,072,095	5,420,959,566
Equity and net cash and cash equivalents (b)	₱6,676,728,024	₱5,353,372,975
Gearing ratio (a/b)	0.10:1.00	(0.01):1.00

20. Changes in Liabilities Arising from Financing Activities

	Notes Payable	Dividends Payable	Total Liabilities from Financing Activities
January 1, 2018	₱2,895,771,935	₱2,331,387	₱2,898,103,322
Cash flows	(30,000,000)	(285,273,643)	(315,273,643)
Non-cash changes:			
Amortization of debt issue cost	4,383,054	—	4,383,054
Dividends declared	—	285,749,110	285,749,110
December 31, 2018	₱2,870,154,989	₱2,806,854	₱2,872,961,843
January 1, 2017	₱2,921,584,679	₱1,970,826	₱2,923,555,505
Cash flows	(30,000,000)	(285,388,549)	(315,388,549)
Non-cash changes:			
Amortization of debt issue cost	4,187,256	—	4,187,256
Dividends declared	—	285,749,110	285,749,110
December 31, 2017	₱2,895,771,935	₱2,331,387	₱2,898,103,322



21. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2018:

Details of the Parent Company's net sales, output VAT and input VAT accounts are as follows:

Value-Added Tax (VAT)

Output VAT. The Parent Company is a VAT-registered company for the year. The Parent Company's sources of revenue are management fees from subsidiaries, associates, and joint ventures. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱176,511,758	₱21,181,411

The Parent Company's taxable sales are based on actual collections received, hence, may not be the same as the amounts accrued under "Management fees" and "Others" in the parent company statement of comprehensive income.

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2018 amounting to ₱141,423,178.

Total input VAT available for application as of December 31, 2018 is as follows:

Balance at January 1	₱2,108,618
Current year's domestic purchases or payments for:	
Services lodged under expenses	13,516,217
Capital goods subject to amortization	1,205,946
Goods other than capital goods	2,248,618
Total	19,079,399
Adjustments:	
Amortization of input VAT from capital goods	(700,865)
Claims against output vat	(16,133,999)
At December 31	₱2,244,535

Documentary Stamp Tax

The Parent Company paid documentary stamp taxes in 2018 amounting to ₱5,866, of which ₱1,103 are from the advances from related parties, ₱2,413 from lease contracts, and ₱2,350 from other transactions entered during the year.

Customs Duties

The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.



Withholding Taxes

The amount of taxes withheld in 2018 follows:

Expanded withholding taxes	₱42,118,372
Withholding taxes on compensation and benefits	25,925,177
Creditable withholding taxes	24,661,369
Final withholding taxes	156,697
	<u>₱92,861,615</u>

Other Taxes and Licenses

Other taxes paid during the year are as follows:

Business permit	₱1,701,285
Fringe benefit tax	501,857
Real property tax	91,385
Community tax	11,000
Bureau of Internal Revenue (BIR) annual registration fee	500
Others	536,147
	<u>₱2,842,174</u>

Tax Assessments and Cases

The Parent Company does not have any pending tax cases outside the administration of the BIR.

