COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 1 7 5 2 2 2

COMPANY NAME

VIVANT CORPORATION

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

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
AAFS	CRMD	N/A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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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.*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements 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.

Unit 907-908, 9th Floor, Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City, Philippines 6000
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Biliran Road
Cebu Business Park
Cebu City
6000 Cebu, Philippines

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

BOA/PRC Reg. No. 0001,
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

Report on the Parent Company Financial Statements

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

Management's Responsibility for the Parent Company Financial Statements

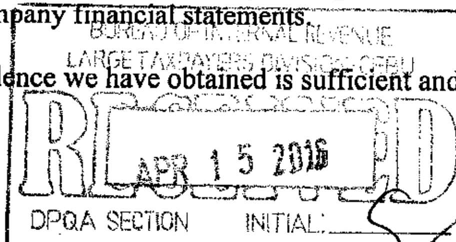
Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements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

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company 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 parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company 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 parent company financial statements present fairly, in all material respects, the financial position of Vivant Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

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

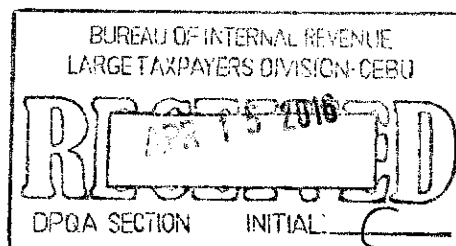
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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



VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱3,268,062,021**	₱4,014,543,879
Trade and other receivables (Note 7)	**43,275,067**	80,646,950
Prepaid expenses and other current assets (Note 8)	**51,132,906**	26,830,773
Total Current Assets	**3,362,469,994**	4,122,021,602
Noncurrent Assets		
Investments and advances to a subsidiary (Note 9)	**4,117,518,833**	3,083,850,729
Property and equipment (Note 10)	**50,247,999**	46,315,892
Deferred income tax assets - net (Note 16)	**12,376,911**	13,386,520
Other noncurrent assets (Note 11)	**5,553,095**	4,944,239
Total Noncurrent Assets	**4,185,696,838**	3,148,497,380
TOTAL ASSETS	**₱7,548,166,832**	₱7,270,518,982
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 13)	**₱25,989,025**	₱26,155,546
Trade and other current liabilities (Note 12)	**40,536,870**	41,231,712
Total Current Liabilities	**66,525,895**	67,387,258
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**2,921,584,679**	2,947,573,704
Pension liability (Note 15)	**14,183,958**	22,066,966
Total Noncurrent Liabilities	**2,935,768,637**	2,969,640,670
Total Liabilities	**3,002,294,532**	3,037,027,928
Equity		
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Remeasurement of employee benefits (Note 15)	**4,829,652**	(439,181)
Retained earnings (Note 17)		
Appropriated for business expansion	**2,493,584,261**	2,810,784,261
Unappropriated	**1,015,662,237**	391,349,824
Total Equity	**4,545,872,300**	4,233,491,054
TOTAL LIABILITIES AND EQUITY	**₱7,548,166,832**	₱7,270,518,982

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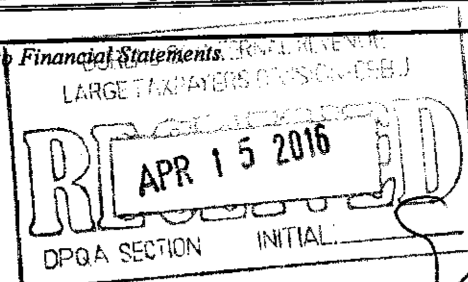
See accompanying Notes to Financial Statements.

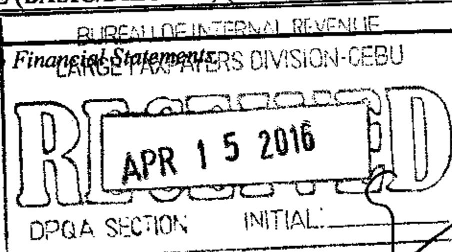


VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
INCOME			
Dividend income (Note 9)	**₱633,145,640**	₱1,083,234,433	₱1,429,010,710
Management fees (Note 14)	**181,209,346**	220,755,915	227,298,418
Reversal of allowance for impairment loss on investment (Note 9)	**122,468,104**	–	–
Interest income (Note 6)	**46,035,016**	33,403,947	17,429,559
Others (Note 14)	**10,442,065**	9,640,105	4,230,700
	993,300,171	1,347,034,400	1,677,969,387
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	**103,556,585**	63,327,227	58,300,021
Professional fees (Note 14)	**54,323,131**	79,093,701	78,895,504
Travel	**16,602,040**	12,767,692	11,417,648
Depreciation (Note 10)	**14,200,552**	11,975,643	8,187,477
Rent and association dues	**6,228,328**	3,872,991	4,558,566
Taxes and licenses	**5,485,908**	1,903,517	2,013,148
Supplies	**5,235,699**	2,709,679	4,449,029
Communication and utilities	**3,831,987**	3,653,313	2,638,775
Director's per diem	**3,749,245**	3,588,302	3,118,219
Repairs and maintenance	**3,127,901**	870,918	2,248,805
Corporate social responsibility	**3,115,981**	1,855,165	1,484,457
Entertainment, amusement and recreation	**3,044,982**	3,254,177	2,002,498
Meetings and conferences	**611,578**	639,566	951,336
Impairment loss on investment (Note 9)	**–**	618,701,560	–
Others	**11,152,819**	3,451,059	8,725,546
	234,266,736	811,664,510	188,991,029
INCOME FROM OPERATIONS	**759,033,435**	535,369,890	1,488,978,358
FINANCE CHARGES			
Interest expense (Note 13)	**170,030,841**	136,993,330	11,318,163
Other financing charges	**6,173,102**	2,197,688	–
	176,203,943	139,191,018	11,318,163
INCOME BEFORE INCOME TAX	**582,829,492**	396,178,872	1,477,660,195
PROVISION FOR INCOME TAX (Note 16)	**7,776,119**	13,522,618	15,640,865
NET INCOME	**575,053,373**	382,656,254	1,462,019,330
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 15)	**7,526,904**	24,761	(363,329)
Income tax effect	**(2,258,071)**	(7,428)	108,999
Other comprehensive income (loss) for the year, net of tax	**5,268,833**	17,333	(254,330)
TOTAL COMPREHENSIVE INCOME	**₱580,322,206**	₱382,673,587	₱1,461,765,000
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱0.562**	₱0.374	₱1.429

See accompanying Notes to Financial Statements.



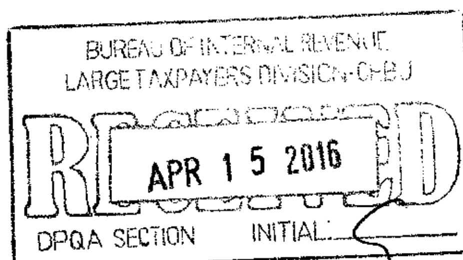
VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

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

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2015	₱1,023,456,698	₱8,339,452	(₱439,181)	₱2,810,784,261	₱391,349,824	₱4,233,491,054
Total comprehensive income	–	–	5,268,833	–	575,053,373	580,322,206
Appropriation for business expansion	–	–	–	534,000,000	(534,000,000)	–
Reversal of appropriation for business expansion	–	–	–	(851,200,000)	851,200,000	–
Cash dividends declared	–	–	–	–	(267,940,960)	(267,940,960)
At December 31, 2015	₱1,023,456,698	₱8,339,452	₱4,829,652	₱2,493,584,261	₱1,015,662,237	₱4,545,872,300
At January 1, 2014	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	₱1,188,469,051	₱4,076,284,978
Total comprehensive income	–	–	17,333	–	382,656,254	382,673,587
Appropriation for business expansion	–	–	–	1,446,242,399	(1,446,242,399)	–
Reversal of appropriation for business expansion	–	–	–	(491,934,429)	491,934,429	–
Cash dividends declared	–	–	–	–	(225,467,511)	(225,467,511)
At December 31, 2014	₱1,023,456,698	₱8,339,452	(₱439,181)	₱2,810,784,261	₱391,349,824	₱4,233,491,054
At January 1, 2013	₱1,023,456,698	₱8,339,452	(₱202,184)	₱–	₱1,792,427,600	₱2,824,021,566
Total comprehensive income	–	–	(254,330)	–	1,462,019,330	1,461,765,000
Appropriation for business expansion	–	–	–	1,856,476,291	(1,856,476,291)	–
Cash dividends declared	–	–	–	–	(209,501,588)	(209,501,588)
At December 31, 2013	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	₱1,188,469,051	₱4,076,284,978

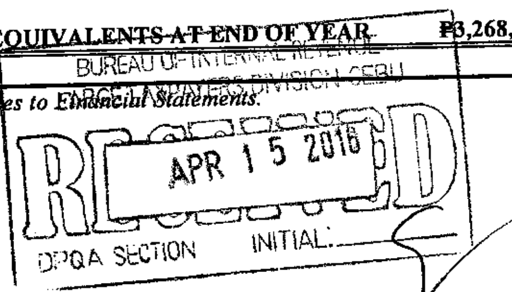
See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱582,829,492**	₱396,178,872	₱1,477,660,195
Adjustments for:			
Dividend income (Note 9)	**(633,145,640)**	(1,083,234,433)	(1,429,010,710)
Interest expense (Note 13)	**170,030,841**	136,993,330	11,318,163
Reversal of allowance for impairment loss on investment (Note 9)	**(122,468,104)**	–	–
Interest income (Note 6)	**(46,035,016)**	(33,403,947)	(17,429,559)
Depreciation (Note 10)	**14,200,552**	11,975,643	8,187,477
Pension expense (Note 15)	**7,706,704**	8,956,894	6,774,963
Gain on disposal of property and equipment (Note 10)	**(1,020,345)**	–	–
Unrealized foreign exchange loss (gain)	**(64,626)**	215,205	(300,293)
Impairment loss on investment (Note 9)	**–**	618,701,560	–
Operating income (loss) before working capital changes	**(27,966,142)**	56,383,124	57,200,236
Decrease (increase) in:			
Trade and other receivables	**44,071,617**	96,636,080	19,994,092
Prepaid expenses and other current assets	**(24,348,489)**	(20,258,435)	(2,926,063)
Increase (decrease) in trade and other current liabilities	**630,055**	(33,668,887)	10,869,379
Net cash generated from (used in) operations	**(7,612,959)**	99,091,882	85,137,644
Interest paid	**(167,836,907)**	(107,992,529)	(11,318,163)
Contributions to the retirement fund (Note 15)	**(8,062,808)**	(5,589,786)	–
Income tax paid (Note 16)	**–**	(1,948,940)	(12,419,381)
Net cash flows from (used in) operating activities	**(183,512,674)**	(16,439,373)	61,400,100
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and an associate (Note 9)	**627,982,256**	1,083,234,433	1,255,058,266
Interest received	**35,920,441**	25,553,420	14,084,691
Additions to:			
Investments and advances to a subsidiary (Note 9)	**(911,200,000)**	(888,842,450)	(200,000)
Property and equipment (Note 10)	**(18,467,185)**	(12,951,567)	(19,832,279)
Other noncurrent assets	**(608,856)**	(360,001)	(452,326)
Proceeds from disposal of property and equipment	**954,871**	–	–
Net cash flows from (used in) investing activities	**(265,418,473)**	206,633,835	1,248,658,352
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 13)	**–**	3,000,000,000	22,200,989
Payments of:			
Cash dividends (Note 17)	**(267,615,337)**	(225,043,657)	(209,383,704)
Notes payable (Note 13)	**(30,000,000)**	–	(387,200,989)
Debt issue costs (Note 13)	**–**	(29,567,922)	–
Proceeds from (settlement of) related party financing (Notes 12 and 14)	**–**	(171,003,646)	139,310,467
Net cash flows from (used in) financing activities	**(297,615,337)**	2,574,384,775	(435,073,237)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(746,546,484)**	2,764,579,237	874,985,215
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**64,626**	(215,205)	300,293
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,014,543,879**	1,250,179,847	374,894,339
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱3,268,062,021**	₱4,014,543,879	₱1,250,179,847

See accompanying Notes to Financial Statements.



VIVANT CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2015, 2014 and in 2013. MRC and JDC are entities incorporated and domiciled in the Philippines.

The principal office address of the Parent Company is located at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue Corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2015 and 2014 are shown below:

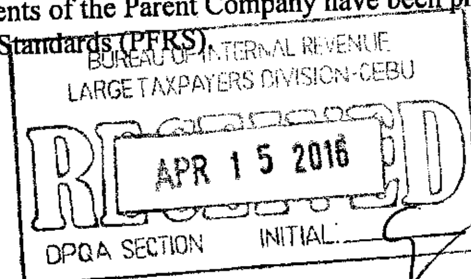
	Percentage of Direct Ownership
Subsidiaries	
Hijos De F. Escaño (HDFE)	50.94
VC Ventures Net, Inc. (VNI)	100.00
Vivant Energy Corporation (VEC)	100.00
Associates	
Visayan Electric Company, Inc. (VECO)	34.81
Prism Energy, Inc. (PEI)	40.00

The parent company financial statements as of and for the years ended December 31, 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 financial statements of the Parent Company have been prepared on a historical cost basis and are presented in Philippine Peso, the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

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



3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards which were applied starting 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 Parent Company 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 Parent Company 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 performance condition must contain a service condition;
  - A performance target must be met while the counterparty is rendering service;
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
  - A performance condition may be a market or non-market condition; and,
  - 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 Parent Company 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 Parent Company 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:

  - 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'.

  - 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 Parent Company since its property and equipment are carried at cost and it does not have intangible assets.

- 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 Parent Company 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 Parent Company. 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:

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

  The Parent Company 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 Parent Company'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 Parent Company's financial position or performance.

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

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 Parent Company.

- 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 Parent Company 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 Parent Company 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; and,

- 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company. 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 Parent 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 Parent Company.

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

Financial instruments are classified as 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 Parent Company 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 parent company statement 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 the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

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

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Parent Company 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 Parent Company 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 parent company statement of comprehensive income.

As of December 31, 2015 and 2014, the Parent Company has AFS investments (see Note 11).

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.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability.

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of theParent Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statement of comprehensive income.

Impairment of Financial Assets. The Parent Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

  The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Parent Company.

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

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

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

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

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

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

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

Cash and Cash Equivalents

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

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

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

Depreciation 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, buildings and improvements	5–40
Leasehold improvements	3–10
Office furniture and equipment	2–10
Transportation equipment	5
Other equipment	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.

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

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

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

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

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

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. The Parent Company 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.

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

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

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

- *Other Income.* Revenue is recognized when earned. Other income mainly consists of intercompany charges, rental income and proceeds from disposal of property and equipment. Revenue from intercompany charges are recognized when the related services are rendered based on agreed hourly billing rates. Rental income is recognized on a straight-line basis over the term of the lease.

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

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

Provisions
Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the parent company statement of comprehensive income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

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

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

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

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

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

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

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

Income Taxes

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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 parent company 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).

- *Company as a Lessor.* Leases where the Parent Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

- *Company as a Lessee.* Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the parent company 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 balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of denominated monetary assets and liabilities are credited or charged to current operations.

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

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

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

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

As of December 31, 2015 and 2014, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company 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 Parent Company 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 Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the

parent company statement of comprehensive income and parent company statement of changes in equity.

Where the fair value of the financial assets and financial liabilities recorded in the parent company 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 parent company financial statements.

As of December 31, 2015 and 2014, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate their fair values due to their relatively short-term maturity (see Note 19).

Determining Operating Lease Commitments. The Parent Company leased part of its office space to one of its associates. The Parent Company has determined that all significant risks and rewards of ownership from the property remain with the lessor.

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

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Impairment of Receivables. The Parent Company maintains allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectability of the accounts. These factors include, but are not limited to, the Parent Company's relationship with its clients, client's current credit status and other known market factors. The Parent Company 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 Parent Company made different judgment or utilized different estimates. An increase in the Parent Company's allowance for impairment will increase the Parent Company's recorded expenses and decrease current assets.

No provisions for impairment were recognized in 2015, 2014 and 2013. As of December 31, 2015 and 2014, allowance for impairment losses amounted to ₱0.3 million (see Note 7). Trade and other receivables amounted to ₱43.3 million and ₱80.6 million as of December 31, 2015 and 2014, respectively (see Note 7).

Estimating Allowance for Impairment of Losses on Investments and Advances to a Subsidiary. Investments and advances to a subsidiary are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2014, it was determined that the carrying value of the investment in HDFE exceeded its recoverable amount. As a result, an impairment loss amounting to ₱618.7 million was recognized. However, in 2015, there was an increase in the fair market value of the assets of HDFE which consequently increased the carrying value of Vivant's investment in HDFE resulting to a reversal of allowance for impairment loss amounting to ₱122.5 million (see Note 9).

Estimating Useful Lives of Property and Equipment. The Parent Company reviews annually the estimated useful lives of property, plant and equipment and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Parent Company'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 and equipment. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property and equipment.

As of December 31, 2015 and 2014, the net book value of property and equipment amounted to ₱50.2 million and ₱46.3 million, respectively (see Note 10).

Estimating Impairment of Property and Equipment. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized on the Parent Company's property and equipment in 2015, 2014 and 2013. As of December 31, 2015 and 2014, the net book value of property and equipment amounted to ₱50.2 million and ₱46.3 million, respectively (see Note 10).

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.

The pension liability as of December 31, 2015 and 2014 amounted to ₱14.2 million and ₱22.1 million, respectively (see Note 15).

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

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

Deferred income tax assets that are recognized amounted to ₱21.2 million and ₱21.1 million as of December 31, 2015 and 2014, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱303.8 million and ₱109.0 million as of December 31, 2015 and 2014, respectively, and minimum corporate income tax (MCIT) of ₱1.1 million and ₱1.0 million as of December 31, 2015 and 2014, respectively (see Note 16).

Estimating Contingencies. The estimate of probable costs for the resolution of certain administrative matters under protest in 2015 is based upon an analysis of potential results of investigation. No provision for probable losses arising from these contingencies was recognized in the parent company financial statements as of December 31, 2015. The Parent Company does not have any administrative protests as of December 31, 2014.

6. Cash and Cash Equivalents

	2015	2014
Cash on hand and in banks	**₱21,063,745**	₱1,268,485,644
Short-term investments	**3,246,998,276**	2,746,058,235
	₱3,268,062,021	₱4,014,543,879

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

Interest income recognized from cash in banks and short-term investments amounted to ₱46.0 million, ₱33.4 million and ₱17.4 million in 2015, 2014 and 2013, respectively.

7. Trade and Other Receivables

	2015	2014
Accounts receivable:		
Third parties	**₱5,831,627**	₱6,539,500
Related parties (see Note 14)	**9,156,273**	64,785,600
Advances to related parties (see Note 14)	**13,962,897**	2,954,485
Advances to officers and employees	**5,541,963**	3,976,629
Dividends receivable (see Note 9)	**5,163,384**	–
Accrued interest receivable	**3,542,094**	2,405,744
Others	**409,861**	318,024
	43,608,099	80,979,982
Less allowance for impairment losses	**333,032**	333,032
	₱43,275,067	₱80,646,950

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

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

There was no movement in the allowance for impairment losses as of December 31, 2015 and 2014.

8. Prepaid Expenses and Other Current Assets

	2015	2014
Creditable withholding tax	**₱42,160,817**	₱21,501,097
Prepayments	**4,548,356**	4,207,461
Net input value-added tax (VAT)	**832,890**	–
Others	**3,590,843**	1,122,215
	₱51,132,906	₱26,830,773

Prepayments include prepaid rentals and advance payments for various insurance coverage.

Others include advances to the Parent Company's stock and transfer agent, dues and subscription, legal services, and unused office supplies.

9. Investments and Advances to a Subsidiary

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

	Nature of Business	Ownership	2015	2014
Subsidiaries				
VEC	Power generation	100.00	**₱2,931,861,790**	₱1,623,753,769
HDFE	Holding company	50.94	**760,507,362**	760,507,362
VNI	Real estate	100.00	**1,250,000**	1,250,000
			3,693,619,152	2,385,511,131
Less allowance for impairment loss			**496,233,456**	618,701,560
			3,197,385,696	1,766,809,571
Associates				
VECO	Power distribution	34.81	**919,633,137**	919,633,137
PEI	Retail electricity supplier (RES)	40.00	**500,000**	500,000
			920,133,137	920,133,137
Advances				
VEC			**–**	396,908,021
			₱4,117,518,833	₱3,083,850,729

<u>Subsidiaries</u>
VEC, HDFE and VNI qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

VEC

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

VEC currently exists as a holding company with the following direct equity shareholdings:

	Nature of Business	Percentage of Direct Ownership		
		2015	2014	2013
Subsidiaries				
Vivant Integrated Generation Corporation (VIGC)	Holding company	**100**	100	100
Vivant Renewable Energy Corporation (VREC)	Holding company	**100**	100	100
Corenergy Inc. (Corenergy)	RES	**100**	100	100
Vivant Isla Inc. (VII)	Power generation	**100**	100	–
Vivant Integrated Diesel Corporation (VIDC)	Holding company	**100**	–	–
Vivant Geo Power Corp. (VGPC)	Power generation	**100**	100	–
Vivant-Malogo Hydropower, Inc. (VMHI)	Power generation	**67**	67	75
VICS-Amlan Holdings Corp. (Vics-Amlan)	Holding company	**60**	60	60
1590 Energy Corp. (1590 EC)	Power generation	**53**	53	53
Associates				
Cebu Private Power Corporation (CPPC)	Power generation	**40**	40	40
Minergy Power Corporation (MPC)	Power generation	**40**	40	–
Therma Visayas, Inc. (TVI)	Power generation	**20**	20	–
Delta P, Inc. (Delta P)	Power generation	–	35	35
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	Power generation	**50**	50	50
Delta P	Power generation	**50**	–	–

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

VEC declared dividends to the Parent Company amounting to nil, ₱532.8 million and ₱514.6 million in 2015, 2014 and 2013, respectively.

In 2014, the Parent Company made additional investments in VEC amounting to ₱396.9 million. Pending the approval by the SEC of VEC's application for increase in capital stock and issuance of shares, the amount has been lodged as a long-term advance for conversion to equity of VEC as of December 31, 2014.

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

HDFE

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

HDFE declared cash dividends to the Parent Company amounting to nil in 2015 and 2014, and ₱71.8 million in 2013. Also, in 2013, HDFE declared the remaining 50% of its investment in VECO shares as property dividends to the Parent Company amounting to ₱174.0 million. Such declaration correspondingly increased the Parent Company's investment in VECO by the same amount.

As at December 31, 2014, the Parent Company determined that the carrying value of the Parent Company's investment in HDFE exceeded its recoverable amount mainly due to the declaration of property dividends to the Parent Company. Accordingly, impairment loss amounting to ₱618.7 million was recognized in the 2014 parent company statements of comprehensive income.

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

VNI

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. VNI also renders IT services to the companies under its parent company.

On March 5, 2015, during the Special Stockholders' Meeting and Special Board Meeting, the stockholders and BOD approved that one of VNI's secondary purpose 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 VNI under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for the protection or benefit of VNI. These amendments made in VNI's AOI were approved by the SEC on October 8, 2015.

VNI declared dividends to the Parent Company amounting to ₱5.2 million, ₱2.7 million and nil in 2015, 2014 and 2013, respectively.

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

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

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

VECO declared cash dividends to the Parent Company amounting to ₱628.0 million, ₱547.8 million and ₱842.6 million in 2015, 2014 and 2013, respectively.

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

10. Property and Equipment

	2015						
	Condominium Units and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱25,924,832	₱16,772,706	₱20,562,938	₱19,590,672	₱–	₱–	₱82,851,148
Additions	2,590,688	965,211	6,747,100	7,610,143	554,043	–	18,467,185
Reclassification	8,699,141	(8,929,982)	(1,982,434)	–	2,213,275	–	–
Disposals and others	(1,055,562)	–	(1,448,407)	(4,691,601)	–	–	(7,195,570)
At December 31	36,159,099	8,807,935	23,879,197	22,509,214	2,767,318	–	94,122,763
Accumulated Depreciation							
At January 1	9,291,211	5,330,201	12,147,765	9,766,079	–	–	36,535,256
Additions	3,496,678	449,640	5,143,966	4,356,915	753,353	–	14,200,552
Reclassification	4,399,333	(4,429,367)	(1,601,256)	1,332,088	299,202	–	–
Disposals and others	(1,055,562)	–	(1,448,407)	(4,357,075)	–	–	(6,861,044)
At December 31	16,131,660	1,350,474	14,242,068	11,098,007	1,052,555	–	43,874,764
Net Book Value	₱20,027,439	₱7,457,461	₱9,637,129	₱11,411,207	₱1,714,763	₱–	₱50,247,999

	2014						
	Condominium Units and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Other Equipment	Construction in Progress	Total
Cost							
At January 1	₱25,149,566	₱12,723,401	₱12,534,986	₱18,169,509	₱–	₱1,322,119	₱69,899,581
Additions	775,266	482,679	8,027,952	1,421,163	–	2,244,507	12,951,567
Reclassification	–	3,566,626	–	–	–	(3,566,626)	–
At December 31	25,924,832	16,772,706	20,562,938	19,590,672	–	–	82,851,148
Accumulated Depreciation							
At January 1	8,344,697	2,242,029	7,676,015	6,296,872	–	–	24,559,613
Additions	946,514	3,088,172	4,471,750	3,469,207	–	–	11,975,643
At December 31	9,291,211	5,330,201	12,147,765	9,766,079	–	–	36,535,256
Net Book Value	₱16,633,621	₱11,442,505	₱8,415,173	₱9,824,593	₱–	₱–	₱46,315,892

Fully depreciated property and equipment costing ₱7.4 million and ₱1.5 million as of December 31, 2015 and 2014, respectively, are still being used by the Parent Company.

11. Other Noncurrent Assets

	2015	2014
Due from RFM Corporation	**₱46,078,063**	₱46,078,063
AFS investments	**3,700,000**	3,700,000
Others	**1,853,095**	1,244,239
	51,631,158	51,022,302
Less allowance for impairment losses	**46,078,063**	46,078,063
	₱5,553,095	₱4,944,239

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

b. AFS Investments
   This account is composed of investments in shares of stock of the following entities:

	2015	2014
Cebu Country Club, Inc.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	₱3,700,000	₱3,700,000

Cebu Country Club, Inc.
In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at cost, as its fair value cannot be reliably measured, less any impairment in value.

Tower Club, Inc.
In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at cost, as its fair value cannot be reliably measured, less any impairment in value.

12. Trade and Other Current Liabilities

	2015	2014
Accrued interest (see Note 13)	**₱24,925,650**	₱26,576,170
Accrued expenses	**8,366,719**	1,286,217
Accounts payable	**7,004,150**	6,514,176
Net output VAT	**–**	4,017,702
Others	**240,351**	2,837,447
	₱40,536,870	₱41,231,712

Accrued expenses consist of accruals for legal fees, securities and transfer fees, benefits and other expenses.

Others include payable to HDMF, SSS, and PHIC contributions and withholding taxes.

13. Notes Payable

	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 parent company 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 12).

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.

14. 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 Parent Company enters into transactions with related parties principally consisting of the following:

		2015			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Management fees (income) (see Note 14a):					
1590 EC	₱46,200,000	₱–	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VEC	2,500,000	2,425,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VNI	500,000	485,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
1590 EC	1,317,756	1,097,654	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividend income (see Note 9):					
VNI	5,163,384	5,163,384	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	907,310	1,271,923	6,008	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	479,630	1,383,854	553,499	30-60 days; noninterest-bearing	Unsecured; no impairment
VNI	9,936,027	9,932,548	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	48,728	14,740	2,500	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	31,033	16,402	471	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	6,705	6,611	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CORENERGY	8,106	8,106	–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	6,083	4,732	32,435	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	589,309	7,603	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VICS-AMLAN	4,967	4,897	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	3,177	3,177	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	5,603	5,103	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates					
Management fees (income) (see Note 14a):					
VECO	30,156,400	2,429,559	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	10,658,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CPPC	25,126,750	1,949,615	–	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2015			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payable**	**Terms**	**Conditions**
Advances (see Note 14c):					
AHPC	**₱180,273**	**₱201,999**	**₱–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VECO	–	**9,543**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
MPC	**329**	**329**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
PEI	–	**1,532,400**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Operating lease (see Note 14d):					
VECO	**4,033,844**	**359,684**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Joint Ventures					
Management fees (see Note 14a):					
Delta P	**2,160,000**	–	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
NR	**6,848,196**	**34,111**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CIPC	**1,620,000**	–	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Service fees (see Note 14a):					
NR	**392,941**	**70,125**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Delta P	**305,525**	**305,525**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Advances (see Note 14c):					
NR	**345,110**	**181,991**	**235,200**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CIPC	**13,640**	**10,289**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Delta P	**567,708**	**154,087**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Stockholders					
Management fees (expense) (see Note 14b):					
JDC	**7,952,449**	–	–	**30-60 days; noninterest-bearing**	**Unsecured**
MRC	**11,928,674**	–	–	**30-60 days; noninterest-bearing**	**Unsecured**
Advances (see Note 14c):					
Shareholder	**856**	**42,676**	–	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**

		2014			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Management fees (income):					
1590 EC	₱60,900,000	₱38,550,000	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	67,900	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
1590 EC	37,400,000	17,400,000	–	30-60 days; noninterest-bearing	Unsecured no impairment
VMHI	1,447,940	131,387	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VNI	36,454	–	–	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
VEC	1,108,849	364,613	–	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	555,925	555,925	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VNI	451,366	1,366	–	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2014				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
VMHI	₱173,333	₱20,752	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	131,214	75,485	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	59,885	410	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CORENERGY	2,232	926	–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	2,081	356	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	1,891	1,891	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VICS-AMLAN	505	505	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	384	384	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Income from intercompany charges (see Note 14a):					
1590 EC	600,000	600,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates					
Management fees (income) (see Note 14a):					
VECO	30,556,400	2,392,356	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	9,500,000	–	–	30-60 days; noninterest-bearing	Unsecured
Delta P	2,076,000	167,810	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
CPPC	5,500,000	–	–	30-60 days; noninterest-bearing	Unsecured
AHPC	12,794	244,921	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
AHPC	41,646	41,646	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	–	9,543	–	30-60 days; noninterest-bearing	Unsecured; no impairment
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Operating lease (see Note 14d):					
VECO	3,970,200	326,986	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 14a):					
NR	3,649,165	4,631,165	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	2,970,000	244,921	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
NR	7,664,350	–	–	30-60 days; noninterest-bearing	Unsecured
CIPC	1,141,957	28,154	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
NR	367,237	26,460	681,380	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	280,003	280,003	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Management fees (expense) (see Note 14b):					
JDC	20,468,640	–	–	30-60 days; noninterest-bearing	Unsecured

(Forward)

		2014			
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
MRC	₱32,291,990	₱–	₱–	30-60 days; noninterest-bearing	Unsecured
GPI	97,321	–	–	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	20,910	41,820	–	30-60 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

a. Management fees and service income from subsidiaries and associates represent compensation for consultancy, management, technical and other related services rendered by the Parent Company and use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by Service Level Agreements (SLAs) or Management Contracts are recognized as part of the "Management fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries and associates on irregular bases are recognized as part of the "Other income" account in the parent company statements of comprehensive income.

b. The Parent Company entered into an agreement with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand.

c. Advances to and from subsidiaries, associates, joint ventures, and shareholders pertain to advances for working capital requirements. Advances to shareholder pertain to the life insurance plan advanced for the member of the Parent Company's BOD.

d. The Parent Company has a lease agreement with VECO. VECO leases an office space owned by the Parent Company to be utilized as its Customer Care Office. The monthly rental is ₱0.3 million in 2015 and 2014, subject to an annual increase of 10%. There is no lease term. However, the lease can be terminated upon mutual agreement of the parties and upon 30 days' prior written notice.

Compensation and Benefits of Key Management Personnel

The compensation of the Parent Company'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 15)	**7,706,704**	7,762,263	6,476,063
	₱73,934,788	₱51,486,282	₱46,730,556

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

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

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

	2015	2014	2013
Current service cost	**₱6,949,142**	₱7,762,263	₱2,000,409
Interest cost	**757,562**	1,194,631	707,925
Past service cost	**–**	–	4,066,629
Pension expense	**₱7,706,704**	₱8,956,894	₱6,774,963

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

	2015	2014	2013
Actuarial gain (loss) on defined benefit obligation	**₱7,680,723**	₱–	(₱363,329)
Actuarial gains (losses) on plan assets	**(153,819)**	24,761	–
	₱7,526,904	₱24,761	(₱363,329)

The pension liability recognized in the parent company statements of financial position follow:

	2015	2014
Present value of defined benefit obligation	**₱27,967,048**	₱27,681,513
Fair value of plan assets	**(13,783,090)**	(5,614,547)
Pension liability	**₱14,183,958**	₱22,066,966

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

	2015	2014
At January 1	**₱27,681,513**	₱18,724,619
Current service cost	**6,949,142**	7,762,263
Actuarial loss (gain) due to:		
Changes in demographic assumptions	**(7,965,332)**	–
Experience adjustments	**5,097,650**	–
Changes in financial assumptions	**(4,813,041)**	–
Interest cost on defined benefit obligation	**1,017,116**	1,194,631
At December 31	**₱27,967,048**	₱27,681,513

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

	2015	2014
At January 1	**₱5,614,547**	₱–
Contributions to the retirement fund	**8,062,808**	5,589,786
Interest income included in net interest cost	**259,554**	–
Gains (losses) on return on plan assets	**(153,819)**	24,761
At December 31	**₱13,783,090**	₱5,614,547

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

	2015	2014
At January 1	**₱22,066,966**	₱18,724,619
Contributions to the retirement fund	**(8,062,808)**	(5,589,786)
Pension expense	**7,706,704**	8,956,894
Actuarial gain recognized for the year	**(7,526,904)**	(24,761)
At December 31	**₱14,183,958**	₱22,066,966

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

	2015	2014
Fixed income securities:		
Savings deposit	**₱6,914,033**	₱10,764
Due from Bangko Sentral ng Pilipinas (BSP)	**6,876,000**	5,607,000
Accrued interest receivable	**10,269**	3,796
Total assets	**13,800,302**	5,621,560
Less accrued trust fees	**17,212**	7,013
	₱13,783,090	₱5,614,547

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

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

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

	2015	2014
Discount rate	**5.39%**	4.17%
Future salary increase rate	**7.00%**	7.50%

The Parent Company does not expect to contribute to the retirement fund in 2016.

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

		Increase (Decrease) in the Present Value of Defined Benefit Obligation	
	Increase (decrease)	**2015**	2014
Discount rate	+100 basis points	**₱25,771,737**	(₱2,014,361)
	–100 basis points	**30,624,463**	96,344
Future salary increase rate	+100 basis points	**30,450,432**	378,968
	–100 basis points	**25,859,504**	(2,250,176)

The average duration of the defined benefit obligation at the end of the reporting period is 19.9 years and 16.9 years as of December 31, 2015 and 2014, respectively.

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

	2015	2014
Less than one year	**₱8,634,265**	₱6,580,740
More than 1 year to 5 years	**9,732,410**	5,810,285
More than 5 years to 10 years	**3,047,184**	3,130,590
More than 10 years to 15 years	**29,433,836**	–
More than 15 years to 20 years	**70,756,869**	21,005,794
More than 20 years	**108,989,572**	176,073,053
	₱230,594,136	₱212,600,462

16. Income Tax

	2015	2014	2013
Current tax:			
Regular Corporate Income Tax (RCIT) (at 30%)	**₱–**	₱–	₱13,319,725
Minimum Corporate Income Tax (MCIT) (at 2%)	**46,356**	1,048,596	–
Final (at 20% and 7.5%)	**8,978,225**	6,381,578	3,344,868
	9,024,581	7,430,174	16,664,593
Deferred	**(1,248,462)**	6,092,444	(1,023,728)
	₱7,776,119	₱13,522,618	₱15,640,865

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

	2015	2014	2013
Income before income tax	**₱582,829,492**	₱396,178,872	₱1,477,660,195
Income tax computed at 30%	**₱174,848,848**	₱118,853,662	₱443,298,059
Adjustments to income tax resulting from:			
Nontaxable dividend income	**(189,943,692)**	(324,970,330)	(428,703,213)
Unrecognized deferred income tax asset on net operating loss carry-over (NOLCO) and MCIT	**58,483,438**	33,763,366	–
Nontaxable reversal of allowance for impairment loss	**(36,740,431)**	–	–
Interest income subjected to final tax	**(13,809,548)**	(9,979,118)	(5,183,258)
Final taxes paid	**8,978,225**	6,381,578	3,344,868
Nondeductible expenses	**5,959,279**	3,862,992	2,884,409
Nondeductible impairment loss	**–**	185,610,468	–
	₱7,776,119	₱13,522,618	₱15,640,865

The Parent Company's net deferred income tax assets as of December 31 relate to the following:

	2015	2014
Deferred income taxes recognized in net income:		
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Pension liability	**6,325,038**	6,431,869
Unamortized past service cost	**935,434**	714,088
Unrealized foreign exchange loss	**–**	10,239
	21,183,800	21,079,524
Deferred income tax liabilities on:		
Unamortized debt issue costs	**(6,727,889)**	(7,881,225)
Unrealized foreign exchange gain	**(9,150)**	–
	(6,737,039)	(7,881,225)
Deferred income tax asset (liability) related to defined benefit obligation recognized as other comprehensive income	**(2,069,850)**	188,221
Net deferred income tax assets	**₱12,376,911**	₱13,386,520

As of December 31, 2015, the Parent Company has accumulated NOLCO and MCIT which can be claimed as deduction against future taxable income and income tax due, respectively, as follows:

Year Incurred	Expiry Date	As at December 31, 2014	Additions	Applied	Expired	As at December 31, 2015
NOLCO						
2015	2018	₱–	₱194,790,272	₱–	₱–	₱194,790,272
2014	2017	109,049,234	–	–	–	109,049,234
		₱109,049,234	₱194,790,272	₱–	₱–	₱303,839,506
MCIT						
2015	2018	₱–	₱46,356	₱–	₱–	₱46,356
2014	2017	1,048,596	–	–	–	1,048,596
		₱1,048,596	₱46,356	₱–	₱–	₱1,094,952

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

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding shares in 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 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 Parent Company in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which was started in the first quarter of 2014 and are expected to be completed within the next three (3) years.

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

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

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

In a board meeting held on December 18, 2015, the BOD has determined that the Parent Company's operation require additional allocation as reserve for the investment on the two ongoing power plant 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.

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

	2015	2014	2013
Net income for the year	**₱575,053,373**	₱382,656,254	₱1,462,019,330
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱0.562**	₱0.374	₱1.429

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

18. Personnel Expenses

	2015	2014	2013
Salaries and employee benefits	**₱95,849,881**	₱54,370,333	₱51,525,058
Pension expense (see Note 15)	**7,706,704**	8,956,894	6,774,963
	₱103,556,585	₱63,327,227	₱58,300,021

19. Financial Risk Management Objectives and Policies

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

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

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

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

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

Except for Due from RFM Corporation, which is fully provided with allowance for impairment, and portion of the receivables provided with allowance amounting to ₱0.3 million as of December 31, 2015 and 2014, management evaluated that the Parent Company's financial assets as summarized above are of high grade and of good credit quality.

The maximum exposure to credit risk amounted to ₱3,361.3 million and ₱4,145.2 million as of December 31, 2015 and 2014, respectively.

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

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 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)	₱3,267,947,021	₱–	₱–	₱–	₱–	₱–	₱3,267,947,021
Trade and other receivables:							
Accounts receivable	13,870,379	24,114	400,100	20,800	339,475	333,032	14,987,900
Advances to related parties	–	381,317	177,539	578,964	12,782,401	–	13,920,221
Advances to officers and employees	–	182,557	127,109	234,092	4,998,205	–	5,541,963
Dividends receivable	5,163,384	–	–	–	–	–	5,163,384
Accrued interest receivable	3,542,094	–	–	–	–	–	3,542,094
Advances to shareholders	–	–	–	–	42,676	–	42,676
Others	–	–	100	–	409,761	–	409,861
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
AFS Investments	3,700,000	–	–	–	–	–	3,700,000
	₱3,294,222,878	₱587,988	₱704,848	₱833,856	₱18,572,518	₱46,411,095	₱3,361,333,183

	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)	₱4,014,428,879	₱–	₱–	₱–	₱–	₱–	₱4,014,428,879
Trade and other receivables:							
Accounts receivable	69,655,673	–	–	–	1,336,395	333,032	71,325,100
Advances to related parties	–	–	1,370,722	–	1,541,943	–	2,912,665
Advances to officers and employees	–	3,546,879	196,853	4,028	228,869	–	3,976,629
Accrued interest receivable	–	–	–	20,910	20,910	–	41,820
Advances to shareholders	2,405,744.00	–	–	–	–	–	2,405,744
Others	–	46,108	–	–	271,916	–	318,024
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
AFS Investments	3,700,000	–	–	–	–	–	3,700,000
	₱4,090,190,296	₱3,592,987	₱1,567,575	₱24,938	₱3,400,033	₱46,411,095	₱4,145,186,924

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)	**₱3,267,947,021**	**₱3,267,947,021**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Accounts receivable	**14,987,900**	**13,870,379**	–	–	**1,117,521**
Advances to related parties	**13,920,221**	–	–	–	**13,920,221**
Advances to officers and employees	**5,541,963**	–	–	–	**5,541,963**
Dividends receivable	**5,163,384**	**5,163,384**	–	–	–
Accrued interest receivable	**3,542,094**	**3,542,094**	–	–	–
Advances to shareholders	**42,676**	–	–	–	**42,676**
Others	**409,861**	–	–	–	**409,861**
Due from RFM Corporation					
(under "Other noncurrent assets")	**46,078,063**	–	–	–	**46,078,063**
AFS Investments	**3,700,000**	**3,700,000**	–	–	–
	₱3,361,333,183	**₱3,294,222,878**	**₱–**	**₱–**	**₱67,110,305**

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)	₱4,014,428,879	₱4,014,428,879	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	71,325,100	69,655,673	–	–	1,669,427
Advances to related parties	2,912,665	–	–	–	2,912,665
Advances to officers and employees	3,976,629	–	–	–	3,976,629
Advances to shareholders	41,820	–	–	–	41,820
Accrued interest receivable	2,405,744	2,405,744	–	–	–
Others	318,024	–	–	–	318,024
Due from RFM Corporation					
(under "Other noncurrent assets")	46,078,063	–	–	–	46,078,063
AFS Investments	3,700,000	3,700,000	–	–	–
	₱4,145,186,924	₱4,090,190,296	₱–	₱–	₱54,996,628

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

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Accounts Receivable, Advances to Officers and Employees, Advances to Shareholders, and Others* - high grade since these pertain to receivables from customers or parties who have established good credit standing with the Parent Company.
- *Accrued interest receivable* - high grade since these arose from cash and cash equivalents which are deposited in reputable banks with good bank standing, thus credit risk is minimal.
- *Advances to Related Parties* - high grade since these pertain to advances to related parties who are consistent in the payment of its accounts.
- *AFS Investments* - high grade since these pertain to investments in AFS securities of companies with good credit standing.

Liquidity Risk

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

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

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

	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	**3,268,062,021**	**3,268,062,021**	**₱3,268,062,021**	**₱–**	**₱–**	**₱–**
Trade and other receivables:						
Accounts receivable	**14,654,868**	**14,654,868**	**–**	**14,654,868**	**–**	**–**
Advances to related parties	**13,920,221**	**13,920,221**	**–**	**13,920,221**	**–**	**–**
Advances to officers and employees	**5,541,963**	**5,541,963**	**–**	**5,541,963**	**–**	**–**
Dividends receivable	**5,163,384**	**5,163,384**	**–**	**5,163,384**	**–**	**–**
Accrued interest receivable	**3,542,094**	**3,542,094**	**–**	**1,136,350**	**2,405,744**	**–**
Advances to shareholders	**42,676**	**42,676**	**–**	**856**	**41,820**	**–**
Others	**409,861**	**409,861**	**–**	**91,836**	**318,025**	**–**
AFS investments	**3,700,000**	**3,700,000**	**3,700,000**	**–**	**–**	**–**
	3,315,037,088	**3,315,037,088**	**3,271,762,021**	**40,509,478**	**2,765,589**	**–**
Financial Liabilities						
Other financial liabilities:						
Accounts payable	**7,004,150**	**7,004,150**	**–**	**7,004,150**	**–**	**–**
Accrued interest payable	**24,925,650**	**24,925,650**	**–**	**24,925,650**	**–**	**–**
Notes payable	**2,947,573,704**	**3,785,086,583**	**–**	**193,415,331**	**757,352,851**	**2,834,318,401**
	2,979,503,504	**3,817,016,383**	**–**	**225,345,131**	**757,352,851**	**2,834,318,401**
Net Financial Assets (Liabilities)	**₱335,533,584**	**(₱501,979,295)**	**₱3,271,762,021**	**(₱184,835,653)**	**(₱754,587,262)**	**(₱2,834,318,401)**

	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	4,014,543,879	4,014,543,879	₱4,014,543,879	₱–	₱–	₱–
Trade and other receivables:						
Accounts receivable	70,992,068	70,992,068	–	70,992,068	–	–
Advances to related parties	2,912,665	2,912,665	–	2,912,665	–	–
Advances to officers and employees	3,976,629	3,976,629	–	3,976,629	–	–
Accrued interest receivable	41,820	41,820	–	41,820	–	–
Advances to shareholders	2,405,744	2,405,744	–	2,405,744	–	–
Others	318,024	318,024	–	318,024	–	–
AFS investments	3,700,000	3,700,000	3,700,000	–	–	–
	4,098,890,829	4,098,890,829	4,018,243,879	80,646,950	–	–
Financial Liabilities						
Other financial liabilities:						
Accounts payable	5,972,438	5,972,438	–	5,972,438	–	–
Accrued interest payable	26,576,170	26,576,170	–	26,576,170	–	–
Notes payable	2,973,729,250	3,980,163,624	–	195,077,041	763,999,691	3,021,086,892
	3,006,277,858	4,012,712,232	–	227,625,649	763,999,691	3,021,086,892
Net Financial Assets (Liabilities)	₱1,092,612,971	₱86,178,597	₱4,018,243,879	(₱146,978,699)	(₱763,999,691)	(₱3,021,086,892)

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

Although the Parent Company has an AFS investment, which is classified under Level 3, it is measured at cost less any impairment in value since its fair value cannot be reliably measured (see Note 11). As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 2 Fair Values
The table below presents the following for the Parent Company's notes payable:

Description	Fair Value as of December 31, 2015	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
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)
Notes payable	₱3,310,440,177	Discounted Cash Flow Approach	Risk-free interest rate	2.33%–3.67% (3.45%)

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

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

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

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

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

	2015	2014
Notes payable	**₱2,947,573,704**	₱2,973,729,250
Less: Cash and cash equivalents	**3,268,062,021**	4,014,543,879
Net cash and cash equivalents (a)	**(320,488,317)**	(1,040,814,629)
Equity	**4,545,872,300**	4,233,491,054
Equity and net cash and cash equivalents (b)	**₱4,225,383,983**	₱3,192,676,425
Gearing ratio (a/b)	**(0.08):1.00**	(0.33):1.00

20. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2015:

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

Value-Added Tax (VAT)

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

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

	Net Sales/ Receipts	Output VAT
Net sales	₱192,287,526	₱23,074,503

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

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2015 amounting to ₱13,554,989. Total input VAT available for application as of December 31, 2015 is as follows:

Balance at January 1	₱–
Current year's domestic purchases or payments for:	
Services lodged under expenses	11,006,812
Capital goods subject to amortization	920,912
Goods other than capital goods	1,627,265
Total	13,554,989
Adjustments:	
Amortization of Input VAT from capital goods	(121,475)
Claims against output vat	(12,600,624)
At December 31	₱832,890

Documentary Stamp Tax

The Parent Company paid documentary stamp tax amounting to ₱15,374 in 2015 arising from the advances from related parties, and ₱10,027 arising from lease contracts entered during the year.

Customs Duties

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

Withholding Taxes

The amount of taxes withheld in 2015 follows:

Expanded withholding taxes	₱48,016,553
Creditable withholding taxes	20,706,076
Withholding taxes on compensation and benefits	21,531,108
Final withholding taxes	91,183
	₱90,344,920

Other Taxes and Licenses

Other taxes paid during the year recognized under "Taxes and Licenses" account under Expenses in the 2015 parent company statement of comprehensive income are as follows:

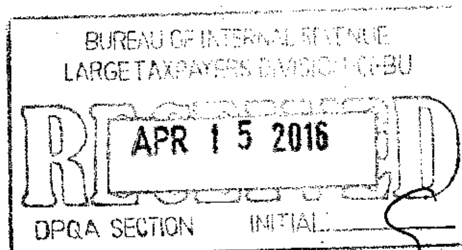
Business permit	₱1,183,503
Fringe benefit tax	284,678
Real property tax	48,300
Community tax	10,500
BIR annual registration fee	500
Others	85,892
	₱1,613,373

Tax Assessments and Cases

The Parent Company has received a Formal Letter of Demand (FLD) last February 23, 2016 from the Office of the Assistant Commissioner for Large Taxpayer Services for the tax investigation of taxable year 2013. The said FLD demands for the payment of deficiency income tax, documentary stamp tax, value-added tax, and withholding tax on compensation plus surcharges, interest, and compromise penalties amounting to ₱73.6 million.

On March 22, 2016, the Parent Company submitted a written protest to the BIR Large Taxpayers Service requesting for the reinvestigation of the proposed deficiency taxes under the Final Assessment Notice (FAN). The BIR Large Taxpayers Division-Cebu (RDO 123) was provided a copy of the received protest by the BIR LTS on March 23, 2016. The Parent Company is given until May 21, 2016 to submit additional supporting documents relevant to the reinvestigation.

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



VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 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

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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 parent company financial statements of Vivant Corporation as at and for the year ended December 31, 2015, on which we have rendered the attached report dated April 1, 2016.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has a total number of one thousand four hundred forty-nine (1,449) stockholders owning one hundred (100) or more shares each.

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