Fredlin Agang

From:	ICTD Submission <ictdsubmission+canned.response@sec.gov.ph> on behalf of ICTD Submission
Sent:	Thursday, July 22, 2021 10:17 AM
To:	fredlin.agang@vivant.com.ph
Subject:	Re: Vivant Corporation_Annual Financial Statement 2020

Dear Customer,

Your report/document has been SUCCESSFULLY ACCEPTED by ICTD.

(Subject to Verification and Review of the Quality of the Attached Document)

Official copy of the submitted document/report with Bar Code Page (Confirmation Receipt) will be made available after 15 days from receipt through the SEC Express System at the SEC website at www.sec.gov.ph

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NOTICE

Please be informed that pursuant to SEC Memorandum Circular No. 3, series of 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (PDF) **Secondary Reports** such as: 17-A, 17-C, 17-L, 17-Q, ICASR, 23-A, 23-B, I-ACGR, FS-P, FS-C, Monthly Reports, Quarterly Reports, Letters, etc... through email at

ictdsubmission@sec.gov.ph

Note: All submissions through this email are no longer required to submit the hard copy thru mail or over- the-counter.

For those applications that require payment of filing fees, these still need to be filed and sent via email with the SEC RESPECTIVE OPERATING DEPARTMENT.

Further, note that other reports shall be filed thru the **ONLINE SUBMISSION TOOL (OST)** such as:

AFS, GIS, GFFS, SFFS, LCFS, LCIF, FCFS. FCIF ANO, ANHAM. All submissions through OST are no longer required to submit the hard copy thru mail or over- the- counter.

FOR MC28, please email to:

(MC28_S2020@sec.gov.ph)

For your information and guidance.

Thank you and keep safe.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION

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

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,425	September 11	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032) 232-0253	0917-5356692

CONTACT PERSON's ADDRESS

9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines

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

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

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

RAMONTITO E. GARCIA
Chairman of the Board/ Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this 5th day of April, 2021.

9th Floor Oakridge IT Center 3
Oakridge Business Park, A. S. Fortuna Street
Brgy. Banilad, Mandaue City, Philippines 6014

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285

www.vivant.com.ph

ACKNOWLEDGEMENT

Republic of the Philippines }
Cebu City } s.s.

BEFORE ME, a Notary Public, for and in Cebu City, Philippines, this MAR 10 2021 personally appeared the following:

Name	Competent Evidence of Identity	Expiration Date	Place of Issue
Ramontito E. Garcia	Passport No. P4784127B	Feb. 11, 2030	DFA Cebu
Minuel Carmela N. Franco	Passport No. P2168178A	March 5, 2022	DFA Consular Office Cebu

known to me and to me known to have executed the foregoing instrument, and he/she acknowledged to me that the same is his/her free and voluntary act and deed and of the corporations he/she represent.

IN WITNESS WHEREOF, I have hereunto set my hand on the date and place above stated.

Doc. No. 245;
Page No. 49;
Book No. 34;
Series of 2021.

ATTY. JOAN A. GIDUQUIO-BARON
ROLL NO. 41829
NOTARY PUBLIC
CEBU, PHILIPPINES

ATTY. JOAN GIDUQUIO - BARON
NOTARY COMMISSION NO. 018-19
NOTARY PUBLIC
UNTIL JUNE 30, 2021
UNITS 1501-1502 AYALA LIFE - FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1981965 - CEBU CITY - 1-05-2021
IBP LIFETIME NO. 019431 - CEBU CITY

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SyCip Gorres Velayo & Co.
Unit 1003 & 1004, Insular Life
Cebu Business Centre
Mindanao Avenue corner
Biliran Road
Cebu Business Park
Cebu City
6000 Cebu, Philippines

Tel: (032) 266 2947 to 49
Fax: (032) 266 2313
ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City, Cebu, Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, 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, 2020, 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 Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 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 Parent 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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent 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 Parent 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 Parent 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 Parent 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.

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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, actions taken to eliminate threats or safeguards applied.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 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.

SYCIP GORRES VELAYO & CO.

Margem A. Tagalog
Margem A. Tagalog
Partner
CPA Certificate No. 0098098
SEC Accreditation No. 1741-A (Group A),
February 26, 2019, valid until February 25, 2022
Tax Identification No. 206-544-506
BIR Accreditation No. 08-001998-138-2018,
December 17, 2018, valid until December 16, 2021
PTR No. 8534368, January 4, 2021, Makati City

April 5, 2021

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱2,650,122,434**	₱2,313,237,102
Trade and other receivables (Notes 7 and 14)	**192,745,896**	71,032,941
Prepaid expenses and other current assets (Note 8)	**30,201,715**	15,894,158
Total Current Assets	**2,873,070,045**	2,400,164,201
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	**7,061,526,616**	6,714,244,525
Property and equipment (Note 10)	**95,509,251**	99,396,994
Right-of-use assets (Note 21)	**44,309,159**	61,482,817
Deferred income tax assets - net (Note 16)	**33,682,790**	30,561,008
Other noncurrent assets (Note 11)	**157,446,813**	151,766,839
Total Noncurrent Assets	**7,392,474,629**	7,057,452,183
TOTAL ASSETS	**₱10,265,544,674**	₱9,457,616,384
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other current liabilities (Notes 12 and 14)	**₱59,710,638**	₱40,375,742
Current portion of notes payable (Note 13)	**2,819,508,120**	25,218,850
Current portion of lease liabilities (Note 21)	**14,695,257**	14,466,267
Total Current Liabilities	**2,893,914,015**	80,060,859
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**–**	2,819,508,120
Lease liabilities - net of current portion (Note 21)	**34,095,790**	49,550,916
Pension liability (Note 15)	**52,448,185**	44,571,235
Other noncurrent liabilities (Notes 14 and 15)	**16,704,078**	16,704,078
Total Noncurrent Liabilities	**103,248,053**	2,930,334,349
Total Liabilities	**2,997,162,068**	3,010,395,208
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)	**(8,128,554)**	(8,390,113)
Remeasurement of financial assets at fair value through other comprehensive income (FVOCI; Note 11)	**2,867,500**	2,842,000
Retained earnings (Note 17)		
Appropriated for business expansion	**5,213,900,230**	4,449,483,361
Unappropriated	**1,027,947,280**	971,489,778
Total Equity	**7,268,382,606**	6,447,221,176
TOTAL LIABILITIES AND EQUITY	**₱10,265,544,674**	₱9,457,616,384

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Dividend income (Note 9)	**₱1,637,324,284**	₱1,026,516,503	₱1,090,552,417
Revenues from contracts with customers			
Management fees (Note 14)	**133,525,240**	129,484,747	182,373,580
Service income (Note 14)	**5,974,453**	8,213,522	6,551,296
Engineering service income	**460,644**	10,531,392	–
Interest income (Note 6)	**40,476,576**	103,527,517	72,777,976
	1,817,761,197	1,278,273,681	1,352,255,269
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	**165,524,142**	118,196,811	150,788,879
Professional fees (Note 14)	**125,167,956**	111,772,984	63,823,785
Depreciation (Notes 10 and 21)	**42,682,749**	30,918,893	17,409,401
Outside services	**12,899,739**	9,373,855	6,876,797
Directors' per diem	**7,613,333**	4,645,072	4,864,300
Communication and utilities	**6,721,139**	5,774,855	6,456,585
Supplies	**5,446,071**	6,387,506	7,256,867
Travel	**5,365,013**	24,719,648	25,103,222
Taxes and licenses	**5,073,306**	13,881,971	2,848,040
Representation	**3,978,050**	3,889,559	8,427,372
Rent and association dues	**3,748,301**	3,430,502	10,444,556
Repairs and maintenance	**3,000,865**	2,852,244	3,158,352
Marketing	**526,477**	1,173,417	6,282,187
Meetings and conferences	**181,689**	1,321,658	928,993
Corporate social responsibility	**94,620**	456,222	505,637
Others	**8,936,536**	7,051,117	6,489,506
	396,959,986	345,846,314	321,664,479
INCOME FROM OPERATIONS	**1,420,801,211**	932,427,367	1,030,590,790
FINANCE CHARGES			
Interest expense (Notes 13 and 21)	**172,712,667**	173,197,836	172,448,986
Other financing charges	**178,612**	31,672	1,463,913
	172,891,279	173,229,508	173,912,899
OTHER INCOME			
Gain on sale of shares of an associate (Note 9)	**39,085,242**	–	–
Gain on reversal of impairment loss (Note 9)	–	59,824,418	–
Other income	**6,439,846**	3,586,038	7,685,030
	45,525,088	63,410,456	7,685,030
INCOME BEFORE INCOME TAX	**1,293,435,020**	822,608,315	864,362,921
PROVISION FOR INCOME TAX (Note 16)	**4,738,589**	17,302,253	5,205,918
NET INCOME	**1,288,696,431**	805,306,062	859,157,003

(Forward)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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	Years Ended December 31		
	2020	2019	2018
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)	**₱373,655**	(₱19,387,030)	₱6,299,480
Income tax effect	**(112,096)**	5,816,108	(1,889,844)
	261,559	(13,570,922)	4,409,636
Unrealized valuation gain on financial assets at FVOCI (Note 11)	**30,000**	1,820,000	1,850,000
Income tax effect	**(4,500)**	(273,000)	(555,000)
	25,500	1,547,000	1,295,000
Other comprehensive income (loss) for the year, net of tax	**287,059**	(12,023,922)	5,704,636
TOTAL COMPREHENSIVE INCOME	**₱1,288,983,490**	₱793,282,140	₱864,861,639
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱1.259**	₱0.787	₱0.839

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of Financial Assets at FVOCI (Note 11)	Retained Earnings (Note 17) Appropriated	Unappropriated	Total
At January 1, 2020	**₱1,023,456,698**	**₱8,339,452**	**(₱8,390,113)**	**₱2,842,000**	**₱4,449,483,361**	**₱971,489,778**	**₱6,447,221,176**
Net income	–	–	–	–	–	**1,288,696,431**	**1,288,696,431**
Other comprehensive income	–	–	**261,559**	**25,500**	–	–	**287,059**
Total comprehensive income	–	–	**261,559**	**25,500**	–	**1,288,696,431**	**1,288,983,490**
Reversal of appropriation for							
business expansion	–	–	–	–	**(1,521,583,131)**	**1,521,583,131**	–
Appropriation for business expansion	–	–	–	–	**2,286,000,000**	**(2,286,000,000)**	–
Cash dividends declared	–	–	–	–	–	**(467,822,060)**	**(467,822,060)**
At December 31, 2020	**₱1,023,456,698**	**₱8,339,452**	**(₱8,128,554)**	**₱2,867,500**	**₱5,213,900,230**	**₱1,027,947,280**	**₱7,268,382,606**
At January 1, 2019	₱1,023,456,698	₱8,339,452	₱5,180,809	₱1,295,000	₱3,972,397,789	₱989,402,347	₱6,000,072,095
Net income	–	–	–	–	–	805,306,062	805,306,062
Other comprehensive income (loss)	–	–	(13,570,922)	1,547,000	–	–	(12,023,922)
Total comprehensive income (loss)	–	–	(13,570,922)	1,547,000	–	805,306,062	793,282,140
Reversal of appropriation for							
business expansion	–	–	–	–	(2,122,914,428)	2,122,914,428	–
Appropriation for business expansion	–	–	–	–	2,600,000,000	(2,600,000,000)	–
Cash dividends declared	–	–	–	–	–	(346,133,059)	(346,133,059)
At December 31, 2019	₱1,023,456,698	₱8,339,452	(₱8,390,113)	₱2,842,000	₱4,449,483,361	₱971,489,778	₱6,447,221,176
At January 1, 2018	₱1,023,456,698	₱8,339,452	₱771,173	₱–	₱3,422,808,228	₱965,584,015	₱5,420,959,566
Net income	–	–	–	–	–	859,157,003	859,157,003
Other comprehensive income	–	–	4,409,636	1,295,000	–	–	5,704,636
Total comprehensive income	–	–	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	₱1,023,456,698	₱8,339,452	₱5,180,809	₱1,295,000	₱3,972,397,789	₱989,402,347	₱6,000,072,095

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,293,435,020**	₱822,608,315	₱864,362,921
Adjustments for:			
Dividend income (Note 9)	**(1,637,324,284)**	(1,026,516,503)	(1,090,552,417)
Interest expense (Notes 13 and 21)	**172,712,667**	173,197,836	172,448,986
Depreciation (Notes 10 and 21)	**42,682,749**	30,918,893	17,409,401
Interest income (Note 6)	**(40,476,576)**	(103,527,517)	(72,777,976)
Gain on sale of shares of an associate (Note 9)	**(39,085,242)**	–	–
Pension expense (Note 15)	**8,250,605**	8,817,067	7,612,647
Gain on disposal of property and equipment (Note 10)	**(25,500)**	(299,787)	(508,480)
Unrealized foreign exchange loss (gain)	**2,530**	240,260	(31,534)
Gain on reversal of impairment loss (Note 9)	**–**	(59,824,418)	–
Gain on pretermination of lease (Note 21)	**–**	(153,726)	–
Operating loss before working capital changes	**(199,828,031)**	(154,539,580)	(102,036,452)
Decrease (increase) in:			
Trade and other receivables	**(140,613,123)**	17,520,367	(21,452,359)
Prepaid expenses and other current assets	**(14,060,962)**	(6,766,521)	(1,032,605)
Creditable tax withheld under other noncurrent assets	**(4,775,280)**	(9,497,919)	(24,661,069)
Increase (decrease) in trade and other current liabilities	**18,917,555**	1,838,592	(3,689,873)
Net cash used in operations	**(340,359,841)**	(151,445,061)	(152,872,358)
Interest paid	**(168,179,316)**	(170,272,988)	(168,328,308)
Net cash flows used in operating activities	**(508,539,157)**	(321,718,049)	(321,200,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and associates (Note 9)	**1,650,124,284**	1,013,716,503	1,090,552,417
Additions to:			
Investments in and advances to subsidiaries and associates (Note 9)	**(306,664,449)**	(211,075,734)	(1,256,688,189)
Property and equipment (Note 10)	**(22,603,302)**	(51,315,759)	(27,265,391)
Other noncurrent assets	**(1,121,289)**	(6,365,309)	159,615
Interest received	**37,092,877**	80,052,543	58,101,038
Proceeds from disposal of property and equipment	**–**	299,787	1,723,819
Net cash flows from (used in) investing activities	**1,356,828,121**	825,312,031	(133,416,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 17 and 20)	**(467,156,920)**	(345,784,966)	(285,273,643)
Notes payable (Notes 13 and 20)	**(30,000,000)**	(30,000,000)	(30,000,000)
Lease liabilities (Notes 20 and 21)	**(14,244,182)**	(7,830,714)	–
Cash flows used in financing activities	**(511,401,102)**	(383,615,680)	(315,273,643)
NET INCRASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**336,887,862**	119,978,302	(769,891,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(2,530)**	(240,260)	31,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,313,237,102**	2,193,499,060	2,963,358,526
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱2,650,122,434**	₱2,313,237,102	₱2,193,499,060

See accompanying Notes to 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 2020, 2019 and in 2018. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is currently located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

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

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC)	**100.00 (f)**	–	100.00	–
Vivant Realty Ventures Corporation (VRVC)	–	**100.00 (h)**	–	100.00 (h)
Vivant Corporate Center, Inc. (VCCI)	–	**100.00 (h)**	–	100.00 (h)
Vivant Infracore Holdings Inc. (VIHI)	**100.00**	–	100.00	–
Vivant Hydrocore Holdings Inc. (VHHI)	–	**100.00 (i)**	–	100.00 (i)
Vivant Transcore Holdings Inc. (VTHI)	–	**100.00 (i)**	–	100.00 (i)
Isla Mactan-Cordova Corporation (IMCC)	–	**100.00 (j)**	–	–
Watermatic Philippines Corporation (WMP)	–	**60.00 (j)**	–	60.00 (j)
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00 (a)**	–	100.00 (a)
Vivant Geo Power Corp. (VGPC)	–	**100.00 (b)**	–	100.00 (b)
Vivant Isla, Inc. (VII)	–	**100.00 (a)**	–	100.00 (a)
Vivant Renewable Energy Corporation (VREC)	–	**100.00 (a) (d)**	–	100.00 (a) (d)
Corenergy Inc. (Core)	–	**100.00 (a)**	–	100.00 (a)
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00 (a)**	–	100.00 (a)
Vivant Enercore Integrated Inc (VEII)	–	**100.00 (a) (l)**	–	100.00 (a)
Isla Norte Energy Corp. (INEC)	–	**65.00 (a) (e)**	–	73.75 (a) (e)
Southern Powercore Holding Corp. (SPHC)	–	**100.00 (b)**	–	100.00 (b)
Amberdust Holding Corporation (AHC)	–	**100.00 (b)**	–	100.00 (b)
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00 (a)**	–	67.00 (a)
1590 Energy Corp. (1590 EC)	–	**55.20 (a)**	–	55.20 (a)

(Forward)

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Vivant Solar Corporation (VSC)	–	**100.00** [(a) (k)]	–	100.00 [(a)]
ET Energy Island Corporation (ETEI)	–	**100.00** [(a) (c)]	–	100.00 [(a) (c)]
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–
Prism Energy, Inc. (PEI)	–	**40.00** [(a)]	40.00	–
Faith Lived Out Visions 2 Ventures Holdings, Inc. (FLOWS)	–	**45.00** [(j)]	–	–

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Ownership interest in ETEI is through VSC
d. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
e. Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
f. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
g. Ownership interest in Global Luzon Energy Development Corporation (GLEDC) is through LPCI.
h. Indirect ownership through SGPDC
i. Indirect ownership through VIHI
j. Indirect ownership through VHHI
k. Changed its corporate name from ET Vivant (ETVVT) to VSC on November 9, 2020.
l. Changed its corporate name from Vivant Enercore Integrated, Inc. to La Pampanga Energy Corporation (LPEC) on January 13, 2021

Subsidiaries
Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, WMP and IMCC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution and water infrastructure. 1590 EC is operating a diesel power plant, while VMHI is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. VEII is also in its pre-operating stage of building an embedded diesel power plant in Pampanga. Core is operating as a retail electricity supplier and engineering services provider. WMP provides engineering services, mainly for water infrastructure projects. IMCC is in its pre-operating stage of building a seawater desalination facility. INEC started its interim commercial operations through an Interim Power Supply Agreement (IPSA) and is currently building a diesel-fired power plant in Bantayan, Cebu. ETEI is operating as a solar rooftop installations provider.

The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE
HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. 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.

The registered office of HDFE is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

SGPDC

SGPDC was incorporated on December 8, 2004 with a primary purpose 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. It has also direct equity shareholdings in VRVC and VCCI, both real estate companies.

The registered office of the SGPDC is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. The Company's application for amendment on the principal address on the articles of incorporation is ongoing with the SEC. The new registered office once the application for change will be approved is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of 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 SGPDC's Articles of Incorporation (AOI) were approved by the SEC on October 8, 2015.

On January 6, 2016, the SEC approved the amendment to its AOI changing its name from VC Ventures Net, Inc. to Southern Grove Properties and Development Corp. and its primary purpose is to engage in real estate business, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of all kinds of real property or to act as real estate broker for such fees as may be legal and proper.

VRVC

VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from HDFE, a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2020, VRVC continues to recognize rental income from the purchased investment property.

The registered office of VRVC is located at Unit 907-908 Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000. Its application for amendment on the principal address on the articles of incorporation was approved on March 25, 2021. The new registered office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VCCI

VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2020, VCCI has not yet started its operations.

VIHI

VIHI was incorporated on December 18, 2018 and its primary purpose is 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, or to act as real estate broker, for itself or for others, for such fees as may be legal and proper. As of December 31, 2020, VIHI is operating as a holding company for VHHI and VTHI.

The registered office of the Company is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

VHHI

VHHI was incorporated on May 20, 2019 and 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. As of December 31, 2020, VHHI is operating as a holding company for WMP, IMCC and FLOWS, a holding company.

VTHI

VTHI was incorporated on May 20, 2019 and 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. As of December 31, 2020, VTHI has not yet started its operations.

IMCC

IMCC was incorporated on August 14, 2020. Its primary purpose is to plan, layout (by duly licensed engineers), build, fund, operate and maintain a seawater desalination facility, ground and surface water treatment facility, waste water treatment facility, and water distribution systems; and to negotiate and sell bulk water to the water districts, private entities and consumers. As of December 31, 2020, IMCC has not yet started its operations.

WMP

WMP was incorporated on July 23, 2019 as a water treatment engineering company primarily engaged in the design, supply (which includes detailed design, procurement, and assembly), installation, commission, operation and maintenance of water treatment and waste water treatment plant to be owned by WMP or for third parties. WMP also engages in bulk water supply agreements using water sourced from ground water, surface water, or desalinated water. As of December 31, 2020, WMP has started commercial operations.

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. Its principal office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu.

Details of VEC's direct and indirect equity holdings are provided in Note 9.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in Minergy Power Corporation (MPC), Therma Visayas, Inc. (TVI) and Lunar Power Core Inc. (LPCI), entities engaged in the power generation business and Abovant Holdings, Inc. (AHI), a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2020, VII is still in the pre-operating stage.

VREC
VREC was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VMHI, VGPC, SPHC, AHC, VSC, Sabang Renewable Energy Corporation (SREC), Culna Renewable Energy Corp. (CREC), and Lihangin Wind Energy Corporation (LWEC) as of December 31, 2020.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users, to provide services necessary in connection with the supply or delivery of electricity thereof, distribution utilities and other entities in the electric systems by a duly licensed electrical engineer, the conduct of energy examinations, inspections, assessments, maintenance, testing and commissioning, as amended dated May 31, 2019. As of December 31, 2020, Core has entered into Retail Supply Contract and engineering service contracts with five and four customers, respectively.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2020, VIDC is the holding company of INEC.

VEII
VEII was incorporated on May 26, 2016. The Company applied with the SEC for the change in its name to LPEC, which application was approved on January 13, 2021.

Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2020, VEII is still in the pre-operating stage.

INEC
INEC, formerly VPAI, was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system.

As of December 31, 2019, INEC is effectively 74%-owned by VEC and 26%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by VIDC.

On October 23, 2020, INEC increased its authorized capital stock to ₱436.0 million divided into 43.6 million common stocks and 392.4 million preferred stocks with par values of ₱1.00 per share has been approved by the SEC. As of December 31, 2020, INEC is effectively 65%-owned by VEC and 35%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by VIDC. The impact of the decrease in the VEC's ownership interest in INEC is not significant.

On December 20, 2019, the application to change the name of VPAI to INEC was approved by the SEC. INEC has started its interim commercial operations through an Interim Power Supply Agreement (IPSA) with Bantayan Electric Cooperative (BANELCO) as of December 31, 2020.

The registered office of INEC is at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna, Brgy. Banilad, Mandaue City, Cebu, Philippines 6014.

SPHC
SPHC was incorporated on April 20, 2017. Its primary purpose is to engage in the business of holding investments in power generation companies. As of December 31, 2020, SPHC has not yet started its commercial operations.

AHC
AHC was incorporated on August 16, 2017. Its primary purpose is to engage in the business of a holding company. As of December 31, 2020, AHC has not yet started its commercial operations.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is in its starting phase or pre-operational stage as a power generating entity that will implement a greenfield power plant project, involving the construction and operation of a series of run-of-river hydropower facility in Barangay Capitan Ramon in Silay City, Negros Occidental. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a six (6) MW power plant facility along the Malogo river. The project has concluded its detailed engineering design. A tender process is underway for the construction to coincide with the project timetable, but subject to adjustments that may be brought about by regulations from the grid system operator.

<u>1590 EC</u>
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. 1590 EC is also partly-owned by GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.

<u>VSC</u>
VSC, formerly ETVVT, was incorporated on April 4, 2018 primarily to engage in developing and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperative and other off-takers and selling and/or trading electricity for light, heat and power purposes. It has direct equity shareholdings in ETEI, an entity engaged in the solar power generation business. As of December 31, 2020, VSC has started its commercial operations.

On November 9, 2020, the application to change the name of ET Vivant to VSC was approved by the SEC.

<u>ETEI</u>
ETEI was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. ETEI started commercial operations in January 2019.

Associates. VECO, PEI and FLOWS qualify as associates of the Parent Company.

<u>VECO</u>
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from after the expiration on February 23, 2012. 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.

The registered office address of VECO is at J. Panis Street, Banilad, Cebu City, Philippines.

PEI

PEI was incorporated on March 24, 2009 as a retail electricity supplier. On April 26, 2017, PEI began its operations providing qualified contestable customers the opportunity to select a contract structure that will meet their generation supply requirement.

PEI's registered principal office address is at Aboitiz Corporate Center, Gov. Manuel A. Cuenco Ave., Kasambagan, Cebu City, Philippines.

On October 5, 2020, the Parent Company assigned all of its rights, title and interest in 8,432,400 common shares in PEI to VEC, including its advances to VEC amounting to ₱1.5 million, in exchange for 47,517,642 preferred shares of the latter. A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 9).

FLOWS

FLOWS, an associate of VHHI, was incorporated on August 31, 2018 primarily to engage in the activities of a holding company except as a stockbroker or dealer of securities, provided that, FLOWS shall not solicit, accept or take investments/placements from the public neither shall it issue investments contracts.

FLOWS has an 89.58% direct ownership interest in Puerto Princesa Water Reclamation and Learning Center, Inc. (PPWRLC).

The registered principal office of FLOWS is at 37 Taft Street, Barangay Maligaya, Puerto Princesa City, Palawan.

The parent company financial statements as of December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 were approved and authorized for issuance by the Board of Directors (BOD) on April 5, 2021.

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 except for financial assets at FVOCI, which have been measured at fair value. The financial statements 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 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Statement of Compliance

The financial statements of the Parent Company have been prepared in compliance with PFRSs.

3. Changes in Accounting Policies and Disclosures

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the parent company financial statements.

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

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

  These amendments may impact future periods should the Parent Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9*, Financial Instruments*, Interest Rate Benchmark Reform

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

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

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Leases*, COVID-19-related Rent Concessions

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

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

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

  The amendments do not have a significant impact on the parent company financial statements since it has not received any rent concessions.

Standards Issued but not yet Effective
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 the parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

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

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

  The Parent Company shall also disclose information about:
  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Parent Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, Reference to the Conceptual Framework

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

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

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

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

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

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

  The amendments are not expected to have a material impact on the parent company financial statements.

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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*, Subsidiary as a First-time Adopter

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

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

  - Amendments to PFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

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

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the parent company financial statements since all liabilities of the Parent Company, except pension, lease liabilities, notes payable and other noncurrent liabilities, which do not have deferral rights, are current.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures,* 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.

  The amendments are not expected to have an impact on the parent company financial statements.

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 income 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

- *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 fair value through profit or loss (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 "Expenses - Others" account in the parent company statement of comprehensive income.

As at December 31, 2020 and 2019, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, and receivable from RFM Corporation included under "Other noncurrent assets" such as (see Notes 6, 7, 11 and 14).

- *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, 2020 and 2019, the Parent Company has financial assets at FVOCI amounting to ₱7.4 million, which is presented as part of "Other noncurrent assets" (see Note 11).

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 accounts payable, accrued interest, accrued expenses and advances from related parties (under "Trade and other current liabilities"), interest-bearing loans (under "Notes payable") and lease liabilities (see Notes 12, 13, 14 and 21).

Impairment of Financial Assets. 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 accounts and other receivables under "Trade and other receivables". The Parent Company has established a provision matrix 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 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.

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

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

Right-of-use Assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

	Number of Years
Land	15
Office space	1–4

Right-of-use assets are subject to impairment. Refer to the accounting policies in section impairment of nonfinancial assets.

Lease Liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating a lease, if the lease term reflects the Parent Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term Leases. The Parent Company applies the short-term lease recognition exemption to its short-term leases of office space and lot (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Foreign-currency-denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

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 consist of appropriated and unappropriated balances. Appropriated retained earnings are restricted for specific purposes and/or are not available for dividend declaration. Unappropriated retained earnings are not restricted and include the cumulative balance of net income or loss, any dividend distributions, prior period adjustments and effects of any change in accounting policy.

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:

Revenues from Contracts with Customers

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

- *Service Income.* Revenue from service income arising from intercompany charges are recognized over time when the related services are rendered based on agreed hourly billing rates.

- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized over time when the services are rendered.

For the years ended December 31, 2020, 2019 and 2018, the Parent Company has no variable consideration and the timing of revenue recognition currently does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

Dividends. Dividends are recognized when the Parent Company's right to receive the payment is established.

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

Other Income. Other income includes services to third party, rental income from short-term leases and gain on disposal of property and equipment. These are generally recognized when earned.

Expense Recognition
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. Expenses are recognized in the parent company statement of comprehensive income when incurred.

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 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 income tax assets and deferred income 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 stock 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, 2020 and 2019, 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 estimates and the related impact and associated risks in the parent company financial statements.

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 2019, there was an increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2019 amounting to ₱59.8 million.

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, 2020 and 2019 amounted to ₱52.4 million and ₱44.6 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.

Deferred income tax assets amounted to ₱35.4 million and ₱33.0 million as of December 31, 2020 and 2019, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱910.3 million and ₱782.7 million as of December 31, 2020 and 2019, 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).

Estimating the Incremental Borrowing Rate for Lease Liability. The Parent company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Parent Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Parent Company's lease liabilities amounted to ₱48.8 million and ₱64.0 million as of December 31, 2020 and 2019, respectively (see Note 21).

6. Cash and Cash Equivalents

	2020	2019
Cash on hand and in banks	**₱42,785,270**	₱48,565,734
Short-term investments	**2,607,337,164**	2,264,671,368
	₱2,650,122,434	₱2,313,237,102

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are cash equivalents and 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 ₱40.5 million, ₱103.5 million and ₱72.8 million in 2020, 2019 and 2018, respectively. Accrued interest receivable amounted to ₱1.9 million and ₱6.5 million as of December 31, 2020 and 2019, respectively (see Note 7).

7. Trade and Other Receivables

	2020	2019
Accounts receivable:		
Related parties (see Note 14)	**₱12,126,756**	₱19,071,629
Third parties	**–**	216,158
Advances to related parties (see Note 14)	**162,999,642**	14,726,757
Advances to employees	**2,701,824**	2,224,803
Accrued interest receivable (see Note 6)	**1,861,064**	6,454,332
Dividends receivable (see Note 14)	**–**	12,800,000
Others (see Note 14)	**13,789,545**	16,026,199
	193,478,831	71,519,878
Less allowance for impairment and credit losses	**732,935**	486,937
	₱192,745,896	₱71,032,941

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.

Other receivables arise from transactions other than those related to the Parent Company's normal course of business such as nontrade intercompany charges, receivable from government agencies and others.

The following table shows the movement in the allowance for impairment losses of receivables:

	2020	2019
At January 1	**₱486,937**	₱861,508
Provision (reversal)	**245,998**	(374,571)
At December 31	**₱732,935**	₱486,937

In 2019, the Parent Company recognized a reversal of the estimated credit losses amounting to ₱0.4 million since most of the receivables were recovered. In 2020, the Parent Company recognized provision for estimated credit losses amounting to ₱0.2 million as a result from performing collective impairment tests on its receivables using the simplified approach.

8. Prepaid Expenses and Other Current Assets

	2020	2019
Prepayments	**₱11,028,837**	₱7,680,904
Input VAT	**2,550,213**	3,651,412
Others (see Note 13)	**16,622,665**	4,561,842
	₱30,201,715	₱15,894,158

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 professional fees incurred in connection with the new FRCN (see Note 13), 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**	**2020**	Ownership	2019
Investments in Subsidiaries					
VEC	Holding Company/ Power generation	**100.00**	**₱5,430,918,341**	100.00	₱5,214,447,475
HDFE	Holding company	**50.94**	**760,507,362**	50.94	760,507,362
VIHI	Holding company	**100.00**	**298,405,520**	100.00	177,505,520
SGPDC (formerly VNI)	Real estate	**100.00**	**5,000,000**	100.00	5,000,000
			6,494,831,223		6,157,460,357
Less allowance for impairment loss			**457,715,219**		457,715,219
			6,037,116,004		5,699,745,138
Investments in Associates					
VECO	Power distribution	**34.81**	**919,693,137**	34.81	919,693,137
PEI	Retail electricity supplier	**0.00**	**–**	40.00	6,900,000
			919,693,137		926,593,137
Advances for Future Stock Subscription					
SGPDC			**61,750,000**		61,750,000
VRVC			**26,156,250**		26,156,250
HDFE			**16,811,225**		–
			104,717,475		87,906,250
			₱7,061,526,616		₱6,714,244,525

Subsidiaries

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

VEC

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

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
VIGC	**100.00**	**–**	100.00	–
VREC	**100.00**	**–**	100.00	–
Core	**100.00**	**–**	100.00	–
VII	**100.00**	**–**	100.00	–
VIDC	**100.00**	**–**	100.00	–
VEII	**100.00**	**–**	100.00	–
INEC (formerly VPAI; see Note 1)	**65.00**	**–**	73.75	–
1590 EC	**55.20**	**–**	55.20	–
VMHI	**62.30**	**4.70**	20.00	47.00
VGPC	**–**	**100.00**	–	100.00
AHC	**–**	**100.00**	–	100.00
SPHC	**–**	**100.00**	–	100.00
VSC (formerly ETVVT)	**–**	**100.00**	–	100.00
ETEI	**–**	**100.00**	–	100.00

(Forward)

	2020		2019	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Associates				
CPPC	**40.00**	–	40.00	–
LPCI	–	**42.50**	–	42.50
GLEDC	–	**42.50**	–	42.50
AHI	–	**40.00**	–	40.00
MPC	–	**40.00**	–	40.00
LWEC	–	**40.00**	–	40.00
CREC	–	**35.00**	–	35.00
SREC	**17.00**	**13.00**	–	30.00
TVI	**18.00**	**2.00**	–	20.00
PEI	**40.00**	–	–	–
Joint Ventures				
CIPC	**50.00**	–	50.00	–
Delta P	**50.00**	–	50.00	–

In November 2013, VEC participated in the public bidding process conducted by Power Sector Assets and Liabilities Management (PSALM) for the selection and appointment of the Independent Power Producer (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. On October 25, 2019, the IPP Administration Agreement was preterminated.

VEC declared dividends to the Parent Company amounting to ₱862.8 million in 2020, ₱581.4 million in 2019 and ₱260.0 million in 2018 (see Note 14).

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.

In 2019, the Parent Company made an additional investment in VEC amounting to ₱25.6 million, which represents 25,632,713 preferred shares with par value of ₱1.00 per share.

In 2020, the Parent Company made an additional investment in VEC amounting to ₱169.0 million, which represents 168,953,224 preferred shares with par value of ₱1.00 per share. In 2020, the Parent Company also transferred its shares in PEI in exchange for 47,517,642 preferred shares in VEC. The additional investment in VEC was valued at the fair value of PEI shares amounting to ₱47.5 million (see Note 1).

<u>HDFE</u>
As of December 31, 2019, an appraisal of HDFE's investment properties showed an increase in their fair market values, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss amounting to ₱59.8 million was recognized in the parent company statement of comprehensive income in 2019. In 2020, the Parent Company made advances for future stock subscription to HDFE amounting to ₱16.8 million.

HDFE declared dividends to the Parent Company amounting to ₱64.6 million in 2018. No dividends were declared in 2020 and 2019.

VIHI
In 2019, the Parent Company made investments in VIHI amounting to ₱72.2 million, which represents 7,385,625 common shares with par value of ₱1.00 per share and 64,783,125 preferred shares with par value of ₱1.00 per share. In the same year, the Parent Company made investments for the acquisition of Watermatic Philippines Corporation (WMP) on behalf of VHHI, a subsidiary of VIHI, amounting ₱105.3 million.

In 2020, the Parent Company made additional investments in VIHI amounting to ₱120.9 million, which represents 12,090,000 common shares and 108,810,000 preferred shares with par value of ₱1.00 per share.

SGPDC
In 2018, the Parent Company made additional investments in SGPDC amounting to ₱3.8 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 in 2018.

In 2019, the Parent Company made additional advances for future stock subscription to SGPDC for investments in SGPDC amounting to ₱8.0 million, which represents 800,000 common shares with par value of ₱1.00 per share and 7,200,000 million preferred shares with par value of ₱1.00 per share.

VRVC
In 2018, the Parent Company made advances for future stock subscription to VRVC amounting to ₱26.2 million.

Associates
VECO and PEI qualify as associates of the Parent Company.

VECO
VECO declared cash dividends to the Parent Company amounting to ₱741.3 million, ₱432.3 million and ₱761.8 million in 2020, 2019 and 2018, respectively (see Note 14).

PEI
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 were already converted to equity in 2018.

PEI declared dividends to the Parent Company amounting to ₱33.2 million, ₱12.8 million and ₱4.1 million in 2020, 2019 and 2018, respectively (see Note 14). Dividends receivable as of December 31, 2019 amounting to ₱12.8 million was received in 2020 (see Note 7).

On October 5, 2020, the Parent Company assigned all of its rights, title and interest in 8,432,400 common shares in PEI to VEC, including its advances to VEC amounting to ₱1.5 million, in exchange for 47,517,642 preferred shares of the latter. A gain of ₱39.1 million was recognized in the parent company statement of comprehensive income in 2020 in relation to this transfer (see Note 1).

10. Property and Equipment

Construction in progress mainly includes costs for the construction of the Parent Company's new head office in 2019 which was subsequently completed in March 2020. Costs for renovation and improvements of the satellite office were incurred in 2020.

	2020						
	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**	**₱42,383,971**	**₱57,236,173**	**₱18,329,065**	**₱8,511,303**	**₱37,242,933**	**₱200,125,048**
Additions	–	**7,046,428**	**6,127,963**	**345,658**	–	**9,083,253**	**22,603,302**
Transfers	–	–	**4,372,978**	**34,421,000**	–	**(38,793,978)**	–
Disposals	–	–	**(74,022)**	–	–	–	**(74,022)**
At December 31	**36,421,603**	**49,430,399**	**67,663,092**	**53,095,723**	**8,511,303**	**7,532,208**	**222,654,328**
Accumulated Depreciation							
At January 1	**23,681,715**	**23,611,316**	**40,300,133**	**5,938,780**	**7,196,110**	–	**100,728,054**
Additions	**487,127**	**7,386,484**	**9,897,267**	**7,738,632**	**981,535**	–	**26,491,045**
Disposals	–	–	**(74,022)**	–	–	–	**(74,022)**
At December 31	**24,168,842**	**30,997,800**	**50,123,378**	**13,677,412**	**8,177,645**	–	**127,145,077**
Net Book Value	**₱12,252,761**	**₱18,432,599**	**₱17,539,714**	**₱39,418,311**	**₱333,658**	**₱7,532,208**	**₱95,509,251**

	2019						
	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	₱37,177,384	₱49,656,076	₱18,306,565	₱8,511,303	₱–	₱150,072,931
Additions	–	6,394,425	7,655,901	22,500	–	37,242,933	51,315,759
Disposals	–	(1,187,838)	(75,804)	–	–	–	(1,263,642)
At December 31	36,421,603	42,383,971	57,236,173	18,329,065	8,511,303	37,242,933	200,125,048
Accumulated Depreciation							
At January 1	22,638,373	17,820,019	31,357,141	3,867,412	5,908,664	–	81,591,609
Additions	1,043,342	6,979,135	9,018,796	2,071,368	1,287,446	–	20,400,087
Disposals	–	(1,187,838)	(75,804)	–	–	–	(1,263,642)
At December 31	23,681,715	23,611,316	40,300,133	5,938,780	7,196,110	–	100,728,054
Net Book Value	₱12,739,888	₱18,772,655	₱16,936,040	₱12,390,285	₱1,315,193	₱37,242,933	₱99,396,994

11. Other Noncurrent Assets

	2020	2019
Creditable tax withheld	**₱135,395,668**	₱130,620,388
Financial assets at FVOCI	**7,400,000**	7,370,000
Input VAT - noncurrent	**3,419,955**	3,666,550
Others - net of allowance for impairment loss of ₱46.1 million	**11,231,190**	10,109,901
	₱157,446,813	₱151,766,839

Creditable Tax Withheld

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
As of December 31, 2020 and 2019, the carrying values of the financial assets at FVOCI are as follows:

	2020	2019
Cost:		
Cebu Country Club, Inc.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**4,000,000**	3,900,000
Tower Club, Inc.	**(300,000)**	(230,000)
	3,700,000	3,670,000
	₱7,400,000	₱7,370,000

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. On September 25, 2020, the shareholders of Tower Club agreed to shorten its corporate life and permanently close by January 2022.

Fair value hierarchy disclosures for the Parent Company's financial assets at FVOCI 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, 2020 and 2019. Also included in this account are security deposits with various tenants and other parties.

12. **Trade and Other Current Liabilities**

	2020	2019
Accounts payable	**₱6,262,349**	₱4,505,216
Accrued interest (see Note 13)	**23,293,093**	23,540,892
Accrued taxes payable	**11,924,327**	3,812,060
Accrued expenses	**8,516,905**	1,454,705
Dividends payable (see Note 20)	**3,820,087**	3,154,947
Deferred output VAT - net	**2,550,213**	3,651,511
Unearned income	**893,892**	–
Advances from related parties (see Note 14)	**153,591**	42,458
Others	**2,296,181**	213,953
	₱59,710,638	₱40,375,742

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. Unearned income are cash receipts from disposal of fixed assets awaiting the executed deed of sale. Others include contributions payable to government agencies and withholding taxes.

13. Notes Payable

	2020	2019
Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 5.7271% interest per annum	**₱940,000,000**	₱950,000,000
₱2.0 billion at 5.4450% interest per annum	**1,880,000,000**	1,900,000,000
	2,820,000,000	2,850,000,000
Less unamortized debt issue costs	**491,880**	5,273,030
	2,819,508,120	2,844,726,970
Less current portion - net of unamortized debt issue costs of ₱0.5 million in 2020 and ₱4.8 million in 2019	**2,819,508,120**	25,218,850
	₱–	₱2,819,508,120

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, MPC and TVI. 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 are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity on February 3, 2021. The Notes were settled on said date.

Repayments of outstanding principal amounts are scheduled as follows:

	2020	2019
Within one year	**₱2,820,000,000**	₱30,000,000
More than one year but not more than five years	**–**	2,820,000,000
	₱2,820,000,000	₱2,850,000,000

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, 2020 and 2019.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱164.6 million, ₱166.3 million and ₱168.1 million in 2020, 2019 and 2018, respectively, and the related accrued interest expense as of December 31, 2020 and 2019 amounted to ₱23.3 million and ₱23.5 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. The Parent Company has recognized amortization of debt issue costs amounting to ₱4.8 million, ₱4.6 million and ₱4.4 million in 2020, 2019 and 2018, respectively. These are presented under "Interest expense" in the parent company statements of comprehensive income.

On December 4, 2020, the Parent Company signed an Agreement to issue ₱3.0 billion worth of FRCN with tenors of two (2) years and five (5) years. The proceeds from the issuance of the Notes will be used to finance capital expenditures for existing assets and investments in power generation and/or water infrastructure projects and partly to refinance the existing 7-year FRCN which matured in February 2021.

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:

		2020			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payable**	**Terms**	**Conditions**
Subsidiaries					
Dividend income (see Note 9):					
VEC	**₱862,813,084**	**₱–**	**₱–**	**15-30 days; noninterest-bearing**	**Unsecured**
Management fees (income) (see Note 14a):					
1590 EC	**15,400,000**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
HDFE	**840,000**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
VEC	**114,225,240**	**10,470,647**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
WMP	**900,000**	**924,000**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a):					
VEC	**2,405,674**	**206,445**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VRVC	**205,091**	**229,702**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
1590EC	**15,673**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
ETEI	**1,570,734**	**2,701,643**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VSC (Formerly ETVVT)	**134,437**	**143,830**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
CORE	**352,250**	**139,959**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
HDFE	**421,292**	**45,920**		**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
IMCC	**77,530**	**86,834**		**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
INEC	**1,066,958**	**1,194,993**		**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
SGPDC	**285,576**	**172,544**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VMHI	**5,265**	**154,311**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VHHI	**20,000**	–	–	**15-30 days; noninterest-bearing**	**Unsecured**
WMP	**72,665**	**440,290**	–	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Advances (see Note 14c):					
VEC	**214,619**	**1,548,455**	**153,449**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

(Forward)

	2020				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
1590 EC	**₱64,480**	**₱46,450**	**₱–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
SGPDC	**262**	**9,923,235**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VRVC	**200**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
VMHI	**106**	**106**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VIGC	**700**	**200**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VGPC	**–**	**–**	**30**	**15-30 days; noninterest-bearing**	**Unsecured**
CORE	**8,496**	**5,434**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
HDFE	**17,251,223**	**425,866**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VIDC	**674**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
INEC	**7,006**	**7,000**	**6**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
IMCC	**1,353**	**1,353**		**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
AHC	**–**	**–**	**106**	**15-30 days; noninterest-bearing**	**Unsecured**
VCCI	**30**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
VIHI	**1,204**	**1,204**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VHHI	**3,019,152**	**2,320**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
ETEI	**13,514**	**4,045**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
VSC (Formerly ETVVT)	**600**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
WMP	**627,018**	**627,018**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Interim Financing Agreement (see Note 14f)					
FLOWS	**150,000,000**	**150,000,000**	**–**	**On Demand; interest-bearing**	**Unsecured**
Transferred pension obligations (see Note 14d)					
VEC	**–**	**–**	**16,704,078**	**On Demand; noninterest-bearing**	**Unsecured**
Lease liabilities (see Note 14e)					
SGPDC	**393,512**	**–**	**3,556,975**	**15-30 days; noninterest-bearing**	**Unsecured**
Associates					
Dividend income (see Note 9):					
VECO	**741,311,200**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
PEI	**33,200,000**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
LPCI	**–**	**300**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
GLEDC	**–**	**30,609**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
CREC	**–**	**339**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a)					
CREC	**12,914**	**14,463**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
GLEDC	**–**	**25,101**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

(Forward)

		2020			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payable**	**Terms**	**Conditions**
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	**₱–**	**₱732,109**	**₱–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Service income (see Note 14a):					
CIPC	**81,356**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
DPI	**89,851**	**5,333,176**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Advances (see Note 14c):					
CIPC	**8,796**	**2,601**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
DPI	**24,954**	**330,431**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**
Stockholders					
Professional fees (see Note 14b):					
JDC	**4,525,243**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
MRC	**6,787,865**	**–**	**–**	**15-30 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
Shareholder	**–**	**42,676**	**–**	**15-30 days; noninterest-bearing**	**Unsecured; no impairment**

		2019			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Dividend income (see Note 9):					
VEC	₱581,397,049	₱–	₱–	15-30 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a):					
1590 EC	46,200,000	3,734,500	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	67,900	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VEC	68,564,148	6,285,048	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	200,000	–	–	15-30 days; noninterest-bearing	Unsecured
WMP	225,000	252,000	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	5,699,895	2,605,073	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	19,180	–	–	15-30 days; noninterest-bearing	Unsecured
VIHI	17,849	19,991	–	15-30 days; noninterest-bearing	Unsecured; no impairment
1590EC	197,213	154,120	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	1,104,706	1,208,724	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	2,262	609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CORE	57,657	869	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VAHC	3,700	4,144	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	51,238	10,548	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	6,264	6,904	–	15-30 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2019			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VREC	₱48,010	₱2,559	₱–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	100	–	–	15-30 days; noninterest-bearing	Unsecured
VII	100	–	–	15-30 days; noninterest-bearing	Unsecured
VMHI	2,425	154,503	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	546	612	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	323,056	361,823	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	8,566,440	2,121,652	42,322	15-30 days; noninterest-bearing	Unsecured; no impairment
1590 EC	60,889	19,790	–	15-30 days; noninterest-bearing	Unsecured; no impairment
SGPDC	11,111	9,923,435	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VRVC	280	280	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VMHI	2,335	1,835	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIGC	58,998	1,580	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VGPC	60	–	30	15-30 days; noninterest-bearing	Unsecured
CORENERGY	27,685	2,089	–	15-30 days; noninterest-bearing	Unsecured; no impairment
HDFE	46,103	25,365	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VREC	8,778	3,028	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIDC	750	1,040	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VII	230	200	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VEII	256	–	–	15-30 days; noninterest-bearing	Unsecured
AHC	256	–	106	15-30 days; noninterest-bearing	Unsecured
SPHC	280	–	–	15-30 days; noninterest-bearing	Unsecured
INEC (formerly VPAI)	180	–	–	15-30 days; noninterest-bearing	Unsecured
SPHC	280	–	–	15-30 days; noninterest-bearing	Unsecured
VCCI	590	90	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VIHI	1,488,877	220	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VHHI	119,048	310	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VTHI	47,148	310	–	15-30 days; noninterest-bearing	Unsecured; no impairment
ETEI	36,939	26,239	–	15-30 days; noninterest-bearing	Unsecured; no impairment
VSC (Formerly ETVVT)	4,181	2,589	–	15-30 days; noninterest-bearing	Unsecured; no impairment
WMP	680,334	678,172	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	16,704,078	–	16,704,078	On Demand; noninterest-bearing	Unsecured

(Forward)

	2019				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Lease liabilities (see Note 14e)					
SGPDC	₱4,306,736	₱–	₱3,633,003	15-30 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	432,319,454	–	–	15-30 days; noninterest-bearing	Unsecured
PEI	12,800,000	12,800,000	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
PEI	–	1,532,400	–	15-30 days; noninterest-bearing	Unsecured; no impairment
LPCI	–	300	–	15-30 days; noninterest-bearing	Unsecured; no impairment
GLEDC	215	30,609	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CREC	339	339	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a)					
GLEDC	8,912	9,979	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	9,537,047	8,732,181	–	15-30 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,918,552	–	–	15-30 days; noninterest-bearing	Unsecured
Service income (see Note 14a):					
CIPC	116,280	127,908	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	554,129	5,234,340	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	12,032	6,732	–	15-30 days; noninterest-bearing	Unsecured; no impairment
DPI	79,810	305,477	–	15-30 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	5,102,790	–	–	15-30 days; noninterest-bearing	Unsecured
MRC	7,654,184	–	–	15-30 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	–	42,676	–	15-30 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

a. Management fees and service income from subsidiaries, associates and joint ventures represent compensation for consultancy, management, technical and other related services rendered by the Parent Company to and for the 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 "Service income" account in the parent company statements of comprehensive income.

b. 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.

c. 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.

d. Pension obligations transferred to VEC pertains to the Parent Company's employees transferred to its subsidiary, VEC, upon its full operation in 2019.

e. In 2017, the Parent Company entered into lease agreements as lessee with SGPDC to lease a condominium unit and a parcel of land. The condominium unit was leased for a fixed period of three (3) years from January 1, 2017 to December 31, 2019 while the land was leased for a period of seventeen (17) years and four (4) months from September 1, 2017 to December 31, 2034. In 2018, payments are recognized as part of "Rent and association dues" in the parent company statement of comprehensive income. In 2019, right-of-use assets and lease liabilities were recognized in relation to the adoption of PFRS 16, *Leases* (see Note 21).

f. On February 14, 2020, the Parent Company entered into an Interim Financing Agreement (IFA) with FLOWS for the development of a combined sewerage and septage facility serving the City of Puerto Princesa. The IFA is for a term of four (4) months or until June 13, 2020 at an interest rate of 5.7810% per annum. On June 13, 2020, the IFA was extended for three months or until September 13, 2020 at an interest of 6.2595%, 4.2578% and 4.3016% per annum on the first, second and third month, respectively. FLOWS is in the process of securing bank refinancing of the interim loan.

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 ₱15.6 million and ₱15.1 million as of December 31, 2020 and 2019, respectively (see Note 15). The Parent Company does not have any other transactions with the Fund in 2020 and 2019.

Compensation and Benefits of Key Management Personnel

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

	2020	2019	2018
Short-term employee benefits	**₱109,123,867**	₱78,125,480	₱88,162,681
Post-employment pension benefits	**6,237,048**	6,990,120	6,016,720
	₱115,360,915	₱85,115,600	₱94,179,401

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 Fund 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 (RA) 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:

	2020	2019	2018
Current service cost	**₱6,035,415**	₱5,879,280	₱6,372,961
Net interest cost	**2,215,190**	2,395,524	1,239,686
Past service cost	**–**	542,263	–
	₱8,250,605	₱8,817,067	₱7,612,647

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

	2020	2019	2018
Remeasurement gain (loss) on defined benefit obligation	**₱–**	(₱19,728,536)	₱6,781,877
Remeasurement gain (loss) on plan assets	**373,655**	341,506	(482,397)
	₱373,655	(₱19,387,030)	₱6,299,480

The Parent Company's pension liability as of December 31, 2020 and 2019 follows:

	2020	2019
Present value of defined benefit obligation	**₱68,012,639**	₱59,676,255
Fair value of plan assets	**(15,564,454)**	(15,105,020)
Pension liability	**₱52,448,185**	₱44,571,235

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

	2020	2019
At January 1	**₱59,676,255**	₱47,610,358
Current service cost	**6,035,415**	5,879,280
Interest cost on defined benefit obligation	**2,300,969**	2,619,896
Past service cost	**–**	542,263
Remeasurement loss due to:		
Changes in financial assumptions	**–**	9,277,229
Experience adjustments	**–**	10,451,307
Transferred obligation due to employee transfers (see Note 14)	**–**	(16,704,078)
At December 31	**₱68,012,639**	₱59,676,255

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

	2020	2019
At January 1	**₱15,105,020**	₱14,539,142
Remeasurement gain on return on plan assets	**373,655**	341,506
Interest income included in net interest cost	**85,779**	224,372
At December 31	**₱15,564,454**	₱15,105,020

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

	2020	2019
At January 1	**₱44,571,235**	₱33,071,216
Pension expense	**8,250,605**	8,817,067
Remeasurement loss (gain)	**(373,655)**	19,387,030
Transferred obligation due to employee transfers (see Note 14)	**–**	(16,704,078)
At December 31	**₱52,448,185**	₱44,571,235

The major categories of the plan assets are as follows:

	2020	2019
Unquoted investments:		
Unitized investment trust funds (UITF)	**₱15,564,205**	₱15,104,848
Cash and cash equivalents	**249**	172
	₱15,564,454	₱15,105,020

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 Parent Company does not expect to contribute to the Fund in 2021.

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

	2020	2019
Discount rate	**4.97%**	4.97%
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)	Increase (Decrease) in the Present Value of Defined Benefit Obligation **2020**	2019
Discount rate	+100 basis points	**(₱3,725,759)**	(₱4,296,440)
	–100 basis points	**5,869,570**	5,085,211
Future salary increase rate	+100 basis points	**6,617,354**	5,172,252
	–100 basis points	**(4,479,944)**	(4,470,563)

The average duration of the defined benefit obligation at the end of the reporting period is 17.0 years and 17.7 years as of December 31, 2020 and 2019, 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:

	2020	2019
Less than one year	**₱34,359,279**	₱26,758,165
More than 1 year to 5 years	**2,999,519**	5,877,487
More than 5 years to 10 years	**14,420,752**	11,343,747
More than 10 years to 15 years	**48,157,149**	45,862,202
More than 15 years to 20 years	**75,180,341**	65,071,294
More than 20 years	**116,951,040**	111,937,368
	₱292,068,080	₱266,850,263

16. **Income Tax**

	2020	2019	2018
Final (at 20% and 7.5%)	**₱7,976,967**	₱21,424,703	₱12,571,881
Deferred	**(3,238,378)**	(4,122,450)	(7,365,963)
	₱4,738,589	₱17,302,253	₱5,205,918

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:

	2020	2019	2018
Income before income tax	**₱1,293,435,020**	₱822,608,315	₱864,362,921
Income tax computed at 30%	**₱388,030,506**	₱246,782,494	₱259,308,876
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(491,197,285)**	(307,954,951)	(327,165,725)
Unrecognized deferred income tax assets on NOLCO	**106,319,008**	91,658,940	75,113,504
Interest income subjected to final tax	**(11,471,065)**	(31,058,255)	(19,489,783)
Final taxes paid	**7,976,967**	21,424,703	12,571,881
Nondeductible expenses	**5,080,458**	13,050,802	4,876,625
Nontaxable gain	–	(18,060,343)	–
Others - net	–	1,458,863	(9,460)
	₱4,738,589	₱17,302,253	₱5,205,918

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

	2020	2019
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Pension liability	**12,250,792**	9,775,610
Transferred obligation due to employee transfers	**5,011,223**	5,011,223
Unamortized past service cost	**630,833**	630,833
Unrealized foreign exchange loss	**72,837**	72,078
	31,889,013	29,413,072
Deferred income tax asset on pension liability recognized in other comprehensive income	**3,483,666**	3,595,762
	35,372,679	33,008,834
Deferred income tax liabilities on:		
Unamortized debt issue costs	**147,564**	1,581,909
Unrealized foreign exchange gain	**37,917**	37,917
Unrealized gains in UITF	**671,908**	–
	857,389	1,619,826
Deferred income tax liability on unrealized valuation gain of financial assets at FVOCI recognized in other comprehensive income	**832,500**	828,000
Net deferred income tax assets	**₱33,682,790**	₱30,561,008

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations No. 25-2020 to implement Section 4(bbbb) of RA No. 11494, otherwise known as "Bayanihan to Recover as One Act". This RR provides that the net operating loss of the business or enterprise for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Parent Company has incurred NOLCO before taxable year 2020 which can be claimed as deductions from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2017	2018-2020	₱226,798,098	₱–	₱226,798,098	₱–	₱–
2018	2019-2021	250,378,347	–	–	–	250,378,347
2019	2020-2022	305,529,801	–	–	–	305,529,801
		₱782,706,246	₱–	₱226,798,098	₱–	₱555,908,148

As of December 31, 2020, the Parent Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year/s	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	₱354,396,692	₱–	₱–	₱–	₱354,396,692

As of December 31, 2020 and 2019, the Parent Company did not recognize deferred income tax assets on NOLCO 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.

17. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2020 and 2019.

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, 2020 and 2019, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,425 stockholders as of December 31, 2020, 1,423 stockholders as of December 31, 2019, and 1,425 stockholders as of December 31, 2018, 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

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

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion 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 an additional ₱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 2018.

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two ongoing power plant projects in the Visayas, one ongoing 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 ongoing 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.

Out of the 2018 retained earnings appropriation, the Parent Company reverted its prior appropriations amounting to ₱2.1 billion on the power plant projects in the Visayas and Mindanao due to its completion in 2019 and made additional investment amounting ₱31.6 million in 2019 on the new power generation project in Luzon, rooftop solar installation project, and infrastructure projects in Visayas.

In a BOD meeting held on November 13, 2019, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱1.8 billion to provide appropriations for the investment in the new power generation project in the Visayas, and the ongoing solar installations projects and infrastructure projects in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.6 billion to be used for the investment in the new power generation project in the Visayas estimated to start commercial operations in 2021, solar rooftop installations projects, ongoing power plant project in Luzon, and ongoing infrastructure projects in Visayas.

Out of the 2019 retained earnings appropriation, the Parent Company made additional investments of ₱1.5 billion in 2020 on the new power generation project in the Visayas, ongoing solar installations projects and infrastructure projects in Visayas, which amount was then reverted to unappropriated retained earnings in 2020.

In a BOD meeting held on November 13, 2020, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱3.0 billion to provide appropriations for the investment on the ongoing power generation projects in the Visayas, solar installation projects, and infrastructure projects in Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱2.3 billion to be used for investment in the new power generation projects in Luzon and Mindanao and ongoing projects on power generation, solar rooftop installation, and infrastructure projects in Visayas.

Dividends
The BOD declared cash dividends to its stockholders as follows:

	2020	2019	2018
Date of declaration	**May 13, 2020**	May 15, 2019	May 11, 2018
Date of record	**May 27, 2020**	May 29, 2019	June 6, 2018
Date of payment	**June 23, 2020**	June 24, 2019	July 3, 2018
Regular dividends declared	**₱467,822,060**	₱346,133,059	₱285,749,110
Dividends per share	**₱0.4571**	₱0.3382	₱0.2792

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

	2020	2019	2018
Net income for the year	**₱1,288,696,431**	₱805,306,062	₱859,157,003
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱1.259**	₱0.787	₱0.839

There are no potential dilutive shares as of December 31, 2020, 2019 and 2018.

18. **Personnel Expenses**

	2020	2019	2018
Salaries and employee benefits	**₱157,273,537**	₱109,379,744	₱143,176,232
Pension expense (see Note 15)	**8,250,605**	8,817,067	7,612,647
	₱165,524,142	₱118,196,811	₱150,788,879

19. **Financial Risk Management Objectives and Policies**

The Parent Company's principal financial instruments comprise cash and cash equivalents, trade and other receivables, financial assets at FVOCI, trade and other current liabilities, lease 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 ₱2,839.9 million and ₱2,381.8 million as of December 31, 2020 and 2019, 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; and
- 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, 2020 and 2019.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as of December 31, 2020 and 2019:

- *General Approach*

  - *Cash and Cash Equivalents and Accrued Interest Receivable.* As of December 31, 2020 and 2019, the ECL relating to the cash and cash equivalents and accrued interest receivable 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.

  - *Advances to Related Parties, Advances to Employees and Dividends Receivable.* The Parent Company did not recognize ECL relating to advances to related parties, advances to employees and dividends receivable 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 ₱46.1 million as of December 31, 2020 and 2019 (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*

  - *Accounts and Other Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2020 and 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱0.7 million and ₱0.5 million, respectively. Management evaluated that the Parent Company's accounts and other receivables are of high grade and of good credit quality.

The tables below show the maximum exposure to credit risk based on the Parent Company's stage classification as of December 31:

	2020				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Lifetime ECL Simplified Approach**	**Total**
Gross carrying amount	**₱2,814,738,140**	**₱–**	**₱46,078,063**	**₱25,916,301**	**₱2,886,732,504**
Loss allowance	–	–	**(46,078,063)**	**(732,935)**	**(46,810,998)**
Carrying amount	**₱2,814,738,140**	**₱–**	**₱–**	**₱25,183,366**	**₱2,839,921,506**

	2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱2,346,973,191	₱–	₱46,078,063	₱35,313,986	₱2,428,365,240
Loss allowance	–	–	(46,078,063)	(486,937)	(46,565,000)
Carrying amount	₱2,346,973,191	₱–	₱–	₱34,827,049	₱2,381,800,240

As of December 31, 2020 and 2019, the aging analysis per class of financial assets is as follows:

	2020						
		Past Due but not Impaired					
	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)	**₱2,649,877,434**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱2,649,877,434**
Trade and other receivables:							
Accounts receivable	–	**10,554,647**	**84,000**	**84,000**	**1,404,109**	–	**12,126,756**
Advances to related parties	–	**478,011**	**307,816**	**200**	**162,213,615**	–	**162,999,642**
Accrued interest receivable	**1,861,064**	–	–	–	–	–	**1,861,064**
Others	–	**2,644,991**	**247,499**	**1,276,594**	**8,887,526**	**732,935**	**13,789,545**
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	**46,078,063**	**46,078,063**
	₱2,651,738,498	**₱13,677,649**	**₱639,315**	**₱1,360,794**	**₱172,505,250**	**₱46,810,998**	**₱2,886,732,504**

	2019						
		Past Due but not Impaired					
	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)	₱2,312,992,102	₱–	₱–	₱–	₱–	₱–	₱2,312,992,102
Trade and other receivables:							
Accounts receivable	–	11,213,677	874,229	874,229	6,325,652	–	19,287,787
Advances to related parties	–	261,974	193,342	55,541	14,215,900	–	14,726,757
Dividends receivable	12,800,000	–	–	–	–	–	12,800,000
Accrued interest receivable	6,454,332	–	–	–	–	–	6,454,332
Others	–	4,074,032	1,713,519	2,381,381	7,370,330	486,937	16,026,199
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
	₱2,332,246,434	₱15,549,683	₱2,781,090	₱3,311,151	₱27,911,882	₱46,565,000	₱2,428,365,240

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:

	2020			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	**₱2,650,122,434**	**₱42,785,270**	**₱2,607,337,164**	**₱–**
Trade and other receivables:				
Accounts receivable	**12,126,756**	**–**	**12,126,756**	**–**
Advances to related parties	**162,999,642**	**–**	**162,999,642**	**–**
Accrued interest receivable	**1,861,064**	**–**	**1,861,064**	**–**
Others	**13,056,610**	**–**	**13,056,610**	**–**
At FVOCI	**7,400,000**	**–**	**–**	**7,400,000**
	2,847,566,506	**42,785,270**	**2,797,381,236**	**7,400,000**
Financial Liabilities				
At amortized cost:				
Notes payable*	**5,834,318,401**	**–**	**2,834,318,401**	**3,000,000,000**
Lease liabilities**	**55,509,626**	**–**	**17,213,256**	**38,296,370**
Accrued interest	**23,293,093**	**–**	**23,293,093**	**–**
Accounts payable, accrued expenses and advances from related parties	**14,932,845**	**–**	**14,932,845**	**–**
Dividends payable	**3,820,087**	**–**	**3,820,087**	**–**
	5,931,874,052	**–**	**2,893,577,682**	**3,038,296,370**
Net Financial Assets (Liabilities)	**(₱3,084,307,546)**	**₱42,785,270**	**(₱96,196,446)**	**(₱3,030,896,370)**

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

	2019			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	More than 1 Year
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱2,313,237,102	₱48,565,734	₱2,264,671,368	₱–
Trade and other receivables:				
Accounts receivable	19,287,787	–	19,287,787	–
Advances to related parties	14,684,081	–	14,684,081	–
Dividends receivable	12,800,000	–	12,800,000	–
Accrued interest receivable	6,454,332	–	6,454,332	–
Others	15,539,262	–	15,539,262	–
At FVOCI	7,370,000	–	–	7,370,000
	2,389,372,564	48,565,734	2,333,436,830	7,370,000
Financial Liabilities				
At amortized cost:				
Notes payable*	3,021,086,892	–	186,768,491	2,834,318,401
Lease liabilities**	74,202,997	–	17,876,646	56,326,351
Accrued interest	23,540,892	–	23,540,892	–
Accounts payable, accrued expenses and advances from related parties	6,002,379	–	6,002,379	–
Dividends payable	3,154,947	–	3,154,947	–
	3,127,988,107	–	237,343,355	2,890,644,752
Net Financial Assets (Liabilities)	(₱738,615,543)	₱48,565,734	₱2,096,093,475	(₱2,883,274,752)

**Including contractual interest to maturity*
***Contractual undiscounted lease payments*

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, 2020 and 2019, 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 nonvolatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2020 and 2019, 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 ₱3.0 billion as of December 31, 2020 and 2019 under Level 3 classification. The carrying amounts of these notes payable amounted to ₱2.8 billion as of December 31, 2020 and 2019.

For the years ended December 31, 2020, 2019 and 2018, there were no changes in the valuation techniques used in the Level 2 and Level 3 fair value measurements.

For the years ended December 31, 2020, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements.

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, 2020**	**Valuation Technique**	**Key Unobservable Inputs**	**Range (Weighted Average)**
Notes payable	**₱2,966,026,459**	**Discounted Cash Flow Approach**	**Risk-free interest rate**	**0.99%–3.95% (1.72%)**

Description	Fair Value as of December 31, 2019	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱2,983,602,555	Discounted Cash Flow Approach	Risk-free interest rate	3.11%–5.22% (3.70%)

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 for the years ended December 31, 2020, 2019 and 2018.

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, 2020 and 2019 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2020 and 2019, 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 notes payable less cash and cash equivalents.

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

	2020	2019
Notes payable	**₱2,819,508,120**	₱2,844,726,970
Less cash and cash equivalents	**2,650,122,434**	2,313,237,102
Net cash and cash equivalents (a)	**169,385,686**	531,489,868
Equity	**7,268,382,606**	6,447,221,176
Equity and net cash and cash equivalents (b)	**₱7,437,768,292**	₱6,978,711,044
Gearing ratio (a/b)	**0.02:1.00**	0.08:1.00

20. Changes in Liabilities Arising from Financing Activities

		2020		
	Notes Payable	**Dividends Payable**	**Lease Liabilities**	**Total Liabilities from Financing Activities**
At January 1	**₱2,844,726,970**	**₱3,154,947**	**₱64,017,183**	**₱2,911,899,100**
Cash flows	**(30,000,000)**	**(467,156,920)**	**(14,244,182)**	**(511,401,102)**
Noncash changes:				
Amortization of debt issue costs	**4,781,150**	**–**	**–**	**4,781,150**
Dividends declared	**–**	**467,822,060**	**–**	**467,822,060**
Modifications	**–**	**–**	**(981,954)**	**(981,954)**
At December 31	**₱2,819,508,120**	**₱3,820,087**	**₱48,791,047**	**₱2,872,119,254**

	2019			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1*	₱2,870,154,989	₱2,806,854	₱22,300,351	₱2,895,262,194
Cash flows	(30,000,000)	(345,784,966)	(7,830,714)	(383,615,680)
Noncash changes:				
Amortization of debt issue costs	4,571,981	–	–	4,571,981
Dividends declared	–	346,133,059	–	346,133,059
Additions and modifications	–	–	52,032,876	52,032,876
Pretermination of lease	–	–	(2,485,330)	(2,485,330)
At December 31	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100

**includes effects of PFRS 16 adoption for lease liabilities*

	2018			
	Notes Payable	Dividends Payable	Lease Liabilities	Total Liabilities from Financing Activities
At January 1	₱2,895,771,935	₱2,331,387	₱–	₱2,898,103,322
Cash flows	(30,000,000)	(285,273,643)	–	(315,273,643)
Noncash changes:				
Amortization of debt issue costs	4,383,054	–	–	4,383,054
Dividends declared	–	285,749,110	–	285,749,110
At December 31	₱2,870,154,989	₱2,806,854	₱–	₱2,872,961,843

21. Lease Agreements

The Parent Company have lease contracts for various items of land and office space used in its operations. Lease of land has a lease term of 17 years, while office space generally has lease terms between 2 and 5 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets. The Parent Company identified these as leases under PFRS 16.

Set out below are the carrying amounts of the Parent Company's right-of-use assets and lease liabilities and the movements for the years ended December 31, 2020 and 2019:

	2020			
	Right-of-use Assets			
	Land	**Office Space**	**Total**	**Lease Liabilities**
As at January 1, 2020	**₱3,471,218**	**₱58,011,599**	**₱61,482,817**	**₱64,017,183**
Modifications	**–**	**(981,954)**	**(981,954)**	**(981,954)**
Depreciation expense	**(231,414)**	**(15,960,290)**	**(16,191,704)**	**–**
Interest expense	**–**	**–**	**–**	**3,363,921**
Payments	**–**	**–**	**–**	**(17,608,103)**
As at December 31, 2020	**₱3,239,804**	**₱41,069,355**	**₱44,309,159**	**₱48,791,047**

	2019			
	Right-of-use Assets			
	Land	Office Space	Total	Lease Liabilities
As at January 1, 2019	₱3,702,633	₱18,597,718	₱22,300,351	₱22,300,351
Additions and modifications	–	52,032,876	52,032,876	52,032,876
Termination	–	(2,331,604)	(2,331,604)	(2,485,330)
Depreciation expense	(231,415)	(10,287,391)	(10,518,806)	–
Interest expense	–	–	–	2,309,097
Payments	–	–	–	(10,139,811)
As at December 31, 2019	₱3,471,218	₱58,011,599	₱61,482,817	₱64,017,183

As of December 31, 2020 and 2019, current portion of lease liabilities recognized in the parent company statements of financial position amounted to ₱14.7 million and ₱14.5 million, respectively, and noncurrent portion of lease liabilities amounted to ₱34.1 million and ₱49.6 million, respectively.

Set out below are the amounts recognized in the statements of comprehensive income for the years ended December 31:

	2020	2019
Depreciation expense of right-of-use assets	**₱16,191,704**	₱10,518,806
Interest expense on lease liabilities	**3,363,921**	2,309,097
Rent expense - short-term leases	**355,098**	693,722
Gain on pretermination of lease	–	(153,726)
	₱19,910,723	₱13,367,899

Rent expense recognized in the parent company statement of comprehensive income in 2018 amounted to ₱9.2 million.

Shown below is the maturity analysis of the undiscounted lease payments as of December 31:

	2020	2019
1 year	**₱17,213,256**	₱17,876,646
more than 1 year to 2 years	**17,867,613**	17,475,610
more than 2 years to 3 years	**15,321,171**	18,150,461
more than 3 years to 5 years	**867,696**	16,026,542
more than 5 years	**4,239,890**	4,673,738
	₱55,509,626	₱74,202,997

22. Events After the Reporting Period

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill into Law
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Parent Company:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Parent Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in no change in the provision for current income tax for the year ended December 31, 2020 and creditable tax withheld as of December 31, 2020 since the Parent Company incurred gross loss and NOLCO and thus, is not in a taxable position.

- This will result in lower deferred income tax assets and liabilities as of December 31, 2020 by ₱5.9 million and ₱0.1 million, respectively, lower benefit from deferred tax for the year then ended by ₱5.2 million and lower remeasurement gain on employee benefits - net of tax by ₱0.6 million. These reductions will be recognized in the 2021 financial statements.

23. 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 2020:

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. The Parent Company's sources of revenue are management fees and service income 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	₱151,760,442	₱18,211,253

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 "Service income" 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 2020 amounting to ₱134,119,190.

Total input VAT available for application as of December 31, 2020 is as follows:

At January 1	₱7,317,962
Current year's domestic purchases or payments for:	
Services lodged under expenses	13,624,301
Capital goods subject to amortization	754,286
Capital goods not subject to amortization	460,514
Goods other than capital goods	1,255,202
Total available input tax	23,412,265
Adjustments:	
Amortization of input VAT from capital goods	(836,838)
Deferred input VAT	866,888
Claims against output VAT	(17,472,147)
At December 31	₱5,970,168

Customs Duties

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

Excise Tax

The Parent Company does not engage in transactions that will give rise to payment of excise taxes.

Documentary Stamp Tax

The Parent Company paid documentary stamp taxes in 2020 amounting to ₱146,937 of which ₱438 are from the advances from related parties, ₱9,000 from subsidiaries' share issuance and ₱137,499 from telegraphic transfer from bank transactions, insurance-related and other transactions entered during the year.

Other Taxes and Licenses

Other taxes paid during the year are as follows:

Business permit	₱4,367,596
Fringe benefit tax	310,041
Real property tax	81,944
Community tax	500
BIR annual registration fee	500
Others	165,788
	₱4,926,369

Withholding Taxes

The amount of taxes withheld in 2020 follows:

Expanded withholding taxes	₱32,784,134
Withholding taxes on compensation and benefits	35,967,417
Final withholding taxes	177,508
	₱68,929,059

Tax Assessments and Cases

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

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2020

Items	Amount
Unappropriated Retained Earnings, Beginning	₱971,489,778
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(29,413,071)
Deferred income tax liabilities that increased the amount of provision for income tax	1,619,825
Unappropriated Retained Earnings, as Adjusted, Beginning	943,696,532
Net Income Based on the Face of AFS	1,288,696,431
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	–
Gain on pre-termination of lease	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(2,363,845)
Deferred income tax liability that reduced the amount of provision for income tax	(762,437)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	1,285,570,149
Add (Less)	
Dividend declarations during the period	(467,822,060)
Appropriations of retained earnings during the period	(2,286,000,000)
Reversals of appropriations	1,521,583,131
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱997,027,752