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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 1 7 5 2 2 2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue Corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000

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

COMPANY INFORMATION

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

98

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,449	June 4	December 31, 2015

540

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

15th Floor Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City

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

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

SEC
Cebu Extension Office
APR 0 8 2016
By:
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Verified by ___ Date Issued APR 14 2016

VIVANT

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **VIVANT CORPORATION & ITS SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined 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 examination.

DENNIS N.A. GARCIA
Chairman of the Board

RAMONTITO E. GARCIA
President/Chief Executive Officer

MINUEL CARMELA N. FRANCO
Vice-President, Finance/Chief Financial Officer

Signed this 1st day of April, 2016.

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Cebu City
6000 Cebu, Philippines

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Vivant Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vivant Corporation and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 875706, January 11, 2016, Cebu City

April 1, 2016

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November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and Subsidiaries as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated April 1, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

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April 1, 2016

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31 2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱4,068,285,801**	₱4,859,530,626
Trade and other receivables (Note 7)	**342,691,120**	138,516,463
Advances to associates and stockholders (Note 16)	**31,167,018**	40,930,884
Inventories (Note 8)	**89,095,939**	106,831,729
Prepayments and other current assets (Note 9)	**707,243,179**	429,586,090
Total Current Assets	**5,238,483,057**	5,575,395,792
Noncurrent Assets		
Investments in and advances to associates and joint ventures (Note 10)	**6,913,791,619**	5,756,787,415
Property, plant and equipment (Note 11)	**916,497,160**	760,769,518
Investment properties (Note 12)	**514,801,557**	274,071,000
Other noncurrent assets (Note 13)	**93,781,925**	76,200,586
Deferred income tax assets - net (Note 20)	**12,581,733**	14,179,894
Total Noncurrent Assets	**8,451,453,994**	6,882,008,413
TOTAL ASSETS	**₱13,689,937,051**	₱12,457,404,205
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term note payable (Note 15)	**₱33,000,000**	₱–
Trade and other payables (Note 14)	**1,546,394,312**	1,295,219,670
Advances from related parties (Note 16)	**110,212,802**	115,486,477
Income tax payable	**154,009**	31,556,533
Current portion of long-term notes payable (Note 15)	**25,989,025**	26,155,546
Total Current Liabilities	**1,715,750,148**	1,468,418,226
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	**2,921,584,679**	2,947,573,704
Pension liability (Note 19)	**14,770,643**	23,209,026
Deferred income tax liabilities (Note 20)	**99,767,008**	27,575,424
Total Noncurrent Liabilities	**3,036,122,330**	2,998,358,154
Total Liabilities	**4,751,872,478**	4,466,776,380

Equity Attributable to Equity Holders of the Parent

Capital stock - ₱1 par value (Note 21)

Authorized - 2,000,000,000 shares

Issued - 1,023,456,698 shares

Additional paid-in capital

(Forward)

	December 31	
	2015	2014
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**₱1,234,371,697**	₱1,261,492,837
Remeasurement gain (loss) on employee benefits (Note 19)	**3,625,317**	(1,735,079)
Share in remeasurement losses on employee benefits of associates and a joint venture (Note 10)	**(59,172,924)**	(67,505,111)
Unrealized valuation gain on AFS investments	**191,083**	254,554
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**2,493,584,261**	2,810,784,261
Unappropriated	**3,726,045,896**	2,596,929,852
Equity Attributable to Equity Holders of the Parent	**8,430,441,480**	7,632,017,464
Equity Attributable to Non-controlling Interests (Note 21)	**507,623,093**	358,610,361
Total Equity	**8,938,064,573**	7,990,627,825
TOTAL LIABILITIES AND EQUITY	**₱13,689,937,051**	₱12,457,404,205

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Sale of power (Note 23)	**₱2,797,425,370**	₱3,207,748,349	₱2,593,003,368
Equity in net earnings of associates and joint ventures (Note 10)	**1,009,709,570**	1,110,762,054	817,167,990
Management fees (Note 16)	**149,044,346**	138,915,915	167,051,799
Interest income (Notes 6 and 16)	**59,747,515**	50,712,945	33,592,952
	4,015,926,801	4,508,139,263	3,610,816,109
GENERATION COSTS (Notes 17 and 23)	**2,292,370,990**	2,067,662,019	1,633,537,609
OPERATING EXPENSES			
Salaries and employee benefits (Note 18)	**127,327,809**	83,791,123	74,424,765
Professional fees (Notes 16 and 23)	**75,655,817**	168,936,237	237,426,374
Taxes and licenses	**42,571,432**	23,836,166	28,583,812
Management fees (Note 16)	**25,431,290**	61,560,712	15,775,116
Travel	**21,360,359**	17,336,895	14,497,677
Depreciation and amortization (Notes 11 and 13)	**18,667,737**	17,378,708	13,284,269
Representation	**6,261,621**	3,267,245	3,746,174
Rent and association dues	**5,514,472**	5,375,178	6,003,603
Communication and utilities	**4,560,920**	4,617,323	3,448,265
Security and janitorial	**833,276**	591,615	569,377
Impairment loss on trade receivables (Note 7)	–	34,125,014	–
Other operating expenses (Note 17)	**47,452,075**	25,012,141	34,356,747
	375,636,808	445,828,357	432,116,179
INCOME FROM OPERATIONS	**1,347,919,003**	1,994,648,887	1,545,162,321
OTHER INCOME (CHARGES)			
Gain on fair value remeasurement of investment properties (Note 12)	**240,730,557**	–	–
Finance costs (Note 15)	**(172,833,443)**	(140,546,624)	(17,210,327)
Foreign exchange gains (losses)	**(302,360)**	4,269,158	2,951,800
Gain on redemption of an equity interest in an associate (Note 10)	–	–	10,155,539
Other income	**5,164,859**	63,937,040	(15,182,057)
	72,759,613	(72,340,426)	(19,285,045)
INCOME BEFORE INCOME TAX	**1,420,678,616**	1,922,308,461	1,525,877,276
PROVISION FOR INCOME TAX (Note 20)	**170,716,071**	226,853,561	221,432,432
NET INCOME	**1,249,962,545**	1,695,454,900	1,304,444,844

(Forward)

	Years Ended December 31		
	2015	2014	2013
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to consolidated statements of comprehensive income:			
Unrealized valuation gain on AFS investments	**(₱124,600)**	₱124,600	₱–
Items that will not be reclassified to consolidated statements of comprehensive income:			
Share in revaluation increment of an associate, net of tax	–	40,603,451	884,597,344
Remeasurement gain (loss) on employee benefits (Note 19)	**7,738,786**	(1,841,100)	(1,496,260)
Income tax effect of remeasurement gain (loss) on employee benefits	**(2,296,210)**	192,476	448,878
	5,442,576	(1,648,624)	(1,047,382)
Share in the remeasurement gains (losses) on employee benefits of associates and a joint venture, net of tax (Note 10)	**8,332,187**	(1,116,142)	(7,653,347)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**13,650,163**	37,963,285	875,896,615
TOTAL COMPREHENSIVE INCOME	**₱1,263,612,708**	₱1,733,418,185	₱2,180,341,459
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,052,735,864**	₱1,348,042,824	₱1,008,748,891
Non-controlling interests	**197,226,681**	347,412,076	295,695,953
	₱1,249,962,545	₱1,695,454,900	₱1,304,444,844
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,066,364,976**	₱1,387,414,273	₱1,885,020,619
Non-controlling interests	**197,247,732**	346,003,912	295,320,840
	₱1,263,612,708	₱1,733,418,185	₱2,180,341,459
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.029**	₱1.317	₱0.986

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

	Attributable to Equity Holders of the Parent										
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Gain (Loss) on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and A Joint Venture	Unrealized Valuation Gain on AFS Investments	Retained Earnings (Note 21) Appropriated	Retained Earnings (Note 21) Unappropriated	Total	Equity Attributable to Non-Controlling Interests (Note 21)	Total Equity
Balances at January 1, 2015	₱1,023,456,698	₱8,339,452	₱1,261,492,837	(₱1,735,079)	(₱67,505,111)	₱254,554	₱2,810,784,261	₱2,596,929,852	₱7,632,017,464	₱358,610,361	₱7,990,627,825
Total comprehensive income	–	–	–	5,360,396	8,332,187	(63,471)		1,052,735,864	1,066,364,976	197,247,732	1,263,612,708
Appropriation for business expansion	–	–	–	–	–	–	534,000,000	(534,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	(851,200,000)	851,200,000	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	10,890,000	10,890,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(27,121,140)	–	–	–	–	27,121,140	–	–	–
Cash dividends	–	–	–	–	–	–	–	(267,940,960)	(267,940,960)	(59,125,000)	(327,065,960)
Balances at December 31, 2015	₱1,023,456,698	₱8,339,452	₱1,234,371,697	₱3,625,317	(₱59,172,924)	₱191,083	₱2,493,584,261	₱3,726,045,896	₱8,430,441,480	₱507,623,093	₱8,938,064,573
Balances at January 1, 2014	₱1,023,456,698	₱8,339,452	₱1,292,314,176	(₱874,453)	(₱67,070,264)	₱191,083	₱1,856,476,291	₱2,357,237,719	₱6,470,070,702	₱496,688,804	₱6,966,759,506
Total comprehensive income	–	–	40,603,451	(860,626)	(434,847)	63,471		1,348,042,824	1,387,414,273	346,003,912	1,733,418,185
Appropriation for business expansion	–	–	–	–	–	–	1,446,207,970	(1,446,207,970)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	(491,900,000)	491,900,000	–	–	–
Conversion of deposits for future stock subscription and additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	3,107,645	3,107,645
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(71,424,790)	–	–	–	–	71,424,790	–	–	–
Cash dividends	–	–	–	–	–	–	–	(225,467,511)	(225,467,511)	(487,190,000)	(712,657,511)
Balances at December 31, 2014	₱1,023,456,698	₱8,339,452	₱1,261,492,837	(₱1,735,079)	(₱67,505,111)	₱254,554	₱2,810,784,261	₱2,596,929,852	₱7,632,017,464	₱358,610,361	₱7,990,627,825
Balances at January 1, 2013	₱1,023,456,698	₱8,339,452	₱454,642,913	(₱202,184)	(₱59,416,917)	₱191,083	₱–	₱3,367,540,626	₱4,794,551,671	₱902,555,073	₱5,697,106,744
Total comprehensive income	–	–	884,597,344	(672,269)	(7,653,347)	–	–	1,008,748,891	1,885,020,619	295,320,840	2,180,341,459
Appropriation for business expansion	–	–	–	–	–	–	1,856,476,291	(1,856,476,291)	–	–	–
Deposits for future stock subscription of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	10,919,854	10,919,854
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate	–	–	(46,926,081)	–	–	–	–	46,926,081	–	–	–
Property dividends	–	–	–	–	–	–	–	–	–	(234,353,981)	(234,353,981)
Cash dividends	–	–	–	–	–	–	–	(209,501,588)	(209,501,588)	(477,752,982)	(687,254,570)
Balances at December 31, 2013	₱1,023,456,698	₱8,339,452	₱1,292,314,176	(₱874,453)	(₱67,070,264)	₱191,083	₱1,856,476,291	₱2,357,237,719	₱6,470,070,702	₱496,688,804	₱6,966,759,506

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,420,678,616**	₱1,922,308,461	₱1,525,877,276
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,009,709,570)**	(1,110,762,054)	(817,167,990)
Gain on fair value remeasurement of investment properties (Note 12)	**(240,730,557)**	–	–
Finance costs	**172,833,443**	140,546,624	17,210,327
Interest income (Notes 6 and 16)	**(59,747,515)**	(50,712,945)	(33,592,952)
Depreciation and amortization (Notes 11 and 13)	**52,255,128**	21,554,410	13,399,269
Pension expense (Note 19)	**10,802,650**	11,591,504	9,285,463
Gain on disposal of property and equipment	**(892,010)**	–	–
Unrealized foreign exchange gains	**(2,868,471)**	(4,677,416)	(2,893,892)
Impairment loss on trade receivables (Note 7)	**–**	34,125,014	–
Loss on redemption of an equity interest in an associate and other adjustments (Note 10)	**–**	–	10,060,175
Impairment loss on AFS investments (Note 10)	**–**	–	5,007,071
Operating income before working capital changes	**342,621,714**	963,973,598	727,184,747
Decrease (increase) in:			
Trade and other receivables	**(69,504,409)**	574,908,883	(125,919,563)
Prepayments and other current assets	**(277,657,089)**	(134,814,811)	158,699,278
Inventories	**17,735,790**	(7,671,725)	4,041,765
Increase (decrease) in trade and other payables	**302,170,265**	(88,050,229)	760,682,138
Cash generated from operations	**315,366,271**	1,308,345,716	1,524,688,365
Interest paid	**(172,958,893)**	(115,129,266)	(14,546,497)
Income tax paid	**(130,571,660)**	(350,016,142)	(159,514,181)
Contributions to the retirement fund	**(11,502,247)**	(7,422,815)	(9,270,000)
Net cash flows from operating activities	**333,471**	835,777,493	1,341,357,687
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in investments and advances to associates and joint ventures (Note 10)	**(1,436,488,703)**	(1,623,238,821)	200,000
Dividends received from associates and joint ventures (Note 10)	**1,013,754,256**	1,003,535,759	979,868,460
Additions to property, plant and equipment (Note 11)	**(313,549,045)**	(718,711,033)	(28,046,390)
Decrease (increase) in:			
Intangible assets (Note 13)	**(930,837)**	(3,579,009)	(49,150)
Other noncurrent assets	**(18,743,166)**	868,232	(5,049,794)
Interest received	**58,049,267**	49,255,749	34,031,184
Proceeds from redemption of an equity interest in an associate (Note 10)	**151,200,000**	–	114,712,200
Proceeds from disposal of property and equipment	**954,869**	–	–
Net cash flows from (used in) investing activities	**(545,753,359)**	(1,291,869,123)	1,095,666,510
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 21)	**(267,073,599)**	(767,299,540)	(687,254,570)
Proceeds from availment of notes payable debts - net of transaction costs (Note 15)	**143,000,000**	2,970,432,078	22,200,989
Increase (decrease) in advances from/to related parties	**4,490,191**	47,298,244	(141,447,272)

(Forward)

	Years Ended December 31		
	2015	2014	2013
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**₱10,890,000**	₱3,107,645	₱10,919,854
Payments of notes payable (Note 15)	**(140,000,000)**	–	(387,200,989)
Net cash flows from (used in) financing activities	**(248,693,408)**	2,253,538,427	(1,182,781,988)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(794,113,296)**	1,797,446,797	1,254,242,209
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,868,471**	4,677,416	2,893,892
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash (Note 6)	**4,859,530,626**	3,057,406,413	1,800,270,312
Restricted cash (Notes 9 and 13)	**775,000**	1,437,500	–
	4,860,305,626	3,058,843,913	1,800,270,312
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash (Note 6)	**4,068,285,801**	4,859,530,626	3,057,406,413
Restricted cash (Notes 9 and 13)	**775,000**	775,000	1,437,500
	₱4,069,060,801	₱4,860,305,626	₱3,058,843,913

See accompanying Notes to Consolidated 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 is listed in the Philippine Stock Exchange using 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 2015, 2014 and in 2013. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution and retail electricity supply business.

The principal office address of the Parent Company 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 consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries and associates, all incorporated in the Philippines, as of December 31, 2015 and 2014:

	2015		2014	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
VC Ventures Net, Inc. (VNI)	**100.00**	–	100.00	–
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) (g)	–	100.00 (b) (g)
Vivant Isla, Inc. (VII)	–	**100.00** (a) (h)	–	100.00 (a) (h)
Vivant Renewable Energy Corporation (VREC) (f)	–	**100.00** (a)	–	100.00 (a)
Corenergy Inc. (Core)	–	**100.00** (a)	–	100.00 (a)
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** (a) (i)	–	–
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** (a)	–	67.00 (a)
Vics-Amlan Holdings Corp. (Vics-Amlan)	–	**60.00** (a)	–	60.00 (a)
1590 Energy Corp. (1590 EC)	–	**52.70** (a)	–	52.70 (a)
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81** (c)	–	34.81 (c)	–

(Forward)

	2015		2014	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Prism Energy, Inc. (PEI)	40.00	–	40.00	–
Abovant Holdings, Inc. (AHI)	–	40.00 [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	40.00 [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	40.00 [c]	–	40.00 [c]
Amlan Hydroelectric Power Corporation (AHPC)	–	30.00 [d]	–	30.00 [d]
Therma Visayas, Inc. (TVI)	–	20.00 [a] [c]	–	20.00 [a] [c]
Delta P, Inc. (Delta P)	–	–	–	35.00 [a]
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	50.00 [a]	–	50.00 [a]
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC)	–	48.00 [a][b] [j]	–	46.00 [b]
Delta P	–	50.00 [a] [k]	–	–

a. Indirect ownership through VEC
b. Indirect ownership through VREC (formerly Vics- Bakun)
c. Indirect ownership through VIGC
d. Indirect ownership through Vics-Amlan
e. Indirect ownership through HDFE until December 31, 2013
f. Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014
i. Incorporated on August 7, 2015
k. Increased to 50% effective May 28, 2015
j. Increased to 48% effective November 6, 2015

Subsidiaries. Except for 1590 EC, VEC, VMHI, Core, VII and VGPC, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution. 1590 EC is operating a diesel power plant and VEC is administering 17 mega-watt (MW) of geothermal power while VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively.

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

<u>HDFE</u>
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.

<u>VNI</u>
VNI was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and Board of Directors approved that one of the Company'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 the protection or benefit of the Company. These amendments made in the Company's AOI were approved by the SEC on October 8, 2015.

VEC

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

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, VII, VIDC, and VSNRGC, entities engaged in the power generation business and Core, an entity engaged in the retail electricity supply. VEC also has direct equity shareholdings on holding entities namely VIGC, Vics-Amlan and VREC.

In November 2013, VEC participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed VEC to sell seventeen (17) MW of geothermal power from ULGPP beginning January 1, 2015 (see Note 23g).

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 MPC and TVI, entities engaged in the power generation business and 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, 2015, 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, 2015, VII is still in the pre-operating stage.

VREC

VREC, the holding entity of VSNRGC, 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 on VGPC, a holding entity.

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 in contestable market and enter into any necessary access or interconnection arrangements or other necessary contracts with the National Transmission Corporation or National Grid Corporation of the Philippines, distribution utilities and other entities in the electric power industry. As of December 31, 2015, Core has not yet started commercial operations and has an ongoing application for Retail Electricity Supplier license.

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, 2015, VIDC is still in the pre-operating stage.

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 on its starting phase or pre-operational stage as a power generating entity. It is currently undergoing development and pre-construction works for a six (6) MW hydro power plant. The plant construction is estimated to be completed after 22–24 months from date of groundbreaking.

Vics-Amlan

Vics-Amlan, the holding entity of AHPC, was incorporated on August 26, 2009 with the primary purpose of holding investments in power generation companies.

1590 EC

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 Gigawatt Power, Inc. (GPI), Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings Corp. (IHI), among others.

Associates. VECO, PEI, AHI, CPPC, AHPC, TVI, and MPC qualify as associates of the Group.

VECO

VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 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 Liloan) in the greater part of Metro Cebu by virtue of legislative franchise grants.

PEI

PEI was incorporated on March 24, 2009 as a retail electricity supplier. As of December 31, 2015, it has not yet started commercial operations.

AHI

AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Business Power Corp. (Global Power) and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own a Cebu Energy Development Corporation (CEDC) 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

CPPC

CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fired power generating plant.

MPC

MPC (formerly Minergy Coal Corporation) was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

AHPC

AHPC was incorporated on October 21, 2008 with the primary purpose to manufacture, acquire, develop, own and operate alternative fuels. Currently, AHPC is operating a 0.8 MW hydroelectric power plant in Amlan, Negros Oriental, which was purchased by AHPC from the Power Sector Assets and Liabilities Management (PSALM).

TVI

TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description.

In May 2014, TVI signed an Engineering, Procurement and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. TVI issued the full Notice to Proceed (NTP) in March 2015 to ensure guaranteed completion date by the last quarter of 2017. The first unit is expected to be turned-over by the end of 2017, with the second following three (3) months thereafter.

Joint Ventures. CIPC, Delta P and VSNRGC qualify as joint ventures of the Group.

CIPC

CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

VSNRGC
VSNRGC was organized on July 9, 2009 primarily to engage in the general business of power generation and sale of electric power to National Power Corporation (NAPOCOR), private electric cooperatives and other entities.

In December 2009, PSALM awarded VSNRGC to be the IPP administrator of the contracted capacities of Bakun and Benguet power plants. VSNRGC formally became the IPP administrator in February 2010 upon signing of the related documents and payment of the related consideration. In the latter part of the same year, PSALM exercised the right to divide and segregate the contracted capacities of the Bakun and Benguet power plants. By virtue of the segregation done by PSALM, VSNRGC assumed the responsibility of selling only the Bakun power plant's contracted capacity and started its commercial operations as an IPP administrator in 2010. The Bakun power plant has an installed capacity of 70 MW and is located in Alilem, Ilocos Sur.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan. On May 28, 2015, GPI agreed to sell to VEC 6,310,352 common shares representing 15% of DPI's total issued and outstanding capital stock, bringing the Group's ownership in DPI to 50% (see Note 10).

The consolidated financial statements of the Group as at and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issuance by the Board of Directors (BOD) on April 1, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and investment properties which have been measured at fair value. The consolidated 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.

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries. The Group controls an investee if and only if the Group has:

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

3. Changes in Accounting Policies and Disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015.

The nature and the impact of each new standard and amendment are described below:

Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*

PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014.

This amendment, which becomes effective on or after July 1, 2014, is not applicable to the Group since its defined benefit plan does not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
These improvements are effective from July 1, 2014 for which the Group has assessed to have no impact on the financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  a. A performance condition must contain a service condition;
  b. A performance target must be met while the counterparty is rendering service;
  c. A performance target may relate to the operations or activities of an entity, or to those of another entity in the same ;
  d. A performance condition may be a market or non-market condition; and,
  e. If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  This amendment does not apply to the Group as it has no share-based payment transactions.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Group shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  a. An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  b. The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment has no impact on the Group since its property, plant and equipment and intangible assets are carried at cost.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment has no impact on the Group since it does not engage a management entity for key management personnel services.

Annual Improvements to PFRSs (2011–2013 cycle)
These improvements are effective from July 1, 2014 and are not expected to have a material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  a. Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  b. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Group shall consider this amendment in future joint arrangements.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted). The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). This amendment has no significant impact on the Group's financial position or performance.

New Standards and Interpretation Issued and Effective after December 31, 2015
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the consolidated financial statements.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Adoption of the interpretation when it becomes effective will not have any impact on the financial statements.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments)

  The amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact on the Group.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Group is an existing PFRS preparer.

- PAS 1, *Presentation of Financial Statements* - Disclosure Initiative (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions

  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated

  - That entities have flexibility as to the order in which they present the notes to the financial statements

  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group shall consider this amendment upon the effectivity of this standard.

- PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of *Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no impact on the Group given that it has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply.

  After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no relevance to the Group since it is not engaged in agriculture business.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider this amendment in accounting for its investments in subsidiaries and associates upon the effectivity of this standard.

Annual Improvements to PFRSs (2012-2014 cycle). The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Company's financial assets, and on its application of hedge accounting. However, it will have no impact on the classification and measurement of its financial liabilities.

The adoption of PFRS 9 is not expected to have any significant impact on the financial statements of the Group.

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*

  On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their lessees as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date, once adopted locally.

4. **Summary of Significant Accounting Policies**

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

- *Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statements of comprehensive income.

  When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

  As of December 31, 2015 and 2014, no financial assets have been designated as FVPL.

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

  Classified as loans and receivables are the Group's cash and cash equivalents, trade and other receivables and advances to associates and stockholders.

- *HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

  As of December 31, 2015 and 2014, the Group has no HTM investments.

- *AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income. The Group has available for sale financial assets of ₱3.8 million and ₱4.3 million as of December 31, 2015 and 2014, respectively, and is presented as part of "Other noncurrent assets" account in the consolidated statements of financial position

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

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

  Included under this category are the Group's trade and other current payables, notes payable and advances from related parties.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Fair Value Measurement

The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, long-term debt and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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 Group.

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

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

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

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

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

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

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, AFS investments, trade and other payables, advances from related parties, and notes payable and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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

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 Group 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 Group 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 Group 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 Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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 consolidated statement of comprehensive income.

Impairment of Financial Assets. The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

Investments in Associates and Interest in Joint Ventures
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and interests in joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The consolidated financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of comprehensive income.

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

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments 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 consolidated 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 consolidated statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment, except distribution utility assets, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant 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 Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized 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, building and improvements	5–40
Plant machineries and equipment	5–10
Leasehold and land improvements	3–10
Office furniture, fixtures and equipment	2–10
Transportation equipment	5
Tools and other assets	3–5

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization 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 amortization 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.

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, plant and equipment are capitalized during the construction period.

Investment Properties
Investment properties, which pertain to land and buildings and improvements, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Goodwill
Goodwill recognized in a business combination accounted for using the acquisition method, is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

Impairment of Nonfinancial Assets

The Group 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 Group 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, including impairment of inventories, are recognized in the consolidated 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 Group estimates the asset's or CGU's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of 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 subscription agreement and is measured at par value for all issued shares.

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received as receivables, excluding discounts, rebates, and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Power. Revenue from sale of power is recognized when delivery of power generated or purchased by the Group to the spot market or customers is completed, and is based on actual power delivered at prices prevailing in the spot market or agreed prices in power supply agreements.

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

Interest Income. Revenue is recognized as interest accrues taking into account the effective yield on the assets.

Other Income, such as Rental Income and Gain on Redemption of an Equity Share in an Associate. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on redemption of an equity share in an associate is recognized as the difference between the proceeds received upon redemption and the corresponding carrying amount of the investment redeemed.

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

Related Party Transactions
Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Provisions
Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of 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
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated 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 consolidated 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 consolidated statement of comprehensive 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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting 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 income 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 consolidated statement of comprehensive income.

Deferred income tax assets and 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.

Sales Tax. Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfilment of the arrangements is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

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

Foreign Currency 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.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated 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 Group's position at the reporting date (adjusting events) are reflected in the consolidated 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 Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group 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 at December 31, 2015 and 2014, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group 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 affected in future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments

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

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the companies in the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of service and the cost of providing the service.

Determining Fair Value of Financial Instruments. The Group carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair values would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the consolidated statement of comprehensive income and consolidated statement of changes in equity.

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

As of December 31, 2015 and 2014, the carrying values of the Group's financial instruments, except for the Notes Payable, approximate fair values due to their relative short-term maturity (see Note 24).

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 24.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2015 and 2014, the carrying value of the Group's investment properties amounted to ₱514.8 million and ₱274.1 million, respectively (see Note 12).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries as of December 31, 2015 and 2014, the Group has the ability to exercise control over these investees (see Note 1).

Determining Joint Arrangements. Judgment is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as the considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, it considers (a) the structure of the joint arrangement - whether it is structured through a separate vehicle and, (b) when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances (when relevant).

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. The Group has joint arrangement pertaining to its interests in VSNRGC, CIPC and DPI which are structured through separate vehicles, being a company structure. This structure, and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangement. The final conclusion was that the Group's investments in VSNRGC, CIPC and DPI (starting 2015 only) are joint ventures.

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI is disclosed in Notes 1 and 10.

Determining Operating Lease Commitments - Group as a Lessee. 1590 EC entered into a Memorandum of Agreement (MOA) with the Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Bauang Diesel Power Plant (BDPP), including the right to use and sell the power generated therefrom, and lease of office spaces. The Group has determined that it does not acquire all the significant risks and rewards of these properties which are leased on operating leases.

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 Impairment of Trade and Other Receivables and Advances to Associates and Stockholders. The Group maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectibility of receivables. A review of the factors that affect the collectibility of the accounts including age and status of the receivables is made by management on a continuing basis to identify accounts to be provided with allowance. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses will increase the Group's recorded expenses and decrease current assets.

As of December 31, 2015 and 2014, trade and other receivables amounted to ₱342.7 million and ₱138.5 million, respectively (see Note 7), and advances to associates and stockholders amounted to ₱31.2 million and ₱40.9 million, respectively (see Note 16). Provision for impairment losses recognized in 2014 amounted ₱34.1 million. There was no provision for impairment losses recognized in 2015 and 2013.

Estimating Allowance for Inventory Write-down. The Group writes down inventory for an amount equal to the difference between the cost of inventory and the estimated NRV or current replacement cost based on assumptions about future use and sale, and technology that would affect the cost of inventories.

There was neither a provision nor a reversal of the write-down of inventories recognized in 2015, 2014 and 2013 (see Note 8). The NRV of inventories amounted to ₱89.1 million and ₱106.8 million as of December 31, 2015 and 2014, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimated due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱916.5 million and ₱760.8 million as of December 31, 2015 and 2014, respectively (see Note 11). The carrying value of intangible assets (relating to software costs under "Other noncurrent assets") amounted ₱2.0 million and ₱3.0 million as of December 31, 2015 and 2014, respectively (see Note 13).

Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Property, plant and equipment
- Investment properties
- Intangible assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment, investment properties and intangible assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2015	2014
Property, plant and equipment (see Note 11)	**₱916,497,160**	₱760,769,518
Investment properties (see Note 12)	**514,801,557**	274,071,000
Intangible assets (see Note 13)	**1,974,007**	2,957,834

The Group did not recognize any impairment loss on its nonfinancial assets in 2015, 2014 and 2013.

Assessing Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill as of December 31, 2015 and 2014 amounted to ₱42.6 million (see Note 13).

Estimating Provision for Pension Expense. 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.

As of December 31, 2015 and 2014, pension liability amounted to ₱14.8 million and ₱23.2 million, respectively (see Note 19).

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 Group'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 Group.

Deferred income tax assets that are recognized amounted to ₱21.7 million and ₱22.3 million as of December 31, 2015 and 2014, respectively (see Note 20). Deferred income tax assets have not been recognized on allowance for impairment loss of ₱0.6 million as of December 31, 2014, net operating loss carry-over (NOLCO) of ₱67.6 million and ₱45.0 million as of December 31, 2015 and 2014, respectively, and minimum corporate income tax (MCIT) of ₱0.2 million and ₱0.1 million as of December 31, 2015 and 2014, respectively (see Note 20).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results. Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

6. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱301,636,865**	₱1,647,369,237
Short-term investments	**3,766,648,936**	3,212,161,389
	₱4,068,285,801	₱4,859,530,626

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

Interest income earned from the cash in banks and short-term investments amounted to ₱59.7 million, ₱50.7 million and ₱29.0 million in 2015, 2014 and 2013, respectively.

7. Trade and Other Receivables

	2015	2014
Trade receivables:		
Third parties	**₱135,659,305**	₱83,007,479
Related parties (see Note 16)	**72,940,284**	2,255,000
Dividends receivable (see Notes 10 and 16)	**132,572,000**	–
Accounts receivable (see Note 16)	**14,352,182**	68,919,357
Advances to officers and employees (see Note 16)	**8,755,973**	6,287,355
Accrued interest (see Note 6)	**4,228,650**	2,530,402
Others	**8,640,772**	9,974,916
	377,149,166	172,974,509
Less allowance for impairment losses	**34,458,046**	34,458,046
	₱342,691,120	₱138,516,463

Trade receivables include receivables from Philippine Electricity Market Corporation (PEMC) through the Group's active participation in Wholesale Electricity Spot Market (WESM) which has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury Bill published by the Bureau of Treasury per annum on the past due receivables.

The movement in the allowance for impairment losses follows:

	2015	2014
At January 1	**₱34,458,046**	₱333,032
Provision for impairment loss	–	34,125,014
At December 31	**₱34,458,046**	₱34,458,046

In 2014, the Group provided allowance on receivable from an electric cooperative which has been outstanding since 2011.

8. Inventories

The following are the inventories held by the Group which are carried at cost being lower than their NRV:

	2015	2014
Spare parts	**₱58,770,527**	₱60,685,157
Heavy fuel oil	**26,470,917**	39,233,856
Lube oil	**1,979,667**	3,528,080
Light fuel oil	**1,874,828**	3,384,636
	₱89,095,939	₱106,831,729

The cost of materials and supplies recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱108.8 million, ₱114.0 million and ₱128.8 million in 2015, 2014 and 2013, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2015	2014
Advances to suppliers and other parties	**₱556,309,228**	₱325,352,461
Creditable withholding taxes	**72,525,345**	24,319,217
Input VAT	**43,972,814**	53,044,665
Prepaid insurance	**19,759,835**	25,638,897
Others	**14,675,957**	1,230,850
	₱707,243,179	₱429,586,090

Advances to suppliers and other parties include advance payments to parties to comply with certain contractual obligations and to suppliers for purchases of goods and services for the succeeding year.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the Group's income tax liabilities.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations.

"Others" include prepaid rent, advance payments of minor purchases of inventories for use in operations and cash restricted for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU.

10. Equity Investments

a. Investments in and Advances to Associates and Joint Ventures

	2015	2014
Acquisition cost:		
At January 1	**₱3,689,425,745**	₱2,436,679,091
Additions	**1,440,000,000**	1,252,746,654
Deposits converted to equity	**364,012,170**	–
Redemption of an equity interest in an associate	**(151,200,000)**	–
At December 31	**5,342,237,915**	3,689,425,745
Deposit for future stock subscription:		
At January 1	**370,492,167**	–
Additions	**2,968,700**	370,492,167
Deposits converted to equity	**(364,012,170)**	–
Return of deposits	**(6,479,997)**	–
At December 31	**2,968,700**	370,492,167
Accumulated share in net earnings:		
At January 1	**435,376,666**	257,841,723
Equity in net earnings of associates	**1,009,709,570**	1,110,762,054
Cash dividends received and receivable	**(1,146,326,256)**	(1,003,535,759)

(Forward)

	2015	2014
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**₱27,121,140**	₱71,424,790
Share in the remeasurement gains (losses) on employee benefits	**8,332,187**	(1,116,142)
At December 31	**334,213,307**	435,376,666
Share in revaluation increment:		
At January 1	**1,261,492,837**	1,292,314,176
Share in revaluation increment of an associate, net of tax	–	40,603,451
Share in the amount transferred to equity representing depreciation on revaluation increment of an associate	**(27,121,140)**	(71,424,790)
	1,234,371,697	1,261,492,837
	₱6,913,791,619	₱5,756,787,415

The Group has unrecognized share in losses from results of operations of its investments in associates and joint ventures amounting to ₱107.5 million, ₱57.2 million and ₱212.8 million in 2015, 2014 and 2013, respectively. Total cumulative unrecognized losses amounted to ₱371.8 million, ₱270.0 million, ₱212.8 million as of December 31, 2015, 2014 and 2013, respectively.

In 2015, VIGC acquired 6,732,500 common shares and 7,187,500 preferred shares of MPC, both with a par value of ₱100 per share, for a total consideration of ₱1.4 billion. This increased total investment of the Group in MPC to ₱2.4 billion in 2015.

In April 2015, AHI redeemed its 15,120,000 redeemable preferred shares at the redemption price of ₱10 per share or for a total amount of ₱151.2 million. There was no gain or loss on the redemption of shares. Total investment in AHI amounted to ₱977.6 million and ₱1.1 billion as of December 31, 2015 and 2014, respectively.

In 2015, the Group made a deposit for future stock subscription to AHPC amounting to ₱3.0 million, pending the approval by the SEC of AHPC's application for increase in capital stock and issuance of shares.

On May 28, 2015, VEC acquired 6,310,352 common shares representing 15% of DPI's total issued and outstanding capital stock. The acquisition increased the Group's ownership in DPI to 50% from 35%. The increase in ownership in DPI allowed VEC to have joint control in DPI, where it previously exercised only significant influence over the relevant activities of DPI. Total investment in DPI amounted to ₱72.6 million and ₱24.6 million as of December 31, 2015 and 2014, respectively.

In 2014, the deposits for future stock subscription by the Group to CIPC and VSNRGC amounted to ₱99.0 million and ₱271.5 million, respectively. These were converted to equity upon approval by the SEC of the application for increase in capital stock of the joint ventures on November 13, 2015 and November 5, 2015, respectively. The excess of deposits for future stock subscription in VSNRGC amounting to ₱6.5 million was returned to the Group.

In 2013, CPPC redeemed its 540,000 redeemable preferred shares for a total amount of ₱114.7 million resulting to a loss of ₱10.1 million.

The Group's associates and joint ventures, and the corresponding equity ownership as of December 31 follow:

	Nature of Business	Percentage of Ownership 2015	2014	2013
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHPC	Power generation	**30.00**	30.00	30.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	–
TVI	Power generation	**20.00**	20.00	–
Delta P	Power generation	–	35.00	35.00
Joint ventures:				
VSNRGC*	Power generation	**48.00**	46.00	46.00
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	–	–

* *increased to 48% effective November 6, 2015*

As of December 31, 2015 and 2014, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱263.8 million and ₱365.0 million, respectively, are not available for distribution to the stockholders unless declared by the associates and joint ventures.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2015, 2014 and 2013 (except for MPC which is as of and for the years ended December 31, 2015 and 2014 only):

MPC

	2015	2014
Total current assets	**₱9,629,533,324**	₱3,452,001,949
Total noncurrent assets	**10,149,175,766**	4,265,433,215
Total current liabilities	**493,655,362**	152,967,627
Total noncurrent liabilities	**13,135,006,472**	5,189,772,054
Total equity	**6,643,702,618**	2,527,663,110
Gross revenue	**154,176,589**	5,516,220
Operating profit	**140,760,687**	9,319,983
Net income (loss)	**149,286,642**	(5,089,604)
Group's share in net income (loss)	**59,714,657**	(1,272,401)
Proportion of Group's ownership	**40.00%**	40.00%
Carrying amount of investment	**2,471,692,256**	1,019,977,599

VECO

	2015	2014	2013
Total current assets	**₱2,748,991,164**	₱2,758,373,152	3,208,266,606
Total noncurrent assets*	**12,896,378,323**	12,398,588,725	12,140,330,723
Total current liabilities	**3,657,243,240**	3,065,730,557	3,165,796,160
Total noncurrent liabilities	**5,582,902,153**	5,602,805,816	5,723,358,762
Total equity	**6,405,224,094**	6,488,425,504	6,459,442,407
Gross revenue	**21,110,387,108**	21,072,224,119	19,387,138,622
Operating profit	**2,229,398,192**	1,962,682,781	2,265,158,396
Net income	**1,727,478,763**	1,593,159,515	1,588,026,904
Group's share in net income	**601,335,357**	554,578,827	551,680,547
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Carrying amount of the investment	**2,229,658,507**	2,258,620,918	2,248,531,902

** Inclusive of adjustments not taken up by the Group*

AHI

	2015	2014	2013
Total current assets	**₱1,323,785,767**	₱839,477,042	₱795,384,316
Total noncurrent assets	**2,694,803,826**	3,245,862,171	3,068,930,246
Total equity	**4,018,589,593**	4,085,339,213	3,864,314,562
Gross revenue	**1,041,283,276**	1,023,500,125	850,892,671
Operating profit	**1,041,031,454**	1,023,404,633	850,784,051
Net income	**1,041,828,799**	1,023,360,608	850,799,577
Group's share in net income	**416,731,520**	409,344,243	340,319,831
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Carrying amount of the investment	**2,229,658,507**	2,258,620,918	2,248,531,902

Individually Immaterial Associates and Joint Ventures
The carrying amount of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method for the year ended December 31 follows:

	2015	2014	2013
Income from continuing operations	**₱350,439,957**	₱188,987,667	146,947,127
Net income (loss)	**(68,071,964)**	129,966,955	105,431,369
Other comprehensive income	**3,679,067**	60,815,019	2,262,509
Total comprehensive income (loss)	**(64,392,897)**	190,781,974	107,693,878

a. Material Partly-Owned Subsidiary

1590 EC
As of December 31, 2015, the Group has a 52.70% indirect ownership interest in 1590 EC which is primarily engaged in power generation and is incorporated in the Philippines.

The summarized financial information of 1590 EC as of December 31 is provided below:

	2015	2014	2013
Total current assets	**₱1,048,785,546**	₱938,180,052	₱2,304,311,126
Total noncurrent assets	**854,247,327**	711,549,163	13,005,101
Total current liabilities	**1,461,384,281**	1,330,164,870	1,644,325,547
Total noncurrent liabilities	**586,685**	1,142,060	
Total equity	**441,061,907**	318,422,285	672,990,680
Sale of power	**1,991,517,373**	3,207,748,349	2,593,003,368
Operating profit	**333,782,601**	829,301,821	668,509,763
Net income	**247,465,879**	677,097,561	476,654,563
Total comprehensive income	**247,639,622**	675,431,603	475,861,511
Net income attributable to non-controlling interests	**117,051,361**	320,267,146	225,457,608
Total comprehensive income attributable to non-controlling interests	**117,133,541**	319,479,148	225,082,495
Dividends paid to non-controlling interests	**59,125,000**	487,190,000	59,125,000

11. Property, Plant and Equipment

2015

	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Tools and Other Assets	Total
Cost							
At January 1	₱25,924,832	₱703,469,835	₱25,157,022	₱27,812,923	₱33,249,958	₱505,670	₱816,120,240
Additions	12,104,352	281,629,170	965,211	8,317,345	9,593,181	939,786	313,549,045
Reclassifications	8,699,140	313,839	(9,243,821)	(1,982,433)	–	2,213,275	–
Retirements	(1,055,561)	–	–	(1,448,408)	–	–	(2,503,969)
Price adjustment	–	(107,018,080)	–	–	–	–	(107,018,080)
Disposal	–	–	–	–	(5,791,601)	–	(5,791,601)
At December 31	45,672,763	878,394,764	16,878,412	32,699,427	37,051,538	3,658,731	1,014,355,635
Accumulated Depreciation and Amortization							
At January 1	9,291,210	4,061,256	9,093,582	16,820,517	15,779,531	304,626	55,350,722
Depreciation	3,592,807	31,528,309	764,021	6,702,864	6,877,109	875,354	50,340,464
Reclassifications	4,399,333	–	(4,429,367)	(1,601,257)	1,332,089	299,202	–
Retirements	(1,055,561)	–	–	(1,448,408)	–	–	(2,503,969)
Disposal	–	–	–	–	(5,328,742)	–	(5,328,742)
At December 31	16,227,789	35,589,565	5,428,236	20,473,716	18,659,987	1,479,182	97,858,475
Net Book Value	₱29,444,974	₱842,805,199	₱11,450,176	₱12,225,711	₱18,391,551	₱2,179,549	₱916,497,160

2014

	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Tools and Other Assets	Total
Cost							
At January 1	₱25,149,566	₱2,373,122	₱21,107,717	₱19,657,549	₱28,615,583	₱505,670	₱97,409,207
Additions	775,266	704,663,339	482,679	8,155,374	4,634,375	–	718,711,033
Reclassifications	–	(3,566,626)	3,566,626	–	–	–	–
At December 31	25,924,832	703,469,835	25,157,022	27,812,923	33,249,958	505,670	816,120,240
Accumulated Depreciation and Amortization							
At January 1	8,344,696	83,333	5,443,252	10,630,359	10,056,234	203,485	34,761,359
Depreciation	946,514	3,977,923	3,650,330	6,190,158	5,723,297	101,141	20,589,363
At December 31	9,291,210	4,061,256	9,093,582	16,820,517	15,779,531	304,626	55,350,722
Net Book Value	₱16,633,622	₱699,408,579	₱16,063,440	₱10,992,406	₱17,470,427	₱201,044	₱760,769,518

On December 4, 2015, 1590 EC received a credit memo for price reduction of certain property and equipment purchased from a supplier amounting to ₱107.0 million.

Fully depreciated property and equipment costing ₱9.2 million and ₱3.3 million as of December 31, 2015 and 2014, respectively, are still being used by the Group.

Depreciation and amortization are recognized in the consolidated statements of comprehensive income follows:

	2015	2014	2013
Generation costs (see Note 17)	**₱33,587,391**	₱4,175,702	₱115,000
Operating expenses	**16,753,073**	16,413,661	12,627,245
	₱50,340,464	₱20,589,363	₱12,742,245

12. **Investment Properties**

		2015	
	Land	**Buildings**	**Total**
At January 1	**₱270,103,000**	**₱3,968,000**	**₱274,071,000**
Net unrealized gain (loss) on fair value remeasurement	**241,320,557**	**(590,000)**	**240,730,557**
At December 31	**₱511,423,557**	**₱3,378,000**	**₱514,801,557**

		2014	
	Land	Buildings	Total
At January 1	₱270,103,000	₱3,968,000	₱274,071,000
Additions	–	–	–
At December 31	₱270,103,000	₱3,968,000	₱274,071,000

Some of the Group's properties were leased out to outside parties to earn rental income (see Note 23c). Total rental income amounting to ₱2.9 million in 2015 and ₱1.7 million in 2014 and 2013, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2015, an appraisal was carried out on the Group's investment properties resulting to a fair value change amounting to ₱240.7 million.

Real property taxes pertaining to the land amounting to ₱0.8 million, ₱0.9 million and ₱1.2 million in 2015, 2014 and 2013, respectively, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct, or develop investment properties.

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 24.

13. **Other Noncurrent Assets**

	2015	2014
Due from RFM Corporation	**₱46,078,063**	₱46,078,063
Goodwill	**42,559,451**	42,559,451
Advances to suppliers	**36,412,810**	24,019,530
Available-for-Sale (AFS) Investments	**3,750,631**	4,324,131
Software cost - net	**1,974,007**	2,957,834
Others	**9,085,026**	2,339,640
	139,859,988	122,278,649
Less allowance for impairment losses	**46,078,063**	46,078,063
	₱93,781,925	₱76,200,586

a. Due from RFM
This pertains to receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2015 and 2014.

b. Goodwill
Goodwill represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at acquisition date of HDFE, a subsidiary (see Note 10), whose assets at that time comprise significantly of equity shares in VECO. Due to the acquisition of HDFE, the Group was able to exercise significant influence over the financial and operating policies of VECO with whom HDFE has direct ownership interest of 25%. The Group considers the investment in VECO as a separate cash generating unit since it generates cash inflows independent of the inflows of other assets of the Group.

In 2012 and 2013, HDFE declared property dividends, in the form of VECO shares, to its stockholders. The property dividends reduced HDFE's ownership in VECO to zero. However, as a result of the property dividends, the Parent Company's direct ownership in VECO increased to 34.81%.

The recoverable amount of each unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- The net cash flows from operations is discounted using weighted average cost of capital of 16.56% and 18.33% in 2015 and 2014, respectively.

- Annual growth in metered sales and city street lighting is projected with an annual growth rate of 9% to 24% and 6% to 22%, respectively.

- Operating expenses are projected to increase from 12% to 22% depending on the nature of the expenses.

- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, no impairment was recognized on goodwill in 2015, 2014 and 2013.

With regard to the assessment of the value-in-use of HDFE, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

c. Advances to Suppliers

Advances to suppliers pertain to cash advances given to contactors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others.

d. Available-for-Sale (AFS) Investments

This account is composed of investments in shares of stock of the following entities:

	2015	2014
At Cost		
Cebu Country Club, Inc. (CCCI)	**₱3,400,000**	₱3,400,000
Tower Club, Inc. (TCI)	**300,000**	300,000
INCA Plastic Philippines - net of allowance for impairment of ₱1.95 million	**50,000**	50,000
VC Exchange, Inc.- net of allowance for impairment of ₱5.0 million	–	–
	3,750,000	3,750,000
At Fair Value		
Philippine Long Distance Telephone Co.	**600**	600
Paper Industries Corp. of the Phils.	**31**	31
Aboitiz Equity Ventures, Inc. (AEV)	–	573,500
	631	574,131
	₱3,750,631	₱4,324,131

Except for the investments in CCCI and TCI, the above investments represent the investments in listed and non-listed equity securities that present opportunities for returns through dividend income and trading gains.

The fair values of the listed securities are based on quoted market prices. The non-listed equity securities are stated at cost, as their fair values cannot be reliably measured, less any impairment in value.

e. Software Costs

Software costs pertain to a subsidiary's accounting software, Human Resources Information System, trading software and documents monitoring system. The movement of software costs is as follows:

	2015	2014
Cost		
At January 1	**₱4,897,154**	₱1,318,145
Additions	**930,837**	3,579,009
At December 31	**5,827,991**	4,897,154
Accumulated Amortization		
At January 1	**1,939,320**	974,273
Amortization for the year	**1,914,664**	965,047
At December 31	**3,853,984**	1,939,320
Net Book Value	**₱1,974,007**	₱2,957,834

14. Trade and Other Payables

	2015	2014
Trade payables (see Note 23d)	**₱1,284,446,332**	₱1,109,128,040
Output VAT	**85,704,445**	44,467,318
Dividends payable	**62,480,225**	2,487,864
Deferred output VAT	**59,815,117**	73,930,174
Accrued interest (see Note 15)	**24,925,650**	28,895,554
Accrued expenses	**12,218,167**	5,679,215
Accounts payable	**7,114,873**	6,514,176
Accrued taxes payable	**3,415,141**	14,619,026
Others	**6,274,362**	9,498,303
	₱1,546,394,312	₱1,295,219,670

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers, and the Group's collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills for the supply months of November and December 2013. On March 28, 2014, the Group filed a Motion for Reconsideration with the ERC. However, ERC issued a denial of the said motion on October 15, 2014 (see Note 23d).

Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from declaration made by 1590 EC and HDFE. Dividends declared relating to non-controlling interests amounted to ₱59.1 million, ₱487.2 million, and ₱477.8 million in 2015, 2014 and 2013, respectively.

Accrued expenses mainly consist of accruals of salaries and employee benefits, utilities expense, statutory payables, outside services and communication expenses, among others.

Deferred output VAT is related to the recognition of the Group's revenue from WESM and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

15. Notes Payable

a. Short-term notes payable

On November 23, 2015, 1590 EC obtained a loan from a local bank amounting to ₱33.0 million to fund its working capital requirements. The loan, which will mature on May 20, 2016, bears interest at 3% per annum.

Interest expense recognized in the consolidated statements of comprehensive income on this loan amounted to ₱2.8 million in 2015 and nil in 2014.

b. Long-term notes payable

	2015	2014
Fixed Rate Corporate Notes (FRCN):		
₱1.0 billion at 5.7271% interest per annum	**₱990,000,000**	₱1,000,000,000
₱2.0 billion at 5.4450% interest per annum	**1,980,000,000**	2,000,000,000
	2,970,000,000	3,000,000,000
Less unamortized debt issue costs	**22,426,296**	26,270,750
	2,947,573,704	2,973,729,250
Less current portion - net of unamortized debt issue costs of ₱4.0 million in 2015 and ₱3.8 million in 2014	**25,989,025**	26,155,546
	₱2,921,584,679	₱2,947,573,704

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

Repayments of outstanding principal amounts are scheduled as follows:

	2015	2014
Within one year	**₱30,000,000**	₱30,000,000
More than one year but not more than five years	**120,000,000**	120,000,000
More than five years	**2,820,000,000**	2,850,000,000
	₱2,970,000,000	₱3,000,000,000

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 debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2015 and 2014.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱170.0 million and ₱137.0 million in 2015 and 2014 respectively, and the related accrued interest expense as of December 31, 2015 and 2014 amounted to ₱24.9 million and ₱26.6 million, respectively (see Note 14).

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

16. Related Party Transactions

Parties are considered to be related if the 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 Group enters into transactions with related parties principally consisting of the following:

		2015			
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Associates					
Sale of power (see Note 16i):					
VECO	**₱805,858,331**	**₱72,700,209**	**₱–**	30 days; noninterest-bearing	Unsecured; no impairment
Management fees (see Note 16e):					
VECO	**30,156,400**	**2,504,700**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	**13,133,000**	**240,075**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16e):					
CPPC	**25,126,750**	**1,786,680**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	**5,000,000**	**4,850,000**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
AHPC	**180,273**	**201,999**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
MPC	**589**	**299,883**	–	noninterest-bearing	Unsecured; no impairment
AHPC	–	**14,833,860**	–	payable on demand; noninterest-bearing	Unsecured; no impairment
PEI	–	**1,532,400**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	–	**9,543**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends receivable (see Note 16h):					
CPPC	**147,144,000**	**67,572,000**	–	noninterest-bearing	Unsecured; no impairment
Operating lease (see Note 16g):					
VECO	**4,033,844**	**336,154**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16e):					
NR	**6,848,196**	**35,166**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	**2,160,000**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	**1,620,000**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16e):					
NR	**293,469**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					

(Forward)

	2015				
		Outstanding Balance			
Category	**Volume**	**Receivables**	**Payables**	**Terms**	**Conditions**
Delta P	**₱9,058,146**	**₱8,544,525**	**₱–**	noninterest-bearing	Unsecured; no impairment
CIPC	**8,513,640**	**13,710,247**	–	noninterest-bearing	Unsecured; no impairment
NR	**3,553,483**	**1,878,179**	–	noninterest-bearing	Unsecured; no impairment
Dividends receivable (see Note 16h):					
Delta P	**72,000,000**	**65,000,000**	–	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
NR	**1,594,169**	–	**774,875**	payable on demand; noninterest-bearing	Unsecured; no impairment
Notes payable (see Note 16c):					
NR	–	–	**71,961,700**	payable on demand; noninterest-bearing	Unsecured; no impairment
Delta P	–	–	**39,302,898**	noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees (see Note 16f)					
GPI	**28,350,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
JDC	**11,552,449**	–	**873,000**	30-60 days; noninterest-bearing	Unsecured; no impairment
MRC	**17,328,674**	–	**1,309,500**	30-60 days; noninterest-bearing	Unsecured; no impairment
Stockholders with No Significant Influence					
Advances from (see Note 16d):					
NGL	**3,100,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
ICS	**2,500,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
JLR	–	–	**8,897,840**	noninterest-bearing	Unsecured; no impairment

	2014				
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Management fees (see Note 16e):					
VECO	₱30,556,400	₱2,478,059	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates					
Management fees (see Note 16e):					
CPPC	6,500,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P.	2,076,000	167,810	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16e):					
CPPC	5,500,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	5,000,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	12,794	244,921	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
AHPC	12,084,623	17,802,560	–	noninterest-bearing	Unsecured; no impairment
MPC	299,814	299,814	–	noninterest-bearing	Unsecured; no impairment
AHPC	41,646	41,646	–	30-60 days; noninterest-bearing	Unsecured; no impairment
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	–	9,543	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
Delta P	18,853,182	–	39,302,898	noninterest-bearing	Unsecured; no impairment

(Forward)

		2014			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Operating lease (see Note 16g):					
VECO	₱3,970,200	₱326,986	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16e):					
NR	3,649,165	3,539,690	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	2,970,000	130,950	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16e):					
NR	7,667,725	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	1,141,957	28,154	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
NR	24,423,156	14,688,798	–	noninterest-bearing	Unsecured; no impairment
CIPC	7,693,036	7,780,003	–	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
NR	1,713,934	–	182,564	payable on demand; noninterest-bearing	Unsecured; no impairment
Notes payable (see Note 16c):					
NR	1,144,546	–	69,645,634	payable on demand; noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees (see Note 16f)					
GPI	37,800,000	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
JDC	24,068,640	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
MRC	37,691,990	–	3,928,500	30-60 days; noninterest-bearing	Unsecured; no impairment
Service fees (see Note 16f):					
GPI	21,700,000	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
EUVHCI	20,000,000	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
GPI	97,321	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
GPI	1,028,197	–	1,028,197	payable on demand; noninterest-bearing	Unsecured; no impairment
Stockholders with no significant influence					
Advances from (see Note 16d):					
NGL	3,100,000	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
ICS	2,500,000	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
JLR	–	–	8,897,840	noninterest-bearing	Unsecured; no impairment

a. Advances to related parties are noninterest-bearing cash advances to associates, affiliates and stockholders. Also, the Group advances funds for certain expenses of associates.

   The outstanding current portions of the advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

b. On August 10, 2012, 1590 EC granted loans to its stockholders with a term of one (1) year and earns interest of 3.6462% per annum. This was subsequently collected in 2013. Interest income recognized on these loans amounted to ₱3.5 million in 2013, and is presented as part of "Interest income" account in the 2013 consolidated statement of comprehensive income.

c. Advances from related parties are interest and noninterest-bearing cash advances from the Group's associates and stockholders. All of the outstanding advances are unsecured, noninterest-bearing and are due on demand except for the loans from VSNRGC in 2011 and loans from Delta P in 2013.

   Loans from VSNRGC are payable on demand within 3 years from the date of loan. The said loans are payable together with the interest accrued based on the December 1, 2011 PDST-F rate of 3.6577% plus 0.50% for a term of three (3) years from the date of the loan.

   On December 14, 2015, VREC and VSNRGC converted and reclassified the interest-bearing notes payable into noninterest-bearing advances which are payable on demand, effective December 1, 2014, the expiration date of the original loan.

   Interest expense recognized in the consolidated statements of comprehensive income amounted to nil and ₱2.9 million in 2015 and 2014, respectively. As of December 31, 2015 and 2014, the accrued interest payable amounted to nil and ₱2.3 million, respectively.

   In September 2014, VEC issued a noninterest-bearing promissory note to Delta P to replace the interest-bearing note issued in 2013.

d. Advances from "stockholders with no significant influence" pertain to cash advances provided by certain non-controlling stockholders of 1590 EC in 2014 and 2013 to augment the working capital requirements.

e. Management and service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates and joint ventures. These are governed by management consultancy and service-level contracts executed by the Group and its associates. These are recognized as "Management fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income.

   Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2015 and 2014 amounted to ₱15.0 million and ₱14.3 million, respectively (see Note 7).

f. The Group also entered into a consultancy and management service agreement with its stockholders to perform management consultancy services.

   Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" and "Management fees" under "Generation costs" (see Note 17) and "Operating expenses" in 2015 and 2014.

   Outstanding balance from these service agreements included as part of "Trade and other payables" in the consolidated statements of financial position amounted to ₱2.2 million and ₱3.9 million as of December 31, 2015 and 2014, respectively.

g. The Group has a lease agreement with VECO (see Note 23c). VECO leased an office space owned by the Group to be utilized as their Customer Care Office. The monthly rental is ₱0.3 million in 2015 and 2014 and ₱0.2 million in 2013, subject to an annual increase of 10%. The Group recognized, as part of "Other income" account in the consolidated statements of comprehensive income, the amount of ₱3.9 million 2015 and 2014 and, ₱3.0 million in 2015, 2014 and 2013 representing rent income received from VECO.

h. In 2015, CPPC and DPI declared additional dividends attributable to equity holders of the Parent amounting to ₱67.6 million and ₱65.0 million, respectively, to be paid in 2016 and which amounts are currently lodged under "Dividends receivable" (see Note 7).

i. The Group has an energy supply agreement with VECO (see Note 23h). The Group shall supply contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group.

The above transactions are generally settled through cash.

The retirement fund of the Parent Company and a subsidiary 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 ₱28.6 million and ₱16.8 million as of December 31, 2015 and 2014, respectively (see Note 19). Other than the contributions to the retirement fund, the Group does not have any other transactions with the fund in 2015 and 2014.

Compensation and Benefits of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	2015	2014	2013
Short-term employee benefits	**₱66,228,084**	₱43,724,019	₱40,254,493
Post-employment pension benefits (see Note 19)	**7,706,704**	7,762,263	6,476,063
	₱73,934,788	₱51,486,282	₱46,730,556

17. Generation Costs and Other Operating Expenses

Generation Costs
The Group's generation costs pertain to the costs incurred in the operation of the BDPP and 17 MW of geothermal power from ULGPP beginning January 1, 2015:

	2015	2014	2013
Purchased power (see Notes 23b and 23g)	**₱1,072,539,060**	₱187,127,482	₱16,883,018
Heavy fuel oil (see Note 23b)	**576,700,359**	1,275,706,992	1,120,423,098
Rent (see Note 23e)	**156,817,500**	152,942,787	140,000,000
Materials and supplies (see Note 8)	**108,831,134**	113,996,076	128,782,038
Contractual and outside services	**99,716,894**	75,744,391	17,199,290
Repairs and maintenance	**60,249,828**	33,486,643	18,935,187
Salaries, wages and employee benefits (see Note 18)	**46,997,457**	44,632,098	42,247,517
Depreciation and amortization (see Note 11)	**33,587,391**	4,175,702	115,000
Lube oil	**29,822,110**	38,419,158	32,746,186
Professional fees (see Note 16)	**28,350,000**	28,721,765	20,250,000
Insurance	**28,218,713**	29,479,302	18,625,942
Royalty fees (see Note 23e)	**[illegible]**	[illegible]	12,698,043
Light fuel oil	**[illegible]**	21,738,955	25,093,002

(Forward)

	2015	2014	2013
Market fees (see Notes 23d and 23g)	**₱4,352,798**	₱2,718,005	₱3,022,906
Supply and metering charges	**3,835,803**	25,870,207	23,698,987
Taxes and licenses	**3,321,867**	1,026,444	1,478,989
Light and power	**1,700,256**	1,679,477	1,207,528
Transportation	**841,726**	994,791	626,331
Others	**5,385,255**	3,736,177	9,504,547
	₱2,292,370,990	₱2,067,662,019	₱1,633,537,609

Other Operating Expenses

	2015	2014	2013
Stand-by letter of credit	**₱12,710,011**	₱2,112,152	₱–
Office supplies	**5,886,977**	2,954,389	4,442,200
Directors' per diem	**3,749,245**	3,588,302	3,118,219
Repairs and maintenance	**3,602,583**	1,053,181	2,741,534
Corporate social responsibility	**3,115,981**	1,855,165	1,484,457
Regulatory expenses	**2,861,470**	1,827,780	1,047,707
Insurance claims written off	**1,656,104**	–	–
Stockholders' meeting expenses	**618,479**	639,566	951,335
Others	**13,251,225**	10,981,606	20,571,295
	₱47,452,075	₱25,012,141	₱34,356,747

Regulatory expenses represent payments of various charges imposed by the PSE and SEC.

Others include sponsorships and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges, among others.

18. Personnel Expenses

	2015	2014	2013
Salaries, wages and employee benefits	**₱159,773,371**	₱113,243,415	₱104,599,326
Directors' compensation and benefits	**3,749,245**	3,588,302	2,787,493
Pension costs (see Note 19)	**10,802,650**	11,591,504	9,285,463
	₱174,325,266	₱128,423,221	₱116,672,282

19. Retirement Plan

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company and 1590 EC. Both plans provide 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 Group.

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

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

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

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2015	2014	2013
Current service cost	**₱10,245,500**	₱10,485,193	₱4,261,557
Net interest cost	**810,211**	1,106,311	957,277
Past service cost	**(253,061)**	–	4,066,629
Pension expense	**₱10,802,650**	₱11,591,504	₱9,285,463

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2015	2014	2013
Actuarial loss (gain) on defined benefit plan	**(₱8,250,895)**	₱1,430,925	₱1,507,689
Return on assets excluding amount included in net interest cost	**512,109**	410,175	(11,429)
	(₱7,738,786)	₱1,841,100	₱1,496,260

The pension liability as of December 31, 2015 pertains to both the Parent Company and 1590 EC's funded retirement plan, as follows:

	2015	2014
Present value of defined benefit obligation	**₱43,368,899**	₱40,040,490
Fair value of plan assets	**(28,598,256)**	(16,831,464)
Pension liability	**₱14,770,643**	₱23,209,026

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

	2015	2014
At January 1	**₱40,040,490**	₱26,480,666
Current service cost	**10,245,500**	10,485,193
Interest cost on defined benefit obligation	**1,586,865**	1,643,706
Past service cost	**(253,061)**	–
Actuarial loss (gain) due to:		
Changes in demographic assumptions	**(8,203,235)**	–
Changes in financial assumptions	**(5,827,239)**	2,080,310
Experience adjustments	**5,779,579**	(649,385)
At December 31	**₱43,368,899**	₱40,040,490

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2015	2014
At January 1	**₱16,831,464**	₱9,281,429
Contributions to the retirement fund	**11,502,247**	7,422,815
Interest income included in net interest cost	**776,654**	537,395
Return on assets excluding amount included in net interest income	**(512,109)**	(410,175)
At December 31	**₱28,598,256**	₱16,831,464

Changes in the amounts recognized in the consolidated statements of financial position for pension liability follows:

	2015	2014
At January 1	**₱23,209,026**	₱17,199,237
Pension expense for the year	**10,802,650**	11,591,504
Actuarial loss (gain) recognized for the year	**(7,738,786)**	1,841,100
Contributions to retirement fund	**(11,502,247)**	(7,422,815)
At December 31	**₱14,770,643**	₱23,209,026

The fair value of the plan assets by each class as of December 31 are as follows:

	2015	2014
Fixed income securities:		
Savings deposit	**₱6,924,280**	₱21,105
Due from Bangko Sentral ng Pilipinas	**21,685,000**	16,809,000
Accrued interest receivable	**35,644**	22,791
Total assets	**28,644,924**	16,852,896
Liabilities of the fund:		
Accrued trust fees	**40,324**	19,031
Withholding taxes payable	**6,344**	2,401
Total liabilities	**46,668**	21,432
Fair value of plan assets	**₱28,598,256**	₱16,831,464

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 Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2015	2014
Discount rate	**5.39%–5.05%**	5.60%–4.17%
Future salary increase rate	**7.00%–6.00%**	7.50%–6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2015, assuming all other assumptions were held constant:

	Increase	Present Value Change of Defined Benefit Obligation	
	(Decrease)	**2015**	2014
Discount rate	+100 basis points	**(₱4,163,341)**	(₱2,882,308)
	−100 basis points	**5,083,910**	1,168,007
Future salary increase rate	+100 basis points	**4,943,204**	1,396,501
	−100 basis points	**(4,136,078)**	(3,092,339)

The average duration of the defined benefit obligation as of December 31, 2015 is 19.9 years and 23.2 years, and as of December 31, 2014, average duration is 16.9 years and 24.2 years for the Parent Company and 1590 EC, respectively.

The Group expects to contribute ₱2.7 million to the defined benefit plan in 2016.

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, 2015 and 2014:

	2015	2014
Less than one year	**₱10,359,311**	₱6,580,740
More than one year to five years	**12,015,549**	7,998,578
More than five years to 10 years	**13,070,910**	8,232,482
More than 10 years to 15 years	**50,592,642**	13,092,768
More than 15 years to 20 years	**98,481,346**	38,131,425
More than 20 years	**240,102,252**	278,572,808
Total	**₱424,622,010**	₱352,608,801

20. **Income Taxes**

	2015	2014	2013
Current	**₱90,190,909**	₱213,065,461	₱216,784,056
Final	**8,978,227**	6,381,578	6,695,118
	99,169,136	219,447,039	223,479,174
Deferred	**71,546,935**	7,406,522	(2,046,742)
	₱170,716,071	₱226,853,561	₱221,432,432

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense in the consolidated statements of comprehensive income is as follows:

	2015	2014	2013
Income before income tax	**₱1,420,678,616**	₱1,922,308,461	₱1,525,877,276
Tax calculated at 30% statutory rate	**₱426,203,585**	₱576,692,538	₱457,763,183
Adjustments for the tax effects of:			
Equity in net earnings of associates	**(302,912,871)**	(333,228,616)	(245,150,397)
Unrecognized NOLCO	**65,452,165**	40,399,423	5,479,453
Excess of OSD over itemized deductions	**(18,658,706)**	(56,549,861)	–
Interest income subject to final tax	**(8,686,576)**	(6,293,605)	(5,183,737)
Non-deductible expenses	**9,354,063**	4,513,032	10,472,475
Change in value of unrecognized deferred income tax assets	**46,356**	1,326,053	1,279,421
Gain on redemption of an equity interest subjected to final tax	**–**	–	(3,046,662)
Others	**(81,945)**	(5,403)	(181,304)
	₱170,716,071	₱226,853,561	₱221,432,432

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

	2015	2014
Deferred income taxes recognized in net income:		
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,329**	₱13,923,329
Pension liability	**7,645,375**	7,559,356
Unrealized foreign exchange loss	**100,325**	100,325
NOLCO	**–**	682,128
	21,669,029	22,265,138
Deferred income tax liabilities on:		
Unamortized debt issue costs	**(6,727,889)**	(7,881,225)
Unrealized foreign exchange gain	**(791,201)**	(932,023)
	(7,519,090)	(8,813,248)
Deferred income tax asset (liability) related to defined benefit obligation recognized as other comprehensive income	**(1,568,206)**	728,004
Net deferred income tax assets	**₱12,581,733**	₱14,179,894

The components of the Group's deferred income tax liabilities are as follows:

	2015	2014
Unrealized fair value gain on investment property	**₱99,740,267**	₱27,521,100
Accrued rent	**26,741**	924
Unrealized gain on AFS investments	**–**	53,400
	₱99,767,008	₱27,575,424

In 2015 and 2014, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2015	2014
NOLCO	**₱67,649,660**	₱44,976,177
Allowance for impairment losses	**–**	585,000
	67,649,660	45,561,177
MCIT	**207,827**	102,189
	₱67,857,487	₱45,663,366

NOLCO and MCIT as of December 31, 2015 and 2014 can be claimed as deduction against future taxable income and income tax due in the next three years until 2018 and 2017, respectively.

21. Equity

Capital Stock
There were no changes in the Parent Company's authorized, issued and outstanding shares as of December 31, 2015, 2014 and 2013.

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, 2015 and 2014, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,449, 1,467 and 1,481 stockholders as of December 31, 2015, 2014 and 2013, respectively, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

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

	2015	2014	2013
Date of declaration	**May 27, 2015**	June 25, 2014	June 21, 2013
Date of record	**June 9, 2015**	July 9, 2014	July 4, 2013
Date of payment	**July 3, 2015**	July 31, 2014	July 30, 2013
Dividends declared:			
Regular dividends	**₱192,921,585**	₱175,420,478	₱159,501,588
Special dividends	**75,019,375**	50,047,033	50,000,000
	₱267,940,960	₱225,467,511	₱209,501,588
Dividends per share	**₱0.2618**	₱0.2203	₱0.2047

Appropriation of Retained Earnings for Business Expansion
On December 20, 2013, a resolution was passed and duly approved by the BOD allowing the participation and investment by the Group in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1.9 billion to be used for future investments in these projects which was started in the first quarter of 2014 and are expected to be completed within the next three (3) years.

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

The BOD has determined, in a board meeting held on December 19, 2014, that the Group's operations require additional allocation as reserve for the investment in the two ongoing power plant projects in Visayas and Mindanao and a future investment in a new renewable power plant project also in the Visayas. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1.4 billion to be used for future investments in these projects which were implemented starting 2015 and are expected to be completed starting 2017.

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

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

Unappropriated Retained Earnings
The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱2.7 billion and ₱2.2 billion as at December 31, 2015 and 2014, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-Controlling Interests
In 2013, VMHI, a subsidiary, received deposits for future stock subscription amounting to ₱33.0 million from its shareholders with a view of applying the same as payment for additional issuance of stock. The equity attributable to non-controlling interest arising from the deposit amounted to ₱10.9 million. The deposits were converted to capital stock in 2014, upon SEC's approval of the increase in capital stock of VMHI.

In 2014, VMHI received additional cash for stock subscription amounting to ₱8.8 million. Of this amount, ₱2.9 million is attributable to non-controlling interests. In 2015, VMHI received cash amounting to ₱33.0 million as full payment of subscription, ₱10.9 million of which was contributed by non-controlling interests.

In 2013, HDFE, a subsidiary, declared the remaining 50% of its investment in VECO as property dividends. Such declaration decreased the non-controlling interests of the Group by ₱234.4 million (see Note 13).

22. Earnings Per Share (EPS)

The amounts of earnings per share are computed as follows:

	2015	2014	2013
Net income attributable to shareholders of the Parent Company	**₱1,052,735,864**	₱1,348,042,824	₱1,008,748,891
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.029**	₱1.317	₱0.986

There are no potential dilutive shares as of December 31, 2015, 2014 and 2013.

23. Contracts, Commitments and Contingencies

a. Interim Power Supply Agreements

On March 31, 2014, 1590 EC entered into an Interim Power Supply Agreement (IPSA) with Manila Electric Company (Meralco) to supply 140 MW for the period April 1 to June 30, 2014. On June 30, 2014, the Energy Regulatory Commission approved the extension of the IPSA to October 31, 2014. The IPSA was further extended until December 31, 2014. On October 30, 2014, it was further extended until July 25, 2015 under the same terms and conditions unless otherwise agreed upon. Total revenue from the IPSA with Meralco amounted to ₱1,324.6 million and ₱1,359.4 million as of December 31, 2015 and 2014, respectively.

On April 4, 2014, 1590 EC entered into a Contract to Purchase Generated Energy with Trans-Asia Oil and Energy Development Corporation (TAO) to supply 20MW for the period starting April 4 to June 25, 2014. The contract entered with TAO was extended for 1 month from June 26 to July 25, 2014. Total revenue from the IPSA with TAO amounted to ₱168.6 million and nil as of December 31, 2015 and 2014, respectively.

On October 17, 2014, 1590 EC entered into an IPSA with VECO to supply 30 MW for the period March 26 to June 25, 2015. Total revenue from the IPSA with VECO amounted to ₱147.4 million in 2015.

On July 9, 2015, 1590 EC entered into an IPSA with Clark Electric Distribution Corp. (CEDC) to supply up to 30 MW from trading intervals 1000H to 2100H during Mondays and Saturdays for the period August 8 to September 6, 2015, unless terminated earlier in accordance with the terms of the Agreement or extended by the parties. In 2015, total revenue from the IPSA with CEDC amounted to ₱45.0 million.

On September 7, 2015, 1590 EC entered into an IPSA with Pampanga II Electric Cooperative, Inc. (PELCO II) to supply up to 30 MW from trading intervals 1000H to 2100H during Mondays to Saturdays for the period September 17 to November 15, 2015, unless terminated earlier in accordance with the terms of the Agreement or extended by the parties. Total revenue from the IPSA amounted to ₱60.3 million in 2015.

b. Supply Agreement for Heavy Fuel and Purchased Power

On April 1, 2012, 1590 EC entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the entity's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and 1590 EC shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016.

Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱576.7 million, ₱1,275.7 million and ₱1,120.4 million in 2015, 2014 and 2013, respectively (see Note 17).

In 2015, 1590 EC entered into an agreement with TAO for the purchase of power at a contracted capacity of 10MW, dispatchable during intervals 10 to 21 from Mondays to Saturdays, for two (2) months, from March 26 to May 25, 2015. Purchased power from TAO amounted to ₱20.6 million and nil in 2015 and 2014, respectively.

c. Operating Leases - Group as Lessor

The Group entered into lease agreements with third parties to lease out its land and building classified under "Investment properties" in the consolidated statements of financial position (see Note 12).

The Group also leased out an office space to VECO (see Note 16). The lease agreement has no lease term and can be terminated upon mutual agreement of parties and upon 30 days prior written notice.

d. Participation in WESM

The revenue from sale of power recognized by 1590 EC amounting to ₱414.0 million in 2015, ₱1.7 billion in 2014 and ₱2.6 billion in 2013 were generated from its participation in the trading of electricity at the Wholesale Electricity Supply Market (WESM).

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013. Based on the WESM adjustment bills from PEMC for the said billing periods, the Group recorded a reduction in its 2013 revenue from sale of power by 1590 EC amounting to ₱2.1 billion. The Group also recognized as liabilities the collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills amounting to ₱378.7 million in 2013 (see Note 14).

On March 28, 2014, 1590 EC filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices. The Petition is still pending.

Amounts recognized in the consolidated statements of comprehensive income related to 1590 EC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱315.5 million, ₱189.8 million and ₱19.9 million in 2015, 2014 and 2013, respectively.

Trade receivable from WESM has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury Bill per annum on the past due receivables. Outstanding receivables from transactions with WESM amounted to ₱113.2 million and ₱84.0 million as of December 31, 2015 and 2014 respectively (see Note 7).

e. Operating Leases - Group as Lessee

On May 11, 2012, a MOA was entered into by 1590 EC and PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed by the Company and PGLU for the continued operation, preservation, maintenance and management of the BDPP. The MOA is for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, provided that it shall be renewed under the same terms and conditions set forth in the MOA for another one year. The new MOA provides for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed thereby extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term to December 31, 2018. All other terms and conditions remain.

In addition, the MOA stipulates for the payment by 1590 EC to PGLU of royalty fees equivalent to 1590 EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

Total rent expense from this operating lease amounted to ₱156.8 million, ₱153.0 million and ₱140.0 million in 2015, 2014 and 2013, respectively, and total royalty fees recognized in the consolidated statements of comprehensive income amounted to ₱15.7 million, ₱25.0 million and ₱12.7 million in 2015, 2014 and 2013, respectively (see Note 17).

f. Open Access Transmission Service

Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million and ₱2.5 million in 2015 and 2014, respectively.

g. Independent Power Producer Administration Agreement

On October 20, 2014, PSALM awarded VEC to be the IPP administrator of 17 MW out of the total contracted capacity of the Unified Leyte Geothermal Power Plant following an auction of strips of energy of the power plant. The Unified Leyte Geothermal Power Plant has an installed capacity of 240MW and is located in Malitbog, Southern Leyte. Under the IPP Administration Contract, VEC will pay PSALM monthly generation payments and fixed monthly fee to cover the administrative costs in the trading and settlement of the Strips in the WESM.

h. Energy Supply Agreement (ESA) with VECO

In October 2014, VEC entered into an energy supply agreement with VECO to supply 17,000 kW contract energy per month coming from the 17 strips of energy of the Unified Leyte Geothermal Power Plant. The agreement became effective on December 26, 2014 and is valid until July 25, 2021. Total revenue from the ESA with VECO amounted to ₱805.9 million in 2015 (see Note 16).

i. Contingencies

In 2015, 1590 EC received Preliminary Notices of Investigations from PEMC for alleged violations of Real Time Dispatch Schedule Deviations and the Must Offer Rule. It is the position of 1590 EC that the on-going investigations should not result in any penalties for the company because there are valid legal and technical reasons that explain and justify the alleged violations of the WESM rules.

The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. Financial Risk Management Objectives and Policies

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

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency 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 customer contract, leading to a financial loss. The Group 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, foreign exchange transactions 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.

Except for the trade receivables of 1590 EC from ALECO which is fully provided with allowance for impairment and portion of the receivables provided with allowance amounting to ₱34.1 million, management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱4,835.8 million and ₱5,108.1 million as of December 31, 2015 and 2014, respectively.

There are no significant concentrations of credit risk within the Group.

The following tables set out the aging analysis per class of financial assets that were past due but not impaired as of December 31:

	2015						
	Neither Past Due nor Impaired	Past Due But not Impaired					
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱4,067,920,800	₱–	₱–	₱–	₱–	₱–	₱4,067,920,800
Trade and other receivables	206,525,089	78,133,944	8,278,346	1,172,730	58,010,783	34,458,046	386,578,938
Advances to associates and stockholders	1,732,089	381,317	177,539	578,964	15,156,009	–	18,025,918
Advances to other parties (under "Prepayments and other current assets")	555,131,336	–	–	–	–	–	555,131,336
Due from RFM Corporation under "Other noncurrent assets"	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other noncurrent assets")	775,000	–	–	–	–	–	775,000
AFS Investments	3,750,631	–	–	–	–	–	3,750,631
	₱4,835,834,945	₱78,515,261	[illegible]885	₱1,75[illegible]694	₱73,166,792	₱80,536,109	₱5,078,260,686

	2014						
	Neither	Past Due But not Impaired					
	Past Due nor Impaired	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱4,859,530,626	₱–	₱–	₱–	₱–	₱–	₱4,859,530,626
Trade and other receivables	1,512,402	63,634,623	868,242	1,252,147	71,249,049	34,458,046	172,974,509
Advances to associates and stockholders	39,035,941	–	–	353,000	1,541,943	–	40,930,884
Advances to other parties (under "Prepayments and other current assets")	203,673,372	–	–	–	–	–	203,673,372
Due from RFM Corporation under "Other noncurrent assets"	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other noncurrent assets")	775,000	–	–	–	–	–	775,000
AFS Investments	4,324,131	–	–	–	–	–	4,324,131
	₱5,108,851,472	₱63,634,623	₱868,242	₱1,605,147	₱72,790,992	₱80,536,109	₱5,328,286,585

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2015				
		Neither Past Due nor Impaired			**Past Due or Individually**
	Total	**High Grade**	**Standard**	**Substandard**	**Impaired**
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	**₱4,067,920,800**	**₱4,067,920,800**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**386,578,938**	**206,525,089**	–	–	**180,053,849**
Advances to associates and stockholders	**18,025,918**	**1,732,089**	–	–	**16,293,829**
Advances to other parties (under "Prepayments and other current assets")	**555,131,336**	**555,131,336**	–	–	–
Due from RFM Corporation (under "Other noncurrent assets")	**46,078,063**	–	–	–	**46,078,063**
Restricted cash (under "Other noncurrent assets")	**775,000**	**775,000**	–	–	–
AFS Investments	**3,750,631**	**3,750,631**	–	–	–
	₱5,078,260,686	**₱4,835,834,945**	**₱–**	**₱–**	**₱242,425,741**

	2014				
		Neither Past Due nor Impaired			Past Due or Individually
	Total	High Grade	Standard	Substandard	Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱4,859,530,626	₱4,859,530,626	₱–	₱–	₱–
Trade and other receivables	172,974,509	1,512,402	–	–	171,462,107
Advances to associates and stockholders	40,930,884	39,035,941	–	–	1,894,943
Advances to other parties (under "Prepayments and other current assets")	203,673,372	203,673,372	–	–	–
Due from RFM Corporation (under "Other noncurrent assets")	46,078,063	–	–	–	46,078,063
Restricted cash (under "Other noncurrent assets")	775,000	775,000	–	–	–
AFS Investments	4,324,131	4,324,131	–	–	–
	₱5,328,286,585	₱5,108,851,472	₱–	₱–	₱219,435,113

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

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Trade and Other Receivables* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Group.

- *Advances to Associates and Stockholders* - high grade since these pertains to advances to related parties who are consistent in the payment of its accounts.

- *AFS Investments* - high grade since these pertains to investments in AFS securities, which include listed shares of companies with good credit standing.

Liquidity Risk

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

The Group 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 Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

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

	2015					
		Contractual Undiscounted Payments				
	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets						
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand)	₱4,067,920,800	₱4,067,920,800	₱4,061,567,003	₱6,353,797	₱–	₱–
Trade and other receivables	352,120,892	352,120,892	327,078,866	24,682,181	359,845	–
Advances to associates and stockholders	18,025,919	18,025,919	15,697,217	2,328,702	–	–
Advances to other parties (under "Prepayments and other current assets")	555,131,336	555,131,336	–	552,827,723	2,303,613	–
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	–
Restricted cash (under "Other noncurrent assets")	775,000	775,000	–	–	775,000	–
AFS Investments	3,750,631	3,750,631	3,750,631	–	–	–
	4,997,724,578	4,997,724,578	4,408,218,717	586,842,403	2,663,458	–
Financial Liabilities						
Other financial liabilities:						
Trade and other payables*	1,383,546,695	1,383,546,695	1,347,970,540	35,576,155	–	–
Short-term note payable	33,000,000	33,000,000	–	33,000,000	–	–
Long-term note payable	2,947,573,704	3,785,086,583	–	193,415,331	757,352,851	2,834,318,401
Advances from related parties	113,052,117	113,052,117	82,140,569	30,911,548	–	–
	4,477,172,516	5,314,685,395	1,463,111,109	259,903,034	757,352,851	2,834,318,401
Net Financial Assets (Liabilities)	₱520,552,062	(₱316,960,817)	₱2,945,107,608	₱326,939,369	(₱754,689,393)	(₱2,834,318,401)

**Excluding statutory payables and unearned income*

		2014				
		Contractual Undiscounted Payments				
	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets						
Loans and receivables:						
Cash and cash equivalents (excluding cash on hand)	₱4,859,530,626	₱4,859,530,626	₱4,859,530,626	₱–	₱–	₱–
Trade and other receivables	138,516,463	138,516,463	–	138,516,463	–	–
Advances to associates and stockholders	40,930,884	40,930,884	–	40,930,884	–	–
Advances to other parties (under "Prepayments and other current assets")	203,673,372	203,673,372	–	203,673,372	–	–
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	–
Restricted cash (under "Other noncurrent assets")	775,000	775,000	–	650,000	125,000	–
AFS Investments	4,324,131	4,324,131	–	4,324,131	–	–
	5,247,750,476	5,247,750,476	4,859,530,626	388,094,850	125,000	–
Financial Liabilities						
Other financial liabilities:						
Trade and other payables*	1,162,103,152	1,162,103,152	231,261,864	930,841,288	–	–
Long-term note payable	2,973,729,250	3,980,163,624	–	195,077,041	763,999,691	3,021,086,892
Advances from related parties	115,486,477	115,486,477	–	115,486,477	–	–
	4,251,318,879	5,257,753,253	231,261,864	1,241,404,806	763,999,691	3,021,086,892
Net Financial Assets (Liabilities)	₱996,431,597	(₱10,002,777)	₱4,628,268,762	(₱853,309,956)	(₱763,874,691)	(₱3,021,086,892)

**Excluding statutory payables and unearned income*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The Group recognized net foreign exchange loss of ₱0.3 million and net foreign exchange gain of ₱4.3 million and ₱3.0 million on its foreign currency transactions in 2015, 2014 and 2013, respectively.

The tables below demonstrate the sensitivity to a reasonable possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2015 and 2014.

	Change in Philippine Peso to US Dollar	
	3.29% Appreciation	2.89% Depreciation
Effect in income before income tax:		
2015	**₱723,423**	**(₱635,469)**
2014	2,737,770	(2,404,910)

	Change in Philippine Peso to Euro	
	4.34% Appreciation	4.94% Depreciation
Effect in income before income tax:		
2015	**(₱1,163)**	**₱1,324**
2014	(1,185)	1,349

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2015		
	USD	**EUR**	**Php Equivalent**
Asset			
Cash	**US$1,402,988**	**€518**	**₱66,051,456**
Liability			
Accruals	**1,870,233**	**–**	**88,013,166**
	(US$467,245)	**€518**	**(₱21,961,710)**

	2014		
	USD	EUR	Php Equivalent
Asset			
Cash	US$2,310,034	€502.63	₱103,378,233
Liability			
Accruals	US$4,170,000	–	185,598,568
	(US$1,859,966)	€502.63	(₱82,220,335)

The December 31 exchange rate used follows:

	2015	2014
US Dollar	**₱47.06 to US$1**	₱44.74 to US$1
Euro Dollar	**₱51.74 to €1**	₱54.34 to €1

Fair Value of Financial Instruments

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 Group uses the following hierarchy for determining the fair value of financial instruments:

- 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.

As of December 31, 2015 and 2014, the carrying values of the Group's financial instruments, except for the long-term notes payable, approximate fair values due to their relatively short-term maturity. The Group considers the notes payable with fair value of ₱3.2 billion and ₱3.3 billion as of December 31, 2015 and 2014, respectively, under Level 2 classification.

The Group's investment properties, which are classified under Level 3, are measured at fair value. As of December 31, 2015 and 2014, there were no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 2 Fair Values
The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 2 of the fair value hierarchy as at December 31:

Description	Fair Value as of December 31, 2015	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱3,182,938,807	Discounted Cash Flow Approach	Risk-free interest rate	2.43%–4.27% (3.88%)

Description	Fair Value as of December 31, 2014	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱3,310,440,177	Discounted Cash Flow Approach	Risk-free interest rate	2.33%–3.67% (3.45%)

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its AFS investments and investment properties during the year.

Highest and Best Use
As at December 31, 2015 and 2014, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy:

		2015		
		Fair Value Measurement Using		
	Total	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets Measured at Fair Value				
Investment properties (see Note 12):				
Land	**₱511,423,557**	**₱–**	**₱–**	**₱511,423,557**
Buildings and improvements	**3,378,000**	**–**	**–**	**3,378,000**
	₱514,801,557	**₱–**	**₱–**	**₱514,801,557**

		2014		
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
AFS Investments (see Note 10)	₱574,131	₱574,131	₱–	₱–
Investment properties (see Note 12):				
Land	270,103,000	–	–	270,103,000
Buildings and improvements	3,968,000	–	–	3,968,000
	₱274,645,131	₱–	₱–	₱274,071,000

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income, amounted to ₱240.7 million in 2015 and nil in 2014 and 2013 (see Note 12). Unrealized gain on AFS investments recognized in the consolidated statements of comprehensive income ₱0.2 million in 2014. The Group did not recognize any unrealized gain on AFS investments in 2015 and 2013. All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

As of December 31, 2015, the Group does not have liabilities measured at fair value. There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Value
The tables below present the following for each class of the Group's investment properties as of December 31, 2015 and 2014 (see Note 12):

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

		2015		
Class of Property	**Fair Value**	**Valuation Technique**	**Key Unobservable Inputs**	**Range**
Investment properties (see Note 12):				
Land	**₱511,423,557**	**Sales Comparison Approach**	**Price per square meter**	**₱2,100–₱36,500**
Buildings	**3,378,000**	**Cost Approach**	**Reproduction cost**	**400,000–1,728,000**

		2014		
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱270,103,000	Sales Comparison Approach	Price per square meter	₱787–₱34,920
Buildings	3,968,000	Cost Approach	Reproduction cost	488,000–1,882,000

Descriptions and Definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 of the Hierarchy

- *Land.* Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

- *Buildings and Improvements.* Significant increases (decreases) in the reproduction cost in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2015, 2014 and 2013.

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

Gearing ratios of the Group as of December 31 are as follows:

	2015	2014
Notes payable	**₱2,980,573,704**	₱2,973,729,250
Less: Cash and cash equivalents	**4,068,285,801**	4,859,530,626
Net cash and cash equivalents (a)	**(1,087,712,097)**	(1,885,801,376)
Equity	**8,430,441,480**	7,632,017,464
Equity and net cash and cash equivalents (b)	**₱7,342,729,383**	₱5,746,216,088
Gearing ratio (a/b)	**(0.15):1.00**	(0.33):1.00

25. Operating Segment Information

The Group is currently organized into two operating segments: power generation and distribution operations and investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution
1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. VEC is the IPP administrator of 17 MW contracted capacity of ULGPP wherein energy generated is covered under an energy supply agreement with VECO. VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively (see Note 1). VII and VGPC were incorporated in 2014 and VIDC was incorporated in 2015, which companies are intended to undertake various power generation activities of the Group.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

Investing in Shares of Stock
As disclosed in Note 1, except for 1590 EC, VEC, VMHI, Core, VII and VGPC, the Parent Company and all other subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

The segment results for the years ended December 31 follow:

	2015		
	Power Generation and Distribution	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱1,844,105,327	₱–	₱1,844,105,327
Revenue from inter-segment, associates and affiliates	1,481,919,789	1,129,654,986	2,611,574,775
Equity in net earnings of associates and joint ventures	1,009,709,570	–	1,009,709,570
Interest income	8,493,306	51,254,209	59,747,515
Inter-segment revenues	(528,599,746)	(980,610,640)	(1,509,210,386)
	3,815,628,246	200,298,555	4,015,926,801
Income from operations	888,760,696	459,158,307	1,347,919,003
Gain on fair value remeasurement of investment properties	–	240,730,557	240,730,557
Finance cost	(2,802,602)	(170,030,841)	(172,833,443)
Foreign exchange loss	(302,360)	–	(302,360)
Other income (expense)	(2,867,655)	8,032,514	5,164,859
Income before income tax	882,788,079	537,890,537	1,420,678,616
Income tax expense	(89,829,890)	(80,886,181)	(170,716,071)
Net income for 2015	₱792,958,189	₱457,004,356	₱1,249,962,545

	2014		
	Power Generation and Distribution	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱3,207,748,349	₱–	₱3,207,748,349
Revenue from inter-segment, associates and affiliates	681,782,147	1,638,090,348	2,319,872,495
Equity in net earnings of associates and joint ventures	1,110,762,054	–	1,110,762,054
Interest income	8,483,847	42,229,098	50,712,945
Inter-segment revenues	(681,782,147)	(1,499,174,433)	(2,180,956,580)
	4,326,994,250	181,145,013	4,508,139,263
Income from operations	921,033,221	1,073,615,666	1,994,648,887
Finance cost	–	(140,546,624)	(140,546,624)
Foreign exchange gain	4,269,158	–	4,269,158
Other income (expense)	54,737,097	9,199,943	63,937,040
Income before income tax	980,039,476	942,268,985	1,922,308,461
Income tax expense	(211,210,515)	(15,643,046)	(226,853,561)
Net income for 2014	₱768,828,961	₱926,625,939	₱1,695,454,900

	2013		
	Power Generation and Distribution	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱2,593,003,368	₱–	₱2,593,003,368
Revenue from inter-segment, associates and affiliates	–	2,471,055,848	2,471,055,848
Equity in net earnings of associates and joint ventures	817,167,990	–	817,167,990
Interest income	8,677,984	24,914,968	33,592,952
Inter-segment revenues	–	(2,304,004,049)	(2,304,004,049)
	3,418,849,342	191,966,767	3,610,816,109
Income from operations	755,376,797	789,785,524	1,545,162,321
Finance cost	–	(17,210,327)	(17,210,327)
Foreign exchange gain	2,951,800	–	2,951,800
Gain on redemption of an equity interest in an associate	–	10,155,539	10,155,539
Other expense	(1,013,045)	(14,169,012)	(15,182,057)
Income before income tax	757,315,552	768,561,724	1,525,877,276
Income tax expense	(203,292,588)	(18,139,844)	(221,432,432)
Net income for 2013	₱554,022,964	₱750,421,880	₱1,304,444,844

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Of the Group's total revenues, about 44% and 18% pertains to energy fees in 2015, 71% and nil in 2014, and 54% and nil in 2013, of 1590 EC and VEC, respectively.

In 2015, revenue from sale of power to two major customers amounted to ₱2.1 billion, representing 75% of the total revenue from sale of power. In 2014, revenue from sale of power from a single customer amounted to ₱1.4 billion, representing 45% of the total revenue from sale of power. In 2013, 100% of revenue from sale of power is derived from trading at WESM, an external customer.

Geographical business information is not required since the Group has only one geographical segment as all of its assets are located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

		2015	
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱6,500,617,070**	**₱7,189,319,982**	**₱13,689,937,052**
Liabilities	**1,634,795,271**	**3,117,077,207**	**4,751,872,478**
Capital expenditures	**4,865,821,799**	**4,072,242,775**	**8,938,064,574**

		2014	
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱1,676,195,418	₱10,781,208,787	₱12,457,404,205
Liabilities	1,331,968,721	3,134,807,659	4,466,776,380
Capital expenditures	344,226,697	7,646,401,128	7,990,627,825

		2013	
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱2,340,743,316	₱6,392,929,884	₱8,733,673,200
Liabilities	1,677,380,531	89,533,163	1,766,913,694
Capital expenditures	663,362,785	6,303,396,721	6,966,759,506

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2015, 2014 and 2013 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2015	**₱35,643,824**	**₱14,696,640**	**₱50,340,464**
2014	8,217,035	13,337,375	21,554,410
2013	5,017,257	8,382,012	13,399,269

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Items	Amount
Unappropriated Retained Earnings, Beginning	₱391,349,824
Adjustment:	
Deferred income tax assets that reduced the amount of provision for income tax	(21,169,611)
Unappropriated Retained Earnings, as Adjusted, Beginning	370,180,213
Net Income Based on the Face of AFS	575,053,373
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	–
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	(114,515)
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	–
Deferred income tax liability that increased the amount of provision for income tax	2,069,850
Net Income Actual/Realized	577,008,708
Add (Less)	
Dividend declarations during the period	(267,940,960)
Appropriations of retained earnings during the period	(534,000,000)
Reversals of appropriations	851,200,000
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱996,447,961

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

RECEIVABLES, AVAILABLE-FOR-SALE INVESTMENTS AND OTHER SHORT-TERM INVESTMENTS

DECEMBER 31, 2015

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and receivables:				
Cash and cash equivalents	–	₱4,068,285,801	₱4,068,285,801	₱59,747,515
Trade and other receivables:				
Trade receivables	–	208,599,589	208,599,589	–
Accounts receivable	–	14,352,182	14,352,182	–
Accrued interest	–	4,228,650	4,228,650	–
Advances to officers and employees	–	8,755,973	8,755,973	–
Dividends receivable	–	132,572,000	132,572,000	–
Others	–	8,640,772	8,640,772	–
		377,149,166	377,149,166	2,956,014,363
Advances to associates and stockholders	–	31,167,018	31,167,018	–
Available-for-sale investments:				
Cebu Country Club, Inc.	–	3,400,000	3,400,000	–
Tower Club, Inc.	–	300,000	300,000	–
INCA Plastic Philippines	–	50,000	50,000	–
Others	–	631	631	–
	–	3,750,631	3,750,631	11,100
Total financial assets	–	₱4,480,352,616	₱4,480,352,616	₱3,015,772,978

See Notes 6, 7, 8, 13 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES) DECEMBER 31, 2015

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Amlan Hydroelectric Power Corporation	₱18,089,127	₱180,273	₱ (3,233,541)	₱–	₱15,035,859	₱–	₱15,035,859
Calamian Islands Power Corp.	7,939,107	10,133,640	(4,362,500)	–	13,710,247	–	13,710,247
Cebu Private Power Corporation	–	185,403,750	(115,804,995)	–	69,598,755	–	69,598,755
Delta P, Inc.	167,810	83,218,146	(9,841,431)	–	73,544,525	–	73,544,525
Minergy Power Corporation	299,814	589	(520)	–	299,883	–	299,883
Vivant-Sta. Clara Northern Renewables Generation Corporation	18,228,488	12,289,317	(28,604,460)	–	1,913,345	–	1,913,345
Prism Energy, Inc.	1,532,400	–	–	–	1,532,400	–	1,532,400
Visayan Electric Company, Inc.	2,814,588	845,048,575	(767,462,557)	–	80,400,606	–	80,400,606
Advances to officers and employees	6,313,806	2,442,167	–	–	8,755,973	–	8,755,973
	₱55,385,140	₱1,138,716,457	₱ (929,310,004)	₱–	₱264,791,593	₱–	₱264,791,593

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2015

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Vivant Energy Corporation	₱364,613	₱907,310	₱–	₱–	₱1,271,923	₱–	₱1,271,923
Hijos de F. Escaño, Inc.	60,198	844,620	(900,198)	–	4,620	–	4,620
Vivant Geo Power Corp.	120,410	6,705	(120,504)		6,611	–	6,611
Vics-Amlan Holdings Corp.	21,025,946	4,967	(575)	–	21,030,338	–	21,030,338
Vivant Isla Inc.	63,244	6,000	(282)		68,962	–	68,962
VC Ventures Net, Inc.	1,366	9,936,027	(4,845)	–	9,932,548	–	9,932,548
1590 Energy Corp.	58,076,724	56,558,677	(112,332,405)	–	2,302,996	–	2,302,996
Vivant Renewable Energy Corporation	1,891	589,275	(583,563)	–	7,603	–	7,603
Vivant -Malogo Hydropower, Inc.	152,139	2,063,335	(2,198,026)	–	17,448	–	17,448
Corenergy Inc.	926	8,106	(926)	–	8,106	–	8,106
Vivant Integrated Generation Corporation	75,485	30,253	(90,116)	–	15,622	–	15,622
Vivant Integrated Diesel Corporation	–	12,369	(9,192)		3,177	–	3,177
	₱79,942,942	₱70,967,644	(₱116,240,632)	₱–	₱34,669,954	₱–	₱34,669,954

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2015

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	₱42,559,451	₱–	₱–	₱–	₱–	₱42,559,451
Software cost	2,957,834	930,837	(1,914,664)	–	–	1,974,007
	₱45,517,285	₱930,837	(₱1,914,664)	₱–	₱–	₱44,533,458

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2015

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱2,970,000,000	₱30,000,000	₱2,940,000,000
Unamortized debt issue cost	(22,426,296)	(4,010,975)	(18,415,321)
	2,947,573,704	25,989,025	2,921,584,679
Pension liability	14,770,643	–	14,770,643
	₱2,962,344,347	₱25,989,025	₱2,936,355,322

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2015

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
– Not applicable –	– Not applicable	

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2015

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –		– Not applicable –		

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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2015

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,698	–	892,911,763	–	130,544,935

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

AS OF DECEMBER 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		

**Not early adopted*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 9: Hedge Accounting			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	See footnote*		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	See footnote*		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts	See footnote*		

**Effective Subsequent to December 31, 2015*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1 (Revised): Disclosure Initiative	See footnote*		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants	See footnote*		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation	See footnote*		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			
PAS 23	Borrowing Costs	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
(Revised)				
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Revised)	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Revised): Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27 (Amended): Equity Method in Separate Financial Statements	See footnote*		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28 (Amended): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PAS 28 (Amended): Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets			
	Amendments to PAS 36: Recoverable Amount			

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Disclosures for Non-Financial Assets			
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 41: Bearer Plants			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*			
IFRIC 5	Rights to Interests arising from Decommissioning			

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Restoration and Environmental Rehabilitation Funds			
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			

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**Effective Subsequent to December 31, 2015*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

**Effective Subsequent to December 31, 2015*