COVER SHEET

		1	7	5	2	2	2			

S.E.C. Registration Number

V	I	V	A	N	T		C	O	R	P	O	R	A	T	I	O	N													

(Company's Full Name)

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B	I	L	I	R	A	N		R	D.		C	E	B	U		C	I	T	Y												

(Business Address: No. Street City / Town / Province)

ATTY. CATHERINE S. BRINGAS	(02) 403-6566
Contact Person	Company Telephone Number

Definitive Information Statement

1	2		3	1

Month *Day*

Fiscal Year

2	0	-	I	S

FORM TYPE

3rd Thursday of June

0	6		2	1

Month *Day*

Annual Meeting

N/A

Secondary License Type, if Applicable

Market Regulation Dept.	N/A
Dept. Requiring this Doc	Amended Articles Number/Section

	x	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number	LCU
Document I.D.	Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes

NOTICE AND AGENDA
OF ANNUAL MEETING OF STOCKHOLDERS

VIVANT CORPORATION
Units 907-908 Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Barangay Luz, Cebu City

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of VIVANT CORPORATION will be held at Glass House Montebello Villa Hotel, Governor M. Cuenco Avenue, Banilad, Cebu City, on June 21, 2018 (Thursday) at 10:00 o' clock in the morning.

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 15 2018
MARKET REGULATION DEPT.
BY:
TIME:

The Annual Stockholders' Meeting shall have the following Agenda:

1. Call to Order
2. Proof of Notice and Determination of Quorum
3. Reading and Approval of Minutes of the Annual Stockholders' Meeting held on June 15, 2017
4. Annual Report of Officers
5. Approval of the 2017 Annual Report and Financial Statements
6. Delegation of Authority to Appoint External Auditors for 2018 to the Board of Directors
7. Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2017
8. Election of Directors (including Independent Directors)
9. Other Matters that may properly be brought before the meeting
10. Adjournment

Only stockholders of record at the close of business as of May 14, 2018 are entitled to notice and to vote at this meeting. Registration will start at 8:30 A.M. and will end at 9:30 A.M. Upon registration, presentation of any proof of identification, such as driver's license, passport, company I.D. or SSS/GSIS I.D. will be required. Aside from personal identification, representatives of corporate stockholders and other entities should also present a duly sworn Secretary's Certificate or a similar document showing his or her authority to represent the corporation or entity.

Should you be unable to attend the meeting, we encourage you to vote by executing a proxy form in favor of a representative and by following the instructions on the voting instruction form, both of which are enclosed with this document. In accordance with the Amended By-Laws of the Company, proxies must be submitted for inspection, validation and record at least seven (7) days prior to the opening of the Stockholders' Meeting, or on or before June 7, 2018 to the Office of the Corporate Secretary at Units 907-908, 9th Floor, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City.

Cebu City, May 10, 2018.

FOR THE BOARD OF DIRECTORS:

JESS ANTHONY N. GARCIA
Corporate Secretary

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

Annex "A"

AGENDA
DETAILS AND RATIONALE

1. **Call to Order.** The Chairman of the Board of Directors, Mr. Dennis N. A. Garcia, will call the meeting to order and preside over the same.

2. **Proof of Notice and Determination of Quorum.** The Corporate Secretary, Atty. Jess Anthony N. Garcia, will certify that copies of the Notice and Agenda of the meeting together with the Definitive Information Statement, 2017 Annual Report, and Proxy Form were delivered to Stockholders as of Record Date May 14, 2018. The Corporate Secretary will also certify, based on the number of shares owned by Stockholders present or represented by proxy at the meeting, whether quorum exists for the valid transaction of business at the meeting. Finally, the Corporate Secretary will explain the rules for the orderly conduct of the meeting.

3. **Reading and Approval of Minutes of the Annual Stockholders' Meeting held on June 15, 2017.** Copies of the draft Minutes are available for examination during office hours at the Office of the Corporate Secretary and the website of Vivant Corporation at www.vivant.com.ph. Stockholders will be asked to approve the draft Minutes and acknowledge the completeness and accuracy thereof. The text of the proposed resolution is as follows:

   > *"**WHEREAS,*** that the Stockholders of Vivant Corporation (the "Corporation") have reviewed the Minutes of the previous Annual Stockholders' Meeting;
   >
   > ***RESOLVED,*** as it is hereby resolved, that Stockholders of the Corporation approve the Minutes of the Annual Stockholders' meeting held on June 15, 2017."

4. **Annual Report of Officers.** The Chief Operating Officer will present the overview of Vivant Corporation's financial performance in 2017 and the highlights of the Corporation's performance in the first quarter of 2018. He will also present the challenges and highlights of 2017, and the outlook for 2018. Finally, he will provide an update on new policies of the Corporation and regulatory matters.

5. **Approval of the 2017 Annual Report and Financial Statements.** The Audited Financial Statement (the "AFS") of Vivant Corporation for the fiscal year ended December 31, 2017 contained in the Corporation's 2017 Annual Report and Information Statement, will be presented to the Stockholders for approval. The Chairman, Chief Operating Officer, any member of the Audit Committee, or any representative of the Company's external auditors, Sycip Gorres Velayo & Co. will respond to questions which may be raised by any stockholder regarding the Corporation's AFS for the fiscal year December 31, 2017.

6. **Delegation of Authority to Appoint External Auditors for 2018 to the Board of Directors.** Stockholders will be asked to approve the delegation of authority to appoint Vivant Corporation's external auditors for 2018-2019 to the Board of Directors. The external auditors will be tasked with the preparation of the annual audited statements. The text of the proposed resolution is as follows:

   > *"**WHEREAS,** the Stockholders of the Corporation have the right to participate in key corporate governance decisions, such as the right to appoint External Auditors;*
   >
   > ***WHEREAS,** the Stockholders agreed to delegate the authority to appoint the External Auditors for 2018 to the Board of Directors;*
   >
   > ***RESOLVED,** as it is hereby resolved, that the Stockholders of the Corporation authorize the Board of Directors to appoint the External Auditors for 2018."*

7. **Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted for Fiscal Year 2017.** The Stockholders will be asked to ratify and confirm all acts, transactions and resolutions of the Board of Directors and Management in connection with the performance and operations of the Corporation.

8. **Election of Directors (including Independent Directors).** For 2018, the candidates for the Board of Directors are the following:

   Mr. Dennis N. A. Garcia
   Mr. Emil Andre M. Garcia
   Mr. Gil A. Garcia II
   Mr. Charles Sylvestre A. Garcia
   Mr. Arlo A. G. Sarmiento
   Mr. Ramontito E. Garcia
   Mr. Jose Marko Anton G. Sarmiento
   Mr. Carmelo Maria Luza Bautista (Independent Director)
   Mr. Rogelio Q. Lim (Independent Director)
   Amb. Raul Ch. Rabe (Independent Director)
   Atty. Jesus B. Garcia, Jr. (Independent Director)

   The profiles of the candidates to the Board are found on pages 10 to 13 of this Information Statement. For further reference and examination of the Stockholders, a summary of the business, professional experience for the past five (5) years are also provided in the Information Statement.

   Stockholders will be given the opportunity to elect directors for 2018 individually through the cumulative voting process. Stockholders will be asked to cast their votes.

9. **Other Matters that may properly be brought before the meeting.** Stockholders may raise other relevant matters not included as an item in the Agenda. If such matters may be properly taken up in the meeting, Stockholders may be requested to consider the same.

10. **Adjournment.** After all business to be conducted at the Meeting has been considered, the Chairman will declare the Meeting concluded.

PROXY FORM

KNOW ALL MEN BY THESE PRESENTS:

I, the undersigned, a stockholder of VIVANT CORPORATION ("Vivant"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, do hereby name, constitute and appoint _____ or, in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, with power of substitution, to represent and vote all shares registered in the name of the undersigned stockholder, at Vivant's **Annual Stockholders' Meeting** on **June 21, 2018** at Glass House Montebello Villa Hotel, Governor M. Cuenco Avenue, Banilad, Cebu City at **10:00 A.M.** and any adjournment/s thereof.

The above-named proxy is to vote as follows:

1. Approval of the Minutes of the 2017 Annual Stockholders' Meeting held last June 15, 2017
   ◯ Yes ◯ No ◯ Abstain
2. Approval of the 2017 Annual Report and Financial Statements
   ◯ Yes ◯ No ◯ Abstain
3. Delegation of Authority to Appoint External Auditors for 2018 to the Board of Directors
   ◯ Yes ◯ No ◯ Abstain
4. Ratification of the acts, resolutions, and proceedings of the Board of Directors, Corporate Officers and Management
   ◯ Yes ◯ No ◯ Abstain
5. Election of the Members of the Board of Directors for the year 2018-2019

Dennis N. A. Garcia	◯ Yes	◯ Abstain
Emil Andre M. Garcia	◯ Yes	◯ Abstain
Gil A. Garcia II	◯ Yes	◯ Abstain
Charles Sylvestre A. Garcia	◯ Yes	◯ Abstain
Arlo A. G. Sarmiento	◯ Yes	◯ Abstain
Ramontito E. Garcia	◯ Yes	◯ Abstain
Jose Marko Anton G. Sarmiento	◯ Yes	◯ Abstain
Carmelo Maria Luza Bautista	◯ Yes	◯ Abstain
Rogelio Q. Lim	◯ Yes	◯ Abstain
Raul Ch. Rabe	◯ Yes	◯ Abstain
Jesus B. Garcia, Jr.	◯ Yes	◯ Abstain

6. Any issue/question that may arise related to any item in the Agenda of the meeting
   ◯ Yes ◯ No ◯ Abstain

This proxy should be received by the Corporate or Assistant Corporate Secretary on or before June 7, 2018. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the Board of Directors.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expressed his intention to vote in person.

_____ _____

Printed Name and Signature of Stockholder No. of Shares Held

_____ _____

Printed Name and Signature of Authorized Representative of Stockholder Date

Securities & Exchange Commission
SEC Form 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code



1. Check the appropriate box:

   Preliminary Information Statement: ( )

   Definitive Information Statement: (√)

2. Name of Registrant as specified in its charter: **VIVANT CORPORATION**

3. Province, country or other jurisdiction of Incorporation or organization: **Cebu, Philippines**

4. SEC Registration Number: **17522**

5. BIR Tax Identification Code: **242-603-734-000**

6. Address of Principal Office: **Units 907-908, 9th Floor Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines 6000**

7. Registrant's Telephone Number, including area code: **+63 32 234-2256**
   +63 32 234-2285

8. Date, Time and Place of meeting of the security holders

   Date: **June 21, 2018 (Thursday)**
   Time: **10:00 A.M.**
   Place **Glass House Montebello Villa Hotel, Governor M. Cuenco Avenue, Banilad, Cebu City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 23, 2018**

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA:

    Authorized Capital Stock: **Php 2,000,000,000.00**

Title of Each Class	Par Value	No. of Shares	Authorized Capital Stock
Common	Php 1.00	2,000,000,000	Php 2,000,000,000.00

No. of Shares Outstanding as of December 31, 2017 **Php 1,023,456,698.00**

11. Are any or all of the Registrant's securities listed in a Stock Exchange? Yes (√) No ( )

The common stock of Vivant is listed at the Philippine Stock Exchange.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

Date	:	**June 21, 2018 (Thursday)**
Time	:	**10:00 A.M.**
Place	:	**Glass House Montebello Villa Hotel, Governor M. Cuenco Avenue, Banilad, Cebu City**
Name, Complete Address and Contact Numbers of Registrant:		**VIVANT CORPORATION** **Units 907-908, 9th Floor, Ayala Life-FGU Center, Mindanao Ave. corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City 6000** **+63 32 234-2256** ***+63 32 234-2285***
Approximate date when the Information Statement is first to be sent or given to security holders:		**May 23, 2017**

Item 2. Dissenters' Right of Appraisal.

There are no matters or proposed actions included in the Agenda of the Meeting that may give rise to a possible exercise by stockholders of their appraisal rights. Generally, however, the stockholders of Vivant Corporation (hereinafter referred to as "Vivant" or the "Company" or the "Registrant") have the right of appraisal in the following instances: (a) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; (c) in case of merger or consolidation; and (d) investment of corporate funds in another corporation or business or for any purpose other than the primary purpose for which it was organized (Sections 42 and 81 of the Corporation Code).

With respect to any matter to be acted upon at meetings of stockholders of Vivant which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder shall, within thirty (30) days after the date of the stockholders' meeting at which such stockholder voted against a corporate action, make a written demand on Vivant for the value of his shares. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, where appraisal rights are applicable, by making a written demand on Vivant within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, Vivant shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and Vivant cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by Vivant and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by Vivant within thirty (30) days after such award is made; *provided*, that no payment shall be made to any dissenting stockholder unless Vivant has unrestricted retained earnings in its books to cover such payment; *provided*, further, that upon payment by Vivant of the agreed or awarded price, the stockholder shall forthwith transfer his shares to Vivant.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No current director or officer of, or nominee for election as director of Vivant, or any associate of any of the foregoing persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon in the stockholders' meeting, other than the election of the members of the Board of Directors.

(b) No director has informed Vivant in writing that he intends to oppose any action to be taken by Vivant at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Class of Voting Shares as of March 31, 2018:

Class of Voting Shares	No. of Shares Entitled to Vote	
	Filipino	Foreign
Common	1,022,952,004	504,694
TOTAL	1,023,456,698	

Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) Record Date

All stockholders of record as of May 14, 2018 are entitled to receive notice of and to vote at Vivant's Annual Stockholders' Meeting.

(c) Election of Directors and Cumulative Voting Rights

With respect to the election of directors, a stockholder may vote such number of shares for as many persons as there are directors to be elected. He may also cumulate said shares and give one candidate as many votes as the number of directors to be elected or distribute the shares on the same principle among as many candidates as he shall see fit, provided, that the total number of votes cast by the stockholder shall not exceed the total number of shares owned by him as shown in the books of Vivant, multiplied by the number of directors to be elected.

Section 7, Article II of the Amended By-Laws of Vivant provides that voting upon all questions at all meetings of the stockholders shall be by shares of stock and not per capita. Likewise, Section 7 of the same Article states that stockholders may vote at all meetings either in person or by proxy duly given in writing and presented to the Secretary for inspection, validation and record at least seven days prior to the opening of said meeting.

As condition precedent to the exercise of the cumulative voting rights, no delinquent stock shall be allowed to vote. No discretional authority to cumulate votes is solicited.

(d) No proxy solicitation is being made.

Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (more than 5%) as of April 30, 2017

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Ownership and Relationship with Record Owner	Citizenship	No. of Shares Held	Percentage
Common Shares	MAI-I Resources[1] Corporation 375-G Acacia St., Lahug, Cebu City Stockholder	MAI-I Resources Corporation	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation[2] Blue Garden Commercial Complex, Wilson St.,Lahug, Cebu City Stockholder	JEG Development Corporation	Filipino	311,524,642	30.44%
Common Shares	Global Business Power Corporation 22F GT Tower International 6813 Ayala Avenue corner H. V. dela Costa Street Makati City Stockholder	Global Business Power Corporation	Filipino	116,555,553	11.39%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company[3]	Various PCD participants	Filipino	68,450,893	6.59%

[1] *Either Mr. Dennis N. A. Garcia or Mr. Gil A. Garcia, II or Mr. Charles Sylvestre A. Garcia, Directors of MAI-I Resources Corporation (MRC) will vote for the shares of MRC in Vivant in accordance with the directive of the MRC Board of Directors.*

[2] *Either Mr. Ramontito E. Garcia or Mr. Jose Marko Anton G. Sarmiento, Chairman and Chief Operating Officer of JEG Development Corporation (JDC), respectively, will vote for the shares of JDC in Vivant in accordance with the directive of the JDC Board of Directors.*

[3] *Each beneficial owner of shares, through a PCD participant, is the beneficial owner of such number of shares he owns in his account with the PCD participant. Vivant has no record relating to the power to decide how the shares held by PCD are to be voted. As advised to the Company, none of the beneficial owners under a PCD participant owns more than 5% of Vivant's common shares.*

(2) Security Ownership of Management as of March 31, 2018 (Record and Beneficial)

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Dennis N.A. Garcia Chairman of the Board/CEO	Direct	1	Filipino	0.0%
		Indirect	1,121,514		0.1%
Common Shares	Emil Andre M. Garcia Director/VP – Operations	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Gil A. Garcia II Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Charles Sylvestre A. Garcia Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Arlo A. G. Sarmiento Director/EVP and Chief Operating Officer	Direct	86,800	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Ramontito E. Garcia Director/President	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jose Marko Anton G. Sarmiento Director	Direct	28,501	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Carmelo Maria Luza Bautista Director	Direct	100	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Raul Ch. Rabe Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jesus B. Garcia, Jr. Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Rogelio Q. Lim Independent Director	Direct	1	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Minuel Carmela N. Franco Treasurer/Chief Finance Officer/ VP – Finance/Compliance Officer	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Jess Anthony N. Garcia General Counsel/ Corporate Secretary/Chief Information Officer	Direct	12,200 0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Joan A. Giduquio-Baron Assistant Corporate Secretary	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Mark D. Habana VP – Commercial Affairs	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Maria Victoria E. Sembrano Senior AVP - Controllership	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Macario C. Padullo, Jr. Senior AVP - Corporate Management Systems	Direct	11,700	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Cris C. Fernandez AVP – Technical Operations	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Grant Clark AVP – Corporate Services Group	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Catherine S. Bringas AVP – Legal	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Erickson B. Omamalin AVP – Business Development	Direct	0	Filipino	0.0%
		Indirect	300		0.0%
Common Shares	Brigette Cecile N. Garcia AVP – Corporate Planning	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
Common Shares	Shem Jose W. Garcia AVP – Corporate Communications	Direct	0	Filipino	0.0%
		Indirect	0		0.0%
TOTAL		**Direct**	**139,310**		**0.0%**
		Indirect	**1,121,814**		**0.1%**

(3) Voting Trust Holders of 5% or more of Equity

No person holds more than 5% of Vivant's common equity under a voting trust or similar agreement.

(4) Changes in Control

There are no arrangements that had resulted in a change in control of Vivant during the period covered by this report.

Item 5. Directors and Executive Officers

(1) (a) Directors for 2018 - 2019

Below is a list of Vivant's nominee-directors for 2018 - 2019 with their corresponding ages, citizenship, positions, periods of service and offices held for the past five years. The directors will assume their directorship during Vivant's Annual Stockholders' Meeting in 2018, for a term of one year.

DENNIS N. A. GARCIA Chairman – Board of Directors Chief Executive Officer Chairman - Finance Committee Member – Executive Committee Member – Audit Committee Member – Board Risk Oversight Committee	69 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since December 20, 2002. Mr. Garcia is also a member of the Audit Committee and the Board Risk Oversight Committee of the Company. Other positions currently held are as follows: Chairman - Vivant Energy Corporation, Vivant Geo Power Corporation, Vivant Integrated Diesel Corp., Vivant Integrated Generation Corporation, Corenergy, Inc., Vivant Integrated Diesel Corporation, 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Vice-Chairman - Vivant-Sta. Clara Northern Renewables Generation Corporation; Chairman and President - Hijos de F. Escaño, Inc., MAI-I Resources Corporation, and EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; Director – Vivant Isla Inc., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, Cebu Energy Development Corporation, and Minergy Power Corporation; Chairman, CEO and President – JEGVEG Realty, Inc.
RAMONTITO E. GARCIA Director President Member – Executive Committee Member – Audit Committee Member – Finance Committee	61 years old, Filipino, has been the President of the Company since December 20, 2002. Mr. Garcia is a Director and Member of the Executive Committee of the Company since 2003. He is also a member of the Finance Committee and the Audit Committee of the Company. Other positions currently held are as follows: Chairman – Vivant – Malogo Hydropower Inc., Vivant Isla Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation, Visayan Electric Company, Inc.; Chairman and President - JEG Development Corporation; President and Chief Executive Officer of JDC One Acacia Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Director – Vivant Integrated Generation Corporation, Vivant Energy Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Abovant Holdings, Inc., 1590 Energy Corporation and JEGVEG Realty, Inc.

GIL A. GARCIA II Director Member – Executive Committee Member – Finance Committee	65 years old, Filipino, has been a Director of the Company since September 30, 2004. Mr. Garcia was the Treasurer of the Company from 2004 to 2014. Other positions presently held include: Treasurer and Director - VECO, Chief Finance Officer and Treasurer of MAI-I Resources Corporation.
CHARLES SYLVESTRE A. GARCIA Director Member – Executive Committee Member – Related Party Transaction Committee	57 years old, Filipino, is a Director of the Company and Member of the Company's Executive Committee since September 30, 2004. Mr. Garcia also sits in the board of VECO since 2007.
JOSE MARKO ANTON G. SARMIENTO Director Member – Executive Committee Member – Board Risk Oversight Committee Member – Finance Committee	41 years old, Filipino, has been a Director and Member of the Executive Committee of the Company since 2008. Mr. Sarmiento is also a member of the Board Risk Oversight Committee and Finance Committee of the Company. Other positions currently held are as follows: Vice-President - Vivant-Malogo Hydropower, Inc. and JDC One Acacia Corporation; Chief Operating Officer - JEG Development Corporation (since 2010) and JEGVEG Realty, Inc. (since 2010). Prior to this, he was a Director (from 2005 to 2010) and the Treasury Manager of JEG Development Corporation. He was also the Vice President for Manufacturing at Detalia Aurora, Inc. from 1999-2010. Mr. Sarmiento holds a degree in Bachelor of Science in Business Administration from Methodist University in North Carolina, USA. He obtained his Advanced Professional Training in Innovation Management in Product Development from Inwent in Bonn, Germany in 2004.
ARLO A. G. SARMIENTO Director Executive Vice President and Chief Operating Officer Member – Executive Committee Member – Audit Committee	42 years old, Filipino, has been the Executive Vice President and Chief Operating Officer of the Company since 2003. He is also a member of the Finance Committee of the Company. Mr. Sarmiento concurrently holds the following positions: Chairman - Delta P, Inc.; Vice-Chairman – Lunar Powercore Inc.; Director and President & CEO - Vivant Energy Corporation, 1590 Energy Corp, Vivant-Sta. Clara Northern Renewables Generation Corporation; Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Geo Power Corporation, Vivant Renewable Energy Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Director and Executive Vice President of VECO; Director and Treasurer - Abovant Holdings, Inc. and JEGVEG Realty, Inc.; Director and Vice-President - Cebu Private Power Corporation; Director and Chief Executive Officer - JEG Development Corporation; Director - Vics-Amlan Holdings Corp., Amlan Hydroelectric Power Corporation, Vivant-Malogo Hydropower Inc., Vivant Isla Inc., Therma Visayas, Inc., Hijos De F. Escaño, Inc., Cebu Energy Development Corporation, Minergy Power Corporation and Calamian Islands Power Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.

EMIL ANDRE M. GARCIA Director Vice President – Operations Member – Executive Committee	41 years old, Filipino, has been a Director of the Company since 2009. Mr. Garcia is also the Vice President for Operationsof the Company since January 2012. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. Other positions currently held are as follows: Director of VECO since 2010; Chairman - Calamian Islands Power Corporation; Director - Delta P, Inc., Vivant Geo Power Corporation, Amlan Hydroelectric Power Corporation, Hijos de F. Escaño Inc., 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Integrated Diesel Corporation, Minergy Power Corporation, Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Director and President - Vivant-Malogo Hydropower Inc., VICS-Amlan Holdings Corporation, and Vivant Isla Inc.; Director and Vice President - Vivant Energy Corporation, Vivant Integrated Generation Corp., Vivant-Sta. Clara Northern Renewables Generation Corporation, Vivant Renewables Energy Corporation and Lunar Powercore Inc.; Director and Treasurer – Cebu Private Power Corporation; Director and Chief Finance Officer of EMAG Resources and Development Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.
CARMELO MARIA LUZA BAUTISTA Independent Director	60 years old, Filipino, assumed the role of Director and President of GT Capital in 2011. Prior to his election, Mr. Bautista joined FMIC in April of 2008 as Executive Director and was appointed as Chairman of the Risk Management Committee. He later assumed the position of Head of its Investment Banking Group in 2009. Mr. Bautista has been in the Banking and Financial Services sector for 39 years. Some highlights of his previous scope of responsibilities over this period include: Program Director at Citibank Asia Pacific Banking Institute; Vice President and Head of the Local Corporate and Public Sector Groups Citibank-Manila; Vice President-Real Estate Finance Group, Citibank N.A.-Singapore branch; Vice President-Structured Finance, Citibank N.A.-Singapore Regional Office; Country Manager, ABN AMRO Bank-Philippines; and President and CEO, Philippine Bank of Communications. Mr. Bautista has a Masters Degree in Business Management from the Asian Institute of Management where he graduated in the Dean's Citation List. He also has a Bachelor's degree, Major in Economics, from the Ateneo de Manila University. Mr. Bautista has no directorships in other listed companies aside from GT Capital, however, he is currently serving as Director of Federal Land, TMP, PCFI, GT Capital Auto Dealership Holdings, Inc. ("GTCAD") and Toyota Subic, Inc. ("TSI"). He is also an Adviser to the Board of Trustees of GT Foundation, Inc.

JESUS B. GARCIA, JR. Independent Director Chairman – Audit Committee Member – Corporate Governance Committee Member – Related Party Transaction Committee Member – Board Risk Oversight Committee Member – Finance Committee	73 years old, Filipino, has been the Independent Director and concurrently, has been the Chairman of the Audit Committee of the Company since 2004. Mr. Garcia was the Secretary of the Department of Transportation and Communications of the Republic of the Philippines for the period 1992 to 1996. Other positions currently held are as follows: Chairman - SunStar Publishing, Inc., Pan Arts Corporation, SunStar Management, Inc.; President, Jesever Realty Corporation, and Madre Realty Corporation.
RAUL Ch. RABE Independent Director Chairman – Board Risk Oversight Committee Member – Audit Committee Member – Corporate Governance Committee	78 years old, Filipino, has been the Independent Director of the Company since 2003. He is the Chairman of the Board Risk Oversight Committee and a member of the Audit Committee and the Corporate Governance Committee. Other positions currently held or held in the past are the following: Director, CEPALCO (Cagayan de Oro), up to present; Director, MINERGY (Cagayan de Oro), up to present; Counsel of the Law Firm of Rodrigo, Berenguer & Guno (Makati City); Corporate Secretary - Manila Economic & Cultural Office (MECO) since 2001; Director - the Bank of Commerce, KGL-Negros Navigation, Pet Plans, Inc. (Makati City); Foreign Service Officer of the Department of Foreign Affairs (1968 to 1999); Third to Second Secretary in London (1972 to 1975); First Secretary in Bucharest (1975 to 1979); Chief Deputy of Protocol of the Department of Foreign Affairs (1979 to 1981); Minister Counselor in Jeddah (1981 to 1982); Minister and later Deputy Chief of Mission in Washington D.C., (1982 to 1984 and 1986 to 1989, respectively); Consul General in Honolulu (1984 to 1986); Assistant Secretary of the American Affairs (1989 to 1992); Ambassador to Seoul (1992 to 1993); Ambassador to the United States (1993 to 1999); Special Envoy of the President of the Philippines for the Americas and OIC Countries in 2001.
ROGELIO Q. LIM Independent Director Chairman – Corporate Governance Committee Chairman – Related Party Transaction Committee Member – Audit Committee Member – Board Risk Oversight Committee	76 years old, Filipino, and a senior executive with extensive experience in the power industry, manufacturing, and product engineering, working with multinational and in multicultural environment companies. Mr. Lim has over 25 years of manufacturing experience and 16 years in the Electric Power industry both in top management position. He retired in August 2016 as the President and CEO of East Asia Utilities Corporation and the consultant of Aboitiz Power Gen, oil group. He was the Director of Digital Products Engineering of TIMEX prior to his retirement in May of 1999. Mr. Lim started as the operations manager of TMX Philippines and became its President and GM a year later and became the Far East Manufacturing Manager in 1989. He also held technical and managerial positions with Intron Industries SDN BHD in Malaysia, and Union Carbide in the Philippines. After graduation from college, Mr. Lim's first job was with the Civil Aeronautics Administration as an Airways Engineer, then a year later with the US Army Topographic Command as a project engineer of the Dept. of Geodesy ground-based satellite tracking station Sequential Collation of Ranges Project. He has attended numerous short courses from the Asian Institute of Management, MIT in Cambridge Massachusetts, and UCLA in

	California, USA. In 1963, he obtained a BS degree in Electrical Engineering from Mapua Institute of Technology in Manila Philippines and Strategic Business Economics Program from the University of Asia and the Pacific in 2000, in Pasig City (with distinction). He was a recipient of numerous awards from the industry and government in the field of management, science, and engineering. He has been the president of Cebu Business Club, Mactan Export Zone Chamber, Philippine Quality and Productivity Movement, private sector representative to the RTWPB, and Region VII Regional Development Council. He is member of the Society of Fellows of the Institute of Corporate Directors and a Fellow since October 2010.

Nominees for Election as Directors

The following are nominees for election as Directors for 2018-2019:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia
3. Gil A. Garcia II
4. Charles Sylvestre A. Garcia
5. Arlo A. G. Sarmiento
6. Ramontito E. Garcia
7. Jose Marko Anton G. Sarmiento
8. Carmelo Maria Luza Bautista (Independent Director)
9. Raul Ch. Rabe (Independent Director)
10. Jesus B. Garcia, Jr. (Independent Director)
11. Rogelio Q. Lim (Independent Director)

Atty. Jesus B. Garcia, Jr. is the Chairman of the Corporate Governance Committee, and Messrs. Raul Ch. Rabe and Rogelio Q. Lim are its members.

Nominations for Independent Directors and Procedure for Nomination

Compliance with SRC Rule 38 (Guidelines on the Nomination and Election of Independent Directors)

The procedure for the nomination and election of the independent directors is in accordance with Rule 38 of the Securities Regulation Code (SRC Rule 38). The By-Laws of Vivant have not been amended to incorporate the requirements of SRC Rule 38. The Corporate Governance Committee conducted a nomination of independent directors. It has pre-screened the qualifications of all nominated candidates, resulting in the following final list of candidates with their respective nominating stockholders and all pertinent information, who have been nominated by Messrs. Dennis N.A. Garcia and Ramontito E. Garcia. Messrs. Dennis Garcia and Ramontito Garcia have no relationship to their nominees.

No nominations for independent director shall be accepted at the floor during the stockholders' meeting at which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected. Ambassador Raul Ch. Rabe, Atty. Jesus B. Garcia, Jr., Mr. Rogelio Q. Lim and Mr. Carmelo Maria Luza Bautista are the nominees for Independent Directors of Vivant. They are neither officers nor employees of the Company or any of its affiliates, and do not have any relationship with the Company which would interfere with the exercise of independent judgment in carrying out the responsibilities of an independent director. Attached as Exhibits "A-1", "A-2", "A-3", and "A-4" are the sworn Certifications of Qualifications of Jesus B. Garcia, Jr., Raul Ch. Rabe, Rogelio Q. Lim, and Carmelo Maria Luza Bautista respectively.

To the knowledge and/or information of Vivant the above-named nominees have not been involved in criminal, bankruptcy or insolvency investigations or proceedings for the past five (5) years up to the latest date that are material to evaluation.

To the knowledge and/or information of Vivant the said persons have not been convicted by final judgment or any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country, including being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities for the past five (5) years up to the latest date.

To the knowledge and/or information of Vivant said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the past five (5) years up to the latest date.

The shareholdings of the above-nominees for independent directors of Vivant are merely qualifying shares and, individually or added together, does not exceed five percent (5%) of Vivant's outstanding shares. Vivant does not have any commitment to the nominees with respect to the issuance of the new common shares of Vivant.

Attendance of Directors in Board Meetings in 2017

For the year 2017, Vivant held eight (8) regular meetings of the Board, namely, on January 31, 2017, March 31, 2017, May 12, 2017, June 15, 2017, August 11, 2017, October 17, 2017, November 10, 2017. There were seven (7) special meetings of the Board. The following summarizes their attendance:

Director	Designation	Board Meetings	Annual Stockholders' Meeting
DENNIS N. A. GARCIA	Chairman – Board of Directors Chief Executive Officer Member – Executive Committee Chairman – Finance Committee	6 out of 8 regular board meetings; 7 out of 7 special meetings	Present
RAMONTITO E. GARCIA	Director President Member – Executive Committee	8 out of 8 regular meetings; 7 out of 7 special meetings	Present
GIL A. GARCIA II	Director Member – Executive Committee	7 out of 8 regular meetings; 7 out of 7 special meetings	Present
ARLO A. G. SARMIENTO[4]	Director Executive Vice President and Chief Operating Officer Member – Executive Committee	5 out of 8 regular meetings; 3 out of 7 special meetings	Present
CHARLES SYLVESTRE A. GARCIA	Director Member – Executive Committee	8 out of 8 regular meetings; 7 out of 7 special meetings	Present
JOSE MARKO ANTON G. SARMIENTO	Director Member – Executive Committee	8 out of 8 regular meetings; 7 out of 7 special meetings	Present
EMIL ANDRE M. GARCIA	Director Vice President – Operations Member – Executive Committee	7 out of 8 regular meetings; 7 out of 7 special meetings	Present
CARMELO MARIA LUZA BAUTISTA	Director	3 out of 8 regular board meetings 3 out of 7 special meetings	Present
JESUS B. GARCIA, JR.	Independent Director Chairman – Audit Committee	7 out of 8 regular meetings; 7 out of 7 special meetings	Present
RAUL Ch. RABE	Independent Director Chairman – Board Risk Oversight Committee	7 out of 8 regular meetings; 6 out of 7 special meetings	Present
ROGELIO Q. LIM[5]	Independent Director Chairman – Corporate Governance Committee Chairman – Related Party Transaction Committee	4 out of 8 regular meetings; 3 out of 7 special meetings	Present

[4] Assumed his directorship during Vivant's Annual Stockholders' Meeting in June 15, 2017.
[5] Assumed his directorship during Vivant's Annual Stockholders' Meeting in June 15, 2017.

(1) (b) Officers for 2018-2019

Below is a list of Vivant officers for 2018-2019 with their corresponding positions and offices held for the past five (5) years. Unless otherwise indicated hereunder, the officers will assume their positions during Vivant's annual organizational meeting in 2018 for a term of one year.

DENNIS N. A. GARCIA Chairman – Board of Directors Chief Executive Officer Member – Executive Committee	69 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since December 20, 2002. Mr. Garcia is also a member of the Audit Committee and the Board Risk Oversight Committee of the Company. Other positions currently held are as follows: Chairman - Vivant Energy Corporation, Vivant Geo Power Corporation, Vivant Integrated Diesel Corp., Vivant Integrated Generation Corporation, Corenergy, Inc., Vivant Integrated Diesel Corporation, 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Vice-Chairman - Vivant-Sta. Clara Northern Renewables Generation Corporation; Chairman and President - Hijos de F. Escaño, Inc., MAI-I Resources Corporation, and EMAG Resources and Development Corporation; Director and Vice President - Abovant Holdings, Inc.; Director – Vivant Isla Inc., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, Cebu Energy Development Corporation, and Minergy Power Corporation; Chairman, CEO and President – JEGVEG Realty, Inc.
RAMONTITO E. GARCIA Director President Member – Executive Committee	61 years old, Filipino, has been the President of the Company since December 20, 2002. Mr. Garcia is a Director and Member of the Executive Committee of the Company since 2003. He is also a member of the Finance Committee and the Audit Committee of the Company. Other positions currently held are as follows: Chairman – Vivant – Malogo Hydropower Inc., Vivant Isla Inc., Vivant Renewable Energy Corporation, and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation, Visayan Electric Company, Inc.; Chairman and President - JEG Development Corporation; President and Chief Executive Officer of JDC One Acacia Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Director – Vivant Integrated Generation Corporation, Vivant Energy Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Abovant Holdings, Inc., 1590 Energy Corporationnd JEGVEG Realty, Inc.

ARLO A. G. SARMIENTO Director Executive Vice President Chief Operating Officer Member – Executive Committee	42 years old, Filipino, has been the Executive Vice President and Chief Operating Officer of the Company since 2003. He is also a member of the Finance Committee of the Company. Mr. Sarmiento concurrently holds the following positions: Chairman - Delta P, Inc.; Vice-Chairman – Lunar Powercore Inc.; Director and President & CEO - Vivant Energy Corporation, 1590 Energy Corp, Vivant-Sta. Clara Northern Renewables Generation Corporation; Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Geo Power Corporation, Vivant Renewable Energy Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Director and Executive Vice President of VECO; Director and Treasurer - Abovant Holdings, Inc. and JEGVEG Realty, Inc.; Director and Vice-President - Cebu Private Power Corporation; Director and Chief Executive Officer - JEG Development Corporation; Director - Vics-Amlan Holdings Corp., Amlan Hydroelectric Power Corporation, Vivant-Malogo Hydropower Inc., Vivant Isla Inc., Therma Visayas, Inc., Hijos De F. Escaño, Inc., Cebu Energy Development Corporation, Minergy Power Corporation and Calamian Islands Power Corporation. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.
EMIL ANDRE M. GARCIA Director Vice President – Operations Member – Executive Committee	41 years old, Filipino, has been a Director of the Company since 2009. Mr. Garcia is also the Vice President for Operationsof the Company since January 2012. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. Other positions currently held are as follows: Director of VECO since 2010; Chairman - Calamian Islands Power Corporation; Director - Delta P, Inc., Vivant Geo Power Corporation, Amlan Hydroelectric Power Corporation, Hijos de F. Escaño Inc., 1590 Energy Corp., Vivant Enercore Integrated, Inc., Vivant Powercore Active, Inc., Southern Powercore Holding Corp., Vivant Integrated Diesel Corporation, Minergy Power Corporation, Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Director and President - Vivant-Malogo Hydropower Inc., VICS-Amlan Holdings Corporation, and Vivant Isla Inc.; Director and Vice President - Vivant Energy Corporation, Vivant Integrated Generation Corp., Vivant-Sta. Clara Northern Renewables Generation Corporation, Vivant Renewables Energy Corporation and Lunar Powercore Inc.; Director and Treasurer – Cebu Private Power Corporation; Director and Chief Finance Officer of EMAG Resources and Development Corporation. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.

MINUEL CARMELA N. FRANCO Chief Financial Officer Treasurer Vice President – Finance Compliance Officer	46 years old, Filipino, has been the Vice President for Finance since May 2013 and concurrently as Treasurer since June 2015. Ms. Franco also currently holds the following positions: Chairman – Southern Grove Properties and Development Corp.; Director and Treasurer & CFO – Vivant Energy Corporation, Vics-Amlan Holdings Corporation, Vivant Renewables Energy Corporation, Vivant Integrated Generation Corporation, Vivant Integrated Diesel Corporation, Vivant Isla Inc., Vivant Geo Power Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Southern Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation; Director and Treasurer – Prism Energy, Inc.; Treasurer - Calamian Islands Power Corporation, Vivant-Northern Renewables Generation Corporation, Delta P, Inc., Vivant-Malogo Hydropower, Inc., and 1590 Energy Corp.; Treasurer and CFO – Vivant Malogo Hydropower Inc.; Member of the Board of Advisors - VECO Past positions held are as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils.), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.
JESS ANTHONY N. GARCIA General Counsel Corporate Secretary Chief Information Officer	45 years old, Filipino, has been the Corporate Secretary and Corporate Information Officer of the Company since 2003. He is also the Vice President for Legal of the Company. Mr. Garcia concurrently acts us the Corporate Secretary of VECO, Vivant-Sta. Clara Northern Renewables Generation Corporation, Delta P, Inc., VICS – Amlan Holdings Corporation, Vivant Geo Power Corporation, Vivant Integrated Generation Corp., 1590 Energy Corp., Vivant-Malogo Hydropower Inc., Vivant Renewable Energy Corporation, Calamian Islands Power Corporation, Vivant Energy Corporation, Vivant Isla, Inc., and SunStar Publishing, Inc.; Director and Corporate Secretary of Amlan Hydroelectric Power Corporation, Vivant Integrated Diesel Corporation, Southern Powercore Holding Corp., Vivant Realty Ventures Corporation, Vivant Enercore Integrated, Inc., Vivant Powercore Active Inc., Amberdust Holding Corporation. He is the Assistant Corporate Secretary of Abovant Holdings, Inc. and Hijos De F. Escaño. He obtained his *Juris Doctor* degree from the Ateneo de Manila University School of Law and has been a member of the California Bar since 2002 and of the Philippine Bar since 1998.

JOAN A. GIDUQUIO-BARON Assistant Corporate Secretary	47 years old, Filipino, has been the Assistant Corporate Secretary since 2003. She has been the Compliance Officer of the Company since 2003 until 2017. Ms. Baron also holds other positions: Acting Corporate Secretary of VECO; Assistant Corporate Secretary of Vivant Energy Corporation, Vivant Renewable Energy Corporation, VICS – Amlan Holdings Corporation, Vivant Isla Inc., Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., and Sun Star Publishing, Inc.; Corporate Secretary - JEGVEG Realty, Inc., JEG Development Corporation, JDC Tomodachi, Inc., and JDC One Acacia Corporation. She obtained her *Juris Doctor* from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management (AIM) in 2001. Ms. Baron has been a member of the Philippine Bar since 1997 and a Director of the Alumni Association of the Asian Institute of Management-Cebu Chapter. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001.
MARK D. HABANA Vice President – Commercial Affairs	41 years old, Filipino, has been the Vice President for Commercial Affairs since April 17, 2017. Mr. Habana holds currently holds the position of Director of Prism Energy, Inc. Before joining the Company, he was AVP at Energy Development Corporation (EDC) since May 2014. He ran Operations of the BacMan Geothermal Business Unit and led EDC's Technology Innovation efforts. Prior to this, he was in the oil & gas industry from March 2007 to April 2014 as Manager of Business Development for Occidental Petroleum and Venoco Inc.; both in Denver, Colorado. From September 2002 to March 2007, he took on risk management and deal structuring roles at energy trading firms: Sempra Energy Solutions in California and Constellation Energy in Maryland. He graduated from the University of the Philippines with a Bachelor of Science degree in Mechanical Engineering (Cum Laude). In June 2002, Mr. Habana earned his Master of Science in Petroleum Engineering from Stanford University in California, and, in January 2009, he completed the Executive Management Program from the Harvard Business School in Massachusetts.
MARIA VICTORIA E. SEMBRANO Senior Assistant Vice President – Controllership	56 years old, Filipino, has been the Senior Assistant Vice President for Controllership of the Company since February 7, 2018. Prior to this, she was the Assistant Vice President for Controllership since 2012. Concurrently, Ms. Sembrano also holds the following positions: Director and Treasurer & CFO - Southern Grove Properties and Development Corp. and Corenergy Inc. Before joining the Company, Ms. Sembrano was the Corporate Services Director of the Marsman Drysdale Agribusiness Group. Prior to this, other positions held in the Marsman Drysdale Agribusiness Group starting 1992 include positions in Finance, Logistics and Administration. Ms. Sembrano holds a degree in Bachelor of Science in Commerce, Major in Accounting (Magna Cum Laude) from the University of San Carlos.

MACARIO C. PADULLO, JR. Senior Assistant Vice President – Corporate Management Systems	41 years old, Filipino, has been the Senior Assistant Vice President for the Corporate Management Services since February 7, 2018. Prior to this he was the Assistant Vice President for Corporate Management Services of the Company since February 2011. Atty. Padullo held the following positions in the Company: Finance Manager from 2009 to 2011 and Finance Officer from 2003 to 2009. Atty. Padullo, Jr. also holds the position ofPresident and CEO of Southern Grove Properties and Development Corp. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Mr. Padullo holds a degree in Bachelor of Science in Accountancy from the University of San Carlos. He obtained his degree in Bachelor of Laws (Class Valedictorian) from the University of Cebu in 2009.
CRIS C. FERNANDEZ Assistant Vice President – Technical Operations	40 years old, Filipino, has been the Assistant Vice President for Technical Operations of the Company since January 2015. He is also a member of the Board of Advisors of VECO. He joined the Company on October 2012 as Senior Technical Manager and is a licensed Electrical Engineer. He used to work as an Electrical Engineer in Australia and has been an accredited Professional Engineer of Engineers Australia.
GRANT CLARK Assistant Vice President – Corporate Services Group	40 years old, Australian, has been the Assistant Vice President for Business Development of the Company since October 2015 until taking up the position as AVP for the new Corporate Services Group in January 2017. Mr. Clark currently holds the following positions: Director – Southern Grove Properties and Development Corp. and Corenergy Inc. Prior to joining the Company, Mr. Clark worked for 12 years in the Government in Australia (Victoria), his last position being the Director of Economics at the Department of Sustainability and Environment (2010-2013). He moved to the Philippines in 2013 and worked briefly as a Director in KPMG Philippines (2013-2014). He has a Bachelor of Commerce degree with First Class Honors in Economics from Deakin University in Melbourne, Australia.
CATHERINE S. BRINGAS Assistant Vice President – Legal	34 years old, Filipino, has been the Assistant Vice President for Legal since January 2017. Prior to this, she was the Legal Senior Manager of the Company from 2013 to 2016. Concurrently, Ms. Bringas holds the following positions: Corporate Secretary – Corenergy Inc., and Southern Grove Properties and Development Corp.; Assistant Corporate Secretary – 1590 Energy Corp., Vivant – Sta. Clara Northern Renewables Generation Corporation, Amlan Hydroelectric Power Corporation, Vivant Enercore Integrated Inc., Vivant Powercore Active Inc., Vivant Isla Inc., Vivant Geo Power Corp., Souther Powercore Holding Corp., Vivant Realty Ventures Corporation and Amberdust Holding Corporation. She holds a degree in Legal Management from De La Salle University and obtained her Juris Doctor from the Ateneo de Manila University School of Law in 2008. She has been a member of the Philippine Bar since 2009. Prior to Vivant, Ms. Bringas worked at the Power Sector Assets and Liabilities Management Corporation as a Corporate Attorney under the Office of the President and CEO.

ERICKSON B. OMAMALIN Assistant Vice President – Business Development	33 years old, Filipino, has been the Assistant Vice President for Business Development since January 2017. Mr. Omamalin joined the Company in September 2009 as Finance Officer and has been the Senior Manager for Business Development for five years since January 2012. Prior to Vivant, Mr. Omamalin worked at Smart Communications, Inc. as Finance Analyst for 3 years. Mr. Omamalin holds a degree in Bachelor of Science in Accountancy from the University of San Jose-Recoletos and is a Certified Public Accountant.
BRIGETTE CECILE N. GARCIA Assistant Vice President – Corporate Planning	31 years old, Filipino, has been the Assistant Vice President for Corporate Planning since February 7, 2018. Prior to this, she was the Corporate Planning Senior Manager of the Company from 2016 to 2017. Before joining Vivant, she worked for a year as a Management Trainee for Utility Economics at Visayan Electric Company (VECO) and for 3 years as an Investment Consultant for Family Offices Private Banking at Credit Suisse AG in Singapore. Ms. Garcia graduated from Singapore Management University (SMU) with a double degree (Summa Cum Laude) in Bachelor of Science in Economics and Bachelor of Business Management in 2009. She was also the school Salutatorian and recipient of the Top Student of the School of Economics Award and the Monetary Authority of Singapore Academic Excellence Award. She obtained a Masters of Science degree in Accounting and Finance from London School of Economics (LSE) in 2013.
SHEM JOSE W. GARCIA Assistant Vice President – Corporate Communications	38 years old, Filipino, has been the Assistant Vice President for Corporate Communications since February 7, 2018. He also serves as the Executive Director of the Vivant Foundation. He previously served as a Director of Vivant Corporation from 2005-2008. He joined as a full-time employee of Vivant as the Senior Manager for Corporate Social Responsibility in 2014. He has a Bachelor Degree with Honors from the London College of Communications, University of the Arts London. He previously served as the Business Development Officer for JEG Development Corporation, where he currently serves in the Board of Advisors. He also serves as the President of the Board of Trustees for the Dominus Pascit Me Foundation and Corporate Secretary for Mon Y Liza Holdings.

Attached as Exhibit "B" is a Certification that none of the above-named directors and officers work in the government.

Period in which the Directors and Executive Officers Should Serve

The directors and executive officers should serve for a period of one (1) year.

Term of Office of a Director

Pursuant to Vivant's Amended By-laws, the directors are elected at each annual stockholder's meeting by stockholders entitled to vote. Each director holds office until the next annual election for a term of one year and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

Any vacancy in the Board of Directors other than by removal or expiration of term may be filled by a majority vote of the remaining members thereof at a meeting called for that purpose, if they still constitute a quorum. The director so chosen shall serve for the unexpired term of his predecessor in office.

(2) Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

(3) Family Relationships

Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia II are brothers, or related within the second civil degree by consanguinity.

Mr. Ramontito E. Garcia is related within the fourth civil degree by consanguinity (cousin) to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia II.

Mr. Emil Andre M. Garcia is the son of Mr. Dennis N. A. Garcia and is related within the third civil degree by consanguinity to Charles Sylvestre A. Garcia and Gil A. Garcia II.

Mr. Arlo A. G. Sarmiento is related within the third civil degree by consanguinity (nephew) to Mr. Ramontito E. Garcia. He is also related within the fifth civil degree by consanguinity to Mssrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II. He is also related within the sixth civil degree by consanguinity to Emil Andre M. Garcia.

Mr. Jose Marko Anton G. Sarmiento is the brother of Mr. Arlo A. G. Sarmiento, thus, related within the second civil degree by consanguinity. He is also related within the fifth civil degree by consanguinity to Mssrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II.

Ms. Brigette Cecile N. Garcia, the AVP for Corporate Planning, is related within the third civil degree by consanguinity (niece) to Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II, and related within the fourth civil degree by consanguinity (cousin) to Mr. Emil Andre M. Garcia.

Mr. Shem Jose W. Garcia, the AVP for Corporate Communications, is a direct descendant (son) of Mr. Ramontito E. Garcia and is related within the fourth civil degree by consanguinity (cousin) to Messrs. Arlo A. G. Sarmiento and Jose Marko Anton G. Sarmiento. He is also related within the fifth civil degree by consanguinity to Mssrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia, and Gil A. Garcia II.

Other than the foregoing, there are no other family relationships (by consanguinity or affinity) known to Vivant.

(4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of Vivant, none of its nominees for election as directors, its present members of the Board of Directors or its executive officers, is presently or during the last five years, been involved in any legal proceeding or bankruptcy petition or has been convicted by final judgment, or being subject to any order, judgment or decree or violated the securities or commodities law in any court or government agency in the Philippines or elsewhere for the past five years and the preceding years until April 30, 2018 which would put to question their ability and integrity to serve Vivant and its stockholders.

To the knowledge and/or information of Vivant, the above-said persons have not been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or by the laws of any other nation or country.

To the knowledge and/or information of Vivant, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation for the preceding years until March 31, 2018.

(5) Certain Relationships and Related Transactions

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

In the normal course of business, Vivant transacts with companies who are considered related parties under PAS 24, *Related Party Disclosures*. As parent company, Vivant provides two types of professional services: (1) strategic and technical and (2) corporate center services. These transactions were made on an arm's length basis. Third party rates are used as reference and benchmark to ensure competitive pricing and consistency to current industry standards.
Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2017:

- Vivant issued corporate guarantees for the following transactions:
    - Application for and the issuance of a domestic Standby Letter of Credit (SBLC) in behalf of an investee company relating to its debt service for its long-term project loan;
    - Application for and the issuance of a domestic SBLC by a subsidiary to serve as guarantee for its equity infusion into an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu; and
    - Foreign exchange hedging transaction entered into by an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu.

- Vivant applied for the issuance of a domestic SBLC to serve as guarantee for the equity infusion by one of its subsidiaries into an investee company that is constructing a 300 MW coal fired power plant in Toledo City, Cebu.

- Vivant has an outstanding lease agreement with a certain associate involving rental of its commercial office space.

(6) Resignation or Refusal to Stand for Re-election by Members of the Board of Directors

No director has resigned or declined to stand for re-election to the board of directors because of a disagreement with Vivant on any matter relating to the Registrant's operations, policies or practices.

Item 6. Compensation of Directors and Executive Officers

(1) Summary of Compensation of Executive Officers

Information as to the aggregate compensation paid or accrued to Vivant's Chief Executive Officer and other highly compensated executive officers, as well as other officers and directors during the last two completed fiscal years and the ensuing fiscal year, is as follows:

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives 1. Ramontito E. Garcia – President 2. Arlo A.G. Sarmiento – EVP/COO 3. Emil Andre M. Garcia – VP Operations 4. Minuel Carmela N. Franco – Treasurer, VP Finance, CFO, Compliance Officer 5. Jess Anthony N. Garcia – General Counsel, Corporate Secretary, CIO [(a)] 6. Mark D. Habana – VP Commercial Affairs [(b)]				
All above-named officers as a group	2018 (est.)	Php 26.9 mn	Php 16.1 mn	
	2017	Php 24.9 mn	Php 13.5 mn	
	2016	Php 23.1 mn	Php 12.4 mn	
All other directors and officers as a group unnamed	2018 (est.)	Php 25.5 mn	Php 8.6 mn	Php 11.0 mn
	2017	Php 21.4 mn	Php 6.1 mn	Php11.3 mn
	2016	Php 14.5 mn	Php 5.8 mn	Php 9.7 mn

(a) Included in top 5 highly compensated executives up to 2017 only.

(b) Included in top 5 highly compensated executives only in 2018 estimate.

(2) Compensation of Directors

(i) Standard Arrangements

In 2017, each non-executive Director of the Board and members of the Board Committees received a per diem for every Board or Committee meeting attended as follows:

Type of Meeting	Directors	Chairman of the Board or Committee
Board Meeting	Php 50,000.00	Php50,000.00
Committee Meeting	Php 40,000.00	Php 40,000.00

(ii) Other Arrangements

Other than honoraria for meetings attended, there are no standard arrangements pursuant to which directors of the Issuer are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

Other than the indirect compensation of two directors via consultancy contracts that were in place during the Company's last fiscal year, there are no arrangements, including consulting contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided by such director. Aforementioned consultancy contracts involving indirect compensation of the registrant's two directors will be in place in the ensuing year.

(3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Vivant has no existing compensation plan or arrangement with any of its executives in case of resignation or any other termination of employment or from a change in the management control of the Company.

(4) Warrants and Options Outstanding

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Item 6 (1). Moreover, at no time during the last completed fiscal year did Vivant adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

Item 7. Independent Public Accountants

For the fiscal year 2017, the accounting firm of Sycip Gorres Velayo & Co. (SGV) was the Independent Public Accountant of Vivant. Leovina Mae V. Chu is the audit partner of Vivant for 2017 and the recommended partner-in-charge.

Representatives of SGV will be present during the Annual Stockholders' Meeting and will be given the opportunity to make a statement if they so desire. They are also expected to respond to appropriate questions if needed.

There was no event in the past three (3) fiscal years where Vivant and SGV, or the handling partner, had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

In its regular meeting last June 15, 2017, the Board of Directors of Vivant approved the inclusion in the agenda of the 2017 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint Vivant's external auditors for 2017. The proposal is intended to give the Board Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as Vivant's external auditor for 2017. As a matter of policy, the Board Audit Committee makes recommendation to the Board of Directors concerning the choice of external auditor.

The Board Audit Committee is composed of: Atty. Jesus B. Garcia, Jr., Independent Director (Chairman), Messrs. Ramontito E. Garcia (Member), Arlo A. G. Sarmiento (Member), Dennis N. A. Garcia (Member), Mr. Rogelio Q. Lim, and Amb. Raul Ch. Rabe (Member).

The Corporation is in compliance with SEC Memorandum Circular No. 08-03 (Rotation of External Auditors) in relation to paragraph 3 (b)(ix) of Rule 68 of the Implementing Rules and Regulations of the Securities Regulation Code, and the two-year cooling-off period was observed in the re-engagement of the same signing partner or individual auditor.

External Audit Fees and Services

Following the Annual Stockholders Meeting last June 15, 2017 where the authority to confirm or appoint the external auditors was delegated to the Board of Directors, the Board of Directors confirmed the appointment of SGV as its external auditor for fiscal year 2017.

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2017.

Fee Type	2017	2016
Audit Fees	1,375,445.00	Php 687,868.38
Tax Fees*	216,000.00	1,069,213.12
All Other Fees**	208,329.00	184,817.04
Total	1,799,774.00	PhP 1,941,898.54

**Tax Consultancy*

*** Trainings on Renewable Energy Law, Corporate Governance and Philippine Financial Reporting Standards*

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors. The Audit Committee also reviewed the extent and nature of these services to ensure that the independence of the external auditors is preserved.

Item 8. Compensation Plans

There is no action to be taken by Vivant at the Annual Stockholders' Meeting with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

There is no action to be taken with respect to the authorization or issuance of any security.

Item 10. Modification or Exchange of Securities

There is no action to be taken with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

There is no action to be taken with respect to the authorization or issuance of any security, or with respect to the modification of any class of securities of the Registrant, or the issuance or authorization for issuance of one class of securities of the Registrant in exchange for outstanding securities of another class.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action is to be taken with respect to any transaction involving any merger, consolidation, acquisition, sale or transfer of all or any substantial part of the assets, or liquidation or dissolution of Vivant.

Item 13. Acquisition or Disposition of Property

No action to be taken during the Annual Stockholders' Meeting with respect to any acquisition or disposition of any property of material significance.

Item 14. Restatement of Accounts

No action to be taken during the Annual Stockholders' Meeting with regard to restatement of accounts.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(1) Approval of the Minutes of the June 15, 2017 Annual Meeting of Stockholders

The following is a summary of the items in the Agenda of which action was taken during the 2017 Annual Stockholders' Meeting:

1. Approval of the 2016 Annual Report and Financial Statements
2. Delegation of Authority to Appoint External Auditors for 2017 to the Board of Directors
3. Ratification of all Acts and Resolutions of the Board of Directors and Management Adopted For Fiscal Year 2016
4. Election of Directors (including Independent Directors):

   Mr. Dennis N. A. Garcia
   Mr. Emil Andre M. Garcia
   Mr. Gil A. Garcia II
   Mr. Charles Sylvestre A. Garcia
   Mr. Arlo A. G. Sarmiento
   Mr. Ramontito E. Garcia
   Mr. Jose Marko Anton G. Sarmiento
   Mr. Carmelo Maria Luza Bautista
   Mr. Rogelio Q. Lim (Independent Director)
   Amb. Raul Ch. Rabe (Independent Director)
   Atty. Jesus B. Garcia, Jr. (Independent Director)

Other than the foregoing, no matter was submitted to a vote of security holders. The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter that is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

No amendment to the Articles of Incorporation or By-Laws will be submitted for approval.

Item 18. Other Proposed Actions

For the 2018 Annual Stockholders' Meeting, a proposal to delegate to the Board of Directors the authority to appoint Vivant's external auditors for 2018 will be submitted for the approval of the shareholders. The proposal is intended to give the Audit Committee sufficient time to evaluate the different auditing firms who have submitted engagement proposals to act as Vivant's external auditor for 2017, before submitting the final list of candidates for external auditor to the Board of Directors.

Item 19. Voting Procedures

Pursuant to the Corporation Code, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of Vivant.

Approval and Ratification

The approvals to be obtained, as aforementioned, will require the affirmative vote by stockholders representing at least a majority of the Vivant's outstanding common stock present or represented and entitled to vote at the meeting. Abstentions, with respect to any matter, are treated as shares present and represented and entitled to vote for the purpose of determining whether the stockholders have approved that matter; thus, abstentions have the same effect as negative votes. Shares as to which proxy authority has not been presented are not deemed to be present or represented for purposes of determining whether stockholder approval of that matter has been obtained.

Items requiring the vote of stockholders will be presented for approval of the stockholders at the meeting. If stockholders or proxies of stockholders owning more than majority of the outstanding capital stock are present and identified in the meeting, voting shall be by raising of hands or *viva voce;* otherwise, voting shall be done in writing by secret ballot and counted thereafter if requested by any voting stockholder. The Corporate Secretary, Atty. Jess Anthony N. Garcia and the Assistant Corporate Secretary, Atty. Joan A. Giduquio-Baron, shall validate and count the votes cast.

Voting for Directors

In the election of directors, the top nine nominees with the most number of votes shall be declared elected. If the number of nominees does not exceed the number of directors to be elected, all the shares present or represented at the meeting will be cast in favor of the nominees. If the number of nominees exceeds the number of directors to be elected, voting will be done by ballots.

In the election of directors, the stockholder may choose to do any of the following:

(i) Vote such number of shares for as many person(s) as there are directors to be elected;
(ii) Cumulate such shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares; or
(iii) Distribute his shares on the same principle as option (ii) among as many candidates as he shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The method of counting the votes shall be in accordance with the general provisions of the Corporation Code of the Philippines. The counting of votes shall be done by representatives of the Office of the Corporate Secretary, who shall serve as members of the Election Committee.

Other than the nominees' election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way of the matters to be taken up during the meeting. Vivant has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the Annual Stockholders' Meeting.

This Information Statement in SEC Form 20-IS is given free of charge to the stockholders prior to the Annual Stockholders' Meeting of the Company. Vivant stockholders may likewise request for a copy of the Annual Report in SEC Form 17-A which will be given free of charge upon written request. Hard copies of the Unaudited Financial Statements and the Management Discussion and Analysis will be made available to Vivant stockholders upon request. Please write to:

Office of the Corporate Secretary
Units 907-908, 9th Floor Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road, Cebu Business Park
Barangay Luz, Cebu City

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed at the City of Cebu on May 10 2018.

VIVANT CORPORATION
Issuer
By:

JESS ANTHONY N. GARCIA
Corporate Secretary

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity supply business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of December 31, 2017.

Vivant's origins can be traced back to the rich and humble beginnings of Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayas Electric Company (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage in the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside with the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels were beefed up, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2016, Vivant has an effective equity interest of approximately 35% in VECO (accounting for both direct and indirect shareholdings).

In 2002, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was afterward renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation, owner and operator of a 70 megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc. (DPI), owner and operator of a 16 MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation, a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan hydroelectric power plant in Negros island in 2009; and
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun hydroelectric power plant in Alilem, Ilocos Sur in 2009

In 2010, Vivant, through one of its subsidiaries, entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang diesel-fired power plant.

In April 2013, the Company, through one of its associates, broke ground for the construction of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants commenced commercial operations in the last quarter of 2014 and have serviced the power requirements of the local distribution utility via a Power Supply Agreement (PSA).

In November 2013, Vivant, through wholly owned subsidiary Vivant Energy Corporation (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 17 MW of geothermal power from ULGPP beginning January 1, 2015.

In January 2014, Vivant signed an agreement to issue Php 3 billion (bn) in Fixed Rate Corporate Notes (FRCN). The offering was fully subscribed by a consortium of local banks. Proceeds of the issue, which were in two (2) tranches, were earmarked to partly fund the Company's and its subsidiaries' capital projects.

In February 2014, a Memorandum of Understanding was executed by wholly-owned subsidiary Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) that involves the possible equity investments by VIGC in Minergy's future power generation projects. Subsequent to this, a Subscription Agreement between VIGC and Minergy Coal Corporation (MCC) was executed, which allowed VIGC to subscribe to 40% of all issued capital and shares of MCC. MCC is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. In 2015, MCC changed its corporate name to Minergy Power Corporation (MPC). The power generation facility has started to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

On August 27, 2014, a shareholders' agreement between VIGC and Therma Power, Inc. (TPI) was signed. This agreement involves the investment by VIGC in Therma Visayas, Inc. (TVI), the project proponent for the construction and operation of a 2x150 MW (net) coal-fired power generation facility in Toledo City, Cebu. The agreement involves the entry of VIGC into TVI for a 20% equity stake. Construction commenced in the first quarter of 2015. Works on grid connection and energization of the plant are underway. Commercial operation is targeted within first half of 2018.

In December 2015, after the successful conduct of a Competitive Selection Process by the Palawan Electric Cooperative (PALECO), DPI was declared as the winning proponent and awardee of the fifteen (15)–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

In January 2017, 1590 EC signed a 5-year Ancillary Service Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP). This involved the provision of Dispatchable Reserve on a non-firm basis. Effectivity of the contract was upon receipt of a Provisional Approval by the ERC, which was obtained in May 2017.

In May 2017, Vivant entered into a joint venture with ET Energy Pilipinas Holding Corporation. The joint venture will explore opportunities in the solar rooftop space. Through 100%-owned Vivant Renewables Energy Corporation (VREC), the Company will have a 60% ownership in the joint venture company.

In May 2017, a Commencement/Stay Order was issued by Cebu City Regional Trial Court Branch 11 in favor of Vivant-Sta. Clara Northern Renewables Generation Corporation (NR) pursuant to a Petition for Corporate Rehabilitation. As of date, NR is still awaiting the court's decision on whether or not to allow the rehabilitation. NR is an associate of Vivant with effective ownership of 48% as of end-2017.

In December 2017, Vivant, through wholly owned subsidiary VIGC, and Global Business Power Corporation (GBPC) signed a Pre-Development Agreement to jointly participate in a project that will involve the construction and operation of a 2x335 MW coal fired power plant in La Union. This project will be undertaken through Global Luzon Energy Development Corporation, a special purpose vehicle that was set up where Vivant has an effective ownership of 42.5%.

2. Business of Issuer

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution and retail electricity supply in the Philippines. (Please see Exhibit "C" for Vivant's Corporate Structure.)

(i) Principal Products

POWER GENERATION

As of end-2017, VEC holds all of Vivant's interests in the electric power generation business. To date, the Company has built a portfolio comprised of both renewable and non-renewable power generation plants with total attributable capacity of approximately 337 MW. As of December 31, 2017, approximately 50.3% of Vivant's net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2017.

Generation Companies	Energy Sold[1] (in GWh)			Revenue[1] (in Php million)		
	2015	2016	2017	2015	2016	2017
CPPC	158.6	145.6	141.1	1,465.5	1,292.4	1,484.4
Delta P[2]	65.4	65.7	79.5	635.2	566.0	908.5
CEDC	1,619.1	1,722.8	1724.3	8,108.5	7,965.6	8,751.5
AHPC	0.1	2.4	3.8	0.2	5.6	13.4
NR[3]	247.8	262.9	240.0	805.7	769.0	797.5
1590 EC	189.6	140.2	190.8	1,991.5	1,530.6	1,811.3
CIPC	18.5	22.1	27.5	249.6	262.0	356.2
VEC[3]	148.6	149.1	140.0	805.9	834.7	867.2
MPC[4]	--	--	238.2	--	--	1,422.4

Notes:

1. *Figures are at 100%*
2. *Includes 30-MW expansion project, which started to feed into the PALECO service area in May 2017.*
3. *Through IPP Administration Agreements with PSALM.*
4. *Started operations in September 2017 with Unit 1 at 48 MW gross capacity and Units 2 and 3 at 55 MW gross capacity each.*

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the ten (10) Caterpillar-Mak-powered 70 MW Bunker C-fired power plant situated on a 1.8-hectare site in the old VECO compound at Bgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply 62 MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by Aboitiz Power Corporation (AP).

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM).

In July 2013, CPPC and VECO filed an application for a new ten (10)-year PSA with the Energy Regulatory Commission (ERC). Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO.

Delta P, Inc. (DPI)

Established in 1997, DPI is an independent power producer in Palawan operating a 16 MW bunker-fired power plant with four units of 4 MW generator sets. In March 2007, Gigawatt Power Inc. (GPI) acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly-owned subsidiary VEC, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with the National Power Corporation (NPC), which was scheduled to expire in April 2009. The power generated by the plant served a portion of the electricity requirements of PALECO.

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next ten (10) years. DPI and PALECO filed a joint petition with the ERC for the approval of the PSA, which the latter granted on November 9, 2009.

In May 2015, a Share Purchase Agreement was executed between VEC and GPI, which resulted to a 50:50 equity ownership between the companies.

In December 2015, after the successful conduct of a Competitive Selection Process by PALECO, DPI was declared as the winning proponent and awardee of the fifteen (15)–year PSA for a 26.65 MW Gross Dependable Capacity. Consequently, DPI embarked on an expansion program in 2016 involving the construction of a 30 MW diesel-fired power plant. In April 2016, DPI and PALECO filed a Joint Application with the ERC for the approval of the PSA. A public hearing was held on February 17, 2017. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

Abovant Holdings, Inc. (AHI) and Cebu Energy Development Corporation (CEDC)

AHI was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. AHI is 40% owned by Vivant (currently through wholly-owned Vivant Integrated Generation Corporation) and 60% owned by AP (currently through wholly-owned Therma Power, Inc.).

AHI and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a $450 million (mn) 3 x 82 MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed (CFB) technology. Commercial operations commenced in 2011. With AHI's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW of electricity for twenty-five (25) years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu and Bohol. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass-through.

Amlan Hydroelectric Power Corporation (AHPC)

AHPC is the owner and operator of a 0.8 MW run-of-river hydroelectric power plant in Amlan in the Province of Negros Oriental, approximately thirty-five (35) kilometers north of the provincial capital, Dumaguete City. Commissioned in 1962, it was the first power plant to be constructed in the Province of Negros Oriental. An agreement with PSALM was entered into for the purchase of the power plant in 2009 for a total purchase price of US$ 230,000.

In 2010, AHPC entered into a bilateral contract with Green Core Geothermal, Inc. (Green Core) that involves the purchase by Green Core of all the net energy output generated by the plant. The bilateral contract expired in December 2015.

In April 2014, AHPC implemented a rehabilitation program, which is expected to improve the plant's generating capacity by 50% to 1.2 MW. Wet commissioning commenced in December 2015, while rehabilitation program was completed marked by the plant handover in January 2016.

In December 2017, VEC and ICS Renewables Holdings, Inc. (ICS Renewables) executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred Vivant's ownership in AHPC to ICS Renewables by year-end.

Vivant-Sta. Clara Northern Renewables Generation Corporation (NR)

In 2009, NR submitted the highest offer in the competitive bid conducted by PSALM for the appointment of the IPP Administrator of the contracted capacities of the 70 MW Bakun hydroelectric power plant located in Alilem, Ilocos Sur and the 30 MW Benguet hydroelectric power plants located in Benguet, Cordillera Administrative Region. The offer by NR resulted in a bid price of US$145 mn, as calculated in accordance with the PSALM's bid rules.

Under the IPP Administration Agreement, NR will pay a series of monthly payments to PSALM for a period of sixteen (16) years until January 2026 in consideration for the right to trade/market the electricity generated by the plants, either through the WESM or bilateral contracts. After the expiry of said contract, the power stations will be transferred to NR, subject to its acceptance. PSALM exercised the right to divide and segregate the contracted capacities of Bakun and Benguet in the latter part of 2010.

By virtue of the segregation done by PSALM, NR assumed the responsibility of selling only the Bakun plant's contracted capacity. The Bakun plant is located within the 13,213-hectare watershed area of the Bakun river in Ilocos Sur province in Northern Luzon, which taps the flow of the Bakun river to provide the plant with its generating power. The plant was constructed under the government's BOT scheme and is currently owned and being operated by Luzon Hydro Corporation (LHC).

In May 2017, a Commencement/Stay Order was issued by Cebu City Regional Trial Court Branch 11 in favor of the company pursuant to a Petition for Corporate Rehabilitation. As of date, NR still awaits for the court's decision on whether or not to allow the rehabilitation.

As of end-2017, VEC effectively owned approximately 48% of NR.

1590 Energy Corp. (1590 EC)

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, VEC and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving VEC and GPI exclusive right to purchase the 225 MW Bauang diesel-fired power plant (Bauang plant) owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting VEC and GPI the right to an interim management and operation of the Bauang diesel-fired power plant and an extension of the SPA for six (6) months or until January 26, 2011. Hence, VEC and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, VEC and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions.

In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the Bauang plant for a period of one year. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term of the MOA up to end-2018.

In January 2017, 1590 EC signed a 5-year ASPA with NGCP. This will involve the provision of Dispatchable Reserve on a non-firm basis. Effectivity of the contract will be upon receipt of a Provisional Approval by the ERC, which was obtained in May 2017.

In December 2017, VEC and ICS Renewables executed a Deed of Sale with Assignment of Subscription Rights, which effectively transferred ICS Renewables' shares in 1590 EC to VEC. As of year-end 2017, VEC increased its equity stake in 1590 EC from 52.7% to 55.2%.

Vivant Malogo Hydropower, Inc. (VMHI)

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, which is located in the northwestern section of the Negros island. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company has finalized the detailed engineering plans of the facility and is in the process of rebidding the project's Engineering, Procurement and Construction (EPC) contract. Construction of the plant is estimated to be completed after a period of 22 to 24 months. Vivant, however, has decided to put the project on hold given the prevailing transmission constraint in the Negros grid, which is expected to be resolved by 2020 upon the completion of the Cebu-Negros-Panay 230kV backbone project of NGCP.

VEC holds an effective equity stake of 67% in VMHI.

Calamian Islands Power Corporation (CIPC)

CIPC was established in October 2010 as the project company to undertake the construction and operation of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. In August 2011, CIPC entered into a fifteen (15)-year PSA with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. The Busuanga power station started feeding into the island's grid in the fourth quarter of 2013, while the Coron power station commenced power generation in August 2014.

VEC has an equity stake of 50% in CIPC.

Minergy Power Corporation (MPC)

MPC, formerly known as MCC, is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In May 2014, a Subscription Agreement between VIGC and MCC was executed which allows VIGC to subscribe to 40% of all issued capital and shares of MPC.

Construction commenced in the first quarter of 2014. The plant started to feed into the franchise area of CEPALCO, which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

Therma Visayas, Inc. (TVI)

TVI is the project company that will build, own and operate the 2x170 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc.

An agreement was executed in August 2014 between VIGC and Therma Power, Inc. (TPI), which allowed VIGC to acquire a twenty percent (20%) equity stake in TVI. TPI, a wholly owned subsidiary of Aboitiz Power, is the parent company of TVI.

In March 2015, the Notice to Proceed for all EPC activities was issued. Works on grid connection and energization of the plant are underway. Commercial operation is targeted within first half of 2018.

Future Projects

The Company continuously looks for opportunities in the power generation business, whether via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers.

Notwithstanding the review and evaluation process undertaken, the Company cannot give the assurance that a project, if implemented, will be successful. There is no assurance that the Company will eventually develop a particular project in the manner planned or at or below the cost estimated by the Company.

Electric Power Distribution

In addition to investments in the power generation sector, the Company has investments, both direct and indirect, in VECO, the second largest privately-owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2017, Vivant has a beneficial ownership in VECO of roughly 35%.

Visayan Electric Company (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030. VECO's service coverage is about 672 square kilometers serving 422,814 customers with a peak demand of 522 MW and electricity sales of 2,939 GWh in 2017.

The table below summarizes the key operating statistics of VECO for 2017 and the past two (2) years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2015	2,585,704	475	395,689
2016	2,922,950	524	408,586
2017	2,938,532	522	422,814

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued in May 2010 its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO was scheduled to undergo the PBR reset process in the first quarter of 2014. However, the company was not able to do so given that the ERC has since put on hold all PBR reset processes. As such, VECO has continued to apply the rates approved for the last year of the first regulatory period until such time it is able to undergo the ERC-mandated reset process.

Retail Electricity Supply Business

One of the objectives of the EPIRA law is to ensure the competitive supply of electricity at the retail level. With the implementation of the Retail Competition and Open Access (RCOA), large-scale customers will be allowed to source electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Vivant has prepared its organization for the RCOA with the establishment of two (2) RES companies.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region. License renewal process has been initiated and is just awaiting ERC decision.

As of year-end, Prism Energy was serving 13 customers with a total average consumption of 572,840 kWh per month. The total electricity delivered to its customer base amounted to 38,3893,654 kWh in 2017.

Corenergy, Inc. (Corenergy)

Corenergy was incorporated in December 2012 as a wholly owned subsidiary of Vivant, through VEC. The company obtained its 5-year RES license in September 2016 and is eyeing contestable customers in Luzon and Visayas regions.

(ii) Sales

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2015	2016	2017
Gross Income	4,015.9	3,870.1	4,219.6
Operating Income	1,347.9	1,698.0	1,589.3
Total Assets	13,689.9	14,562.0	15,753.5

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2015		2016		2017	
	Php mn	%-tot	Php mn	%-tot	Php mn	%-tot
Power Generation	3,324.7	83	3,121.6	81	3,295.9	80
Power Distribution	631.5	15	689.2	18	760.3	18
Retail Electricy Supply					6.2	0
Others	59.7	2	59.3	1	72.5	2
Total	4,015.9	100	3,870.1	100	4,135.0	100

(iii) Distribution Methods of Products and Services

The generation companies sell their electricity either through the WESM or through bilateral power supply agreements with private distribution utilities, cooperatives, RES and other large end-users.

Most of the generation companies have transmission service agreements with the National Grid Corporation of the Philippines (NGCP) for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

The distribution company has an exclusive distribution franchise in the area where it operates. It has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP is likewise entered into to facilitate the use of NGCP's transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

The RES company entered into supply contracts with its existing customers. As of year-end, PRISM was serving 13 customers with a total average consumption of 572,840 kWh per month. The total electricity delivered to its customer base amounted to 38,389,654 kWh in 2017.

(iv) New Products and Services

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing greenfield, rehabilitation or expansion projects being undertaken.

(v) Competition

Generation Business

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon, Visayas and Mindanao, faces competition from other power generation plants that supply electricity to these island grids. Given the privatization of NPC-owned power generation facilities, the Company has to contend with local and multinational IPPs for signing power supply agreements and offering power supply through the WESM (where applicable).

The retail competition has further intensified the competition landscape for securing bilateral contracts. Generation companies have set up their RES operations to tap the contestable customers (as defined by RCOA, which is currently large end-users with a monthly peak average demand of at least 1 MW for the preceding 12 months). Further competition can be brought about by entities that established RES operations by acting as demand aggregators. Customer migration could result to the reduction of existing supply contracts of power generation companies with distribution utilities. Negotiations for new contracts could result to less favorable terms given the current scenario.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings could also be expected. Given the robust performance of the industry in the last couple of years, many investors have been attracted to participate and explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

Distribution Business

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while the application for the extension of its franchise is underway. However, under the Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

Customer migration has transpired as contestable customers opted to source their electricity requirements via Retail Supply Contracts with licensed RES operators. As of date, the current threshold for a contestable customer is monthly peak average demand of at least 1 MW for the preceding 12 months. The reduction from 1 MW to 750 kW and 500 kW will be implemented based on the timetable to be set by the ERC.

(vi) Sources of Raw Materials and Supplies

Generation Business

The Company's hydroelectric power generation plants harness the kinetic energy from the flow of water on rivers to generate electricity. These hydroelectric companies possess water permits issued by the National Water Resources Board (NWRB), which allow them to utilize a certain volume of water from the applicable source of water flow to generate energy.

In the case of the fossil-fired power generation plants, fuel supply contracts with various suppliers have been entered into. Oil-fired plants have existing medium-term (2-3 years) contracts with local large oil companies and fuel distributors. The coal plant sources its fuel requirements via medium to long-term supply contracts with various suppliers.

Distribution Business

VECO secured bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the power purchase agreements of VECO in 2017.

Supplier	Contract Demand	Start Date	Expiry Date
CEDC	105 MW	Mar 2011	Feb 2036
CEDC	16 MW	May 2014	Mar 2017
Greencore	60 MW	Jan 2011	Dec 2024
CPPC	61.72 MW	Old PSA has been extended pending ERC approval of new PSA. New PSA will be 10 years from date of ERC approval.	
AES (UL)	40 MW	Jan 2015	July 2021
VEC (UL)	17 MW	Jan 2015	July 2021
SLPGC	50 MW	Jan 2016	Jun 2018

To meet the future supply requirement of its franchise area, VECO entered into a fifteen (15)-year power supply contract with TVI involving the supply of 150 MW. This should be available to service VECO's long-term capacity requirement starting in 2018, pending its approval by the ERC.

Given the impact of RCOA on its market, VECO will continue to review its contracts profile and negotiate, if necessary, for the reduction of its bilateral agreements.

(vii) Major Customers

The bulk of the total attributable electricity generated by Vivant, through its subsidiaries and associates, are sold to private distribution utilities, electric cooperatives, RES and some large industrial users via bilateral agreements. The balance is sold through the WESM. For the year 2017, Vivant had a 79:21 sales mix that was in favor of energy sales covered by sale contracts.

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers**: consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.
- **Residential customers**: consist of structures utilized for residential purposes
- **Commercial customers**: include service-oriented businesses, universities and hospitals
- **Other customers**: include streetlights

(viii) Transactions With and/or Dependence on Related Parties

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides two (2) types of professional services: (1) strategic and technical and (2) corporate center services.

Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2017.

- Vivant issued corporate guarantees for the following transactions:
    - Application for and the issuance of a domestic Standby Letter of Credit (SBLC) in behalf of an investee company relating to its debt service for its long-term project loan;
    - Application for and the issuance of a domestic SBLC by a subsidiary to serve as guarantee for its equity infusion into an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu; and
    - Foreign exchange hedging transaction entered into by an investee company that is constructing a 300 MW coal fired power generation plant in Toledo City, Cebu.

- Vivant applied for the issuance of a domestic SBLC to serve as guarantee for the equity infusion by one of its subsidiaries into an investee company that is constructing a 300 MW coal fired power plant in Toledo City, Cebu.

- Vivant has an outstanding lease agreement with a certain associate involving rental of its commercial office space.

(ix) Government Approvals, Patents, Copyrights, Franchises

Generation Business

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of five (5) years from the date of issuance.

Hydroelectric power generation facilities, on the other hand, are required to obtain water permits from the NWRB. Said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated.

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Distribution Business

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.

Supply Business

With the implementation of the RCOA, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012.
- Corenergy, which is a wholly-owned subsidiary, was awarded its license in September 2016.

(x) Effect of Existing or Probable Governmental Regulations

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

Wholesale Electricity Spot Market (WESM)

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices.

The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

The WESM began operations in Luzon in June 2006 and in the Visayas in December 2010.

In December 2013, an amended Joint Resolution No. 2 was issued by Department of Energy (DOE), ERC and Philippine Electricity Market Corporation (PEMC) adjusting the WESM Offer Price Cap from Php 62,000 per MWh to Php 32,000 per MWh. This price cap is provisional and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, ERC issued Resolution No. 8, Series of 2014, to implement an interim secondary price cap of Php 6,245 per MWh, which will be imposed when the rolling average market price over a 72-hour period (3 days) equal to or exceed Php 8,186 per MWh. In December 2014, this was adopted as a permanent pre-emptive mitigating measure where imposition of such will be triggered when the rolling average market price over a 168-hour period (or 7 days) equal to or exceed Php 9,000 per MWh. A Petition for Declaratory Relief with Application for Temporary Restraining Order and Writ of Preliminary Injunction has been filed by the Philippine Independent Power Producers Association, Inc. with the Regional Trial Court of Pasig on the ground that the resolutions made by ERC are invalid and void. The Regional Trial Court of Pasig denied the Application for Temporary Restraining Order. On November 6, 2014, PIPPA withdrew its application for the issuance of a Writ of Preliminary Injunction and submitted the case for decision.

WESM operation in Mindanao was officially launched by the DOE in May 2017 through Department Circular NO. DC2017-05-0009. Effective June 26, 2017, all electric power industry participants in the Mindanao Grid were considered WESM Participants and were required to comply with the WESM registration requirements. Currently, the Mindanao Grid is governed by the Interim Mindanao Dispatch Protocol until the Commercial Operations Date of WESM Mindanao on June 26, 2018.

In July 2017, through the initiative of the DOE, the Transition Committee for PEMC was created through Department Order No. DO2017-07-0010, which was tasked among others to propose a way forward for the WESM. Consistent with the intention of the EPIRA, the Transition Committee formulated a transition proposal for an Independent Market Operator ("IMO") which provides for the formation of an independent entity separate from the PEMC to become the IMO, while PEMC remains the governance arm of the WESM. Before the functions of the market operator can be transferred to the IMO, a joint endorsement of the DOE and the power industry participants is required. Hence, on January 17, 2018, the DOE promulgated policies for the efficient transition of the WESM to the IMO. Thereafter, on February 6, 2018, a Special Membership Meeting was held by PEMC to vote for the endorsement of the Plan for Transition to the IMO of the PEMC and the transfer of the market operations function from PEMC to the IMO.

Retail Competition and Open Access (RCOA)

Among the significant mandates under the EPIRA is a system of open access to transmission and distribution wires whereby the National Transmission Corporation (Transco), its concessionaire, the NGCP, and any distribution utility may not refuse the use of their wires by qualified persons, subject to the payment of transmission and distribution retail wheeling charges. The following are the conditions for the commencement of the RCOA:

- Establishment of the WESM;
- Approval of unbundled transmission and distribution wheeling charges;
- Initial implementation of the cross-subsidy removal scheme;
- Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
- Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the Independent Power Producer Administrators (IPPA).

In 2011, the ERC initiated proceedings through the conduct of public hearings to determine whether or not the RCOA may already be declared in Luzon and Visayas. Initially, the ERC declared December 26, 2011 as the date when full operations of the RCOA in Luzon and Visayas should commence. Under this initial phase, all electricity end-users that are certified by the ERC to be Contestable Customers with an average monthly peak demand of 1MW for the 12 months preceding December 26, 2011 were given the right to choose their own electricity suppliers. However, on October 24, 2011, the ERC deferred the implementation of the RCOA in Luzon and Visayas citing the inadequacy of rules, systems, preparations and infrastructure required therefor. This was in response to the request of MERALCO, Private Electric Power Operators Association, and Philippine Rural Electric Cooperatives Association, Inc. for a re-evaluation of the feasibility of the December 26, 2011 RCOA implementation date.

In December 2012, the ERC issued the Transitory Rules to govern the initial implementation of the RCOA. The Transitory Rules were arrived at by the ERC together with the DOE and the PEMC. Under the Transitory Rules, the new implementation date of the RCOA was on December 26, 2012. The period from December 26, 2012 to June 25, 2013 was declared as the Transition Period to allow the following: (1) development and finalization of the required infrastructure for systems, processes and information technology relating to RCOA, and (2) the registration into the WESM database of retail electricity suppliers and Contestable Customers into the WESM database. The initial commercial operation of the RCOA was scheduled during the period from June 26, 2013 to December 25, 2013. Full implementation of the RCOA will then commence from December 26, 2013 onwards. During said time, PEMC will act as the Central Registration Body and will be responsible for the the development and management of the required systems, processes and information technology structure and the settlement of transactions in the WESM relating to the RCOA.

Implementation of the RCOA in Mindanao may take some time given the conditions for a competitive environment has yet to be met. However, the prevailing supply conditions have led to the Interim Mindanao Electricity Market (IMEM) to commence operaitons in December 2013. To address the supply shortfall in the grid, all registered generating facilities were mandated to fully account for their capacities in the market.

The ERC issued revised regulations involving the issuance of RES licenses in December 2013. Included in the rules change was the non-issuance of RES licenses to generating companies, IPPA and affiliates of distribution utilities during a transition period or until after market condition allows it. Moreover, there were additional licensing restrictions imposed, which are: (1) the inclusion of the RES' contracted capacity in the grid limitations involving total capacity controlled by affiliate generation companies; (2) imposition of a 50% cap on supply by a RES to its affiliate end-users; (3) imposition of a 50% cap on supply from an affiliate generation company to a RES.

As a result of these additional licensing restrictions, the Retail Electricity Suppliers Association of the Philippines, Inc. filed a petition for declaratory relief with an urgent application for an injunction with the Regional Trial Court (RTC) of Pasig City on the ground that the revised rules are unconstitutional and invalid.

In October 2014, the ERC issued Resolution No. 17, Series of 2014, which held in abeyance the evaluation of RES license applications and suspended the issuance of RES licenses pending the promulgation of the amended RES Licensing Rules. Currently, ERC is reviewing the RES Licensing Rules and and the Rules for Contestability.

On May 12, 2016, the ERC issued Resolution No. 11, Series of 2016 (ERC Resolution No. 11-16), which disallowed distribution utilities from engaging in the supply of electricity to end-users in the contestable market, unless as a Supplier of Last Resort (SOLR). Local RES are also mandated to wind down business within three (3) years from the effectivity of ERC Resolution No. 11-16. Thus, Retail Supply Contracts (RSC) that have already been executed by a Local RES shall remain valid until their expiration, but no new RSCs can be signed or executed. ERC Resolution No. 11-16 further provided that no RES is allowed to supply more than 30% of the total average monthly peak demand of all Contestable Customers in the Competitive Retail Electricity Market (CREM). Further, RES is not allowed to transact more than 50% of the total energy transactions of its supply business with its affiliate Contestable Customers.

In its Resolution No. 10, Series of 2016, the ERC approved the Revised Rules of Contestability, which established the conditions and eligibility requirements for end-users to be part of the contestable market.

On May 27, 2016, MERALCO filed a Petition for Declaratory Relief, docketed as SCA No.4149-PSG, with a prayer for the issuance of a Temporary Restraining Order (TRO) and/or Writ of Preliminary Injunction to (a) enjoin the DOE and the ERC from enforcing and implementing: (i) DOE Circular No. DC2015-06-0010 in connection with the full implementation of RCOA, (ii) Article 1, Sections 2 and 3 of ERC Resolution No. 5, Series of 2016, (iii) ERC Resolution No. 10, Series of 2016 on the revised rules for contestability, and (iv) ERC Resolution No. 11, Series of 2016 regarding restrictions imposed on the operations of DUs and RES in the CREM; and (b) declare the said DOE Circular and ERC Resolutions void.

On July 13, 2016, a Writ of Preliminary Injunction enjoining the implementation of the issuances of the ERC was granted by Branch 157, RTC of Pasig City. The ERC and the DOE, assailed the jurisdiction of the RTC and separately filed Petitions for Certiorari and Prohibition before the Supreme Court on July 5, 2016 (G.R. No. 225141) and on September 27, 2016 (G.R. No. 226800), respectively.

On October 10, 2016, the Supreme Court, acting on the Petition filed by DOE, issued a TRO enjoining Branch 157, RTC of Pasig City from continuing with the proceedings in SCA No. 4149-PSG and from enforcing all orders, resolutions and decisions rendered in SCA No. 4149-PSG.

In December 2016, the Philippine Chamber of Commerce and Industry, San Beda College Alabang, Inc., Ateneo De Manila University, and Riverbanks Development Corporation filed a petition, this time with the Supreme Court, to enjoin the ERC and the DOE from implementing DOE Circular No. 2015-06-0010, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC Resolution No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

On February 21, 2017, the Supreme Court issued a TRO, effective immediately, enjoining the DOE and the ERC from implementing DOE Circular No. DC2015-06-0010, Series of 2015, ERC Resolution No. 5, Series of 2016, ERC Resolution No. 10, Series of 2016, ERC No. 11, Series of 2016, and ERC Resolution No. 28, Series of 2016.

The 2016 Philippine Grid Code

On October 5, 2016, the ERC through ERC Resolution No. 22, Series of 2016 approved the publication of the approved Philippine Grid Code 2016 Edition (the "2016 Grid Code"). Among the objectives in the 2016 Grid Code are to harmonize the provisions of the existing Philippine Grid Code with the existing issuances of the DOE and ERC and to adopt and fully implement the connection and operational requirements for Variable Renewable Energy (VRE) Generating Facilities consistent with the Renewable Energy Act.

Among the salient points of the proposed 2016 Grid Code are as follows:

The inclusion of the connection and operational requirements for Variable Renewable Energy (VRE) facilities; setting the requirements pertaining to the connection and operational requirements of embedded generators were to be consigned to the Philippine Distribution Code; the provision for changes on frequency controls and responses; the introduction of a new way of classifying reserves from Contingency Reserve, Regulating Reserve and Dispatchable Reserves into Primary Reserve, Secondary Reserve and Tertiary Reserve, respectively; as regards ancillary services, the 2016 Grid Code provided a Frequency Reserve Obligation on the System Operator mandating it to contract for the Reserve or suffer penalty. The drafting of revisions and updates on the Ancillary Service Procurement Plan are on-going in accordance with the new ancillary structures based on the Grid Code.

The Renewable Energy Act of 2008 (RE Act / RE Law)

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of the country's renewable energy resources with the intention of reducing the country's dependence on fossil fuels and improving the overall condition of the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

- Income tax holiday for the first seven years of commercial operations
- Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities

- Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value
- Net operating loss carry over (NOLCO)
- Corporate tax rate of 10% after the 7th year
- Accelerated depreciation
- Zero percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities
- Cash incentives for RE developers for missionary electrification
- Tax exemption on carbon emission credits
- Tax credit on domestic capital requirement and services

All fiscal incentives apply to all RE capacities upon effectivity of the RE Law.

Electricity generated from intermittent RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are considered as 'must dispatch' based on available energy and shall be given priority dispatch.

In a resolution issued in 2012, the ERC adopted the following feed-in-tariff (FIT) for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding degression rates.

	FIT Rate (Php/kWh)	Degression Rate
Wind	8.53	0.5% after 2nd year of FIT effectivity
Solar	9.68	6% after 1st year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2nd year of FIT effectivity
Biomass	6.63	0.5% after 2nd year of FIT effectivity

The National Renewable Energy Board is in the process of preparing the Renewable Portfolio Standards, which shall provide electricity suppliers the implementing rules and guidelines on the portion of their electricity requirements to be sourced from eligible RE resources.

The net metering program for RE was issued by the ERC in 2013, which is designed to, among others, encourage end-users to participate in the RE generation. The distribution utilities are required to enter into a net metering agreement with an end-user with installed RE system, subject to technical considerations.

The guidelines for the collection of the FIT-Allowance (FIT-All) and the disbursement of the FIT-All Fund by Transco were issued by the ERC in early 2014. The FIT-All is a uniform charge that will be collected from end-users by distribution utilities and RES entities. This will comprise the FIT-All Fund, whereby Transco serves as Administrator. The FIT-All Fund is for the guaranteed payment of the FIT for actual energy delivered by RE generators. In an order dated October 10, 2014 ERC Case No. 2014-109RC, the commission issued a provisional approval for the applied FIT-All of Php 0.0406 per kWh filed by Transco. Collection from end-users shall commence starting January 2015.

In December 2017, the DOE promulgated the rules and guidelines governing the establishment of the Renewable Portfolio Standards for On-Grid Areas through Department Circular No. DC2017-12-0015. The RPS Rules were adopted to mandate electric industry participants to source a portion of their electricity requirements from eligible renewable energy (RE) sources in order to develop indigenous and environmentally friendly energy sources. With the minimum annual increment requirement of 1% to be applied to the Net Electricity Sales of the mandated participants, the DOE targets to increase the utilization of renewable energy and reach a 35% RE share in the Energy Mix by 2030.

Reduction in Systems Loss

The ERC issued Resolution No. 17, Series of 2008, which involves the reduction in the allowed recoverable systems losses of distribution utilities from 9.5% to 8.5%. This was implemented in January 2010.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an O&M expense in its PBR applications.

Competitive Selection Process

In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a Competitive Selection Process (CSP) in securing PSAs, through a Third-Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE. The ERC and DOE were given one hundred twenty (120) days from the effectivity of the circular to issue the implementing guidelines and procedures for the circular.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the "Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market"[6]. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all Power Supply Agreements (PSA) for the captive market through CSP. In the Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

(xi) Estimate of Amount Spent for Research and Developmental Activities

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

[6] Department Circular No. DC2018-02-0003

(xii) Costs and Effect of Compliance with Environmental Laws

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

(xiii) Employees

At the parent company level, Vivant has a total of ninety (90) employees as of December 31, 2017, composed of executive, supervisory and rank-and-file staff. The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	11
Supervisors	21
Rank & File	58
Total	**90**

The Company has no collective bargaining agreement with its employees.

(xiv) Major Risks Involved in the Business

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

Competition Risk

The competition landscape in the power generation business has continually evolved since the government started its privatization efforts under the EPIRA law. The following are significant developments:

- Over 70% of NPC's generation assets and IPP contracts have been transferred to the private sector.
- The WESM in the Luzon and Visayas Grids are operational, with Mindanao to follow suit in the coming years.
- Investments in greenfield and brownfield projects continue to pour in
- Implementation of the RCOA
- Implementation of the Competitive Selection Process in securing PSAs

All these have or will have an impact on the availability of and access to power (reliability of plants seen improving and entry of new capacities and new suppliers), which may ultimately influence pricing of electricity.

Regulatory Risk

The continuing scrutiny of both the regulators and the public has led to the growing challenges faced by the power industry. In its effort to manage any potential fundamental changes in the business environment, Vivant has established good working relations with the regulatory agencies. The Company actively participates in the formulation of new rules and policies covering the power industry. In anticipation of possible changes in the regulatory environment, the Company incorporates these in the formulation of its long-term strategy for its businesses.

Trading Risk

Spot market price of electricity is determined by several market forces, which are mostly beyond the control of the Company. Increased supply, unforeseen plant outages, transmission constraints, and movement in fuel prices are among the factors that affect the supply condition in the power industry. Weather conditions and economic activities influence the demand patterns in the electricity market. All these have caused and are expected to cause fluctuations in the spot market price of electricity. Vivant intends to mitigate this risk by maintaining a good balance of contracted and spot capacities for its generation portfolio.

Fuel Supply Risk

Vivant's fossil-fired generation plants have entered into fuel supply contracts to ensure supply. Pricing, however, is subject to market conditions affecting both demand and supply.

Delta P, CPPC, 1590 EC and CIPC have entered into medium term (2-3 years) contracts with large oil companies and fuel distributors in the Philippines. CEDC and MPC, in the meantime, have medium to long-term contracts with various coal suppliers.

Delta P, CPPC, CIPC, CEDC and MPC have entered into bilateral contracts that employ a tariff formula allowing recovery of fuel cost. 1590 EC has likewise signed a power supply agreement with a fuel cost recovery mechanism in place.

Financial Risk

In the course of normal operations, Vivant, together with its subsidiaries and associates, is exposed to financial risks, including, but not limited to, interest rates that may have an impact on outstanding liabilities, counterparty credit risk, valuation of securities and investments, trade and other receivables, liquidity risk in terms of cash management and foreign exchange risk that may have an impact on outstanding foreign currency denominated placements and liabilities.

Business Interruption Risk

Interruption of normal operations brought about by natural calamities, major equipment failures, plant accidents and terrorism are just a few of the serious risks faced by the Company, through its subsidiaries and associates.

For risks that can be mitigated by the Company, particularly those that are plant operations-related, Vivant, through its subsidiaries and associates, implements a regular preventive maintenance program in all of its facilities. In relation to its risk management process, the Company's operating units that could procure business interruption insurance to cover the potential loss in gross profits in the event of a major damage to any of the facilities have done so.

Project Risk

Vivant, through its subsidiaries and associates, has projects in the pipeline, involving greenfield and brownfield power plant development projects. Inherent to these projects are risks involving the completion of these projects according to specifications, budget and set timelines.

To ensure the successful implementation of these projects, Vivant, through its subsidiaries and associates, is partnering with well-known contractors and suppliers with good track record in the industry. Project monitoring activities are likewise employed to assure adherence to standards, budget and set timelines.

Item 2. Properties

Vivant's head office is located at Unit 907-908 Ayala Life-FGU Center, Mindanao Avenue, corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City.

On a consolidated basis, the Company's 2017 total Property, Plant and Equipment were valued at Php 834.6 mn as compared to Php 634.2 mn for 2016. The breakdown is as follows:

	2016 (Php mn)	2017 (Php mn)
Plant Machineries & Equipment	527.5	383.7
Condominium Units, Building, and Improvements	26.8	24.2
Transportation Equipment	19.6	21.4
Office Furniture, Fixtures and Equipment	10.8	12.6
Tools and Other Assets	5.0	4.4
Leasehold & Land Improvements	12.0	11.3
Construction in Progress	32.5	39.9
Land	--	30.6
TOTAL	**634.2**	**528.1**

Item 3. Legal Proceedings

Material Pending Legal Proceedings

I. VECO

In The Matter of The Assessed Real Property Tax on Electric Posts and Transformers Located within Talisay City
October 18, 2016

On October 18, 2016, VECO received an assessment from the Talisay City Assessor, with the accompanying second demand by the Talisay City Treasurer for collection and payment of Real Property Tax (RPT) issued purportedly for real properties comprising of machineries, electric poles, tower appurtenant and transformers within Talisay City. The Talisay City Treasurer demanded payment for Real Property Tax allegedly due thereon amounting to Php29.7 million for the years 1994-2006, 2004-2006, 2007- 2011, 2012-2016.

On December 19, 2016, VECO timely filed its Notice of Appeal and Memorandum of Appeal assessment on the grounds that VECO is exempt from real property on transmissions and poles by virtue of its legislative franchise. However, assuming that VECO is not exempt, VECO is still not liable to pay real property taxes because the assessment was without legal basis and made excessively, primarily because poles, including its appurtenances, are not real properties under Article 415 and 416 of the Civil Code. Lastly, the assessments were in violation of the VECO's right to due process in line with the case of *Meralco vs. City of Lucena*.

In the Matter of The Assessed Real Property Tax on Electric Posts and Transformers Located Within the Municipalities of Minglanilla, Consolacion and Lilo-an, Province of Cebu, Local Board of Assessment Appeals-Province of Cebu
September 23, 2008

On July 25, 2008, the Provincial Assessor of Cebu issued a Notice of Assessment for RPT over the electric poles and transformers owned by VECO located in the Municipalities of Minglanilla, Consolacion and Lilo-an. The Provincial Assessor, motu proprio, declared the said properties for tax purposes for the first time and issued tax declarations therefor. On August 27, 2008, VECO received a letter from the Provincial Treasurer demanding payment of approximately Php32 million to the three municipalities as RPT due on the supposed real properties, computed from year 1992 up to 2008, including penalties.

On September 23, 2008, VECO appealed the assessment before the Local Board of Assessment Appeals (LBAA) of the Province of Cebu, mainly on the ground that VECO is exempt from paying RPT on poles, wires, and transformers by virtue of its legislative franchise. Moreover, VECO argued that such poles and transformers are not even real properties subject to RPT. The case is pending with LBAA-Cebu.

In the Matter of the Assessed Real Property Tax on Electric Posts and Transformers within the Municipality of Liloan, Cebu

The May 26, 2014 Assessment

On May 26, 2014, VECO received an assessment from the Municipal Assessor of Liloan, with the accompanying demand by the Municipal Treasurer for collection and payment of RPT purportedly for the properties within the Municipality of Liloan in the total amount of Php4.9 million covering the years 1992 to 2014.

On July 16, 2014, VECO filed its Notice of Appeal and Memorandum of Appeal with the LBAA Cebu and furnished a copy thereof to the Municipality of Liloan by registered mail. However, on August 5, 2014, its Notice of Appeal and Memorandum of Appeal were returned to sender with the notation: "Refused to Received." Thus, on August 13, 2014, VECO served copies to the individual members through private courier.

On December 15, 2014, VECO filed its Notice of Appeal with the Central Board of Assessment Appeals (CBAA) as a result of the LBAA's inaction for a period of One Hundred Twenty Days (120). The case is pending with the CBAA.

The April 19, 2017 Assessment

On April 19, 2017 VECO received a First Notice of Delinquency for the payment of RPT in the amount of Php 2.9 million on various electric poles and transformers in the Municipality of Liloan for the years 1992-2017.

On May 22, 2017, VECO filed before the Municipal Treasurer of Liloan and copy furnished the Municipal Assessor, a Letter Protest dated May 8, 2017. The Municipal Treasurer and Assessor referred the Letter Protest to the Provincial Treasurer and Assessor in two (2) separate communications dated May 12, 2017.

On June 19, 2017, VECO filed its Notice of Appeal and Memorandum of Appeal by registered mail with the LBAA. On August 3, 2017, VECO received a letter from the Office of the LBAA-Chairman requiring VECO to show proof of service of the Appeal to the Offices of the Provincial Prosecutor and Engineer. Accordingly, on August 10, 2017 VECO filed its Manifestation and Compliance, attaching proof of service to the Offices of the Provincial Prosecutor and Engineer. As of date, the matter is still pending with the LBAA.

In the Matter of the Assessed Real Property Tax on Electrical Posts, Air-Conditioning Units and Water Pumps Located within the City of Cebu, City Treasurer's Office of Cebu City
October 24, 2016

On October 24, 2016 VECO received an assessment from the City Assessor, with the accompanying the final demand by the Cebu City Treasurer for collection and payment of Real Property Tax issued purportedly for machineries, electric poles, air-conditioning units and water pumps within Cebu City. The Cebu City Treasurer demanded payment for Real Property Tax allegedly due thereon amounting to Php 67 million for various years from 1992-2016 and 1989-2016.

On December 19, 2016, VECO filed its Notice of Appeal and Memorandum of Appeal to the Local Board of Assessment Appeals mainly raising the issue that VECO through its legislative franchise is not liable to pay real property taxes. Moreover, electrical poles, air conditioning units and water pumps are not real properties thus, should not be assessed for real property taxes. Lastly, assuming that these properties are considered as real property, the assessment was null and void as it violated VECO's right to due process in line with the *Meralco vs. City of Lucena* case. The case is still pending with LBAA – Cebu City.

In the Matter of the Assessed Real Property Tax on Electric Posts and Transformers within the City of Naga, Cebu Central Board of Assessment Appeals

The June 26, 2006 Assessment

VECO was first assessed by then Municipality of Naga, Cebu on June 26, 2006 for RPT on its poles and transformers allegedly covering years 2005 to 2006. VECO appealed the assessment on August 25, 2006 with the LBAA. While the appeal was pending, VECO received three (3) Notices of Assessments for a total amount of Php 0.863 million. All three (3) notices were appealed by VECO to the LBAA through three (3) separate Supplemental Appeals which were filed on November 24, 2006, January 29, 2007 and August 22, 2007, respectively. In an order dated May 15, 2007, the LBAA directed the respondents Municipal Assessor and Provincial Assessor to file their respective rejoinder to the reply filed by VECO and after which the case will be set for hearing. To date, the case is still pending with the LBAA.

The June 19, 2014 Assessment

The City of Naga assessed VECO the amount of Php 14.3 mn as RPT for its electric posts and transformers situated within the City of Naga. The RPT assessment covers the years 1996-2014, 2000-2014 and 2011-2014. VECO appealed the City's RPT assessment to the LBAA on June 19, 2014. The LBAA failed to act on the appeal within the 120-day period provided by the Local Government Code of 1991 (LGC). VECO filed its Notice of Appeal and Memorandum of Appeal with the CBAA on November 25, 2014. To date, the Appeal remains pending with the CBAA.

In the Matter of the Assessed Real Property Tax on Electric Posts, Transmission Wires and Lines Within the City of Toledo, Cebu

On August 5, 2015, the Supreme Court in Manila Electric Company vs. The City Assessor and City Treasurer of Lucena City (Docket No.: G.R. No. 166102) (the "2015 MERALCO Case"), ruled that transformers, electric posts, transmission lines, among others, are not exempt from the imposition of real property tax ("RPT") under the LGC. On October 4, 2016, Toledo City issued RPT assessment notices to VECO for the calendar years ("CY") 2011 to CY 2016 in the total amount of FORTY-FOUR MILLION EIGHTY-NINE THOUSAND AND ONE HUNDRED (Php44,089,100.00) (the "Past Assessments").

Prior to the 2015 MERALCO Case, however, VECO relied in good faith on the decision of the Cebu City Regional Trial Court, Branch 16 (the "Trial Court") in Visayan Electric Company Inc. vs. Roy Salubre et al. (Docket No.: Civil Case No. CEB-36172), where the Trial Court, relying on the Supreme Court's ruling in Emmanuel Guial, in his capacity as Assistant Provincial Treasurer of the City of Cebu, et al. vs. Visayan Electric Company Inc. (Docket No.: G.R. 210517), categorically declared that VECO is not liable for RPT on electric poles on the ground that these are not real property that can be subjected to such tax.

The Collection of RPT assessments prior to the 2015 MERALCO Case will entail additional costs, which ultimately, will be assumed by the end-consumer, and will prove to be inimical to the paramount interest of VECO's consumers. To avoid adversarial proceedings, payments in protest and tax appeals, the LGU has agreed to the payment by VECO of RPT, beginning on the fourth (4^{th}) quarter of CY 2015 (post-Meralco Case).

Considering the prospective application of the 2015 MERALCO Case, the LGU recognizes that there is no basis for the assessment or collection of RPT, Special Education Fund (SEF) and other related charges, interests and penalties of whatever nature and kind, for the period prior to the effectivity of the 2015 MERALCO Case. All assessments, claims, demand, and/or charges related to, arising out of, or in connection with RPT, SEF and other related charges, interests and penalties of whatever nature and kind, for the period prior to the effectivity of the 2015 MERALCO Case shall be deemed cancelled, withdrawn and revoked.

II. 1590 EC

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 Energy Corp., its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

C.A. G.R. No. 138105
Petition for Review with Application for Injunction and Temporary Restraining Order
1590 Energy Corporation vs. Energy Regulatory Commission And Philippine Electricity Market Corporation

On November 7, 2017, the Court of Appeals issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the Court of Appeals, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, Order which was effectively an intervention of WESM's operations. The ERC and Intervenor Meralco filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. On March 22, 2018, the Court of Appeals denied the Motions for Leave to Intervene. Nonetheless, the Motion for Reconsideration by the ERC and Intervenor Meralco remain pending.

ERC Case No. 2015-042 MC
Violation of Section 45 of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act No. 2001" (EPIRA), Rule 11, Sections 1 of the Implementing Rules and Regulations (IRR) of the EPIRA (Commission of an Anti-Competitive Behavior, Particularly Economic Withholding ATTY. ISABELO JOSEPH P. TOMAS II vs. 1590 Energy Corporation

On June 10, 2015, Atty. Isabelo Joseph P. Tomas II, in his capacity as the Investigating Officer of the Investigatory Unit constituted by the ERC pursuant to its Office Order No. 38, Series of 2013 dated December 26, 2013, filed a Complaint against 1590 EC for alleged Anti-Competitive Behavior, particularly, Physical Withholding in relation to the bid offers of 1590 EC at WESM during the November and December 2013 billing months. 1590 EC filed its Answer to the Complaint within the reglementary period. On August 11, 2016 1590 EC received an "Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]" from the Investigating Officer, to which 1590 EC filed its "Comment/Opposition to the Omnibus Motion [(i) to consolidated cases and (ii) Defer Pre-Trial]." On June 13, 2017, the ERC denied the Motion for consolidation. In the meantime, the case itself remains pending.

III. NR

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including NR, its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

ERC Case No. 2015-071 MC
Vivant - Sta. Clara Northern Renewables Generation Corporation vs. Philippine Electricity Market Corporation

On October 21, 2015, NR filed a Petition for Dispute Resolution with Prayer for Cease and Desist Order against PEMC with the ERC to question the validity of the imposition of penalty on NR in the amount of Three Million Pesos (Php3.0 mn) for alleged violations of the real time dispatch (RTD) schedule for the period December 26, 2010 to June 25, 2011, citing legal and factual issues. With the termination of the presentation of evidence, NR awaits decision of the ERC.

Civil Case No. R-CEB17-03542 SP
Vivant - Sta. Clara Northern Renewables Generation Corporation
Petition for Corporate Rehabilitation

On May 16, 2017 NR filed a Petition for Corporate Rehabilitation. On May 26, 2017 the Cebu City Regional Trial Court Branch 11 issued a Commencement/Stay Order in favor of NR under Case No. R-CEB17-03542 SP entitled *"In the Matter of Corporate Rehabilitation of Vivant - Sta.Clara Northern Renewables Generation Corporation, Petitioner"*. As of date, the court has yet to decide on whether or not it will allow the rehabilitation of NR.

Item 4. Submission of Matters to A Vote of Security Holders

During the June 15, 2017 Annual Meeting of Stockholders, the following actions were taken:

i. Approval and adoption of the minutes of the June 16, 2016 Annual Stockholders' Meeting;
ii. Annual Report of Officers;
iii. Approval of the 2016 Annual Report and Financial Statements
iv. Delegation of authority to appoint External Auditors for 2017 to the Board of Directors
v. Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2016
vi. Election of the following members of the Board of Directors and Independent Directors for the year 2017 - 2018:

MR. DENNIS A. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. GIL A. GARCIA II
MR. CHARLES SYLVESTRE A. GARCIA
MR. RAMONTITO E. GARCIA
MR. ARLO A. G. SARMIENTO
MR. JOSE MARKO G. SARMIENTO
MR. CARMELO MARIA LUZA BAUTISTA
MR. ROGELIO Q. LIM (Independent Director)
AMB. RAUL CH. RABE (Independent Director)
ATTY. JESUS B. GARCIA, JR. (Independent Director)

Other than the foregoing, no matter was submitted to a vote of security holders.
The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2016 and 2017 were as follows:

	2016		2017		2018	
	High	Low	High	Low	High	Low
First Quarter	23.00	22.50	34.65	31.05	29.95	23.05
Second Quarter	35.90	28.00	44.00	30.00	N.A.	N.A.
Third Quarter	35.00	30.50	33.35	26.50	N.A.	N.A.
Fourth Quarter	34.40	31.20	28.95	22.80	N.A.	N.A.

As of end-March 2018, the common shares outstanding were 1,023,456,698 shares. The last traded price of Vivant's common shares as of same period was at Php 23.90 per share.

2. Security Holders

As of March 31, 2018, Vivant has 1,432 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	Global Business Power Corporation	116,555,553	11.39
4	PCD Nominee Corporation (Filipino)	68,450,893	6.59
5	Popsivan Holdings Corporation	31,498,212	3.07
6	Malacapas Holdings, Inc.	27,677,848	2.70
7	PCD Nominee Corporation (Non-Fil)	496,132	0.05
8	Arce, Eulalio	343,750	0.00
9	Cruz, Alfredo A.	34,062	0.00
10	Lavin, Marietta	27,750	0.00
11	EBC Securities Corporation	20,625	0.00
12	Consortium Industries, Inc.	20,500	0.00
13	Lopez, Rose Marie R.	19,687	0.00
14	Marino Olondriz Y Cia	16,000	0.00
15	Rivera, Rosario Paje	15,625	0.00
16	Sevilla, Rodulfo	15,625	0.00
17	Borres, Jun	15,000	0.00
18	Te, Anita &/or Te, Oscar	15,000	0.00
19	Martinez, Oscar O.	13,437	0.00
20	Hon, Sia Phoa A.	12,625	0.00
	TOTAL NO. OF SHARES	**1,021,750,559**	

3. Dividends

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2015 to 2016 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2017	Php 0.1985	Php 0.0807	Php 202.8 mn	Php 82.6 mn	May 26, 2017
2016	Php 0.1885	Php 0.0733	Php 192.9 mn	Php 75.0 mn	June 3, 2016

4. Recent Sales of Unregistered Securities

On January 29, 2014, the Company signed an agreement to issue Php 3 billion (bn) in Fixed Rate Corporate Notes, which will be issued in two tranches: Php 1 bn on February 3, 2013 and Php 2 bn on March 31, 2014. The net proceeds of the issue will be used for general corporate purposes, including but not limited to, capital expenditures for existing assets and investments in power generation projects.

Item 6: Management's Discussion and Analysis or Plan of Operation

1. Plan of Operation

For the next twelve (12) months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for consultancy, management and ancillary services provided.

Vivant, through its Business Development Group, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. The Company has several projects that are in various stages of development.

2. Management's Discussion and Analysis

Management uses the following key performance indicators for the Company and its investee companies:

(i) Equity in Net Earnings (or Loss) of Associates. Equity in net earnings or (loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated by taking operating income and adding back to it interest, depreciation, and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

iii) Cash Flow Generated. Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing, and financing activities.

(iv) Debt-to-Equity Ratio (DER). DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

(v) Current Ratio. Current ratio is computed by dividing current assets with current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

For the Year Ended December 31, 2017 versus the Year Ended December 31, 2016

The table below shows the comparative figures of the key performance indicators for the year 2017 and 2016.

Key Performance Indicators *Amounts in Php '000, except for ratios*	2017	2016
Equity in Net Earnings of Associates	1,290,173	1,288,333
EBITDA	1,719,807	1,806,238
Cash Flow Generated	198,556	366,989
Net cash flows from operating activities	51,216	(316,369) [(a)]
Net cash flows from (used in) investing activities	758,898	1,069,512
Net cash flows from (used in) financing activities	(611,558)	(386,153)[(b)]
Debt-to-Equity Ratio (x)	0.40	0.45
Current Ratio (x)	4.31	3.93

(a)Reported as Php 355.7 mn in the SEC 17 A FY 2016 report. This is due to the reclassification of a balance sheet account to make it comparable to the FY 2017 classification.
(b) Reported as Php 346.9 mn in the SEC 17 A FY 2016 report. This is due to the reclassification of a balance sheet account to make it comparable to the FY 2017 classification.

The Company's share in net earnings of associates and joint ventures as of end-December 2017 amounted to Php 1.3 bn, which was approximately the same level as the previous year. This was a result of the following:

- Improved bottomline contribution of the Company's distribution utility, VECO. Profitability showed a 10% growth, which was mainly a result of enhanced gross margin that was brought about by lower cost of purchased power.
- Fresh bottomline contribution from 40%-owned MPC that declared commercial operations in September 2017.
- 7% growth in the bottomline contribution of 50%-owned DPI. Total net generation was bolstered by the new plant facility that became online in the second quarter of the year in review. Total energy sales in 2017 posted a 21% expansion.
- Rise in the bottomline contribution (by 6%) of CPPC that was brought about by the drop in local business taxes and lower power plant maintenance costs.

The above increases were countered by the following:

- Reduced income contribution (down 34% YoY) from 40%-owned AHI, which arose from the income tax expense incurred by its associate, CEDC. CEDC's Income Tax Holiday (ITH) expired in November 2016.
- 16% dip in the bottomline contribution of 50%-owned CIPC. The 22% surge in its energy sales was outweighed by the booking of additional Value Added Tax (VAT) expense on government sales arising from prior year adjustments.

Below is a table showing the impact of IAS 28[(1)] to the Company's financial performance in 2017 and 2016.

Name of Company	2017			2016		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	257.5		252.7[(a)]	385.9	23.8[(b)]	362.1[(c)]
AHPC	--	--	--	1.6	--	1.6[(d)]
Total	252.9	--	252.9	387.8	23.8	364.0

(a) Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(b) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(c) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(d) Reported as Php 1.9 mn in the 2016 SEC 17 A report, based on the number provided by the associate at that time.

The Company posted a 5% decrease in its EBITDA, to Php 1.7 bn from Php 1.8 bn. This was brought about by:

- The increase in income tax expense of CEDC arising from the expiry of its income tax holiday in November 2016; and
- The higher operating expenses that were mainly on account of:
  - The increase in headcount and upward adjustments in salaries and wages;
  - The payment of taxes for the issuance of shares by wholly owned VEC;
  - The higher local business taxes paid by the Company and 1590 EC, which was brought about by the rise in gross revenue; and
  - The rise in professional fees incurred in 2017 relating to contracted technical services.

The Company ended the year with a net increase in cash of Php 198.6 mn (excluding the impact of movements in the peso-dollar exchange rate). This is substantially coming from cash generated from investing activities. The collection of dividends from four associates (VECO, CPPC, AHI and MPC) and two joint ventures (DPI and CIPC), the proceeds from the sale of an equipment by a subsidiary, and the sale of a subsidiary's landholdings to an associate were the sources of cash from investments for the year in review.

Debt-to-Equity ratio improved from 0.45x in 2016 to 0.40x in 2017. The 13% expansion in total equity brought about by the Company's income generated during the year mainly accounted for the enhanced debt ratio.

The 6% expansion in the Company's current assets, coupled with the 3% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 4.31x as of end-December 2017 from 3.93x as of end-December 2016.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2017, the Company had consolidated revenue of Php 4.1 bn, recording a 7% upsurge from the previous year's consolidated revenue of Php 3.9 bn. The topline performance was due to the following:

1. Sale of power, which comprise the bulk of revenues at Php 2.6 bn (or 63% of total), grew by 11% from Php 2.4 bn. The improved topline performance of a subsidiary, which resulted from the higher volume of energy sold through its bilateral contract, mainly accounted for the increase. This was tempered by the drop in the topline performance of another subsidiary that was brought about by a short-term plant shut down (about 2 months). The plant facility required repair works after it sustained damages resulting from the earthquake that hit the Visayas in 2017.

2. The Company's share in net earnings of associates and joint ventures as of end-December 2017 amounted to Php 1.3 bn, representing a 0.1% year-on-year (YoY) increase from Php 1.3 bn. This was a result of the following:

    - Improved bottomline contribution of the Company's distribution utility, VECO. Profitability showed a 10% growth, which was mainly a result of higher enhanced gross margin that was brought about by lower cost of purchased power.
    - Fresh bottomline contribution from 40%-owned MPC that declared commercial operations in September 2017.
    - 7% growth in the bottomline contribution of 50%-owned DPI. Total net generation was bolstered by the new plant facility that became online in the second quarter of the year in review. Total energy sales in 2017 posted a 21% expansion.
    - Rise in the bottomline contribution (by 6%) of CPPC that was brought about by a drop in local business taxes and lower power plant maintenance costs.

    The above increases were countered by the following:

    - Reduced income contribution (down 34% YoY) from 40%-owned AHI, which arose from the income tax expense incurred by its associate, CEDC. CEDC's ITH expired in November 2016.
    - 16% dip in the bottomline contribution of 50%-owned CIPC. The 22% surge in its energy sales was outweighed by the booking of additional VAT expense on government sales arising from prior year adjustments.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2017 and 2016.

Name of Company	2017			2016		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	257.5		257.5[a]	385.9	23.8[b]	362.1[c]
AHPC	--	--	--	1.6	--	1.6[d]
Total	252.9	--	252.9	387.8	23.8	364.0

(a) Php 16.3 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(b) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(c) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(d) Reported as Php 1.9 mn in the 2016 SEC 17 A report.

3. Interest income in 2017 rose by 22% to Php 72.5 mn from Php 59.3 mn. The higher interest rates in short term placements and higher gains resulting from the Company's unit investment trust funds (UITF) accounted for the expansion.

Total generation cost and operating expenses for the year 2017 expanded by 21%, from Php 2.2 bn to Php 2.6 bn. Said movement can be accounted for by the following:

1. Generation cost went up by 22% to Php 2.2 bn from Php 1.8 bn, which was materially due to the increase in a subsidiary's net generated power and repair costs incurred during the year. This was partly offset by the decrease in the generation cost of another subsidiary brought about by a short-term plant shut down that was necessary to allow repair works due to the damage the facility sustained from an earthquake that hit the Visayas.

2. Salaries and employee benefits grew by 17% to Php 157.9 mn from Php 134.7 mn. The additional manpower headcount and an upward adjustment in salaries and benefits accounted for the rise.

3. Professional fees went up by 34% to Php 72.2 mn from Php 53.9 mn as a subsidiary contracted more technical services during the year, in relation to its projects.

4. Taxes and licenses soared by 77% to Php 50.7 mn from Php 28.7 mn. Payments for the shares issuance of a subsidiary and the increase in local business taxes for the Company and a subsidiary substantially account for the increase.

5. Travel expenses rose by 31% to Php 32.0 mn from Php 24.5 mn. The upswing can be attributed to the increased frequency of trips related to business development, plant inspections, site visits, meetings with partners and government agencies, and trainings. Gasoline expenses also contributed to the increase due to the higher headcount and fuel prices.

6. Depreciation and amortization for the year dropped by 5% to Php 19.7 mn from last year's Php 20.8 mn. This was a factor of the disposal of service vehicles by the Company.

7. Rent and association dues was up by 44% at Php 11.2 mn from Php 7.8 mn. This increase is largely attributed to new operating leases entered into for additional office spaces and the escalation in the rates of old operating leases.

8. Representation expenses were higher by 44% at Php 7.8 mn. Increase in business activities by the Company and its subsidiary accounted for the rise.

9. Communication and utilities were higher by 22% at Php 7.0 mn from Php 5.8 mn, as a result of the installation of new communication facilities, additional line for internet services, and the increase in the Company's manpower headcount.

10. Security and janitorial costs rose by 22% to Php 0.7 mn from Php 0.6 mn as a result of the increase in mandated minimum wages.

11. Other general and administrative expenses declined by 18% to Php 58.8 mn from Php 71.5 mn. Prior year expenses included write-offs of bad debts and pre-development expenses for cancelled projects.

Vivant booked Php 15.7 mn in other income in 2017, a turnaround from the previous year's Php 137.4 mn of other charges. This was an outcome of the following account movements:

1. The Php 87.1 mn Insurance claim made by a subsidiary in 2017 for damages sustained by its power plant equipment.

2. The Company recognized a one-off gain of Php 72.5 mn in 2017 resulting from the increase in the fair value of a subsidiary's investment properties. There was no such gain in 2016.

3. A net gain from the purchase of additional interest in a subsidiary and the disposal of another subsidiary contributed Php 12.1 mn to other income. There was no such gain in 2016.

4. An unrealized foreign exchange loss of Php 1.2 mn was taken up as of end-2017, a reversal of the foreign exchange gain recognized at end-2016. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and a subsidiary.

5. Other income declined by 44% to Php 21.4 mn from Php 38.6 mn. The drop was mainly attributable to the non-renewal of the lease agreement with an associate. This, however, was partly offset by gains from the sale of the Company's property and equipment and the sale of the landholdings of a subsidiary.

Income tax expense dropped by 28% from PhP 132.0 mn to Php 94.9 mn. This is mainly accounted for by lower income tax of a subsidiary and its reversal of a deferred tax liability pertaining to plant repairs paid in 2016 but for which repair services were done in 2017.

The combined effect of the above account movements resulted to a net income of Php 1.4 bn for the year 2017. Net income attributable to equity holders of the parent recorded a marginal 3% decline to Php 1.3 bn.

During the period in review, the Company recognized other comprehensive income of Php 270.6 mn, which substantially came from the Company's share of an associate's revaluation increment and its re-measurement gain on employee benefits, net of tax, in compliance with the Philippine Accounting Standards (PAS) 19R. This compares to the Php 2.5 mn other comprehensive income booked in 2016.

The total comprehensive income as of end-2017 was at Php 1.7 bn. Out of the said amount, Php 1.5 bn was attributable to the equity holders of the parent, which was 18% higher compared to last year's Php 1.3 bn.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets as of year-end 2017 expanded by 8% to Php 15.8 bn from Php 14.6 bn in 2016. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents rose by 4% to Php 4.6 bn as of end-2017. The increase was due to (i) the collection of dividends from four associates and two joint ventures, (ii) the disposal of equipment by a subsidiary, and (iii) the disposal of land by another subsidiary. These inflows were partly offset by capital infusions to four associates and a joint venture, the payment of cash dividends by the Company and a subsidiary, and the principal amortization of the Company's fixed rate corporate notes (FRCN) and the settlement of the short-term loans by a subsidiary.

2. Trade and other receivables was higher by 32% YoY at Php 532.9 mn. The increase can be attributed to the energy sales of two subsidiaries, and a subsidiary's receivable due to an insurance claim it made during the year. The increase was tempered by the collection of an associate's cash dividends declared in 2016.

3. Advances to associates and stockholders increased by 41% to Php 83.7 mn. This is materially accounted for by the advances made by a subsidiary to an associate to cover for the latter's project-related expenses.

4. Inventories went up by 27% to Php 122.9 mn due to the purchase of a major spare part by a subsidiary.

5. Investments in and advances to associates and joint ventures grew by 13% to Php 8.4 bn as of end-2017 from Php 7.4 bn as of end-2016. The growth is substantially attributed to the additional investments in four associates and a joint venture.

6. The 17% dip in property, plant and equipment to Php 528.1 mn is a result of the disposal of equipment by a subsidiary and by the Company, net of depreciation for the year.

7. Investment properties was lower by 2% at Php 502.7 mn on account of a property sale by a subsidiary and the reclassification of a subsidiary's investment property to plant, property and equipment. Partially offsetting the aforementioned was the net gain recorded that resulted from the fair valuation of the remaining properties made during the year.

8. Deferred income tax assets - net was 11% higher at Php 16.0 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and a subsidiary.

9. Pension asset of Php 2.9 mn was booked as of end-2016, which came from the funded retirement plan of a subsidiary. There was no such booking in 2017.

10. Other noncurrent assets rose by 38% to Php 33.3 mn mainly due to advances for pre-development expenses of a project and the security deposit made by a subsidiary to a service supplier.

Total consolidated liabilities declined by 1% to Php 4.5 bn as of end-2017. This was brought about by the settlement of a subsidiary's short-term loans, the principal amortization of the Company's FRCN, and the settlement of a subsidiary's advances from an associate. These were offset by the recorded increases in trade and other current payables, income tax payable, and pension liability.

As a result of net income generated during the period in review, the total stockholders' equity increased by 13% to Php 11.3 bn as of year-end 2017 from Php 10.0 bn as of end-2016. Meanwhile, equity attributable to parent ended higher by 13% at Php 10.7 bn as of end-2017.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were higher by 4% from Php 4.4 bn as of end-2016 to Php 4.6 bn as of end-2017.

For the period ending December 31, 2017, the net cash generated from the Company's operations amounted to Php 51.2 mn, recording a reversal from last year's net cash usage of Php 316.4 mn. This is substantially attributed to increased trade and other payables, and the realization of prepayments.

Net cash generated from investing activities as of end-2017 amounted to Php 758.9 mn, a 29% decline from the Php 1.1 bn cash generated as of end-2016. The lower dividends receipt during the year mainly accounted for the drop. This was partially offset by the proceeds from the disposal of a subsidiary's landholdings and the spike in interest income.

For the period in review, the Company used cash of Php 611.6 mn for financing activities, 58% higher than last year's usage of Php 386.1 mn. Cash usage stemmed from the payment of dividends by the Company and a subsidiary, the principal amortization of the Company's FRCN, and the settlement by a subsidiary of its short-term loans.

Financial Ratios

The 6% expansion in the Company's current assets, coupled with the 3% reduction in current liabilities, resulted to an improvement in the Company's current ratio to 4.31x as of end-December 2017 from 3.93x as of end-December 2016.

Debt-to-Equity ratio improved from 0.45x in 2016 to 0.40x in 2017. The 13% expansion in total equity brought about by the Company's income generated during the year mainly accounted for the enhanced debt ratio.

Plan of Operation, Known Trends, Events, Uncertainties

Vivant will continue to oversee its investments in its investee companies. As a holding company, it shall satisfy its cash requirements mainly through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for ancillary services provided. The Company also has existing bank credit facilities that it can tap should the need arise. Moreover, Vivant raised Php 3 bn via a Fixed Rate Corporate Note issue, which was done during the first quarter of 2014. The Company is financially sound and is prepared to take any opportunity that will arise due to developments in the power industry.

Below are some events that the Company believes will have an impact to its earnings performance and financial condition in 2018 and the ensuing years.

- Increase in attributable generation capacity

  Vivant has a number of power generation projects that are in various stages of development. As completed, the Company's attributable power generation capacity is seen to improve from its current level of approximately 337 MW.

6 MW run-of-river hydropower plant project in Silay. 67%-owned VMHI has finalized the detailed engineering design plans for the facility and is in the process of rebidding the project's EPC contract. Construction of the plant is estimated to be completed after a period of 22 to 24 months.

3 x 55 MW coal-fired power plant in Misamis Oriental. In May 2014, a Subscription Agreement between 100%-owned VIGC and MPC was executed, which allows VIGC to subscribe to 40% of all issued capital and shares of MPC. MPC is the project company that was set up by Minergy to build, own and operate a 3 x 55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. The plant started to feed into the franchise area of CEPALCO, which covers the City of Cagayan de Oro and adjoining towns, in September 2017.

2 X 170 MW coal-fired power plant in Toledo City, Cebu. This is a Greenfield project of 20%-owned TVI, which involves the construction of a 2x170 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit. The notice to proceed (NTP) for all EPC activities was issued in March 2015. Works on grid connection and energization of the plant are underway. Commercial operation is targeted within first half of 2018.

30 MW diesel-fired power plant in Puerto Princesa, Palawan. This is an expansion project undertaken by 50%-owned DPI in 2016. This will service the fifteen (15)-year PSA for a 26.65 MW Gross Dependable Capacity with PALECO. The power plant facility started to feed into the PALECO service area in the second quarter of 2017.

Other projects in the pipeline. Vivant, through its Business Development Group, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. Aside from the aforementioned, the Company has several projects that are in various stages of development. These projects will be disclosed by Vivant as their respective plans firm up.

Participation in the privatization program for the government's power assets. Vivant has closely monitored the developments in the privatization efforts of the government. The Company's Business Development group is tasked to evaluate the viability of both asset sale and public auction for the IPP Administration (IPPA) contracts.

- Market and industry developments

Commencement of RCOA. The implementation of RCOA starting June 26, 2013 has effectively widened the market for Vivant's generated power. The Company's uncontracted capacity could be sold either through RES companies or directly to contestable customers. Vivant has prepared its organization for the RCOA with the establishment of two RES companies.

Issuance of Resolution in ERC Case No. 2014-021 MC. The ERC rendered an Order voiding the Wholesale Electricity Spot Market (WESM) prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

1590 EC filed its Motion for Reconsideration to the Order on March 28, 2014, which was denied in an Order dated October 15, 2014. As a result of the denial of the Motion for Reconsideration, on December 10, 2014, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2014 WESM market prices. On November 7, 2017, the Court of Appeals issued a Decision that declared as null and void the March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 Orders of the ERC and reinstated the prices for the November and December 2013 supply months in the WESM (the CA Decision). According to the Court of Appeals, there was simply no justification, legal or factual, to substantiate the ERC's issuance of the March 3, Order which was effectively an intervention of WESM's operations. The ERC and Intervenor Meralco filed their respective Motions for Reconsideration to the CA Decision. Numerous other consumers and organizations also filed their respective Motions for Leave to Intervene in the case for the purpose also of seeking a reconsideration of the CA Decision. On March 22, 2018, the Court of Appeals denied the Motions for Leave to Intervene. Nonetheless, the Motion for Reconsideration by the ERC and Intervenor Meralco remain pending.

Reserve Market. The trial operations of the Reserve Market commenced on February 26, 2014. This came after the issuance by DOE on December 2, 2013 of the Department Circular No. DC2013-12-0027, "Declaring the Commercial Launch for the Trading of Ancillary Service in Luzon and Visayas under the Philippine Wholesale Electricity Spot Market". Roles and responsibilities of all stakeholders are set in said circular.

PEMC is in the process of reviewing the results of the trial run. The Pricing and Cost Recovery Mechanism of the Reserve Market is still under review by the ERC.

The Reserve Market will involve three (3) reserve categories. These are: Frequency Regulation, Contingency Reserve and Dispatchable Reserve. Launch date has yet to be set.

The Central Dispatch and Scheduling of Energy and Reserves in the WESM was implemented in January 2016 by the DOE and PEMC. This is pending ERC's approval of the Price Determination Methodology. Following the protocol of the Reserve Market, the participants will be those that have existing contracts with NGCP. Settlement will be done outside of the WESM.

RE Act and the Feed-in-tariff (FIT) scheme. The RE Act was signed into law in December 2008 and became effective in January 2009. With the intent of promoting and developing the use of the country's renewable energy resources, the RE Act offers fiscal and non-fiscal incentives to RE developers. In a resolution issued in 2012, the ERC adopted the following FIT rates for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding degression rates.

	FIT Rate (Php/kWh)	Degression Rate
Wind	8.53	0.5% after 2nd year of FIT effectivity
Solar	9.68	6% after 1st year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2nd year of FIT effectivity
Biomass	6.63	0.5% after 2nd year of FIT effectivity

The ERC issued ERC Resolution No. 10, Series of 2012 in July 2012 that implemented the approved solar FIT rate of Php 9.68/kWh and the installation target of 50 MW. This target was increased to 500 MW by the ERC. In March 2015, the ERC adopted and approved a new Solar FIT of PhP8.6900/kWh effective upon publication of the resolution until March 15, 2016. In 2015, for the second batch of wind power projects, the ERC approved a new Wind FIT Rate (Wind FIT2) of Php7.40/kWh and limiting its application to three wind power projects which have commenced commercial operations date as certified by the DOE:

Proponent	RE Plant	Capacity (MW)
Trans-Asia Renewable Energy Corporation	San Lorenzo Wind Power Project	54
Petro Wind Energy, Inc.	Nabas Wind Energy Project	36
Alternergy Wind One Project	Pililia Wind Power Project	54

In late 2016, the three Proponents filed a Petition to Initiate Rule-Making with the ERC praying for the amendment of the Wind FIT2 rate to Php7.93/kWh. The Proponents alleged in their Petition that the Wind FIT2 rate of Php7.40/kWh does not provide the Proponents with just and reasonable return. The case remains pending to date.

Two years from the effectivity of the FIT rates for run-of-river hydro and biomass on January 1, 2015, the ERC in January 2017, through a resolution, degressed the FIT rates for run-of-river hydro and biomass at a rate of 0.5% for the period of January to December 2017. The new FIT rates for run-of-river hydro and biomass plants with commercial operations date within January and December 2017 are as follows:

	Old FIT Rate (Php/kWh)	New FIT Rate (Php/kWh)
Run-of-river hydro	5.90	5.8705
Biomass	6.63	6.5969

Competitive Selection Process in securing Power Supply Agreements. In June 2015, the DOE issued Department Circular No. DC2015-06-008 mandating all distribution utilities to undergo a Competitive Selection Process (CSP) in securing PSAs, through a Third Party expert duly recognized by the DOE and ERC. Under the circular, the CSPs for the procurement of PSAs shall observe the aggregation for the un-contracted demand of the distribution utilities and shall be conducted annually. The terms and conditions of the PSAs shall be in accordance with the template PSA to be issued by the ERC in coordination with the DOE.

In September 2015, the DOE together with the ERC posted for comments the first draft of the implementing guidelines of Department Circular No. DC2015-06-008. After conducting public hearing and receiving opposition from industry stakeholders, the ERC and DOE deferred issuing a decision on the mandatory implementation of the CSP.

Pending the issuance by the ERC of a prescribed CSP, the ERC issued in October 2015 Resolution No. 13 (CSP Resolution) directing all distribution utilities to conduct CSP in the procurement of their supply to the captive market. In the Resolution, a CSP is deemed successful if the distribution utility receives at least two (2) qualified bids. Direct negotiation may be conducted after at least two (2) failed CSPs.

In ERC Resolution No. 1, Series of 2015 dated 15 March 2016, the ERC restated the effectivity of the CSP Resolution to be April 30, 2016.

In February 2018, the DOE finally prescribed the "Policy for the Competitive Selection Process in the Procurement by Distribution Utilities of Power Supply Agreement for the Captive Market"[7]. Governing all DUs in both grid and off-grid areas, the policy mandates the procurement of all Power Supply Agreements (PSA) for the captive market through CSP. In the Circular, the CSP may be conducted by a Third-Party Bids and Awards Committee (TPBAC) composed of 5 members, where 3 members will come from the DU and 2 from the captive customers. In lieu of the TPBAC, the DU may also opt to engage a Third-Party Auctioneer. Direct negotiation with generation companies is allowed after at least 2 failed CSPs and there is no outstanding dispute in the conduct of the CSP.

For the Year Ended December 31, 2016 versus the Year Ended December 31, 2015

The table below shows the comparative figures of the top five key performance indicators for the year 2016 and 2015.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2016**	**2015**
Equity in Net Earnings of Associates	1,288,333	1,009,710
EBITDA	1,806,238	1,400,174
Cash Flow Generated	366,989	(794,113)
Net cash flows from operating activities	(355,659)	333
Net cash flows from (used in) investing activities	1,069,512	(545,753)
Net cash flows from (used in) financing activities	(346,864)	(248,693)
Debt-to-Equity Ratio (x)	0.45	0.53
Current Ratio (x)	3.93	3.05

The Company's share in net earnings of associates as of end-December 2016 amounted to Php 1.3 bn, representing a 28% year-on-year (YoY) increase from Php 1.0 bn. This was a result of the following:

- Improved bottomline contribution (up 10% YoY) of the Company's distribution utility, which was on the back of an 11% increase in electricity sales;
- Improved income contribution (up 8% YoY) from an associate, which arose from its enhanced gross margin. This was mainly brought about by the drop in the cost of energy sold that was a result of lower costs of maintenance and purchased power;
- 22% YoY growth in the income contribution from another associate which came from the drop in the cost of energy sold and operating expenses; and
- Full recognition of the share in net earnings of a joint venture for the period in review (up 321% YoY). In the same period last year, only partial recognition of the joint venture's net earnings was done after recoupment of the unrecognized losses from 2013 to 2014 was made. This was in compliance with the International Accounting Standards (IAS) 28[8]. Taking out the impact of IAS 28 in 2015, the joint venture's income contribution for the year in review would have recorded a 38% expansion. The strong showing could be attributed to the 20% growth in its energy sales.

[7] Department Circular No. DC2018-02-0003

[8] IAS 28 *Losses in Excess of Investments.* If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognising its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2016 and 2015.

Name of Company	2016			2015		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	385.9	23.8[(a)]	362.1[(b)]	368.8	265.1[(c)]	103.7[(d)]
CIPC	--	--	--	--[(e)]	5.7[(e)]	--
AHPC	1.8	--	1.8	3.8	--	3.8
Total	387.7	23.8	363.9	372.6	270.8	107.5

(a) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(b) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(c) Php 140.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(d) Php 56.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(e) Recognized share in Losses in 2015 pertains to unrecognized losses in 2013 and 2014 under the IAS 28.

The following tempered the rise in the Company's share in net equity earnings of associates in 2016:

1. Reduced bottomline contribution from a joint venture, which was mainly attributable to a non-recurring income (i.e. insurance claims) booked in the previous year.

2. Drop in the share in two associates' earnings, which were mainly a result of the lower unrealized foreign exchange gains on forward contracts of one associate and a booked unrealized loss on forward contracts of the other.

The Company posted a 29% YoY increase in its EBITDA, from Php 1.4 bn to Php 1.8 bn. This was brought about by: (1) the improved pre-tax earnings of the Company's two subsidiaries; (2) the increase in the Company's management fees; and (3) the higher equity share in net earnings of associates.

The Company ended the year with a net increase in cash of Php 367.0 mn (excluding the impact of movements in the peso-dollar exchange rate). This is on account of the higher cash generated from investing activities. The collection of dividends from three associates and two joint ventures, and the proceeds from the sale of an equipment by a subsidiary were the sources of cash from investments for the year in review.

Debt-to-Equity ratio improved from 0.53x in 2015 to 0.45 in 2016. This was a result of the 5% decline in liabilities and the 12% expansion in total equity brought about by the Company's income generated during the year.

The 13% expansion in the Company's current assets, coupled with the 12% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 3.93x as of end-December 2016 from 3.05x as of end-December 2015.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2016, the Company had consolidated revenue of Php 3.9 bn, recording a 4% YoY decline from the previous year's consolidated revenue of Php 4.0 bn. The topline performance was due to the following:

1. Sale of power, which comprise the bulk of revenues at Php 2.4 bn (or 61% of total), declined by 15% YoY from Php 2.8 bn. The reduced topline performance of a subsidiary, which resulted from the lower volume of energy sold, mainly accounted for the drop. This was partly mitigated by the improved topline performance of another subsidiary resulting from its administration of 17MW of geothermal power.

2. The Company's share in net earnings of associates as of end-December 2016 amounted to Php 1.3 bn, representing a 28% YoY increase from Php 1.0 bn. This was a result of the following:

    - Improved bottomline contribution (up 10% YoY) of the Company's distribution utility, which was on the back of an 11% increase in electricity sales;
    - Improved income contribution (up 8% YoY) from an associate, which arose from its enhanced gross margin. This was mainly brought about by the drop in the cost of energy sold that was a result of lower costs of maintenance and purchased power;
    - 22% YoY growth in the income contribution from another associate which came from the drop in the cost of energy sold and operating expenses; and
    - Full recognition of the share in net earnings of a joint venture for the period in review (up 321% YoY). In the same period last year, only partial recognition of the joint venture's net earnings was done after recoupment of the unrecognized losses from 2013 to 2014 was made. This was in compliance with the IAS 28. Taking out the impact of IAS 28 in 2015, the joint venture's income contribution for the year would have recorded a 38% expansion. The strong showing could be attributed to the 20% growth in its energy sales.

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2016 and 2015.

Name of Company	2016			2015		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	385.9	23.8[(a)]	362.1[(b)]	368.8	265.1[(c)]	103.7[(d)]
CIPC	--	--	--	--[(e)]	5.7[(e)]	--
AHPC	1.8	--	1.8	3.8	--	3.8
Total	387.7	23.8	363.9	372.6	270.8	107.5

(a) Php 13.7 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(b) Php 208.1 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(c) Php 140.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(d) Php 56.0 mn pertained to unrealized forex loss from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.

(e) Recognized share in Losses in 2015 pertains to unrecognized losses in 2013 and 2014 under the IAS 28.

The following tempered the rise in the Company's share in net equity earnings of associates in 2016:

- Reduced bottomline contribution from a joint venture, which was mainly attributable to a non-recurring income (i.e. insurance claims) booked in the previous year.
- Drop in the share in two associates' earnings which were mainly a result of the lower unrealized foreign exchange gains on forward contracts of one associate and a booked unrealized loss on forward contracts of the other.

3. Management fees in 2016 rose by 6% YoY to Php 157.2 mn from Php 149.0 mn as a result of the upward adjustment of the fees and new service billings and management contracts entered into during the year in review.

Total generation cost and operating expenses for the year 2016 contracted by 19% YoY, from Php 2.7 bn to Php 2.2 bn. Said movement can be accounted for by the following:

1. Generation cost fell by 22% YoY to Php 1.8 bn from Php 2.3 bn, which was mainly due to the decline in a subsidiary's net generated power and lower fuel prices. This was partly offset by the increase in the generation cost of another subsidiary brought about by the higher energy sales resulting from its administration of 17 MW of geothermal power.

2. Salaries and employee benefits grew by 6% YoY to Php 134.6 mn from Php 127.3 mn. The additional manpower headcount and an upward adjustment in salaries and benefits accounted for the rise.

3. Taxes and licenses shrunk by 33% YoY to Php 28.7 mn from Php 42.6 mn. In 2015, documentary stamp taxes were paid by two subsidiaries for the issuance of additional shares to the Company.

4. Travel expenses rose by 15% YoY to Php 24.5 mn from Php 21.4 mn. The upswing can be attributed to the increased frequency of trips related to business development, plant inspections, site visits, meetings with partners and government agencies, and trainings.

5. Management fees were down by 44% YoY to Php 25.6 mn from Php 45.3 mn. The decline was mainly due to the non-renewal of certain management contracts of a subsidiary in 2016.

6. Depreciation and amortization for the year grew by 12% YoY to Php 20.8 mn from last year's Php 18.7 mn. This was a factor of the acquisition of additional depreciable assets, mostly relating to the purchase of technical equipment, machineries, and office furniture and fixtures.

7. Rent and association dues was up by 42% YoY at Php 7.8 mn from Php 5.5 mn. This increase is largely attributed to new operating leases entered into for additional office spaces and a warehouse.

8. Representation expenses dipped by 14% YoY to Php 5.4 mn from Php 6.3 mn. This variance is attributed to the reduced sponsorships and representation expenses incurred by the Company and a subsidiary involving business partners and other stakeholders.

9. Communication and utilities were higher by 27% YoY at Php 5.8 mn from Php 4.6 mn as a result of the installation of new communication facilities and the increase in the Company's manpower headcount. Additional office spaces and the operation of the warehouse were a factor in the rise of power and water charges incurred during the period in review.

10. Outside services dropped by 32% YoY to Php 0.6 mn from Php 0.8 mn as a result of the reduced janitorial and security services costs incurred by a subsidiary.

11. Other general and administrative expenses shot up by 51% to Php 71.5 mn from Php 47.5 mn, which can be attributed mainly to the: (i) write-off of bad debts and pre-development costs for cancelled projects; (ii) higher cost of supplies as a factor of increase in headcount; and (iii) donations and contributions made by a subsidiary.

Vivant booked Php 137.4 mn in other charges in 2016, a reversal from the previous year's other income of Php 72.8 mn. This was an outcome of the following account movements:

1. An unrealized foreign exchange gain of Php 1.5 mn was taken up as of end-December 2016. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and a subsidiary. For the same period last year, the Company booked an unrealized foreign exchange loss of Php 0.3 mn.

2. Other income surged by 647% YoY to Php 38.6 mn from Php 5.2 mn which came from the rental income from the operating leases of the Company and a subsidiary. The insurance claims of a subsidiary also contributed to the rise in other income. This is net of the loss from the disposal of equipment by a subsidiary.

3. The Company recognized a one-off gain of Php 240.7 mn in 2015 resulting from the increase in the fair value of a subsidiary's investment properties. There is no such gain in 2016.

Income tax expense dropped by 23% YoY from PhP 170.7 mn to Php 132.0 mn. In 2015, the Company recognized a deferred tax on the unrealized fair value gain of a subsidiary's investment properties in 2015 amounting to Php 72.2 mn. Without it, there would have been a 34% YoY increase in the Company's consolidated tax expense coming from the improved performance of two subsidiaries.

The combined effect of the above account movements resulted to a 14% YoY rise in Vivant's net income to Php 1.4 bn. Consequently, net income attributable to equity holders of the parent went up by 23% YoY to approximately Php 1.3 bn.

During the period in review, the Company recognized other comprehensive income of Php 2.5 mn, which substantially came from the unrealized valuation loss on available-for-sale investments and the remeasurement gain on employee benefits, net of tax, in compliance with the Philippine Accounting Standards (PAS) 19R. This compares to the P13.7 mn other comprehensive income booked in 2015.

The total comprehensive income as of end-2016 was at Php 1.4 bn wherein approximately Php 1.3 bn was attributable to the equity holders of the Parent Company, up 21% from last year's Php 1.1 bn.

Changes in Registrant's Consolidated Resources, Liabilities and Shareholders' Equity

The Company's consolidated total assets as of year-end 2016 expanded by 6% to approximately Php 14.6 bn from Php 13.7 bn in 2015. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents rose by 9% to Php 4.4 bn as of end-2016. The increase was due to (i) the collection of dividends from three associates and two joint ventures, (ii) the proceeds from the short-term loan availed by a subsidiary, (iii) the disposal of equipment by a subsidiary, and (iv) the collection by a subsidiary of advances made to a joint venture. These inflows were partly offset by capital infusions to four associates and a joint venture, the payment of cash dividends by the Company and a subsidiary, and the settlement of trade payables by a subsidiary.

2. Trade and other current receivables was higher by 29% YoY at Php 443.4 mn. The increase can be attributed to the energy sales of two subsidiaries, and a subsidiary's receivable from an associate for the pre-development costs it incurred for a power plant project.

3. Advances to associates and stockholders dipped by 35% from Php 31.2 mn as of end-2015 to Php 20.2 mn as of end-2016. This was mainly a result of the collection of advances made by a subsidiary to a joint venture.

4. Inventories went up by 9% YoY to Php 96.8 mn due to the purchase of plant parts and supplies.

5. Prepayments and other current assets grew by 31%, from Php 707.2 mn as of end-2015 to Php 927.0 mn as of end-2016. This resulted from the booking by the Company's subsidiary of higher advances to supplier during the year in review.

6. Investments in and advances to subsidiaries and associates grew by 7% to Php 7.4 bn as of end-2016 from Php 6.9 bn as of end-2015. The growth is substantially attributed to the additional investments in an associate and a joint venture, both of which were undergoing their respective power plant construction projects. New investments in two associates were also made during the year in review.

7. The 31% dip in property, plant and equipment to Php 634.2 mn was a result of the disposal of an equipment by a subsidiary.

8. Deferred tax assets was 14% higher at Php 14.4 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and a subsidiary.

9. Other noncurrent assets was lower by 45% from Php 47.5 mn to Php 26.3 mn mainly due to project write-offs and the reclassification of a subsidiary's receivable from an associate to "Trade and other current receivables".

Total consolidated liabilities declined by 5% to Php 4.5 bn as of end-2016. This was brought about by the settlement of trade payables outstanding as of end-2015. This is partially offset by the increase in accrued income tax and pension liability of the Company and a subsidiary, the availment of a short-term loan and recognition of a deferred tax liability by a subsidiary.

As a result of net income generated during the period in review, the total stockholders' equity increased by 12% to Php 10.0 bn as of year-end 2016 from Php 8.9 bn as of end-2015. Meanwhile, equity attributable to parent ended higher by 12% at Php 9.5 bn as of end-2016.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents were higher by 9% YoY from Php 4.1 bn as of end-2015 to Php 4.4 bn as of end-2016.

For the period ending December 30, 2016, the net cash used in the Company's operations amounted to Php 355.7 mn, recording a reversal from last year's net cash generation of Php 0.3 mn. The increased prepayments, inventories, and receivables, coupled with the settlement of trade and other payables, mainly accounted for the net cash outflow in operations. Payment of taxes and interest for the FRCN, and a subsidiary's contribution to the retirement fund also contributed to the usage of cash.

Net cash generated from investing activities as of end-2016 amounted to Php 1,069.5 mn, vis-a-vis last year's utilization of Php 545.8 mn. Dividends earned and the proceeds from the disposal of a subsidiary's equipment more than offset the additional investments made by the Company during the period in review. Also, interest income contributed to the cash generation for the period.

For the period in review, the Company used cash of Php 346.9 mn for financing activities, 39% higher than last year's usage of Php 248.7 mn. Cash usage stemmed from the payment of dividends by the Company and a subsidiary and the principal amortization of the Company's FRCN and partial settlement by a subsidiary of its short term loans. These were partially offset by the proceeds of a short term loan availed by a subsidiary, additional investments from the non-controlling stockholder of another subsidiary, and a subsidiary's collection of advances made to joint venture.

Financial Ratios

The 13% expansion in the Company's current assets, coupled with the 12% decrease in current liabilities, resulted to an improvement in the Company's current ratio to 3.93x as of end-December 2016 from 3.05x as of end-December 2015.

Debt-to-Equity ratio improved from 0.53x in 2015 to 0.45x in 2016. This was a result of the 5% decline in liabilities and the 12% YoY expansion in total equity brought about by the Company's income generated during the year.

For the Year Ended December 31, 2015 versus the Year Ended December 31, 2014

The table below shows the comparative figures of the key performance indicators for the year 2015 and 2014.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2015**	**2014**
Equity in Net Earnings of Associates	1,009,710	1,110,762
EBITDA	1,400,174	2,016,203 [(a)]
Cash Flow Generated	(794,113)	1,797,447
Net cash flows from operating activities	333	835,777[(b) (d)]
Net cash flows from (used in) investing activities	(545,753)	(1,291,869)
Net cash flows from (used in) financing activities	(248,693)	2,253,538[(c) (d)]
Debt-to-Equity Ratio (x)	0.53	0.56
Current Ratio (x)	3.05	3.80

[(a)] *Reported as Php 2,027,600 mn in last year's SEC 17A. Other Income previously classified under Revenues was transferred to Other Income (Charges) grouping.*
[(b)] *Reported as Php 832,480 mn in last year's SEC 17A.*
[(c)] *Reported as Php 2,256,835 mn in last year's SEC 17A.*
[(d)] *These changes are due to the transfer of interest paid on the FRCN from operating activities to financing activities.*

A copy of the 2015 Audited Consolidated Financial Statements is attached as Exhibit "E".

The Company's share in net earnings of associates for the year 2015 amounted to Php 1.0 bn, representing a 9% year-on-year (YoY) decline from Php 1.1 bn. The reduction is mainly due to the partial recognition of a joint venture's losses, to the extent of the additional investments made by two subsidiaries into such joint venture during the period in review. This is in compliance with the International Accounting Standards (IAS) 28[9].

Below is a table showing the impact of IAS 28 to the Company's financial performance in 2015.

Name of Company	2015			2014		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	368.8	265.1[(a)]	103.7[(b)]	55.2	--	55.2[(c)]
CIPC	--[(d)]	5.7[(d)]	--	2.3	--	2.3
AHPC	3.8	--	3.8	--	--	--
Total	372.6	270.8	107.5	57.5	--	57.5

(a) Php 140.0 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(b) Php 56.0 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(c) Php 28.7 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(d) CIPC was in a net income position in 2015, which recouped the cumulative unrecognized losses in prior years amounting Php 5.7 mn.

The following tempered the drop in the Company's share in net equity earnings of associates in 2015:

1. Improved (15% up) bottomline contribution of the Company's distribution utility;

2. Higher share of a joint venture's income resulting from the increased equity stake, from 35% to 50%;

3. Recognition of the share in net earnings of a joint venture due to the recovery of previous period's unrecognized losses under the IAS 28; and

4. Share in two associates' earnings, which were mainly a result of unrealized foreign exchange gains on forward contracts.

The losses recognized from joint ventures under IAS 28, coupled with the decline of a subsidiary's bottomline performance, mainly accounted for the 31% YoY decrease in the Company's EBITDA, from Php 2.0 bn in 2014 to Php 1.4 bn in 2015.

The Company ended the year with a net decrease in cash of Php 794.1 mn, which was mainly brought about by the use of cash for investing and financing activities.

Debt-to-Equity ratio improved from 0.56x in 2014 to 0.53x in 2015. The 6% increase in liabilities was cushioned by the 12% YoY expansion in total equity resulting from the Company's income generated during the period.

[9] IAS 28 *Losses in Excess of Investments.* If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognising its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The expansion in the Company's current liabilities, coupled with the decrease in current assets, resulted to the decline in the Company's current ratio to 3.05x as of end-December 2015 from 3.80x as of end-December 2014.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2015, the Company had consolidated revenue of Php 4.0 bn, recording an 11% YoY decline from the previous year's consolidated revenue of Php 4.5 bn. The topline performance was due to the following:

1. Energy sales, which comprise the bulk of revenues at Php 2.8 bn (or 70% of total), declined by 13% YoY from Php 3.2 bn due to a subsidiary's reduced topline performance arising from lower average selling price and volume of energy sold. The decline was however mitigated by revenues earned by another subsidiary from the administration of 17 MW of geothermal power, which commenced at the start of the period in review.

2. The Company's share in net earnings of associates for the year 2015 amounted to Php 1.0 bn, representing a 9% YoY decline from Php 1.1 bn. The reduction is mainly due to the partial recognition of a joint venture's losses, to the extent of the additional investments made by two subsidiaries into such joint venture during the period in review. This is in compliance with the IAS 28.

   Below is a table showing the impact of IAS 28 to the Company's financial performance in 2015.

Name of Company	2015			2014		
	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)	Actual Share in Losses (Php)	Recognized Share in Losses (Php)	Unrecognized Share in Losses due to IAS 28 (Php)
NR	368.8	265.1[(a)]	103.7[(b)]	55.2	--	55.2[(c)]
CIPC	--[(d)]	5.7[(d)]	--	2.3	--	2.3
AHPC	3.8	--	3.8	--	--	--
Total	372.6	270.8	107.5	57.5	--	57.5

(a) Php 140.0 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(b) Php 56.0 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(c) Php 28.7 mn pertained to unrealized forex losses from the dollar denominated portion of its liabilities arising from its administration contract with PSALM.
(d) CIPC was in a net income position in 2015, which recouped the cumulative unrecognized losses in prior years amounting Php 5.7 mn.

The following tempered the drop in the Company's share in net equity earnings of associates in 2015:

- Improved (15% up) bottomline contribution of the Company's distribution utility;
- Higher share of a joint venture's income resulting from the increased equity stake, from 35% to 50%;
- Recognition of the share in net earnings of a joint venture due to the recovery of previous period's unrecognized losses under the IAS 28; and
- Share in two associates' earnings, which were mainly a result of unrealized foreign exchange gains on forward contracts.

3. Management fees in 2015 increased by 7% YoY to Php 149.0 mn from Php 138.9 mn as a result of billings to an associate made by the Company that arose from the new management and service agreements.

4. Interest income was higher by 18% YoY at Php 59.7 mn, mainly on account of higher interest rates during the period in review.

Consolidated operating expenses for the year 2015 rose by 6% YoY from Php 2.5 bn to Php 2.7 bn. The administration of 17MW of geothermal power by the Company's subsidiary led to the 11% YoY rise in generation cost to Php 2.3 bn from Php 2.1 bn. On the other hand, the Company's operating expenses amounted to Php 375.6 mn registering a 16% YoY decline. Below explains the significant movements in the Company's expenses.

1. Salaries and employee benefits grew by 52% YoY from Php 83.8 mn to Php 127.3 mn. The additional manpower headcount and the increase in salaries, compensation and benefits accounted for the rise.

2. Management fees were down by 59% YoY, from Php 61.6 mn to Php 25.4 mn. In 2014, a subsidiary entered into a technical consultancy contract. This was not renewed in 2015.

3. Travel expenses rose by 23% YoY from Php 17.3 mn to Php 21.4 mn. The rise can be attributed to the increased frequency of business and project-related trips, power plant inspections, technical trainings, and meetings with partners and government agencies.

4. Representation expenses recorded a YoY growth of 92% to Php 6.3 mn from Php 3.3 mn. This variance is on account of increased representation costs of the Company and a subsidiary in relation to projects and meetings with business partners.

5. Depreciation and amortization for the year grew by 7% YoY from Php 17.4 mn to Php 18.7 mn. This resulted from the acquisition of additional depreciable assets relating to the purchase of power plant equipment, the expansion of the Company's office space, the purchase of vehicles, and the write-off of damaged depreciable assets.

6. Professional fees declined by 55% YoY, from Php 168.9 mn to Php 75.7 mn, in view of lower consultancy fees incurred by a subsidiary.

7. Taxes and licenses grew by 79% YoY from Php 23.8 mn to Php 42.6 mn. This was brought about by documentary stamp tax for the additional shares issued by two subsidiaries to the Company and a subsidiary's contract of lease with the Company. The Company's fringe benefit tax and the business taxes of a newly incorporated subsidiary also contributed to the increase in taxes during the period in review.

8. On account of the uncertainty of receivables collection relating to energy sales, a provision in the amount of Php 34.1 mn was booked by the Company's subsidiary as of end-2014. There was no such provision at end-2015.

9. Security and janitorial expenses rose by 41% YoY to Php 0.8 mn from Php 0.6 mn given the rate adjustments on agency fees and the hiring of additional personnel.

10. Other operating expenses shot up by 90% from Php 25.0 mn to Php 47.5 mn, which can be attributed mainly to the: (i) SEC fees relating to the applications for the increase in authorized capital stock of two subsidiaries; (ii) the Company's expenses for the construction of a science laboratory as part of its Corporate Social Responsibility programs; and (iii) repairs and upkeep of its facilities.

Vivant booked Php 72.8 mn in other income in 2015, a 201% turnaround from previous year's other charges of Php 72.3 mn. This was an outcome of the following account movements:

1. The Company recognized a one-off gain of Php 240.7 mn resulting from the increase in the fair value of a subsidiary's investment properties.

2. Interest charges incurred in 2015 amounted to Php 172.8 mn, up by 23% YoY. The hike was mainly due to the full year accrual and payment of interest resulting from the issuance of the FRCN in the first quarter of 2014.

3. An unrealized foreign exchange loss of Php 0.3 mn was taken up as of end-December 2015. This pertains to the restatement of the US Dollar and Euro cash balances of the Company and a subsidiary. For the same period last year, the Company booked an unrealized foreign exchange gain of Php 4.3 mn.

4. Other income dropped by 92% YoY to Php 5.2 mn from Php 63.9 mn which came from the rental income from the operating leases of the Company and a subsidiary, tempered by a subsidiary's billings from an associate for allocated operating expenses. In contrast, last year's other income was mainly due to the reversal of an unclaimed liability booked by the Company's subsidiary that was taken up during its takeover of plant operations in 2010, and a one-time income that resulted from the reversal of various accrued expenses made in prior years.

The decline in the Company's and a subsidiary's taxable income resulted in a 25% YoY reduction in accrued consolidated tax expense, from Php 226.9 mn to PhP 170.7 mn.

The combined effect of the above account movements resulted to a 26% YoY dip in Vivant's net income to Php 1.2 bn. Consequently, net income attributable to equity holders of the parent went down by 22% YoY to approximately Php1.1 bn.

Total comprehensive income, on the other hand, dropped to Php 1.3 bn. The total comprehensive income attributable to equity holders of the parent was approximately at Php 1.1 bn, down by 23% YoY. The items below account for the movements:

1. In compliance with Philippine Accounting Standards (PAS) 19R, which requires the remeasurement of pension assets, Vivant booked another comprehensive income of Php 13.7 mn. This compares to another comprehensive loss of Php 2.8 mn in 2014.

2. In 2014, the Company booked Php 40.6 mn as other comprehensive income (net of tax), which represents its share in the revaluation increment of an associate. There was none in 2015.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets as of year-end 2015 expanded by 10% to approximately Php 13.7 bn from Php 12.5 bn in 2014. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents as of end-2015 decreased by 16% YoY to Php 4.1 bn, which was mainly due to capital investments made by two subsidiaries into two associates during the period in review. Also contributing to the drop was the Company's payment of dividends, principal amortization and interest on the FRCN. This reduction is tempered by dividends received from associates and the redemption by a subsidiary of its preferred shares in an associate.

2. Receivables was higher by 147% YoY at Php 342.7 mn. Said improvement can be attributed to the energy sales of a subsidiary, which resulted from its administration of 17 MW of geothermal power during the year in review.

3. Advances to associates and stockholders dipped by 24% from Php 40.9 mn as of end-2014 to Php 31.2 mn as of end-2015. The drop was brought about by the repayment of advances by two joint ventures.

4. Inventories went down by 17% YoY to Php 89.1 mn, due to the use of plant parts and supplies for the maintenance work of a subsidiary's power plant.

5. Prepayments and other current assets grew by 65%, from Php 429.6 mn as of end-2014 to Php 707.2 mn as of end-2015. This was mainly due to the booking by the Company's subsidiary of higher advances to supplier during the year in review.

6. Investments and advances to subsidiaries and associates grew by 20% to Php 6.9 bn as of end-2015 from Php 5.8 bn as of end-2014. The growth is substantially attributed to the additional investments in associates made by two of the Company's subsidiaries. This increase was tempered by the redemption of preferred shares of an associate, equity take-up of the losses of two joint ventures resulting from IAS 28, and dividends received from associates as of end-2015.

7. Property, plant and equipment went up by 20% YoY to Php 916.5 mn, resulting from the purchase of power plant equipment by a subsidiary and the Company's purchase of service vehicles, office furniture and equipment, office space and renovations, and the construction of a warehouse. Pre-operating expenses by a subsidiary for the construction of a run-of-river hydro power plant in the Visayas, reservation fee by another subsidiary for the option to buy a property, and the purchase of an office condominium unit by a subsidiary also contributed to the increase in fixed assets.

8. Investment properties rose by 88% to Php 514.8 mn from P274.1 mn, on account of the increase in the fair value of the investment properties of a subsidiary.

9. Deferred tax assets was 11% lower at Php 12.6 mn due to the deferred tax adjustment recognized in relation to the pension liability of the Company and a subsidiary.

10. Other noncurrent assets was higher by 23% from P76.2 mn to Php 93.8 mn mainly due to advance payments made by two of the Company's subsidiaries relating to power generation plant projects. This increase is mitigated by the disposal of a subsidiary's available-for-sale investment.

Total liabilities posted an increase of 6% to Php 4.8 bn as of end-2015. The movement was brought about by the expansion of trade and accounts payable mostly arising from the recognition of the generation cost by subsidiaries and payables to suppliers. In addition, deferred tax liabilities rose by 262% to Php 99.8 mn resulting from the appraisal increase in the investment properties of a subsidiary. Further to the rise in liabilities is the increase in short term note payable arising from the availment made by a subsidiary. Accrued income tax, however, was lower in 2015 vis-à-vis 2014.

In 2014, Vivant issued 7-year fixed rate notes with a total principal amount of Php 3.0 bn. The issue was fully subscribed by a consortium of local banks composed of Metropolitan Bank and Trust Company, China Banking Corporation, Development Bank of the Philippines, Philippine Savings Bank, Rizal Commercial Banking Corporation and Robinsons Savings Bank. The FRCN issue was done in two tranches. The first tranche of notes worth Php 1.0 bn were issued on February 3, 2014 at an interest rate of 5.7271% p.a. Meanwhile, the second tranche of notes worth Php 2 bn were issued on March 31, 2014 at an interest rate of 5.4450% p.a. There were no new issuances in 2015. During the year, the Company paid its first principal payment on the FRCN of Php 30 mn.

Partly mitigating the effect of trade and accounts payable is the 5% YoY decline in advances from related parties to Php 110.2 mn. The reduction was a result of the partial payment of a non-interest-bearing loan by a subsidiary to a joint venture. In addition, the net payments made during the period in review brought down the income tax payable account to Php 0.2 mn at end-2015 from Php 31.6 mn as of end-2014. Meanwhile, pension liability decreased by 36% YoY to Php 14.8 mn as a factor of the Company's and a subsidiary's contributions to their respective retirement funds.

As a result of net income generated during the period in review, total stockholders' equity increased by 12%, to Php 8.9 bn as of year-end 2015 from close to Php 8.0 bn as of end-2014. Meanwhile, equity attributable to parent ended higher by 10% at Php 8.4 bn as of end-2015.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents declined by 16% YoY from Php 4.9 bn as of end-2014 to Php 4.1 bn as of end-2015.

Cash provided by operating activities for the year 2015 amounted to approximately Php 0.3 mn, recording a 100% YoY decline. Lower net cash generated from operations, which was a result of increased prepaid expenses and trade receivables mainly brought down the net cash from operations for the year in review. Higher contribution to the retirement fund and the interest payments for the FRCN and short-term loans during the year also contributed to the decline in cash as of end-2015. On the other hand, income tax payments were lower in 2015 vis-à-vis 2014.

As of year-end 2015, the Company and its subsidiaries booked investment outlays of Php 1.4 bn for power projects and Php 313.5 mn for fixed assets. These mainly resulted to the Php 545.8 mn cash used for investing activities during the year in review. The recorded net cash used in investing activities of Php 1.3 bn at end-2014 resulted from higher cash outlays for these same activities.

Cash used for financing activities as of end-2015 was at Php 248.7 mn, which was a reversal from 2014 when the Company ended the year with Php 2.3 bn in funds generated. Dividends paid by the Company and partial settlement of notes payable more than offset the proceeds from a short-term loan of a subsidiary.

Financial Ratios

The expansion in the Company's current liabilities, coupled with the decrease in current assets, resulted to the decline in the Company's current ratio to 3.05x as of end-December 2015 from 3.80x as of end-2014.

Debt-to-Equity ratio improved from 0.56x in 2014 to 0.53x in 2015. The 6% increase in total liabilities was cushioned by the 12% YoY expansion in total equity resulting from the Company's income generated during the period.

Item 7: Financial Statements

A copy of the 2017 Audited Consolidated Financial Statements is attached as Exhibit "F".

PART III – CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating Form of the Securities and Exchange Commission (SEC), the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance.

The Company issued its Revised Manual on Corporate Governance (the Manual) in 2014 and has substantially complied with the provisions, and the same has been disclosed to the Commission. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Manual, and the reportorial requirement of the Commission on the extent of compliance by the company with its Manual, the undersigned hereby certifies that the company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Please refer to the attached Exhibit "G" Annual Corporate Governance Report for 2016, which was filed with the SEC in 2017.

Continuing Education for the Board

In its continuing efforts to update its directors and executive officers with the best practices in corporate governance, the members of the board of directors and top-level management are encouraged to attend trainings and seminars. In 2016, the Company's directors and executive officers attended the Advanced Corporate Governance Training conducted by the Institute of Corporate Directors (ICD).

Compliance with the Minimum Public Ownership Requirement

Vivant complies with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 12.63% public float as of March 31, 2018.

(Attachments follow)

"EXHIBIT" A-1

Republic of the Philippines)
Cebu City) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JESUS B. GARCIA, JR.**, Filipino, of legal age and a resident of Nivel Hills, Lahug, Cebu City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation and have been its Independent Director since 2004;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
SunStar Publishing, Inc.	President, Chairman of the Board	12 years (as President) 5 years (as Chairman)
SunStar Management, Inc.	President	13 years
Pan Arts Corporation	Treasurer	25 years
Madre Realty & Management Corp.	Treasurer	12 years
Russfil Management Services Inc.	Executive Director	2 years
Legwork Productions and Promotions	Proprietor	8 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence;

Done this 11th day of May 2018 in Cebu City, Philippines.

JESUS B. GARCIA, JR.,
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this 11th day of May 2018 in Cebu City, Philippines, affiant personally appeared before me and exhibited to me his Philippine Passport with No. EC1139625 issued at Cebu City on April 19, 2014.

Doc. No. 64;
Page No. 13;
Book No. XVIII;
Series of 2018.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 049-17
NOTARY PUBIC
UNTIL DECEMBER 31, 2019
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1434687 - CEBU CITY - 01/04/18
IBP NO. AR000748 - CEBU CITY - 01/04/18

"EXHIBIT" A-2

Republic of the Philippines)
Makati City) s.s.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ATTY. RAUL Ch. RABE**, Filipino, of legal age and a resident of 445 Agoncillo St, Ayala Alabang Village, Muntinlupa City, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation and have been its Independent Director since 2003;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
Cagayan Electric Power & Light Company, Inc. (CEPALCO – Cagayan de Oro)	Director	16 years (approximate)
Mindanao Energy Systems, Inc. (MINERGY – Cagayan de Oro)	Director	7 years (approximate)
Rodrigo, Berenguer & Guno Law Offices (Makati City)	Of Counsel	17 years
Manila Economic and Cultural Office (MECO)	Corporate Secretary	17 years
Negros Navigation	Director	8 years (approximate)
2Go Group	Director	5 years (approximate)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this MAY 1 1 2018 day of May 2018 in Makati City, Philippines.

ATTY. RAUL Ch. RABE
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this MAY 1 1 2018 day of May 2018 in Makati City. Affiant personally appeared before me and exhibited to me his Philippine Passport with No. EB7852324 issued at DFA - Manila on April 12, 2013.

Doc. No. 462
Page No. 94
Book No. 95;
Series of 2018.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-82-(2018-2019)
PTR No. 6607878 Jan. 3, 2018/ Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. V-0019692
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

"EXHIBIT" A-3

Republic of the Philippines)
Cebu City) S.S.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ROGELIO Q. LIM**, Filipino, of legal age and a resident of 1335 V. Rama Avenue, Guadalupe, Cebu City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation and have been its Independent Director since 2017;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
East Asia Utilities Corp.	President and CEO	11 years
Cebu Private Power Corp	Senior VP and GM	3 years
Aboitiz Power Corp. Oil Group	SVP	5 years
East Asia Utilities Corp	Vice President and GM	6 years
Hercules Ultramarine	Mfg and Operations Consultant	1 year
Timex Corp	Director Digital Products Engineering	5 years
Timex F E	Far East Manufacturing Manager	3 years
T M X Philippines Inc.	President and GM	11 years
TMX Philippines Inc.	Operations Manager	1/2 year
Comptronics Philippines Inc.	Vice President for Manufacturing	2 years
Intron Industries Sinderian Berhad	VP and GM	3 years
Union Carbide Philippines Inc.	Asst. Corp Q/A Manager and head of Applications Eng.	3 years
US Army Topographic Command, Dept. of Geodesy	Project Engineer	5 years

Company	Position	Period of Service
Civil Aeronautics Administration	Airways Engineer	1 year
Metro Cebu Water District	Director and Vice Chair of the Board	5 years
East Asia Utilities Corp.	Director	6 years
Mactan Cebu International Airport Authority	Director	5 years
Cebu Business Club	President	2 years
Cebu Business Club	Director	4 years
Mactan Export Zoe Chamber	President	4 years
American Chamber of Commerce Cebu Chapter	Director	8 years
Regional Tripartite Wage and Productivity Board	Director and Private Sector Representative	6 years
Regional Development Council, Region VII	Private Sector Representative and Committee Chair	6 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates.;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this 11th day of May 2018 in Cebu City, Philippines.

ROGELIO Q. LIM
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this May 11, 2018 at Cebu City, Philippines, affiant personally appeared before me and exhibited to me his Senior Citizen ID with No. 13578 issued at Cebu City on August 16, 2007.

Doc. No. 61;
Page No. 13;
Book No XIII;
Series of 2018.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 049-17
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1434687 - CEBU CITY - 01/04/18
IBP NO. AR000748 - CEBU CITY - 01/04/18

"EXHIBIT" A-4

Republic of the Philippines)
Makati City) s.s.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CARMELO MARIA LUZA BAUTISTA**, Filipino, of legal age and with office address at GT Capital Office, 43rd Floor GT Tower International, 6813 Ayala Ave. cor. H.V. Dela Costa, St. Makati City, Philippines, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of Vivant Corporation;

2. I am affiliated with the following companies or organizations:

Company	Position	Period of Service
GT Capital Holdings, Inc.	President/Director	2011 - Present
Property Company of Friends, Inc.	Director	2015 - Present
Toyota Motor Philippines Corporation	Director	2013 - Present
Toyota Financial Services Philippines Corporation	Chairman	2017 - Present
GT Capital Auto Dealership Holdings, Inc.	Director	2016 - Present
Toyota Subic, Inc.	Director	2016 - Present
Federal Land, Inc.	Director	2012 - Present
GT Foundation, Inc.	Adviser	2014 - Present
Toyota Manila Bay	Director	2018

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Vivant Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am not related to any director/officer/substantial shareholder of Vivant Corporation and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I am not an officer or employee of any government agency, government instrumentality or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

8. I shall inform the Corporate Secretary of Vivant Corporation of any changes in the abovementioned information within five (5) days from its occurrence;

Done this MAY 11 2018 day of May 2018 in Makati City, Philippines.

CARMELO MARIA LUZA BAUTISTA
Affiant – Independent Director

SUBSCRIBED AND SWORN to before me this MAY 11 2018 day of May 2018 in Makati City. Affiant personally appeared before me and exhibited to me his Philippine Passport with No. EC0813466 issued at DFA - Manila on April 11, 2014.

Doc. No. 479
Page No. 97
Book No. 94
Series of 2018.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-82-(2018-2019)
PTR No. 6607878 Jan. 3, 2018/ Makati
IBP Lifetime No. 04897 Roll No. 45790
MCLE Compliance No. V-0019692
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

"EXHIBIT" B

Republic of the Philippines }
Makati City } S.S.

CERTIFICATION

I, **JESS ANTHONY N. GARCIA**, Filipino, of legal age and with office address at Unit 907-908, Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City, Philippines, after having been duly sworn in accordance with law, depose and state that:

1. I am the duly elected Corporate Secretary of Vivant Corporation, a corporation duly organized and existing pursuant to and under the laws of the Republic of the Philippines, with principal business address at Unit 907-908 Ayala Life-FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines (the "Corporation");

2. The following are the Directors and Officers of the Corporation that were elected last June 2017:

NAME	BOARD	OFFICER
Dennis N.A. Garcia	Chairman of the Board	Chief Executive Officer
Ramontito E. Garcia	Director	President
Gil A. Garcia II	Director	
Arlo A.G. Sarmiento	Director	Executive Vice President; Chief Operating Officer
Emil Andre M. Garcia	Director	Vice President-Operations
Charles Sylvestre A. Garcia	Director	
Jose Marko Anton G. Sarmiento	Director	
Carmelo Maria Luza Baustista	Director	
Jesus B. Garcia, Jr.	Independent Director	
Raul Ch. Rabe	Independent Director	
Rogelio Q. Lim	Independent Director	
Minuel Carmela N. Franco	-	Chief Financial Officer; Treasurer and Vice President-Finance; Compliance Officer
Jess Anthony N. Garcia	-	General Counsel; Corporate Secretary ; Chief Information Officer
Joan A. Giduquio-Baron	-	Assistant Corporate Secretary
Mark D. Habana	-	Vice President-Commercial Affairs
Maria Victoria E. Sembrano	-	Senior Assistant Vice President-Controllership

Macario C. Padullo, Jr.	-	Senior Assistant Vice President-Corporate Management Systems
Cris C. Fernandez	-	Assistant Vice President-Technical Operations
Grant Clark	-	Assistant Vice President-Corporate Services Group
Catherine S. Bringas	-	Assistant Vice President-Legal
Erickson B. Omamalin	-	Assistant Vice President-Business Development
Brigette Cecile N. Garcia	-	Assistant Vice President-Corporate Planning
Shem Jose W. Garcia	-	Assistant Vice President-Corporate Communications

3. None of the above-named Directors and Officers works in the government.

Executed this APR 25 2018 in MAKATI CITY, Philippines.

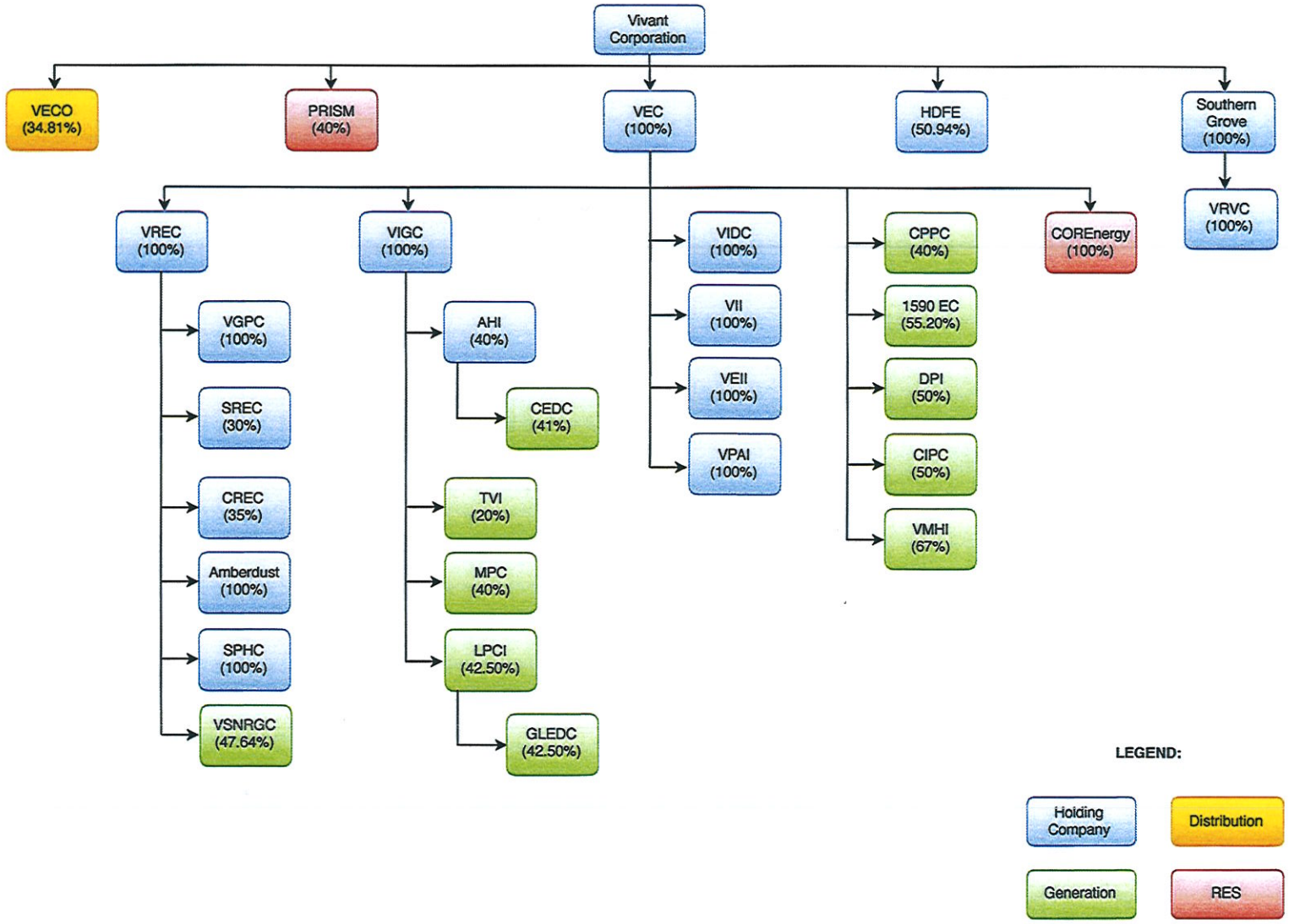
ATTY. JESS ANTHONY N. GARCIA
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this APR 25 2018 in MAKATI CITY, Philippines. Affiant personally exhibited to me his Philippine Passport with No. EC5373999 issued at the City of Cebu on September 17, 2015, Philippines as competent proof of his identity.

Doc. No. 348
Page No. 71
Book No. 82
Series of 2018.

ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-52-(2018-2019)
PTR No. 6607878 Jan. 3, 2018/ Makati
IBP Lifetime No. 04897 Roll No. 45798
MCLE Compliance No. V-0019692
G/F Fedmen Bldg., 199 Salcedo St.
Legaspi Village, Makati City

"EXHIBIT" C



Vivant Corporate Structure as of December 31, 2017

10 May 2018

VICENTE GRACIANO P. FELIZMENIO, JR.
Director
Markets and Securities Regulation Department
Securities and Exchange Commission
Secretariat Building, PICC Complex, Roxas Boulevard, Pasay City

Subject: SEC Form 17-Q for the First Quarter of 2018

Dear Director Felizmenio:

Vivant Corporation will be holding its Annual Stockholders' Meeting ("ASM") on June 21, 2018. As such, preparations have started and are being carried out for the ASM, including the submission of compliance requirements such as the SEC Form IS-20 (Information Statement). Among the reports that should be included in the Information Statement is SEC Form 17-Q (Quarterly Report) containing the Interim Financial Statements and Interim Management's Discussion of Vivant Corporation for the first quarter of the year 2018, which is not yet due for filing until May 15, 2018.

For Vivant Corporation to be able to disseminate and mail the Information Statement to its shareholders in accordance with the timelines provided in Rule 20 of the 2015 Implementing Rules and Regulations of the Securities and Regulations Code[1], it must submit both the Preliminary Information Statement and Definitive Information Statement way before the Quarterly Report becomes available. In view of the foregoing, the Corporation undertakes that it will file the Quarterly Report on May 15, 2018 and that upon filing the Quarterly Report, it will be posted on the Corporation's website and will be made available upon request by any shareholders.

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

The Corporation further undertakes that copies of the Quarterly Report will be furnished to the shareholders present at the ASM.

We hope for your favorable consideration.

Very truly yours,

JESS ANTHONY N. GARCIA
Corporate Secretary

[1] Rule 20 of 2015 Implementing Rules and Regulations of the Securities Regulation Code (Republic Act No. 8799) requires the filing of the Preliminary Information Statement at least (10) business days prior to the date definitive copies of such material shall be first sent or given to Stockholders; Rule 20 likewise requires the distribution to security holders at least fifteen (15) business days prior to the ASM date

"EXHIBIT" E

B

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

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

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CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SEC Cebu Extension Office

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VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

DENNIS N.A. GARCIA
Chairman of the Board

RAMONITO E. GARCIA
President/Chief Executive Officer

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

Signed this 1st day of April, 2016.

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

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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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Opinion

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

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

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

April 1, 2016

SECURITIES AND EXCHANGE COMMISSION
REPUBLIC OF THE PHILIPPINES

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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 ON SUPPLEMENTARY SCHEDULES

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

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

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
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April 1, 2016

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VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱4,068,285,801	₱4,859,530,626
Trade and other receivables (Note 7)	342,691,120	138,516,463
Advances to associates and stockholders (Note 16)	31,167,018	40,930,884
Inventories (Note 8)	89,095,939	106,831,729
Prepayments and other current assets (Note 9)	707,243,179	429,586,090
Total Current Assets	5,238,483,057	5,575,395,792
Noncurrent Assets		
Investments in and advances to associates and joint ventures (Note 10)	6,913,791,619	5,756,787,415
Property, plant and equipment (Note 11)	916,497,160	760,769,518
Investment properties (Note 12)	514,801,557	274,071,000
Other noncurrent assets (Note 13)	93,781,925	76,200,586
Deferred income tax assets - net (Note 20)	12,581,733	14,179,894
Total Noncurrent Assets	8,451,453,994	6,882,008,413
TOTAL ASSETS	₱13,689,937,051	₱12,457,404,205
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term note payable (Note 15)	₱33,000,000	₱–
Trade and other payables (Note 14)	1,546,394,312	1,295,219,670
Advances from related parties (Note 16)	110,212,802	115,486,477
Income tax payable	154,009	31,556,533
Current portion of long-term notes payable (Note 15)	25,989,025	26,155,546
Total Current Liabilities	1,715,750,148	1,468,418,226
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	2,921,584,679	2,947,573,704
Pension liability (Note 19)	14,770,643	23,209,026
Deferred income tax liabilities (Note 20)	99,767,008	27,575,424
Total Noncurrent Liabilities	3,036,122,330	2,998,358,154
Total Liabilities	4,751,872,478	4,466,776,380
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452

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

See accompanying Notes to Consolidated Financial Statements.

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VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

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VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

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

See accompanying Notes to Consolidated Financial Statements.

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VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

See accompanying Notes to Consolidated Financial Statements.

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1. Corporate Information

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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

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

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

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

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC and TVI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2015, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2015, VII is still in the pre-operating stage.

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VREC
VREC, the holding entity of VSNRGC, was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings on VGPC, a holding entity.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users in contestable market and enter into any necessary access or interconnection arrangements or other necessary contracts with the National Transmission Corporation or National Grid Corporation of the Philippines, distribution utilities and other entities in the electric power industry. As of December 31, 2015, Core has not yet started commercial operations and has an ongoing application for Retail Electricity Supplier license.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2015, VIDC is still in the pre-operating stage.

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

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

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

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by Gigawatt Power, Inc. (GPI), Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings Corp. (IHI), among others.

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

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

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

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

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

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

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

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

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

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

Transactions with Non-controlling Interests

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

3. Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

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

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

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

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

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

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

  The amendments are applied retrospectively and clarify that:

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

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

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

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

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

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

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

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

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

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

The Group shall consider this amendment in future joint arrangements.

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

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

- PAS 40, *Investment Property*

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

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

Deferred

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

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

Effective January 1, 2016

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

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

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

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

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

- PFRS 14, *Regulatory Deferral Accounts*

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

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

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

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to the financial statements
  - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

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

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

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early

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adoption permitted. These will have no impact on the Group given that it has not used a revenue-based method to depreciate its noncurrent assets.

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

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

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

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

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

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

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

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

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- 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.

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

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

- IFRS 15, *Revenue from Contracts with Customers*

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

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

Effective January 1, 2019

- IFRS 16, *Leases*

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

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

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

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

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

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4. **Summary of Significant Accounting Policies**

Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories

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

Prepayments and Other Current Assets

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

Property, Plant and Equipment

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

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

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

	Number of Years
Condominium units, building and improvements	5–40
Plant machineries and equipment	5–10
Leasehold and land improvements	3–10
Office furniture, fixtures and equipment	2–10
Transportation equipment	5
Tools and other assets	3–5

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

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

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

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

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

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

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

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

Goodwill

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Equity

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

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

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

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Revenue Recognition

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

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

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

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

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

Cost and Expense Recognition

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

Related Party Transactions

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

Provisions

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

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

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Pension Benefits

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A reassessment is made after inception of the lease only if one of the following applies:
a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

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

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

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

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

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

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

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

As at December 31, 2015 and 2014, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimating Provision for Pension Expense. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

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

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

6. Cash and Cash Equivalents

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

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

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

7. Trade and Other Receivables

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

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

The movement in the allowance for impairment losses follows:

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

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

8. Inventories

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

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

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

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9. Prepayments and Other Current Assets

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

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

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

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

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

10. Equity Investments

a. Investments in and Advances to Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MPC

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

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VECO

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

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

AHI

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

Individually Immaterial Associates and Joint Ventures

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

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

a. Material Partly-Owned Subsidiary

1590 EC

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

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

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

11. Property, Plant and Equipment

	2015						
	Condominium Units, Building and Improvements	**Plant Machineries and Equipment**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Tools and Other Assets**	**Total**
Cost							
At January 1	₱25,924,832	₱703,469,835	₱25,157,022	₱27,812,923	₱33,249,958	₱505,670	₱816,120,240
Additions	12,104,352	281,629,170	965,211	8,317,345	9,593,181	939,786	313,549,045
Reclassifications	8,699,140	313,839	(9,243,821)	(1,982,433)	–	2,213,275	–
Retirements	(1,055,561)	–	–	(1,448,408)	–	–	(2,503,969)
Price adjustment	–	(107,018,080)	–	–	–	–	(107,018,080)
Disposal	–	–	–	–	(5,791,601)	–	(5,791,601)
At December 31	45,672,763	878,394,764	16,878,412	32,699,427	37,051,538	3,658,731	1,014,355,635
Accumulated Depreciation and Amortization							
At January 1	9,291,210	4,061,256	9,093,582	16,820,517	15,779,531	304,626	55,350,722
Depreciation	3,592,807	31,528,309	764,021	6,702,864	6,877,109	875,354	50,340,464
Reclassifications	4,399,333	–	(4,429,367)	(1,601,257)	1,332,089	299,202	–
Retirements	(1,055,561)	–	–	(1,448,408)	–	–	(2,503,969)
Disposal	–	–	–	–	(5,328,742)	–	(5,328,742)
At December 31	16,227,789	35,589,565	5,428,236	20,473,716	18,659,987	1,479,182	97,858,475
Net Book Value	₱29,444,974	₱842,805,199	₱11,450,176	₱12,225,711	₱18,391,551	₱2,179,549	₱916,497,160

	2014						
	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Tools and Other Assets	Total
Cost							
At January 1	₱25,149,566	₱2,373,122	₱21,107,717	₱19,657,549	₱28,615,583	₱505,670	₱97,409,207
Additions	775,266	704,663,339	482,679	8,155,374	4,634,375	–	718,711,033
Reclassifications	–	(3,566,626)	3,566,626	–	–	–	–
At December 31	25,924,832	703,469,835	25,157,022	27,812,923	33,249,958	505,670	816,120,240
Accumulated Depreciation and Amortization							
At January 1	8,344,696	83,333	5,443,252	10,630,359	10,056,234	203,485	34,761,359
Depreciation	946,514	3,977,923	3,650,330	6,190,158	5,723,297	101,141	20,589,363
At December 31	9,291,210	4,061,256	9,093,582	16,820,517	15,779,531	304,626	55,350,722
Net Book Value	₱16,633,622	₱699,408,579	₱16,063,440	₱10,992,406	₱17,470,427	₱201,044	₱760,769,518

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

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

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

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

12. Investment Properties

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

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

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

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

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

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

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

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13. Other Noncurrent Assets

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

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

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

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

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

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

- The net cash flows from operations is discounted using weighted average cost of capital of 16.56% and 18.33% in 2015 and 2014, respectively.
- Annual growth in metered sales and city street lighting is projected with an annual growth rate of 9% to 24% and 6% to 22%, respectively.
- Operating expenses are projected to increase from 12% to 22% depending on the nature of the expenses.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

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

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

c. Advances to Suppliers

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

d. Available-for-Sale (AFS) Investments

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

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

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

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

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e. Software Costs

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

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

14. Trade and Other Payables

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

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

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

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

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

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

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15. Notes Payable

a. Short-term notes payable

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

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

b. Long-term notes payable

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

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

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

Repayments of outstanding principal amounts are scheduled as follows:

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

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2015 and 2014.

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

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

16. Related Party Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The above transactions are generally settled through cash.

The retirement fund of the Parent Company and a subsidiary is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱28.6 million and ₱16.8 million as of December 31, 2015 and 2014, respectively (see Note 19). Other than the contributions to the retirement fund, the Group does not have any other transactions with the fund in 2015 and 2014.

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

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

17. Generation Costs and Other Operating Expenses

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

	2015	2014	2013
Purchased power (see Notes 23b and 23g)	**₱1,072,539,060**	₱187,127,482	₱16,883,018
Heavy fuel oil (see Note 23b)	**576,700,359**	1,275,706,992	1,120,423,098
Rent (see Note 23e)	**156,817,500**	152,942,787	140,000,000
Materials and supplies (see Note 8)	**108,831,134**	113,996,076	128,782,038
Contractual and outside services	**99,716,894**	75,744,391	17,199,290
Repairs and maintenance	**60,249,828**	33,486,643	18,935,187
Salaries, wages and employee benefits (see Note 18)	**46,997,457**	44,632,098	42,247,517
Depreciation and amortization (see Note 11)	**33,587,391**	4,175,702	115,000
Lube oil	**29,822,110**	38,419,158	32,746,186
Professional fees (see Note 16)	**28,350,000**	28,721,765	20,250,000
Insurance	**28,218,713**	29,479,302	18,625,942
Royalty fees (see Note 23e)	**13,[illegible]063**	[illegible]	12,698,043
Light fuel oil	**15,40[illegible]76**	21,738,955	23,093,002

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

Other Operating Expenses

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

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

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

18. Personnel Expenses

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

19. Retirement Plan

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company and 1590 EC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2015 and 2014:

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

20. Income Taxes

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

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

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

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

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

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

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

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

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

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

21. Equity

Capital Stock

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

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

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2015 and 2014, the Parent Company's issued capital stock all consists of common shares.

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

Dividends

The BOD declared cash dividends to its stockholders as follows:

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

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

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

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

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

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

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

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

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

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

22. Earnings Per Share (EPS)

The amounts of earnings per share are computed as follows:

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

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

23. Contracts, Commitments and Contingencies

a. Interim Power Supply Agreements

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

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

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

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

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

b. Supply Agreement for Heavy Fuel and Purchased Power

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

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

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

c. Operating Leases - Group as Lessor

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

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

d. Participation in WESM

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

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

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

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

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

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

e. Operating Leases - Group as Lessee

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

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

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

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

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f. Open Access Transmission Service

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

g. Independent Power Producer Administration Agreement

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

h. Energy Supply Agreement (ESA) with VECO

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

i. Contingencies

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

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

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24. Financial Risk Management Objectives and Policies

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

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

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

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

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

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

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

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

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

	2015						
	Neither	Past Due 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)	₱4,067,920,800	₱–	₱–	₱–	₱–	₱–	₱4,067,920,800
Trade and other receivables	206,525,089	78,133,944	8,278,346	1,172,730	58,010,783	34,458,046	386,578,938
Advances to associates and stockholders	1,732,089	381,317	177,539	578,964	15,156,009	–	18,025,918
Advances to other parties (under "Prepayments and other current assets")	555,131,336	–	–	–	–	–	555,131,336
Due from RFM Corporation under "Other noncurrent assets"	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other noncurrent assets")	775,000	–	–	–	–	–	775,000
AFS Investments	3,750,631	–	–	–	–	–	3,750,631
	₱4,835,834,945	₱78,515,261	[illegible]885	₱1,[illegible]	₱73,166,792	₱80,536,109	₱5,078,260,686

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

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

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

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

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

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Trade and Other Receivables* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Group.
- *Advances to Associates and Stockholders* - high grade since these pertains to advances to related parties who are consistent in the payment of its accounts.
- *AFS Investments* - high grade since these pertains to investments in AFS securities, which include listed shares of companies with good credit standing.

Liquidity Risk

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

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

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

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

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

**Excluding statutory payables and unearned income*

Foreign Currency Risk

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

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

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

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

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

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

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

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

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

The December 31 exchange rate used follows:

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

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy

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

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

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

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

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Valuation Techniques Used to Derive Level 2 Fair Values

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

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

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

Changes in Valuation Techniques

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

Highest and Best Use

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

Fair Value Hierarchy

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

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

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

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

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

Valuation Techniques Used to Derive Level 3 Fair Value

The tables below present the following for each class of the Group's investment properties as of December 31, 2015 and 2014 (see Note 12):

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

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

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

Descriptions and Definitions

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

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

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

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

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

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

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

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

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

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

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

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

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

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25. Operating Segment Information

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

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

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

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

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

The segment results for the years ended December 31 follow:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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	

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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

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

DECEMBER 31, 2015

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

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



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VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2015

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

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VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2015

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

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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2015

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

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VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015

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



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VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2015

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

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SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2015

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

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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2015

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



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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

AS OF DECEMBER 31, 2015

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

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**Not early adopted*

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

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Effective Subsequent to December 31, 2015

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

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

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

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**Effective Subsequent to December 31, 2015*

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

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**Effective Subsequent to December 31, 2015*

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

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Effective Subsequent to December 31, 2015

SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

The following are the financial soundness indicators in two comparative periods:

	YE 2017	YE 2016
Liquidity Ratios		
Current ratio (x)	4.31	3.93
Quick ratio (x)	4.23	3.86
Solvency Ratios		
Debt/Equity (x)	0.40	0.45
Interest cover (x)	9.63	9.79
Profitability Ratios		
EBITDA margin (%)	42%	47%
DU PONT ANALYSIS		
NIAT margin (%)	34%	37%
Revenue / Assets (x)	0.26	0.27
Asset/Equity (x)	1.47	1.54
ROE (%)	13%	15%
ROAE (%)	13%	16%
ROAA (%)	9%	10%

"EXHIBIT" F

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

COMPANY NAME

VIVANT CORPORATION AND SUBSIDIARIES

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

Unit 907-908, Ayala Life-FGU Center, Mindanao Ave. Cor. Biliran Rd, Cebu Business Park, Bgy. Luz, Cebu City

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,434	June 16	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

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

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

SEC Cebu Extension Office
APR 10 2018
by.

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

DENNIS N.A. GARCIA
Chairman of the Board/Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this _____ day of MAR 27 2018, 2018.

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

Tel. no. (032) 234-2256
Telefax: (032) 234-2285
E-mail: vivant@vivant.com.ph

www.vivant.com.ph

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Cebu, this 28TH day of March 2018. Affiants personally appeared **DENNIS N.A. GARCIA** with his Philippine Passport with No. EC0044262 issued on January 20, 2014 at DFA Cebu and **MINUEL CARMELA N. FRANCO** exhibited to me her Philippine Passport with No. P2168178A which will expire on March 5, 2022 issued at DFA Cebu as competent proof of their identities.

Witness my hand and notarial seal.

ATTY. JOAN A. GIDUQUIO-PARAS
NOTARIAL COMMISSION NO. 049-17
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1434621
IBP NO. A3080745

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

Doc. No. 387;
Page No. 78;
Book No. XVIII;
Series of 2018.

SGV
Building a better working world

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

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 AUDITOR'S REPORT

The Board of Directors and Stockholders
Vivant Corporation

Opinion

We have audited the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for the Investment in Visayan Electric Company, Inc.

The Group owns 34.81% of Visayan Electric Company, Inc. (VECO), an associate engaged in power distribution services, as at December 31, 2017 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because VECO accounted for 16% of the consolidated total assets and contributed 51% to the consolidated net income of the Group as at and for the year ended December 31, 2017. VECO's net income is significantly driven by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2017. We also evaluated the design and tested the controls over VECO's billing and revenue recognition process. This includes the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We also performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, and compared them with the rates masterfile used in billing.

Valuation of Investment Properties at Fair Value

The Group accounts for its investment properties using the fair value model. Investment properties consist of land and buildings and improvements and represent 3.2% of the consolidated assets as at December 31, 2017. The determination of the fair values of these properties involves significant management judgment and estimation. The valuation requires the assistance of appraisers whose calculations depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors.

The disclosures relating to investment properties are included in Note 12 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the appraiser the basis of adjustments made to the sales price.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

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. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 6621343, January 9, 2018, Makati City

March 27, 2018

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱4,635,082,495	₱4,437,776,262
Trade and other receivables (Note 7)	532,943,339	404,070,919
Advances to associates and stockholders (Note 16)	83,736,329	59,445,542
Inventories - at cost (Note 8)	122,863,321	96,845,759
Prepayments and other current assets (Note 9)	913,386,427	926,979,573
Total Current Assets	6,288,011,911	5,925,118,055
Noncurrent Assets		
Investments in and advances to associates and joint ventures (Note 10)	8,385,408,898	7,446,422,945
Property, plant and equipment (Note 11)	528,096,174	634,186,208
Investment properties (Note 12)	502,711,090	514,801,557
Deferred income tax assets - net (Note 20)	15,974,331	14,369,016
Pension asset (Note 19)	–	2,874,791
Other noncurrent assets (Note 13)	33,335,299	24,182,258
Total Noncurrent Assets	9,465,525,792	8,636,836,775
TOTAL ASSETS	₱15,753,537,703	₱14,561,954,830
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱1,350,518,998	₱1,267,102,534
Advances from related parties (Note 16)	72,406,345	111,676,791
Income tax payable	10,083,687	453,865
Current portion of long-term notes payable (Note 15)	25,616,946	25,812,744
Short-term notes payable (Note 15)	–	103,500,000
Total Current Liabilities	1,458,625,976	1,508,545,934
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	2,870,154,989	2,895,771,935
Pension liability (Note 19)	31,825,980	20,717,401
Deferred income tax liabilities (Note 20)	107,174,550	109,574,367
Total Noncurrent Liabilities	3,009,155,519	3,026,063,703
Total Liabilities	4,467,781,495	4,534,609,637
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	1,472,399,497	1,207,387,400
Remeasurement gain on employee benefits (Note 19)	51,576	4,652,158

(Forward)

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	December 31	
	2017	2016
Share in remeasurement losses on employee benefits of associates and a joint venture (Note 10)	(₱74,564,481)	(₱58,895,444)
Unrealized valuation loss on available-for-sale (AFS) investments	(5,291)	(5,291)
Equity reserve	(43,845)	–
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	3,422,808,228	2,778,783,261
Unappropriated	4,850,457,874	4,493,321,226
Equity Attributable to Equity Holders of the Parent	10,702,899,708	9,457,039,460
Equity Attributable to Non-controlling Interests (Note 21)	582,856,500	570,305,733
Total Equity	11,285,756,208	10,027,345,193
TOTAL LIABILITIES AND EQUITY	₱15,753,537,703	₱14,561,954,830

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Sale of power (Note 23)	**₱2,620,388,465**	P2,365,257,193	P2,797,425,370
Equity in net earnings of associates and joint ventures (Note 10)	**1,290,172,769**	1,288,333,002	1,009,709,570
Management fees (Note 16)	**151,921,967**	157,242,224	149,044,346
Interest income (Note 6)	**72,537,322**	59,249,869	59,747,515
	4,135,020,523	3,870,082,288	4,015,926,801
GENERATION COSTS (Notes 17 and 23)	**2,187,471,307**	1,792,937,494	2,292,370,990
OPERATING EXPENSES			
Salaries and employee benefits (Note 18)	**157,851,176**	134,616,326	127,327,809
Professional fees (Notes 16 and 23)	**72,216,680**	53,886,293	55,774,694
Taxes and licenses	**50,650,520**	28,671,551	42,571,432
Travel	**32,058,796**	24,514,349	21,360,359
Management fees (Note 16)	**24,789,731**	25,565,790	45,312,413
Depreciation and amortization (Notes 11 and 13)	**19,718,279**	20,837,177	18,667,737
Rent and association dues	**11,212,411**	7,809,735	5,514,472
Representation	**7,754,481**	5,392,548	6,261,621
Communication and utilities	**7,039,981**	5,777,843	4,560,920
Security and janitorial	**688,385**	566,548	833,276
Other operating expenses (Note 17)	**58,846,193**	71,518,167	47,452,075
	442,826,633	379,156,327	375,636,808
INCOME FROM OPERATIONS	**1,504,722,583**	1,697,988,467	1,347,919,003
OTHER INCOME (CHARGES)			
Finance costs (Note 15)	**(176,224,968)**	(177,545,814)	(172,833,443)
Insurance claims (Note 7)	**87,129,498**	–	–
Gain on fair value measurement of investment properties (Note 12)	**72,501,133**	–	240,730,557
Gain on disposal of a subsidiary (Note 1)	**12,068,717**	–	–
Foreign exchange gains - net (losses)	**(1,249,454)**	1,541,433	(302,360)
Other income - net (Notes 12 and 16)	**21,439,195**	38,573,788	5,164,859
	15,664,121	(137,430,593)	72,759,613
INCOME BEFORE INCOME TAX	**1,520,386,704**	1,560,557,874	1,420,678,616
PROVISION FOR INCOME TAX (Note 20)	**94,877,898**	131,975,187	170,716,071
NET INCOME	**1,425,508,806**	1,428,582,687	1,249,962,545
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss:			
Unrealized valuation loss on AFS investments	–	(385,500)	(124,600)
Items that will not be reclassified to profit or loss:			
Share in revaluation increment of an associate, net of tax (Note 10)	**291,996,394**	–	–

(Forward)

	Years Ended December 31		
	2017	2016	2015
Remeasurement gain (loss) on employee benefits (Note 19)	**(₱7,642,270)**	₱3,041,578	₱7,738,786
Income tax effect	**1,942,528**	(418,665)	(2,296,210)
	(5,699,742)	2,622,913	5,442,576
Share in the remeasurement gains (losses) on employee benefits of associates, net of tax (Note 10)	**(15,669,037)**	277,480	8,332,187
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**270,627,615**	2,514,893	13,650,163
TOTAL COMPREHENSIVE INCOME	**₱1,696,136,421**	₱1,431,097,580	₱1,263,612,708
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,259,926,428**	₱1,293,430,993	₱1,052,735,864
Non controlling interests	**165,582,378**	135,151,694	197,226,681
	₱1,425,508,806	₱1,428,582,687	₱1,249,962,545
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,531,685,794**	₱1,294,538,940	₱1,066,364,976
Non-controlling interests	**164,450,627**	136,558,640	197,247,732
	₱1,696,136,421	₱1,431,097,580	₱1,263,612,708
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.231**	₱1.264	₱1.029

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 21)				
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Gain (Loss) on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and a Joint Venture	Equity Reserve	Unrealized Valuation Gain (Loss) on AFS Investments	Appropriated	Unappropriated	Total	Equity Attributable to Non-Controlling Interests (Note 21)	Total Equity
Balances at January 1, 2017	₱1,023,456,698	₱8,339,452	₱1,207,387,400	₱4,652,158	(₱58,895,444)	₱–	(₱5,291)	₱2,778,783,261	₱4,493,321,226	₱9,457,039,460	₱570,305,733	₱10,027,345,193
Total comprehensive income (loss)	–	–	291,996,394	(4,567,991)	(15,669,037)	–	–		1,259,926,428	1,531,685,794	164,450,627	1,696,136,421
Appropriation for business expansion	–	–	–	–	–	–	–	1,250,000,000	(1,250,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(605,975,033)	605,975,033	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,894,000	3,894,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(26,984,297)	–	–	–	–	–	26,984,297	–	–	–
Purchase of 1590's NCI and deconsolidation of VAHC	–	–	–	(32,591)	–	(43,845)	–	–	–	(76,436)	(13,893,860)	(13,970,296)
Cash dividends	–	–	–	–	–	–	–	–	(285,749,110)	(285,749,110)	(141,900,000)	(427,649,110)
Balances at December 31, 2017	₱1,023,456,698	₱8,339,452	₱1,472,399,497	₱51,576	(₱74,564,481)	(₱43,845)	(₱5,291)	₱3,422,808,228	₱4,850,457,874	₱10,702,899,708	₱582,856,500	₱11,285,756,208
Balances at January 1, 2016	₱1,023,456,698	₱8,339,452	₱1,234,371,697	₱3,625,317	(₱59,172,924)	₱–	₱191,083	₱2,493,584,261	₱3,726,045,896	₱8,430,441,480	₱507,623,093	₱8,938,064,573
Total comprehensive income (loss)	–	–	–	1,026,841	277,480		(196,374)		1,293,430,993	1,294,538,940	136,558,640	1,431,097,580
Appropriation for business expansion	–	–	–	–	–	–	–	690,500,000	(690,500,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(405,301,000)	405,301,000	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	12,210,000	12,210,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(26,984,297)	–	–	–	–	–	26,984,297	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(267,940,960)	(267,940,960)	(86,086,000)	(354,026,960)
Balances at December 31, 2016	₱1,023,456,698	₱8,339,452	₱1,207,387,400	₱4,652,158	(₱58,895,444)	₱–	(₱5,291)	₱2,778,783,261	₱4,493,321,226	₱9,457,039,460	₱570,305,733	₱10,027,345,193
Balances at January 1, 2015	₱1,023,456,698	₱8,339,452	₱1,261,492,837	(₱1,735,079)	(₱67,505,111)	₱–	₱254,554	₱2,810,784,261	₱2,596,929,852	₱7,632,017,464	₱358,610,361	₱7,990,627,825
Total comprehensive income (loss)	–	–	–	5,360,396	8,332,187		(63,471)		1,052,735,864	1,066,364,976	197,247,732	1,263,612,708
Appropriation for business expansion	–	–	–	–	–	–	–	534,000,000	(534,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(851,200,000)	851,200,000	–	–	–
Conversion of deposits for future stock subscription and additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	10,890,000	10,890,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(27,121,140)	–	–	–	–	–	27,121,140	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(267,940,960)	(267,940,960)	(59,125,000)	(327,065,960)
Balances at December 31, 2015	₱1,023,456,698	₱8,339,452	₱1,234,371,697	₱3,625,317	(₱59,172,924)	₱–	₱191,083	₱2,493,584,261	₱3,726,045,896	₱8,430,441,480	₱507,623,093	₱8,938,064,573

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,520,386,704**	P1,560,557,874	P1,420,678,616
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,290,172,769)**	(1,288,333,002)	(1,009,709,570)
Finance costs	**176,224,968**	177,545,814	172,833,443
Depreciation and amortization (Notes 11 and 13)	**106,515,695**	108,249,891	52,255,128
Interest income (Note 6)	**(72,537,322)**	(59,249,869)	(59,747,515)
Gain on fair value remeasurement of investment properties (Note 12)	**(72,501,133)**	–	(240,730,557)
Gain on disposal of a subsidiary (Note 1)	**(12,068,717)**	–	–
Pension expense (Note 19)	**8,838,915**	8,838,434	10,802,650
Loss (gain) on disposal of property and equipment	**5,045,198**	24,623,822	(892,010)
Unrealized foreign exchange losses (gains)	**1,249,454**	(2,501,097)	(2,868,471)
Operating income before working capital changes	**370,980,993**	529,731,867	342,621,714
Decrease (increase) in:			
Trade and other receivables	**(135,642,345)**	(93,592,673)	(69,504,409)
Prepayments and other current assets	**13,573,919**	(223,116,310)	(277,657,089)
Inventories	**(26,017,562)**	(7,749,820)	17,735,790
Increase (decrease) in trade and other payables	**90,429,279**	(218,084,752)	302,170,265
Cash generated from (used in) operations	**313,324,284**	(12,811,688)	315,366,271
Interest paid	**(172,300,087)**	(176,758,688)	(172,958,893)
Income taxes paid	**(87,310,681)**	(124,073,920)	(130,571,660)
Contributions to the retirement fund	**(2,497,815)**	(2,724,889)	(11,502,247)
Net cash flows from (used in) operating activities	**51,215,701**	(316,369,185)	333,471
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments and advances to associates and joint ventures (Note 10)	**(558,842,078)**	(558,071,005)	(1,436,488,703)
Dividends received from associates and joint ventures (Note 10)	**1,178,759,551**	1,392,332,133	1,013,754,256
Additions to property, plant and equipment (Note 11)	**(27,853,213)**	(48,543,697)	(313,549,045)
Decrease (increase) in:			
Other noncurrent assets	**(9,994,912)**	15,118,638	(18,743,166)
Intangible assets (Note 13)	**–**	(1,645,533)	(930,837)
Interest received	**69,700,628**	59,591,550	58,049,267
Net cash outflow from disposal of a subsidiary (Note 1)	**(688,002)**	–	–
Proceeds from:			
Sale of investment properties (Note 12)	**53,960,000**	–	–
Disposal of property and equipment	**53,855,824**	210,729,493	954,869
Redemption of an equity interest in an associate (Note 10)	**–**	–	151,200,000
Net cash flows from (used in) investing activities	**758,897,798**	1,069,511,579	(545,753,359)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 21)	**(427,288,549)**	(412,048,495)	(267,073,599)
Proceeds from availment of notes payable - net of transaction costs (Note 15)	**–**	207,000,000	143,000,000

(Forward)

	Years Ended December 31		
	2017	2016	2015
Payments of loans (Note 15)	**(₱133,500,000)**	(₱166,500,000)	(₱140,000,000)
Increase (decrease) in advances from related parties	**(54,663,263)**	(26,814,535)	4,490,191
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**3,894,000**	12,210,000	10,890,000
Net cash flows used in financing activities	**(611,557,812)**	(386,153,030)	(248,693,408)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**198,555,687**	366,989,364	(794,113,296)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,249,454)**	2,501,097	2,868,471
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**4,437,776,262**	4,068,285,801	4,859,530,626
Restricted cash (Notes 9 and 13)	**650,000**	775,000	775,000
	4,438,426,262	4,069,060,801	4,860,305,626
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**4,635,082,495**	4,437,776,262	4,068,285,801
Restricted cash (Note 13)	**650,000**	650,000	775,000
	₱4,635,732,495	₱4,438,426,262	₱4,069,060,801

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

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

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as of December 31, 2017 and 2016:

	2017		2016	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC) [o]	**100.00**	–	100.00	–
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [b] [g]	–	100.00 [b] [g]
Vivant Isla, Inc. (VII)	–	**100.00** [a] [h]	–	100.00 [a] [h]
Vivant Renewable Energy Corporation (VREC) [f]	–	**100.00** [a]	–	100.00 [a]
Corenergy Inc. (Core)	–	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** [a] [i]	–	–
Vivant Enercore Integrated Inc. (VEII)	–	**100.00** [a] [m]	–	100.00 [a] [m]
Vivant Powercore Active Inc. (VPAI)	–	**100.00** [a] [n]	–	100.00 [a] [n]
Vivant Realty Ventures Corporation (VRVC)	–	**100.00** [r] [s]	–	–
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [b] [t]	–	–
Amberdust Holding Corporation (AHC)	–	**100.00** [b] [u]	–	–
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	**55.20** [a]	–	52.70 [a]
Vics-Amlan Holdings Corp. (Vics-Amlan)	–	–	–	60.00 [a]

(Forward)

	2017		2016	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81** [e]	–	34.81 [e]	–
Prism Energy, Inc. (PEI)	**40.00**	–	40.00	–
Abovant Holdings, Inc. (AHI)	–	**40.00** [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	**40.00** [n]	–	40.00 [n]
Minergy Power Corporation (MPC)	–	**40.00** [c]	–	40.00 [c]
Amlan Hydroelectric Power Corporation (AHPC)	–	–	–	30.00 [d]
Therma Visayas, Inc. (TVI)	–	**20.00** [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)		**42.50** [c] [l]	–	42.50 [c] [l]
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50** [c] [p]	–	42.50 [c] [p]
Sabang Renewable Energy Corporation (SREC)	–	**30.00** [b] [q]	–	–
Culna Renewable Energy Corp. (CREC)	–	**35.00** [b] [v]	–	–
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	**50.00** [a]	–	50.00 [a]
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC)	–	**47.64** [b] [j]	–	47.64 [b] [j]
Delta P, Inc. (Delta P)	–	**50.00** [a] [k]	–	50.00 [a] [k]

a Indirect ownership through VEC
b Indirect ownership through VREC
c Indirect ownership through VIGC
d Indirect ownership through Vics-Amlan
e Indirect ownership through HDFE until December 31, 2013
f Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g Incorporated on April 23, 2014
h Incorporated on July 11 2014
i Incorporated on August 7, 2015
j Increased to 47.64% effective November 6, 2015
k Increased to 50% effective May 28, 2015
l Incorporated on June 10, 2016
m Incorporated on May 26, 2016
n Incorporated on June 13, 2016
o Incorporated on December 8, 2004. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
p Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.
q Incorporated on September 27, 2013
r Indirect ownership through SGPDC
s Incorporated May 19, 2017
t Incorporated April 20, 2017
u Incorporated August 16, 2017
v Incorporated April 12, 2017

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

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

HDFE

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

SGPDC

SGPDC was incorporated on December 8, 2004 with a primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized. It has also direct equity shareholdings in VRVC, a real estate company.

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

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

VEC

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

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, TVI, VII, VIDC, and VSNRGC, entities engaged in the power generation business and Core, an entity engaged in the retail electricity supply. VEC also has direct equity shareholdings on holding entities namely VIGC, Vics-Amlan (until its disposal on December 29, 2017), VREC, VEII and VPAI.

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

VIGC

VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies. It has direct equity shareholdings in MPC, TVI and LPCI, entities engaged in the power generation business and AHI, a holding entity.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2017, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2017, VII is still in the pre-operating stage.

VREC
VREC, the holding entity of VSNRGC, was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. On October 2, 2015, the SEC approved its application for change in corporate name from Vics Bakun Holdings Corporation to VREC. It also has direct equity shareholdings in VGPC, SPHC, and AHC, all are holding entities.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users in contestable market and enter into any necessary access or interconnection arrangements or other necessary contracts with the National Transmission Corporation or National Grid Corporation of the Philippines, distribution utilities and other entities in the electric power industry. As of December 31, 2017, Core already started its commercial operations as a retail electricity supplier.

VIDC
VIDC was incorporated on August 7, 2015. Its primary purpose is to establish, maintain, acquire, own, hold, and operate diesel powered generating facilities. As of December 31, 2017, VIDC is still in the pre-operating stage.

VEII
VEII was incorporated on May 26, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2017, VEII is still in the pre-operating stage.

VPAI
VPAI was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2017, VPAI is still in the pre-operating stage.



VRVC
VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. As of December 31, 2017, VRVC is still in the pre-operating stage.

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

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

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

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

1590 EC
1590 EC was incorporated and started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225 MW diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by Gigawatt Power, Inc. (GPI), Eco Utilities Ventures Holdings Company, Inc. and ICS, among others.

On December 29, 2017, the Group purchased shares held by ICS in 1590 EC, representing 2.5% ownership interest in the latter, in exchange for a total cash consideration of ₱13.9 million. The purchase increased the Group's ownership interest in 1590 EC from 52.7% to 55.2%, and resulted to an increase in the Group's liability by ₱13.9 million and decrease in the equity attributable to the Parent Company by ₱76,435.

The amount payable on the purchase is included under "Trade payables" under Trade and other current payables (see Note 14).

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

In December 2017, the Group sold to ICS Renewables Holdings, Inc. (ICS) its entire shareholdings in Vics-Amlan, representing 60% common ownership. The total consideration on the sale consists of cash amounting to ₱0.6 million. At the time of disposal, Vics-Amlan's had current assets of ₱15.5 million, including cash of ₱0.7 million, its remaining investment in AHPC of ₱3.0 million, and current liabilities of ₱30.0 million, including advances from AHPC of ₱8.9 million. The difference between Vics-Amlan's net liability of ₱11.4 million and the sale's



consideration was recognized in the 2017 consolidated statement of comprehensive income as a "Gain on disposal of a subsidiary".

The amount receivable from ICS is included under "Others" as part of Trade and other receivables (see Note 7). The "Net cash outflow from disposal of a subsidiary" reported under "Cash Flows from Investing Activities" in the 2017 statement of cash flows pertains to the cash in Vics-Amlan that was disposed.

As of December 31, 2017 and 2016, investment in Vics-Amlan amounted to nil and ₱0.5 million, respectively.

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

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

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

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

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

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

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

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

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC already started its operations.

AHPC

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

AHPC completed the installation and started dry commissioning of the new units of the electromechanical equipment in October 2015 and connected to the grid on December 19, 2015. On January 8, 2016, installation and commissioning of the units were completed.

In December 2017, the Group sold its entire shareholdings in Vics-Amlan (AHPC's parent company). As a result, AHPC ceased to be an associate of the Group as of December 31, 2017.

TVI

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

In May 2014, TVI signed an Engineering, Procurement and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. to construct its Coal Fired Thermal Power Plant. TVI issued the full Notice to Proceed (NTP) in March 2015 to ensure guaranteed completion date by the last quarter of 2017. The Power Plant is expected to operate in 2018.

LPCI

LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2017, LPCI has not yet started its commercial operations.

GLEDC

GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2017, GLEDC has not started its commercial operations.

SREC

SREC, an associate through VREC, was registered on September 27, 2013 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2017, SREC has not yet started its commercial operations.

CREC
CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2017, CREC has not yet started its commercial operations.

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

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

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

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

On May 16, 2017, VSNRGC filed a Petition for Corporate Rehabilitation before the Regional Trial Court of Cebu City (Branch 11). On May 26, 2017, the Court issued a Commencement/Stay Order in favor VSNRGC. As of the date of this report, the Court still has to decide on whether or not to allow the rehabilitation and approve a rehabilitation plan for the Corporation. As of December 31, 2017 and 2016, the Group's investment in VSNRGC is nil.

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

Authorization to Issue the Consolidated Financial Statements
The consolidated financial statements of the Group as of and for the years ended December 31, 2017, 2016 and 2015 were approved and authorized for issuance by the Board of Directors (BOD) on March 27, 2018.



2. Basis of Preparation, Statement of Compliance and Basis of Consolidation

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), the Parent Company's functional currency. All values are rounded to the nearest Peso, except as otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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



Accounting for Loss of Control
When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the new and revised standards and Philippine Interpretation which were applied starting January 1, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014–2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's financial position and results of operations.

- Amendments to PAS 7, *Statement of Cash Flows*, Disclosure Initiative
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 25 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.



- Amendments to PAS 12, *Income Taxes*, Recognition of Deferred Tax Assets for Unrealized Losses

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Application of the amendments has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

New Standards and Interpretation Issued and Effective after December 31, 2017
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective January 1, 2018

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

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

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

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

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



The amendments are not applicable to the Group since it has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 9, *Financial Instruments*

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

  The Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  The Group is still assessing the potential impact of adopting PFRS 9 in 2018.

- PFRS 15, *Revenue from Contracts with Customers*

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

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

  The Group is currently assessing the impact of adopting this standard in 2018.

  Considering that the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

- Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014–2016 Cycle)

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



The amendments should be applied retrospectively, with earlier application permitted.

The Group is currently assessing the impact of adopting the amendments to PAS 28.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

  The Group is currently assessing the impact of adopting the amendments to PAS 40.

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

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The interpretation is not expected to have any impact on the consolidated financial statements.

Effective January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  The amendments are not expected to have any impact on the consolidated financial statements.

- PFRS 16, *Leases*

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

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

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

  These amendments do not have any significant impact to the Group's consolidated financial statements.

- Philippine Interpretation IFRIC 23, Uncertainty over Income Tax Treatments

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



The interpretation specifically addresses the following:

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

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

The Group is currently assessing the impact of adopting this interpretation.

Deferred Effectivity

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

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

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

These amendments do not have any significant impact to the consolidated financial statements.

4. Summary of Significant Accounting Policies

Financial Assets and Financial Liabilities

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

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

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

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

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

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

  As of December 31, 2017 and 2016, no financial assets have been designated as FVPL.

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

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

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



costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017 and 2016, the Group has no HTM investments.

- *AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income. The Group has available for sale financial assets of ₱3.8 million as of December 31, 2017 and 2016, and is presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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



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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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



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

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

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

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

Cash and Cash Equivalents

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

Investments in Associates and Interests in Joint Ventures

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

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

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



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

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

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

For an associate that is engaged in the power distribution business, the Group accounts for its distribution utility assets under the revaluation model. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflects the changes in the fair value of the distribution utility assets.

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

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

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

Inventories

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

Prepayments and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be



measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

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

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

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
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

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

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

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

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.



Investment Properties

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to



allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

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

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

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

Revenue Recognition

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

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

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

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

Income from Insurance Claims. Income from insurance claims and the related asset are recognized when the realization of income is virtually certain, and disclosed only where an inflow of economic benefits is probable. Claims are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

Other Income. Other income includes rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the proceeds received upon disposal and the book value of the property, plant and equipment disposed.



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

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

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

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

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

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

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

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

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

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

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

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

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

Income Taxes

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

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

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

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

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

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



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

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

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

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

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

Leases

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

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

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

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

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



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

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

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

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

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

As at December 31, 2017 and 2016, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

As of December 31, 2017 and 2016, the fair values of the Group's long-term notes payable amounted to ₱3,011.1 million and ₱3,050.7 million, respectively (see Note 24).

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

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

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

As of December 31, 2017 and 2016, the carrying value of the Group's investment properties amounted to ₱502.7 million and ₱514.8 million, respectively (see Note 12).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries as of December 31, 2017 and 2016, the Group has the ability to exercise control and significant influence over these investees (see Note 1).

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

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

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

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

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

Estimates and Assumptions

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

Estimating Impairment of Trade and Other Receivables and Advances to Associates and Stockholders. The Group maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectibility of receivables. A review of the factors that affect the collectibility of the accounts including age and status of the receivables is made by management on a continuing basis to identify accounts to be provided with allowance. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively.



The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses will increase the Group's recorded expenses and decrease current assets.

As of December 31, 2017 and 2016, trade and other receivables amounted to ₱532.9 million and ₱404.1 million, respectively (see Note 7), and advances to associates and stockholders amounted to ₱83.7 million and ₱59.4 million, respectively (see Note 16). Allowance for impairment losses recognized as of December 31, 2017 and 2016 amounted to ₱34.4 million. There was no provision for impairment losses recognized in 2017, 2016 and 2015.

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

The carrying value of the property, plant and equipment amounted to ₱528.1 million and ₱634.2 million as of December 31, 2017 and 2016, respectively (see Note 11). The carrying value of intangible assets (relating to software costs under "Other noncurrent assets") amounted ₱0.3 million and ₱1.1 million as of December 31, 2017 and 2016, respectively (see Note 13).

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

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

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

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

	2017	2016
Property, plant and equipment (see Note 11)	**₱528,096,174**	₱634,186,208
Investment properties (see Note 12)	**502,711,090**	514,801,557
Intangible assets (see Note 13)	**286,020**	1,127,890

The Group did not recognize any impairment loss on its nonfinancial assets in 2017, 2016 and 2015.

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

Deferred income tax assets amounted to ₱25.1 million and ₱23.0 million as of December 31, 2017 and 2016, respectively (see Note 20). Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱673.6 million and ₱535.0 million as of December 31, 2017 and 2016, respectively, and minimum corporate income tax (MCIT) of ₱2.5 million and ₱1.7 million as of December 31, 2017 and 2016, respectively (see Note 20).

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

6. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	**₱284,111,486**	₱196,306,387
Short-term investments	**4,350,971,009**	4,241,469,875
	₱4,635,082,495	₱4,437,776,262

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

Interest income earned from cash in banks and short-term investments amounted to ₱72.5 million, ₱59.2 million and ₱59.7 million in 2017, 2016 and 2015, respectively.

7. Trade and Other Receivables

	2017	2016
Trade receivables:		
Third parties	**₱165,022,934**	₱169,959,362
Related parties (see Notes 16 and 23)	**127,608,462**	78,488,103
Dividends receivable (see Notes 10 and 16)	**104,200,000**	99,572,000
Insurance claims receivable	**87,080,666**	19,947,117
Advances to shareholders of a joint venture	**17,792,000**	25,792,000
Accounts receivable (see Note 16)	**28,858,278**	23,481,186
Accrued interest (see Note 6)	**6,736,241**	3,886,969
Advances to officers and employees	**3,097,115**	4,959,370
Others	**27,005,689**	12,442,858
	567,401,385	438,528,965
Less allowance for impairment losses	**34,458,046**	34,458,046
	₱532,943,339	₱404,070,919

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

Trade receivables from third parties also include a receivable from an electric cooperative since 2011, amounting to ₱34.5 million. The receivable has been fully impaired (see Note 24).

Insurance claims receivable pertains to 1590 EC's insurance claims for its power plant engines that were damaged in 2017 and 2016. Insurance claims receivable in 2017 amounting to ₱63.6 million were subsequently collected in February and March 2018, while the outstanding balance of ₱19.9 million as of December 31, 2016 was subsequently collected in September and October 2017.

Advances to shareholders of a joint venture pertain to the loans to the two other shareholders of VSNRGC for the purpose of funding their proportionate share in the equity infusion.

Other receivables as of December 31, 2017 is mainly composed of receivables from Vics-Amlan and AHPC amounting to ₱21.0 million and ₱0.8 million, respectively. As of December 31, 2017, Vics-Amlan and AHPC ceased to be related parties of the Group (see Note 1). Accordingly, receivables from these companies were reclassified from "Advances to associates and stockholders" to "Trade and other receivables". Other receivables as of December 31, 2016 pertain to receivables from debtors that are individually not significant.

8. Inventories - at Cost

	2017	2016
Spare parts	**₱77,445,823**	₱63,688,269
Heavy fuel oil	**38,186,921**	29,355,363
Lube oil	**4,455,213**	1,904,178
Light fuel oil	**2,775,364**	1,897,949
	₱122,863,321	₱96,845,759

The total cost of inventories recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱846.7 million, ₱348.0 million and ₱730.8 million in 2017, 2016 and 2015, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2017	2016
Advances to suppliers and other parties	**₱704,534,409**	₱760,191,390
Creditable withholding taxes	**135,586,280**	97,000,681
Input VAT	**39,660,979**	42,373,976
Prepaid expenses	**28,267,386**	22,651,542
Others	**5,337,373**	4,761,984
	₱913,386,427	₱926,979,573

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

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

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

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

"Others" include advance payments for purchases of office supplies and dues and subscriptions for use in operations and cash restricted for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU.



10. Investments in and Advances to Associates and Joint Ventures

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

	Nature of Business	Percentage of Ownership		
		2017	2016	2015
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	–
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHPC	Power generation	–	30.00	30.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
GLEDC	Power generation	**42.50**	42.50	–
SREC	Power generation	**30.00**	30.00	–
CREC	Power generation	**35.00**	–	–
Joint ventures:				
VSNRGC	Power generation	**47.64**	47.64	47.64
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	50.00	50.00

	2017	2016
Acquisition cost:		
At January 1	**₱5,758,516,616**	₱5,384,797,366
Additions	**519,552,078**	372,156,750
Disposal of an associate	**(13,062,500)**	–
Deposits converted to equity	**120,500,000**	1,562,500
At December 31	**6,385,506,194**	5,758,516,616
Deposit for future stock subscription:		
At January 1	**190,042,976**	2,968,700
Additions	**39,290,000**	188,636,776
Disposal of an associate	**(1,406,200)**	–
Deposits converted to equity	**(120,500,000)**	(1,562,500)
At December 31	**107,426,776**	190,042,976
Accumulated share in net earnings:		
At January 1	**349,371,397**	393,386,231
Equity in net earnings of associates and joint ventures	**1,290,172,769**	1,288,333,002
Cash dividends received and receivable	**(1,183,387,551)**	(1,359,332,133)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**26,984,297**	26,984,297
Accumulated losses in disposed investment in an associate	**11,500,000**	–
At December 31	**494,640,912**	349,371,397

(Forward)

	2017	2016
Accumulated share in other comprehensive income:		
Share in revaluation increment:		
At January 1	**₱1,207,387,400**	₱1,234,371,697
Share in revaluation increment recognized in other comprehensive income	**291,996,394**	–
Share in the amount transferred to equity representing depreciation on revaluation increment of an associate	**(26,984,297)**	(26,984,297)
At December 31	**1,472,399,497**	1,207,387,400
Share in remeasurement losses on employee benefits of associates and a joint venture:		
At January 1	**58,895,444**	59,172,924
Share in the remeasurement gains (losses) on employee benefits	**15,669,037**	(277,480)
At December 31	**74,564,481**	58,895,444
	1,397,835,016	1,148,491,956
	₱8,385,408,898	₱7,446,422,945

The Group has unrecognized share in losses from results of operations of its investments in an associate and a joint venture amounting to ₱257.5 million, ₱364.0 million and ₱107.5 million in 2017, 2016 and 2015, respectively. Total cumulative unrecognized losses amounted to ₱987.7 million, ₱735.8 million, ₱371.8 million as of December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱494.6 million and ₱349.4 million, respectively, are not available for distribution to the stockholders unless declared by the associates and joint ventures.

LPCI

In 2016, VEC assigned its shareholdings in LPCI to VIGC amounting to ₱62,500, consisting of 3,125 common shares at ₱1 per share and 59,375 preferred shares at ₱1 per share. VIGC also made additional investment of ₱0.2 million, consisting of 18,125 common shares at ₱1 per share and 178,125 preferred shares at ₱1 per share.

In 2016, LPCI made advances for future stock subscription to GLEDC amounting to ₱145.6 million. In the same year, VIGC also made advances for future stock subscription to LPCI amounting to ₱68.1 million.

In 2017, VIGC made additional advances for future stock subscription to LPCI amounting to ₱81.2 million. As of December 31, 2017, total investment in LPCI amounted to ₱42.1 million. The filing of LPCI's application for the increase of its authorized capital stock with the SEC is ongoing.

AHPC
In 2015, the Group made a deposit for future stock subscription to AHPC amounting to ₱3.0 million, pending the approval by the SEC of AHPC's application for increase in capital stock and issuance of shares. On October 6, 2016, the SEC approved AHPC's application for increase in capital stock and issuance of shares. In 2016, ₱742,200 worth of shares (₱74,200 common, ₱668,000 preferred) was converted already to equity.

In 2017, the Group sold to ICS its entire shareholdings in VAHC (AHPC's parent company). As a result, AHPC has ceased to be an associate of the Group as of December 31, 2017 (see Note 1).

AHI
In April 2015, AHI redeemed its 15,120,000 redeemable preferred shares at the redemption price of ₱10 per share or for a total amount of ₱151.2 million. There was no gain or loss on the redemption of shares. Total investment in AHI amounted to ₱976.8 million as of December 31, 2017 and 2016.

MPC
In 2015, VIGC acquired 6,732,500 common shares and 7,187,500 preferred shares of MPC, both with a par value of ₱100 per share, for a total consideration of ₱1.4 billion. In 2016, VIGC made additional investments in MPC consisting of 3,429,900 preferred shares at ₱100 per share or amounting to ₱343.0 million. As of December 31, 2017 and 2016, the Group's investment in MPC amounted to ₱2.8 billion.

TVI
Through an Accession Agreement entered among the shareholders of TVI, VEC acquired 235,339 non-voting preferred stocks of TVI with a par value of ₱611.0 per share and additional paid-in capital of ₱279.8 per share or for a total consideration of ₱209.6 million as of December 31, 2017 and 2016. In 2017, VEC made additional infusion to TVI amounting to ₱390.9 million consisting of 639,803 non-voting preferred shares with a par value of ₱611.0 per share. VEC's total investment in TVI amounted to ₱600.5 million and ₱209.6 million as of December 31, 2017 and 2016, respectively.

In 2017, VIGC made additional investments in TVI which consists of 433,386 common stock with a par value of ₱100 per share amounting to ₱43.3 million. VIGC's total investment in TVI consists of 651,843 and 218,457 common stock amounting to ₱65.2 million and ₱21.8 million as of December 31, 2017 and 2016, respectively.

SREC
In 2016, VREC purchased Delta P's subscription to 5,625 preferred shares and 1,875 common shares of SREC, at the par value of 1,000 per share, of which 1,575 preferred shares and 525 common shares have been paid amounting to ₱2.1 million. In addition, VREC's advances to SREC amounting to ₱3.0 million made in July 2015 were used to pay off the unpaid portion of the subscribed shares. As of December 31, 2017 and 2016, total investment in SREC amounted to ₱5.1 million.

CREC
In 2017, VREC subscribed to 6,561 preferred shares and 2,186 common shares of CREC, at the par value of ₱1,000 per share, of which 1,641 preferred shares and 547 common shares have been paid amounting to ₱2.2 million. The said amount is also the total investment in CREC as of December 31, 2017.

VSNRGC

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

Delta P

On May 28, 2015, VEC acquired 6,310,352 common shares representing 15% of Delta P's total issued and outstanding capital stock for a total consideration of ₱48.0 million. The acquisition increased the Group's ownership in Delta P to 50% from 35%. The increase in ownership in Delta P allowed VEC to have joint control in Delta P, where it previously exercised only significant influence over the relevant activities of Delta P. In 2016, the Group made a deposit for future stock subscription to Delta P amounting to ₱120.5 million, pending the approval by the SEC of Delta P's application for increase in capital stock and issuance of shares. The SEC approved Delta P's application for increase in capital stock and issuance of shares on January 9, 2017. In 2017, the Group made an additional investment amounting to ₱34.8 million to support its ongoing expansion project. The additional investment did not increase the Group's ownership interest in Delta P.

Total investment in Delta P amounted to ₱184.9 million and ₱72.6 million as of December 31, 2017 and 2016, respectively.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2017, 2016 and 2015:

MPC

	2017	2016	2015
Total current assets	**₱5,253,556,771**	₱4,137,173,423	₱9,629,533,324
Total noncurrent assets	**19,550,172,005**	18,405,379,004	10,149,175,766
Total current liabilities	**3,062,725,290**	1,514,605,133	493,655,362
Total noncurrent liabilities	**14,606,943,308**	13,993,655,309	12,641,351,110
Total equity	**7,134,060,178**	7,034,291,985	6,643,702,618
Gross revenue	**442,119,956**	69,152,840	154,176,589
Operating profit	**330,065,445**	51,358,036	140,760,687
Net income	**249,768,193**	47,594,367	149,286,642
Total comprehensive income	**249,768,193**	47,594,367	149,286,642
Group's share in net income	**99,907,277**	19,037,747	59,714,657
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Carrying amount of investment	**2,873,627,280**	2,833,720,003	2,471,692,256
Dividends received from MPC	**60,000,000**	–	–

VECO

	2017	2016	2015
Total current assets	**₱3,011,070,128**	P2,838,785,786	P2,748,991,164
Total noncurrent assets	**15,294,983,259**	13,278,353,583	12,896,378,323
Total current liabilities	**5,525,417,060**	4,306,718,828	3,657,243,240
Total noncurrent liabilities	**5,247,912,930**	5,565,555,738	5,582,902,153
Total equity	**7,532,723,397**	6,244,864,803	6,405,224,094
Gross revenue	**21,106,780,542**	22,419,251,099	21,110,387,108
Operating profit	**2,560,731,237**	2,414,608,430	2,229,398,192
Net income	**2,083,884,256**	1,893,721,319	1,727,478,763
Other comprehensive income (loss)	**792,152,621**	(5,071,030)	(6,651,859)
Total comprehensive income	**2,876,036,877**	1,888,650,289	1,720,826,904
Group's share in net income	**725,400,110**	659,204,391	601,335,357
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Carrying amount of the investment	**2,612,957,901**	2,257,000,340	2,312,821,409
Dividends received from VECO	**645,190,876**	713,260,234	627,982,256

AHI

	2017	2016	2015
Total current assets	**₱795,592,070**	₱751,610,593	₱1,323,785,767
Total noncurrent assets	**3,019,191,652**	3,070,016,416	2,694,464,681
Total equity	**3,814,783,722**	3,821,610,678	4,018,176,089
Gross revenue	**742,400,726**	1,120,522,589	1,041,283,276
Operating profit	**742,279,413**	1,120,278,753	1,041,031,454
Net income	**742,251,648**	1,120,271,955	1,041,828,799
Other comprehensive income (loss)	**(1,078,604)**	3,162,634	17,421,581
Total comprehensive income	**741,173,044**	1,123,434,589	1,059,250,380
Group's share in net income	**296,900,659**	448,108,782	416,731,520
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Carrying amount of the investment	**1,526,079,117**	1,528,809,774	1,607,435,837
Dividends received from AHI	**299,199,875**	527,999,899	299,200,000

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2017	2016	2015
Income from continuing operations	**₱229,876,533**	₱146,863,330	₱350,439,957
Net income (loss)	**167,964,723**	161,982,082	(68,071,964)
Other comprehensive income	**1,010,471**	755,652	3,679,067
Total comprehensive income (loss)	**168,725,194**	162,737,734	(64,392,897)
Aggregate carrying amounts	**1,372,744,600**	826,892,828	564,401,566

11. Property, Plant and Equipment

	2017								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱–	₱648,898,491	₱45,977,395	₱43,060,037	₱37,505,325	₱8,368,111	₱18,239,350	₱32,588,780	₱834,637,489
Additions	–	–	–	10,140,349	8,693,189	1,385,366	348,429	7,285,880	27,853,213
Transfers from investment properties (see Notes 12 and 25)	30,631,600	–	–	–	–	–	–	–	30,631,600
Disposal (see Note 16)	–	(58,845,616)	–	(5,862,354)	(216,250)	–	–	–	(64,924,220)
At December 31	30,631,600	590,052,875	45,977,395	47,338,032	45,982,264	9,753,477	18,587,779	39,874,660	828,198,082
Accumulated Depreciation and Amortization									
At January 1	–	121,436,848	19,174,990	23,469,413	26,745,209	3,378,331	6,246,490	–	200,451,281
Depreciation	–	84,895,028	2,640,682	8,232,883	6,868,774	1,999,845	1,036,613	–	105,673,825
Disposal	–	–	–	(5,806,949)	(216,249)	–	–	–	(6,023,198)
At December 31	–	206,331,876	21,815,672	25,895,347	33,397,734	5,378,176	7,283,103	–	300,101,908
Net Book Value	₱30,631,600	₱383,720,999	₱24,161,723	₱21,442,685	₱12,584,530	₱4,375,301	₱11,304,676	₱39,874,660	₱528,096,174

	2016								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱–	₱878,394,764	₱45,672,763	₱37,051,538	₱32,699,427	₱3,658,731	₱16,878,412	₱–	₱1,014,355,635
Additions	–	5,978,977	304,632	9,759,850	5,296,521	4,709,380	1,360,938	21,133,399	48,543,697
Reclassifications (see Note 13)	–	–	–	–	–	–	–	11,455,381	11,455,381
Disposal (see Note 16)	–	(235,475,250)	–	(3,751,351)	(490,623)	–	–	–	(239,717,224)
At December 31	–	648,898,491	45,977,395	43,060,037	37,505,325	8,368,111	18,239,350	32,588,780	834,637,489
Accumulated Depreciation and Amortization									
At January 1	–	35,589,565	16,227,789	18,659,987	20,473,716	1,479,182	5,428,236	–	97,858,475
Depreciation	–	85,847,283	2,947,201	7,492,733	6,753,622	1,899,149	818,254	–	105,758,242
Disposal	–	–	–	(2,683,307)	(482,129)	–	–	–	(3,165,436)
At December 31	–	121,436,848	19,174,990	23,469,413	26,745,209	3,378,331	6,246,490	–	200,451,281
Net Book Value	₱–	₱527,461,643	₱26,802,405	₱19,590,624	₱10,760,116	₱4,989,780	₱11,992,860	₱32,588,780	₱634,186,208

Construction in progress includes costs for the construction of a new office in 2017 for which the percentage of completion is at 97% as of December 31, 2017 and is expected to be completed in April 2018. The account also includes mobilization fee and engineering detailed design fees paid to a third party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project estimated to be completed in 2020.

Fully depreciated property and equipment costing ₱29.3 million and ₱15.7 million as of December 31, 2017 and 2016, respectively, are still being used by the Group.

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

	2017	2016	2015
Generation costs (see Note 17)	**₱86,797,416**	₱87,412,714	₱33,587,391
Operating expenses	**18,876,409**	18,345,528	16,753,073
	₱105,673,825	₱105,758,242	₱50,340,464

12. Investment Properties

	2017		
	Land	**Buildings**	**Total**
At January 1	**₱511,423,557**	**₱3,378,000**	**₱514,801,557**
Net unrealized gain (loss) on fair value remeasurement	**75,879,133**	**(3,378,000)**	**72,501,133**
Disposals	**(53,960,000)**	**–**	**(53,960,000)**
Transfers to property, plant and equipment (see Notes 11 and 25)	**(30,631,600)**	**–**	**(30,631,600)**
At December 31	**₱502,711,090**	**₱–**	**₱502,711,090**

	2016		
	Land	Buildings	Total
At January 1 and December 31	₱511,423,557	₱3,378,000	₱514,801,557

Some of the Group's properties were leased out to outside parties to earn rental income, for a lease period of three years (see Note 16). Total rental income amounting to ₱1.0 million, ₱2.1 million ₱2.9 million in 2017, 2016 and 2015, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

Net unrealized gain and loss on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to ₱72.5 million, nil and ₱240.7 million in 2017, 2016 and 2015, respectively.

In 2017, HDFE sold some of its investment properties to VECO. In the same year, an appraisal was carried out on the Group's investment properties resulting to a fair value change amounting to ₱72.5 million.

Real property taxes pertaining to the land amounting to ₱0.8 million in 2017, 2016, and 2015, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income.

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

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

13. Other Noncurrent Assets

	2017	2016
Input VAT	**₱8,422,761**	₱7,254,787
AFS investments	**3,750,631**	3,750,631
Advances to suppliers (see Note 11)	**2,838,220**	3,946,417
Software cost - net	**286,020**	1,127,890
Others - net of allowance for impairment loss of ₱46.1 million	**18,037,667**	8,102,533
	₱33,335,299	₱24,182,258

a. Advances to Suppliers

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

Advances amounting to ₱21.2 million have been written off in 2016 since management does not expect any economic benefits from pursuing the related projects (see Note 17).

In 2016, advances to contractors amounting to ₱11.5 million were reclassified to "Construction in progress" under "Property, plant and equipment" upon completion of Phase 1 of the construction of a run-of-river hydropower facility (see Note 11).

b. AFS Investments

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

	2017	2016
At Cost		
Cebu Country Club, Inc. (CCCI)	**₱3,400,000**	₱3,400,000
Tower Club, Inc. (TCI)	**300,000**	300,000
INCA Plastic Philippines - net of allowance for impairment of ₱1.95 million	**50,000**	50,000
VC Exchange, Inc. - net of allowance for impairment of ₱5.0 million	**–**	–
	3,750,000	3,750,000
At Fair Value		
Philippine Long Distance Telephone Co.	**600**	600
Paper Industries Corp. of the Phils.	**31**	31
	631	631
	₱3,750,631	₱3,750,631

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

The fair values of the listed securities are based on quoted market prices. The non-listed equity securities are stated at cost which approximate the fair values based on published buying and selling prices of these shares.

c. Software Costs

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

	2017	2016
Cost		
At January 1	**₱7,473,524**	₱5,827,991
Additions	**–**	1,645,533
At December 31	**7,473,524**	7,473,524
Accumulated Amortization		
At January 1	**6,345,634**	3,853,985
Amortization for the year	**841,870**	2,491,649
At December 31	**7,187,504**	6,345,634
Net Book Value	**₱286,020**	₱1,127,890

d. Others

Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2017 and 2016. Also included in this account are deposits for future subscription of an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. Trade and Other Payables

	2017	2016
Trade payables (see Note 23c)	**₱1,116,427,842**	₱1,051,211,182
Deferred output VAT	**119,259,763**	94,559,030
Output VAT	**59,531,435**	68,484,477
Accrued interest (see Note 15)	**25,450,401**	25,712,776
Accounts payable	**9,869,523**	8,214,133
Accrued expenses	**5,641,040**	1,831,215
Accrued taxes payable	**5,009,714**	10,366,912
Dividends payable	**4,819,251**	4,458,690
Others	**4,510,029**	2,264,119
	₱1,350,518,998	₱1,267,102,534

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

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

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

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by 1590 EC and HDFE. Dividends declared relating to non-controlling interests amounted to ₱141.9 million, ₱86.1 million and ₱59.1 million in 2017, 2016 and 2015, respectively (see Note 21).

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

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

15. Notes Payable

a. Short-term notes payable

On September 19 and October 17, 2016, 1590 EC obtained loans from a local bank amounting to ₱55.0 million and ₱48.5 million, respectively. The loans which matured on March 17 and April 12, 2017, respectively, bear an interest of 2.75% per annum. The loans are unsecured.

On November 23, 2015, 1590 EC obtained a loan from a local bank amounting to ₱33.0 million. The loan was subjected to interest at 3.0% per annum and matured last May 20, 2016.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2017, 2016 and 2015, amounted to ₱2.2 million, ₱2.6 million and ₱2.8 million in 2017, 2016 and 2015, respectively.

b. Long-term notes payable

	2017	2016
Fixed Rate Corporate Notes (FRCN):		
₱1.0 billion at 5.7271% interest per annum	**₱970,000,000**	₱980,000,000
₱2.0 billion at 5.4450% interest per annum	**1,940,000,000**	1,960,000,000
	2,910,000,000	2,940,000,000
Less unamortized debt issue costs	**14,228,065**	18,415,321
	2,895,771,935	2,921,584,679
Less current portion - net of unamortized debt issue costs of ₱4.4 million in 2017 and ₱4.2 million in 2016	**25,616,946**	25,812,744
	₱2,870,154,989	₱2,895,771,935

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 29, 2014 to fund its equity investments in power generation projects, to include, but not limited to MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

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

Repayments of outstanding principal amounts are scheduled as follows:

	2017	2016
Within one year	**₱30,000,000**	₱30,000,000
More than one year but not more than five years	**2,880,000,000**	2,910,000,000
	₱2,910,000,000	₱2,940,000,000

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, 2017 and 2016.

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱174.0 million, ₱175.0 million and ₱170.0 million in 2017, 2016 and 2015, respectively, and the related accrued interest expense as of December 31, 2017 and 2016 amounted to ₱25.5 million and ₱25.7 million, respectively (see Note 14).

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

16. Related Party Transactions

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

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

		2017			
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power (see Note 16h):					
VECO	₱806,183,640	₱76,834,504	₱–	30 days; noninterest-bearing	Unsecured; no impairment
PEI	60,994,199	50,773,958	50	30 days; Noninterest-bearing	Unsecured; no impairment
Sale of investment properties (see Note 16k):					
VECO	53,960,800	–	–	30 days; Noninterest-bearing	Unsecured; no impairment
Management fees (see Note 16d):					
VECO	34,937,352	5,648,205	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	29,274,524	11,640,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CPPC	10,388,471	35,357	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	708,588	708,588	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	126,378,219	76,458,485	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16g):					
VECO	645,190,876	–	–	noninterest-bearing	Unsecured; no impairment
AHI	299,199,875	–	–	noninterest-bearing	Unsecured; no impairment
CPPC	120,996,800	29,200,000	–	noninterest-bearing	Unsecured; no impairment
MPC	60,000,000	60,000,000	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16d):					
NR	6,782,064	135,257	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	8,761,752	1,416,483	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,600,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
NR	1,809,995	67,308	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	126,770	51,117	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	6,296,946	3,517,437	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
Delta P	1,848,968	611,149	–	noninterest-bearing	Unsecured; no impairment
CIPC	64,286	285,402	–	noninterest-bearing	Unsecured; no impairment
NR	2,689,640	739,011	–	noninterest-bearing	Unsecured; no impairment

(Forward)

Category	Volume	2017 Outstanding Balance Receivables	Payables	Terms	Conditions
Dividends (see Note 16g):					
CIPC	₱15,000,000	₱15,000,000	₱–	noninterest-bearing	Unsecured; no impairment
Delta P	43,000,000	–	–	noninterest-bearing	Unsecured
Advances from (see Note 16b):					
NR	127,345	–	72,044,180	payable on demand; noninterest-bearing	Unsecured
Delta P	326	–	326	payable on demand; noninterest-bearing	Unsecured
Sale of equipment (see Note 11):					
Delta P	57,500,000	–	–	noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
GPI	37,800,000	–	–	payable on demand; noninterest-bearing	Unsecured
JDC	6,135,893	–	–	30-60 days; noninterest-bearing	Unsecured
MRC	9,203,839	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to/from (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment
FGG	–	428,000	–	payable on demand; noninterest-bearing	Unsecured; no impairment

Category	Volume	2016 Outstanding Balance Receivables	Payables	Terms	Conditions
Associates					
Sale of power (see Note 16h):					
VECO	₱834,651,335	₱78,488,103	₱–	30 days; noninterest-bearing	Unsecured; no impairment
Management fees (see Note 16d):					
VECO	30,056,400	4,859,118	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	12,000,000	12,355,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CPPC	347,850	336,875	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	5,012,750	1,866,667	–	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	106,242	176,354	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
AHPC	907,626	15,943,485	–	payable on demand; noninterest-bearing	Unsecured; no impairment
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	470	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	39,289,553	39,289,553	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Operating lease (see Note 16f):					
VECO	4,437,229	791,306	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16g):					
VECO	713,260,234	–	–	noninterest-bearing	Unsecured; no impairment
AHI	527,999,899	–	–	noninterest-bearing	Unsecured; no impairment
CPPC	99,572,000	99,572,000	–	noninterest-bearing	Unsecured; no impairment

(Forward)

	2016				
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Joint Ventures					
Management fees (see Note 16d):					
NR	₱6,536,452	₱87,646	₱	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	20,156,216	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	1,620,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
NR	1,597,359	41,662	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	52,800	22,055	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	3,045,200	48,482	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
Delta P	2,482,445	827,594	–	noninterest-bearing	Unsecured; no impairment
CIPC	15,424	259,273	–	noninterest-bearing	Unsecured; no impairment
NR	2,569,500	758,811		noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16g):					
CIPC	18,500,000	–	–	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16b):					
NR	–	–	71,961,700	payable on demand; noninterest-bearing	Unsecured
Note payable (see Note 16b):					
Delta P	–	–	30,663,576	payable on demand; noninterest-bearing	Unsecured
Sale of equipment (see Note 11):					
Delta P	235,475,250	184,693	–	noninterest-bearing	Unsecured; no impairment
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
GPI	37,800,000	–	–	payable on demand; noninterest-bearing	Unsecured
JDC	9,221,786	–	–	30-60 days; noninterest-bearing	Unsecured
MRC	13,832,679	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to/from (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment
JLR	–	–	8,897,840	payable on demand; noninterest-bearing	Unsecured

a. Advances to related parties are noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

b. Advances from related parties are noninterest-bearing cash advances from the Group's joint ventures and stockholders.

VREC's loans from VSNRGC are payable on demand within 3 years from the date of loan. The said loans are payable together with the interest accrued based on the December 1, 2011 PDST-F rate of 4.1577% plus 0.50% for a term of three (3) years from the date of the loan. On December 14, 2015, the loan from VSNRGC was converted and reclassified from interest-bearing notes payable into noninterest-bearing advances which are payable on demand, effective December 1, 2014, the expiration date of the original loan.

In September 2014, VEC issued a noninterest-bearing promissory note, payable on demand, to Delta P.

c. Advances to a "stockholder with no significant influence" pertains to the life insurance plan advanced by the Parent Company for a member of its BOD. Advances from a "stockholder with no significant influence" pertains to a cash advance from a shareholder of a subsidiary for working capital requirements.

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

Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2017 and 2016 amounted to ₱14.0 million and ₱23.3 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to perform management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" under "Generation costs" (see Note 17) and "Operating expenses" in the consolidated statements of comprehensive income.

f. The Parent Company also leased out an office space to VECO. The lease agreement has no lease term and can be terminated upon mutual agreement of parties and upon 30 days prior written notice.

On January 1, 2017, the Parent Company terminated its lease agreement with VECO. VECO previously leased an office space owned by the Parent Company utilized by VECO as their Customer Care Office. The monthly rental is nil in 2017, ₱0.4 million in 2016 and ₱0.3 million in 2015, subject to an annual increase of 10%. The Group recognized, as part of "Other income" account in the consolidated statements of comprehensive income, the amount of nil in 2017, ₱4.4 million in 2016 and ₱4.0 million in 2015 representing rent income earned from VECO.

g. In 2016, CPPC declared dividends amounting to ₱99.6 million which was received in 2017 (see Note 7).

In 2017, CIPC, CPPC, AHI and MPC declared additional dividends amounting to ₱15.0 million, ₱121.0 million, ₱299.2 million, and ₱60.0 million, respectively. The outstanding amounts from these dividends declarations are currently lodged under "Dividends receivable" (see Note 7).

h. The Group has an energy supply agreement with VECO (see Note 23g). The Group shall supply contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. Revenue from the ESA with VECO amounted to ₱807.6 million and ₱834.7 million in 2017 and 2016, respectively. As of December 31, 2017 and 2016, the Group's trade receivables from VECO for the sale of power amounted to ₱76.8 million and ₱78.5 million, respectively (see Note 7).

In 2017, the Group entered into a Power Supply Agreement (PSA) with PEI (see Note 23h). Under the PSA, the Group shall supply energy to PEI from the Bauang diesel power plant, administered by the Group. Revenue from PSA with PEI amounted to ₱61.0 million in 2017. As of December 31, 2017, the Group's trade receivables from PEI for the sale of power amounted to ₱50.8 million (see Note 7).

i. In 2016, VIGC assigned to GLEDC its rights to the Contract to Sell with the owners of parcels of land for a coal project in Brgy. Luna, La Union. GLEDC agreed to reimburse the Company for all costs and expenses incurred for the project amounting to ₱39.3 million, which amount was subsequently paid on January 10, 2017.

   On January 31, 2017, VIGC advanced to GLEDC the amount of ₱120.0 million as part of the down payment for the parcels of land. On June 2, 2017, VIGC collected ₱50.0 million from GLEDC as partial payment for the advances. On various dates in 2017, the Company incurred travel, consultancy and land survey expenses in relation to these parcels of land amounting to ₱6.5 million. VIGC recognized a receivable from GLEDC under "Advances to associates and stockholders" amounting to ₱76.5 million as of December 31, 2017.

j. In 2016, the Group sold to Delta P certain property and equipment (see Note 10). Outstanding receivable arising from this transaction amounted to ₱0.2 million as of December 31, 2016.

k. In 2017, HDFE sold investment properties to VECO amounting to ₱53.9 million.

The above transactions are generally settled through cash.

The retirement fund (the Fund) of the Parent Company and a subsidiary is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱34.4 million and ₱32.1 million as of December 31, 2017 and 2016, respectively (see Note 19). Other than the contributions to the Fund, the Group does not have any other transactions with the Fund in 2017 and 2016.

Compensation and Benefits of Key Management Personnel

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

	2017	2016	2015
Short-term employee benefits	**₱81,133,487**	₱64,896,506	₱66,228,084
Post-employment pension benefits (see Note 19)	**4,851,293**	3,964,194	7,706,704
	₱85,984,780	₱68,860,700	₱73,934,788

17. Generation Costs and Other Operating Expenses

Generation Costs

The Group's generation costs pertain to the costs incurred in the operation of the BDPP and 17 MW of geothermal power from ULGPP beginning January 1, 2017:

	2017	2016	2015
Purchased power (see Notes 23c and 23g)	**₱888,118,045**	₱937,236,875	₱1,072,539,060
Heavy fuel oil (see Notes 8 and 23b)	**680,654,465**	314,834,946	576,700,359
Rent (see Note 23c)	**166,367,686**	161,522,025	156,817,500
Materials and supplies (see Note 8)	**123,250,984**	6,982,993	108,831,134
Depreciation (see Note 11)	**86,797,416**	87,412,714	33,587,391
Salaries, wages and employee benefits (see Note 18)	**56,487,184**	53,414,742	46,997,457
Insurance	**29,038,389**	24,522,116	28,218,713
Professional fees (see Note 16e)	**28,385,000**	28,718,707	28,350,000
Lube oil (see Note 8)	**26,354,148**	15,167,289	29,822,110
Supply and metering charges	**22,687,577**	26,481,857	3,835,803
Contractual and outside services	**22,439,298**	80,399,590	99,716,894
Light fuel oil (see Note 8)	**16,416,871**	11,032,325	15,407,776
Royalty fees (see Note 23c)	**14,623,386**	15,816,036	15,695,063
Repairs and maintenance	**14,252,055**	20,828,591	60,249,828
Market fees (see Notes 23c and 23f)	**2,781,941**	2,395,880	4,352,798
Taxes and licenses	**1,217,285**	436,242	3,321,867
Light and power	**1,146,048**	1,504,463	1,700,256
Transportation	**660,222**	701,132	841,726
Others	**5,793,307**	3,528,971	5,385,255
	₱2,187,471,307	₱1,792,937,494	₱2,292,370,990

Other Operating Expenses

	2017	2016	2015
Stand-by letter of credit	**₱9,855,418**	₱11,055,353	₱12,710,011
Outside services	**8,905,085**	5,348,326	3,437,441
Marketing expenses	**7,399,504**	1,200,000	–
Directors' per diem (see Note 18)	**6,621,650**	4,014,968	3,749,245
Office supplies	**5,729,590**	5,544,422	5,886,977
Repairs and maintenance	**3,296,682**	3,537,743	3,602,583
Corporate social responsibility	**3,280,772**	2,352,179	3,115,981
Regulatory expenses	**2,446,335**	2,104,086	2,861,470
Stockholders' meeting expenses	**817,847**	744,503	618,479
Project costs written off (see Note 13)	**–**	21,172,701	–
Others	**10,493,310**	14,443,886	11,469,888
	₱58,846,193	₱71,518,167	₱47,452,075

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

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



18. Personnel Expenses

	2017	2016	2015
Salaries, wages and employee benefits	**₱205,499,445**	₱179,192,634	₱163,522,616
Directors' compensation and benefits	**6,621,650**	4,014,968	3,749,245
Pension expense (see Note 19)	**8,838,915**	8,838,434	10,802,650
	₱220,960,010	₱192,046,036	₱178,074,511

19. Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company and 1590 EC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

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

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

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

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

	2017	2016	2015
Current service cost	**₱7,939,720**	₱8,111,854	₱10,245,500
Net interest cost	**899,195**	726,580	810,211
Past service cost	**–**	–	(253,061)
Pension expense	**₱8,838,915**	₱8,838,434	₱10,802,650

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

	2017	2016	2015
Actuarial loss (gain) on defined benefit plan	**₱6,097,031**	(₱3,290,367)	(₱8,250,895)
Return on assets excluding amount included in net interest cost	**1,545,239**	248,789	512,109
	₱7,642,270	(₱3,041,578)	(₱7,738,786)

The pension liability pertaining to the Parent Company's funded retirement plan as of December 31, 2017 and 2016, follows:

	2017	2016
Present value of defined benefit obligation	**₱45,956,101**	₱35,329,225
Fair value of plan assets	**(14,198,052)**	(14,611,824)
Pension liability	**₱31,758,049**	₱20,717,401

The pension liability (asset) pertaining to 1590 EC's funded retirement plan as of December 31, 2017 and 2016, follows:

	2017	2016
Present value of defined benefit obligation	**₱20,306,854**	₱14,588,890
Fair value of plan assets	**(20,238,923)**	(17,463,681)
Pension liability (asset)	**₱67,931**	(₱2,874,791)

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

	2017	2016
At January 1	**₱49,918,115**	₱43,368,899
Current service cost	**7,939,720**	8,111,854
Interest cost on defined benefit obligation	**2,308,089**	2,008,966
Actuarial loss (gain) due to:		
Experience adjustments	**4,210,177**	(46,682)
Changes in demographic assumptions	**991,134**	(1,759,766)
Changes in financial assumptions	**895,720**	(1,483,919)
Benefits paid	**–**	(281,237)
At December 31	**₱66,262,955**	₱49,918,115

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

	2017	2016
At January 1	**₱32,075,505**	₱28,598,256
Contributions to the retirement fund	**2,497,815**	2,724,889
Interest income included in net interest cost	**1,408,894**	1,282,386
Return on assets excluding amount included in net interest cost	**(1,545,239)**	(248,789)
Benefits paid	**–**	(281,237)
At December 31	**₱34,436,975**	₱32,075,505

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

	2017	2016
At January 1	**₱17,842,610**	₱14,770,643
Pension expense for the year	**8,838,915**	8,838,434
Actuarial loss (gain) recognized for the year	**7,642,270**	(3,041,578)
Contributions to retirement fund	**(2,497,815)**	(2,724,889)
At December 31	**₱31,825,980**	₱17,842,610

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2017	2016
Fixed income securities:		
Unitized investment trust funds	**41.00%**	44.35%
Time certificate of deposit	**20.74%**	27.17%
Savings deposit	**0.09%**	0.11%
Due from Bangko Sentral ng Pilipinas	**–**	26.37%
Investment in government securities	**37.99%**	1.90%
Accrued interest receivable	**0.18%**	0.10%
Total plan assets	**100.00%**	100.00%

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

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

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

	2017	2016
Discount rate	**5.79%–5.80%**	5.54%–5.50%
Future salary increase rate	**7.00%**	7.00%–6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2017 and 2016, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2017	2016
Discount rate	+100 basis points	**(₱6,547,905)**	(₱4,818,307)
	−100 basis points	**7,950,905**	5,942,776
Future salary increase rate	+100 basis points	**8,141,099**	5,747,650
	−100 basis points	**(6,833,684)**	(4,813,409)

The average duration of the defined benefit obligation as of December 31, 2017 and 2016 is 20.4–24.2 years and 19.2–24.7 years, respectively.

The Group expects to contribute ₱3.1 million to the defined benefit plan in 2018.

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, 2017 and 2016:

	2017	2016
Less than one year	**₱20,890,173**	₱16,117,322
More than one year to five years	**8,932,877**	8,525,165
More than five years to 10 years	**14,395,465**	12,563,210
More than 10 years to 15 years	**66,126,037**	62,910,540
More than 15 years to 20 years	**151,427,202**	123,559,178
More than 20 years	**352,750,122**	232,518,527
Total	**₱614,521,876**	₱456,193,942

20. Income Taxes

	2017	2016	2015
Current	**₱90,407,602**	₱115,629,566	₱90,190,909
Final	**6,532,901**	8,744,210	8,978,227
	96,940,503	124,373,776	99,169,136
Deferred	**(2,062,605)**	7,601,411	71,546,935
	₱94,877,898	₱131,975,187	₱170,716,071

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

	2017	2016	2015
Income before income tax	**₱1,520,386,704**	₱1,560,557,874	₱1,420,678,616
Tax calculated at 30% statutory rate	**₱456,116,011**	₱468,167,362	₱426,203,585
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	**(387,051,831)**	(386,499,901)	(302,912,871)
Unrecognized NOLCO and MCIT	**81,576,654**	56,341,026	65,498,521
Difference of OSD over deductible expenses	**(22,146,917)**	4,312,599	(18,658,706)
Realized gain on change in fair value of investment properties	**(14,894,907)**	–	–
Non-deductible expenses	**11,598,309**	5,143,800	9,354,063
Interest income subject to final tax	**(10,408,119)**	(7,282,461)	(8,686,576)
Non-deductible impairment loss	**(6,391,855)**	–	–
Others	**(13,519,447)**	(8,207,238)	(81,945)
	₱94,877,898	₱131,975,187	₱170,716,071

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2017	2016
Deferred income taxes recognized in profit or loss:		
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Net pension liability	**10,567,846**	9,116,357
	24,491,174	23,039,685
Deferred income tax liabilities on:		
Unamortized debt issue costs	**4,268,419**	5,524,596
Unrealized gain on changes in unitized investment in trust fund	**3,889,466**	–
Unrealized foreign exchange gain	**28,456**	1,159,203
	8,186,341	6,683,799
Deferred income tax liability related to defined benefit obligation recognized as other comprehensive income	**330,502**	1,986,870
Net deferred income tax assets	**₱15,974,331**	₱14,369,016

The components of the Group's net deferred income tax liabilities are as follows:

	2017	2016
Deferred income taxes recognized in profit or loss:		
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱106,595,700**	₱99,740,267
Unrealized foreign exchange gain	**1,141,411**	–
Advances for plant repairs and maintenance	–	9,776,889
Accrued rent	–	57,211
	107,737,111	109,574,367
Deferred income tax asset on net pension liability	**276,402**	–
	107,460,709	–
Deferred income tax asset related to defined benefit obligation recognized as other comprehensive income	**286,159**	–
	₱107,174,550	₱109,574,367

In 2017 and 2016, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2017	2016
NOLCO	**₱673,579,172**	₱535,013,480
MCIT	**1,426,062**	1,679,053

NOLCO and MCIT as of December 31, 2017 and 2016 can be claimed as deduction against future taxable income and income tax due in the next three years until 2020 and 2019, respectively.

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

21. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2017 and 2016.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares	1,023,456,698
Unissued shares	976,543,302

The Parent Company's issued capital stock originally consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003, and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares. As of December 31, 2017 and 2016, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,434 stockholders as of December 31, 2017, 1,443 stockholders as of December 31, 2016 and 1,449 stockholders as of December 31, 2015, 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:

	2017	2016	2015
Date of declaration	**May 12, 2017**	May 12, 2016	May 27, 2015
Date of record	**May 26, 2017**	June 3, 2016	June 9, 2015
Date of payment	**June 22, 2017**	June 29, 2016	July 3, 2015
Dividends declared:			
Regular dividends	**₱203,156,155**	₱192,921,585	₱192,921,585
Special dividends	**82,592,955**	75,019,375	75,019,375
	₱285,749,110	₱267,940,960	₱267,940,960
Dividends per share	**₱0.2792**	₱0.2618	₱0.2618

Appropriation of Retained Earnings for Business Expansion

The BOD has determined, in a BOD meeting held on December 19, 2014, that the Parent Company's operations require additional allocation as reserve for the investment in the two ongoing power plant projects in Visayas and Mindanao and a future investment in a new renewable power plant project also in the Visayas. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,446.2 million to be used for future investments in these projects which were implemented starting 2015 and were expected to be completed in 2017.

Out of the 2014 retained earnings appropriation, the Group made additional investment of ₱851.2 million in 2015 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 18, 2015, the BOD has determined that the Parent Company's operations require additional allocation as reserve for the investment on the two ongoing power plant projects in Visayas and Mindanao. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱534.0 million to be used for future investments in these projects which are expected to be completed starting 2017.

Out of the 2015 retained earnings appropriation, the Parent Company made additional investment of ₱405.3 million in 2016 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 16, 2016, the BOD has determined that the Parent Company's operation require additional allocation as reserve for the investment on the two ongoing power plants in Visayas and Mindanao. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱690.5 million to be used for future investments in these projects which are expected to be completed starting 2017.

Out of the 2016 retained earnings appropriation, the Parent Company made additional investment of ₱606.0 million in 2017 in the same two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require additional allocation as reserve for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

Unappropriated Retained Earnings
The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱3.9 billion and ₱3.5 billion as of December 31, 2017 and 2016, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests
In 2015, VMHI received cash amounting to ₱33.0 million as full payment of subscription, ₱10.9 million of which was contributed by non-controlling interests. In 2016, VMHI received cash amounting to ₱37.0 million for the issuance of capital stock and collection of subscription receivable, ₱12.2 million of which was contributed by non-controlling interest. In 2017, VMHI received cash amounting to ₱11.8 million for the issuance of capital stock, ₱3.8 million of which was contributed by non-controlling interest.

Material Partly-Owned Subsidiary - 1590 EC
In 2017, the Group purchased additional 2.50% indirect ownership interest in 1590 EC, increasing the Group's indirect ownership interest to 55.20% from 52.70% (see Note 1).

	2017	2016	2015
Total current assets	**₱1,313,182,600**	₱1,231,392,026	₱1,048,785,545
Total noncurrent assets	**392,583,926**	542,371,291	854,247,328
Total current liabilities	**1,150,199,480**	1,204,437,354	1,461,384,281
Total noncurrent liabilities	**646,781**	10,817,227	586,685
Total equity	**556,920,265**	558,508,736	441,061,907
Sale of power	**1,811,340,517**	1,530,605,858	1,991,517,373
Operating profit	**291,705,707**	389,568,838	333,782,601
Net income	**298,804,237**	296,072,471	247,465,879
Total comprehensive income	**296,411,529**	299,446,829	247,639,622
Net income attributable to non-controlling interests	**141,334,404**	140,042,279	117,051,361
Total comprehensive income attributable to non-controlling interests	**140,202,653**	141,638,350	117,133,541
Dividends paid to non-controlling interests	**141,900,000**	86,086,000	59,125,000
Accumulated non-controlling interest	**249,500,279**	264,174,632	208,622,282

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2017	2016	2015
Net income attributable to shareholders of the parent	**₱1,259,926,428**	₱1,293,430,993	₱1,052,735,864
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.231**	₱1.264	₱1.029

There are no potential dilutive shares as of December 31, 2017, 2016 and 2015.

23. Contracts, Commitments and Contingencies

a. Interim Power Supply Agreements

- On March 31, 2014, 1590 EC entered into an Interim Power Supply Agreement (IPSA) with Manila Electric Company (Meralco) to supply 140 MW for the period April 1 to June 30, 2014. On June 30, 2014, the Energy Regulatory Commission (ERC) approved the extension of the IPSA to October 31, 2014. The IPSA was further extended until December 31, 2014. On October 30, 2014, it was further extended until July 25, 2015 under the same terms and conditions unless otherwise agreed upon. On January 19, 2016, 1590 EC entered into a new IPSA with Meralco to supply 170 MW (firm contract capacity) for the period February 26 to July 25, 2016 and up to 170 MW (non-firm) for the period July 26 to February 25, 2017. The contract was extended to supply 170 MW (firm contract capacity) for the period February 26 to July 25, 2017. There was no renewal or extension of the contract thereafter. Total revenue from the IPSA with Meralco amounted to ₱1,135.0 million, ₱849.0 million and ₱1,324.6 million in 2017, 2016 and 2015, respectively.

- On October 17, 2014, 1590 EC entered into an IPSA with VECO to supply 30 MW for the period March 26 to June 25, 2015. Total revenue from the IPSA with VECO amounted to nil in 2017 and 2016, and ₱147.4 million 2015.

- On July 9, 2015, 1590 EC entered into an IPSA with Clark Electric Distribution Corp. (CEDC) to supply up to 30 MW from trading intervals 1000H to 2100H during Mondays and Saturdays for the period August 8 to September 6, 2015, unless terminated earlier in accordance with the terms of the Agreement or extended by the parties. Revenue from the IPSA with CEDC amounted to nil and ₱45.2 million in 2016 and 2015, respectively.

- On September 7, 2015, 1590 EC entered into an IPSA with Pampanga II Electric Cooperative, Inc. (PELCO II) to supply up to 30 MW from trading intervals 1000H to 2100H during Mondays to Saturdays for the period September 17 to November 15, 2015. Revenue from the IPSA with PELCO II amounted to nil in 2017 and 2016, and ₱60.3 million in 2015.

b. Supply Agreement for Heavy Fuel and Purchased Power

- On April 1, 2012, 1590 EC entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the entity's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Company shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016 and was further renewed from May 1, 2016 to April 30, 2018.

  Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱680.7 million, ₱314.8 million and ₱576.7 million in 2017, 2016 and 2015, respectively (see Note 17).

- In 2015, 1590 EC entered into an agreement with TAO for the purchase of power at a contracted capacity of 10MW, dispatchable during intervals 10 to 21 from Mondays to Saturdays, for two (2) months, from March 26 to May 25, 2015. Purchased power from TAO amounted to nil in 2017 and 2016, and ₱20.6 million in 2015.

c. Participation in WESM

The revenue from sale of power recognized by 1590 EC amounting to ₱614.6 million in 2017, ₱681.6 million in 2016 and ₱414.0 million in 2015 were generated from its participation in the trading of electricity at the Wholesale Electricity Supply Market (WESM).

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

On March 28, 2014, 1590 EC filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2013 WESM market prices.



On November 7, 2017 the Court of Appeals, in the consolidated Petitions for Review, rendered a Decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the Court of Appeals nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months. Thereafter, the ERC and Intervenor MERALCO, filed their respective Motions for Reconsiderations ("MR") to which 1590 EC duly filed its respective Oppositions thereto. The MRs of ERC and MERALCO remain pending as of March 27, 2018.

Amounts recognized in the consolidated statements of comprehensive income related to 1590 EC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱113.6 million, ₱150.1 million and ₱294.9 million in 2017, 2016 and 2015, respectively.

Trade receivable from WESM has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury Bill per annum on the past due receivables. Outstanding receivables from transactions with WESM amounted to ₱114.5 million and ₱96.1 million as of December 31, 2017 and 2016 respectively (see Note 7).

d. Operating Leases - Group as Lessee

On May 11, 2012, a MOA was entered into by 1590 EC and PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed by the Company and PGLU for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, for a monthly consideration of 12.5 million. On April 2, 2014, an amendment to the MOA was executed thereby extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending the term to December 31, 2018. All other terms and conditions remain.

In addition, the MOA stipulates for the payment by 1590 EC to PGLU of royalty fees equivalent to 1590 EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

On January 19, 2018, 1590 EC entered into a Lease Contract with the PGLU over the BDPP after emerging as the winning proponent during the bidding for the lease thereof. Under the lease contract, 1590 EC can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing upon the tender of a performance security. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term.



Total rent expense from this operating lease amounted to ₱166.4 million, ₱161.5 million and ₱156.8 million in 2017, 2016 and 2015, respectively, and total royalty fees recognized in the consolidated statements of comprehensive income amounted to ₱14.6 million, ₱15.8 million and ₱15.7 million in 2017, 2016 and 2015, respectively (see Note 17).

e. Open Access Transmission Service

Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2017 and 2016.

f. Independent Power Producer Administration Agreement

On October 20, 2014, PSALM awarded VEC to be the IPP administrator of 17 MW out of the total contracted capacity of the Unified Leyte Geothermal Power Plant following an auction of strips of energy of the power plant. The Unified Leyte Geothermal Power Plant has an installed capacity of 240 MW and is located in Malitbog, Southern Leyte. Under the IPP Administration Contract, VEC will pay PSALM monthly generation payments and fixed monthly fee to cover the administrative costs in the trading and settlement of the Strips in the WESM.

Amounts recognized in the consolidated statements of comprehensive income related to VEC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱775.9 million, ₱788.0 million and ₱761.4 million in 2017, 2016 and 2015, respectively.

g. Energy Supply Agreement (ESA) with VECO

In October 2014, VEC entered into an ESA with VECO to supply 17,000 kW contract energy per month coming from the 17 strips of energy of the Unified Leyte Geothermal Power Plant. The ESA became effective on December 26, 2014 and is valid until July 25, 2021. Total revenue from the ESA with VECO amounting to ₱806.2 million and ₱834.7 million in 2017 and 2016, respectively, are presented under "Sale of power" in the consolidated statements of comprehensive income (see Note 16).

h. PSA with PEI

In April 2017, VEC entered into a PSA with PEI to supply contracted power. The PSA became effective on April 26, 2017 and is valid until December 25, 2020. Revenue from PSA with PEI amounting to ₱61.0 million in 2017 are presented under "Sale of power" in the 2017 consolidated statement of comprehensive income (see Note 16).



i. Contingencies

The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, advances to associates and stockholders, AFS investments, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance amounting to ₱34.1 million (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱5,957.0 million and ₱5,715.7 million as of December 31, 2017 and 2016, respectively.

There are no significant concentrations of credit risk within the Group.

The following tables set out the aging analysis per class of financial assets, including those that were past due but not impaired, as of December 31:

	2017						
	Neither Past Due nor Impaired	Past Due But not Impaired					
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱4,634,622,495	₱–	₱–	₱–	₱–	₱–	₱4,634,622,495
Trade and other receivables	65,639,601	301,458,632	38,050,143	27,733,775	93,517,552	34,458,046	560,857,749
Advances to associates and stockholders	1,348,227	1,178,012	15,135	217,220	80,977,735	–	83,736,329
Advances to other parties (under "Prepayments and other current assets")	700,607,707	428,625	20,727	74,241	2,818,707	–	703,950,007
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other noncurrent assets")	650,000	–	–	–	–	–	650,000
Security deposits (under "Other noncurrent assets")	3,899,653	–	–	–	–	–	3,899,653
AFS Investments	3,750,631	–	–	–	–	7,745,118	11,495,749
	₱5,410,518,314	₱303,065,269	₱38,086,005	₱28,025,236	₱177,313,994	₱88,281,227	₱6,045,290,045

	2016						
	Neither Past Due nor Impaired	Past Due But not Impaired					
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱4,437,126,262	₱–	₱–	₱–	₱–	₱–	₱4,437,126,262
Trade and other receivables	313,272,290	789,717	5,246,240	3,608,158	76,380,967	34,458,046	433,755,418
Advances to associates and stockholders	40,563,329	3,549,210	1,014,815	15,306,805	32,380,872	–	92,815,031
Advances to other parties (under "Prepayments and other current assets")	774,179,285	145,342	44,702	769,479	6,884,090	–	782,022,898
Due from RFM Corporation under "Other noncurrent assets"	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other noncurrent assets")	650,000	–	–	–	–	–	650,000
AFS Investments	3,750,631	–	–	–	–	7,745,118	11,495,749
	₱5,569,541,797	₱4,484,269	₱6,305,757	₱19,684,442	₱115,645,929	₱88,281,227	₱5,803,943,421

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2017		
	Neither Past Due nor Impaired		
	High Grade	Medium Grade	Low Grade
Loans and Receivables			
Cash and cash equivalents (excluding cash on hand)	₱4,634,622,495	₱–	₱–
Trade and other receivables	65,639,601	–	–
Advances to associates and stockholders	1,348,227	–	–
Advances to other parties (under "Prepayments and other current assets")	700,607,707	–	–
Restricted cash (under "Other noncurrent assets")	650,000	–	–
Security deposits (under "Other noncurrent assets")	3,899,653	–	–
AFS Investments	3,750,631	–	–
	₱5,410,518,314	₱–	₱–

	2016		
	Neither Past Due nor Impaired		
	High Grade	Medium Grade	Low Grade
Loans and Receivables			
Cash and cash equivalents (excluding cash on hand)	₱4,437,126,262	₱–	₱–
Trade and other receivables	313,272,290	–	–
Advances to associates and stockholders	40,563,329	–	–
Advances to other parties (under "Prepayments and other current assets")	774,179,285	–	–
Restricted cash (under "Other noncurrent assets")	650,000	–	–
AFS Investments	3,750,631	–	–
	₱5,569,541,797	₱–	₱–

The credit quality of financial assets is managed by the Group using high, medium and low grades as internal credit ratings.

High grade - pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and government agencies.

Medium and low grades - other financial assets not belonging to high grade financial assets are included in either of these categories.

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents, and Restricted Cash* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Trade and Other Receivables* - high grade since these pertain to receivables from customers or parties who have established good credit standing with the Group, except for past due and impaired trade and other receivables which are considered as low grade financial assets.

- *Advances to Associates and Stockholders, and Advances to Other 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, which include listed shares of companies whose fair values are based on quoted market prices or published buying and selling prices.

- *Security Deposits* - classified as high grade as these are receivable from counterparties who are highly reputable.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2017				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱4,635,082,495	₱4,635,082,495	₱–	₱–	₱–
Trade and other receivables	560,857,750	318,009,452	201,169,631	41,678,667	–
Advances to associates and stockholders	83,736,329	16,218,050	58,330,487	9,187,792	–
Advances to other parties (under "Prepayments and other current assets")	703,950,007	698,308,703	2,822,597	2,818,707	–
Due from RFM Corporation (under "Other noncurrent assets")	46,078,063	–	–	–	46,078,063
Restricted cash (under "Other noncurrent assets")	650,000	650,000	–	–	–
Security deposit (under "Other noncurrent assets")	3,899,653	–	–	3,899,653	–
AFS Investments	3,750,631	3,750,631	–	–	–
	6,038,004,928	5,672,019,331	262,322,715	57,584,819	46,078,063
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	1,157,821,088	965,535,458	176,831,968	10,453,662	–
Short-term note payable	–	–	–	–	–
Long-term note payable	3,399,917,631	–	190,400,538	3,209,517,093	–
Advances from related parties	72,406,345	72,035,147	55,855	315,343	–
	4,625,145,064	1,037,570,605	367,288,361	3,220,286,098	–
Net Financial Assets (Liabilities)	₱1,412,859,864	₱4,634,448,726	(₱104,965,646)	(₱3,162,701,279)	₱46,078,063

**Excluding statutory payables and unearned income*

	2016				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱4,437,126,262	₱3,794,924,114	₱ 642,202,148	₱–	₱–
Trade and other receivables	309,385,320	–	304,680,918	4,704,402	–
Advances to associates and stockholders	92,815,031	16,535,636	66,294,066	9,985,329	–
Advances to other parties (under "Prepayments and other current assets")	782,022,898	771,761,561	1,028,162	8,921,599	311,576
Due from RFM Corporation (under "Other noncurrent assets")	46,078,063	–	–	–	46,078,063
Restricted cash (under "Other noncurrent assets")	650,000	–	–	650,000	–
AFS Investments	3,750,631	3,750,631	–	–	–
	5,671,828,205	4,586,971,942	1,014,205,294	24,261,330	46,389,639
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	1,113,286,935	830,608,929	277,514,622	5,163,384	–
Short-term note payable	103,500,000	–	103,500,000	–	–
Long-term note payable	3,591,671,252	–	191,753,621	609,917,631	2,790,000,000
Advances from related parties	143,933,390	102,634,757	31,375,398	9,923,235	–
	4,952,391,577	933,243,686	604,143,641	625,004,250	2,790,000,000
Net Financial Assets (Liabilities)	₱719,436,628	₱3,653,728,256	₱410,061,653	(₱600,742,920)	(₱2,743,610,361)

**Excluding statutory payables and unearned income*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2017		
	USD	**EUR**	**Php Equivalent**
Asset:			
Cash	**US$23,093**	**€1,021**	**₱1,213,895**
Trade and other receivables	**1,744,055**	–	**87,080,666**
	US$1,767,148	**€1,021**	**₱88,294,561**

	2016		
	USD	EUR	Php Equivalent
Asset:			
Cash	US$89,319	€1,020	₱4,493,818
Trade and other receivables	401,189	–	19,947,117
	US$490,508	€1,020	₱24,440,935

The December 31 exchange rates used follows:

	2017	2016
US Dollar	**₱49.93 to US$1**	₱49.72 to US$1
Euro Dollar	**₱59.61 to €1**	₱51.84 to €1

The Group recognized net foreign exchange loss of ₱1.2 million in 2017, net foreign exchange gain of ₱1.5 million in 2016 and net foreign exchange loss of ₱0.3 million 2015.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2017 and 2016.

	Change in Philippine Peso to US Dollar	
	2.44% Appreciation	1.22% Depreciation
Effect in income before income tax:		
2017	**₱2,152,902**	**₱1,076,451**
2016	1,075,513	858,460

	Change in Philippine Peso to Euro	
	6.11% Appreciation	7.10% Depreciation
Effect in income before income tax:		
2017	**₱3,718**	**₱4,323**
2016	820	909

There is no other impact on the Group's equity other than those already affecting the consolidated income before income tax.

Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy

The 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, 2017 and 2016, the carrying values of the Group's financial instruments, except for the long-term notes payable, approximate fair values due to their relatively short-term maturity.

The Group considers the notes payable with fair value of ₱3.0 billion and ₱3.1 billion as of December 31, 2017 and 2016, respectively, under Level 3 classification.

The Group's investment properties, which are classified under Level 3, are measured at fair value. As of December 31, 2017 and 2016, there were no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Values

The following tables show an analysis of the Group's long-term notes payable for which fair values are disclosed at Level 3 of the fair value hierarchy as at December 31:

Description	Fair Value as of December 31, 2017	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱3,011,089,999	Discounted Cash Flow Approach	Risk-free interest rate	3.71%–5.31% (4.14%)

Description	Fair Value as of December 31, 2016	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱3,050,730,103	Discounted Cash Flow Approach	Risk-free interest rate	1.17%–4.68% (4.33%)

Changes in Valuation Techniques

There were no changes in the valuation techniques used by the Group in determining the fair value of its AFS investments and investment properties during the year.

Highest and Best Use
As at December 31, 2017 and 2016, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy:

	2017			
	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Investment properties (see Note 12):				
Land	**₱502,711,090**	**₱–**	**₱–**	**₱502,711,090**
Buildings	–	–	–	–
	₱502,711,090	**₱–**	**₱–**	**₱502,711,090**

	2016			
	Fair Value Measurement Using			
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Investment properties (see Note 12):				
Land	₱511,423,557	₱–	₱–	₱511,423,557
Buildings	3,378,000	–	–	3,378,000
	₱514,801,557	₱–	₱–	₱514,801,557

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to ₱72.5 million in 2017, nil in 2016, and ₱240.7 million in 2015 (see Note 12). The Group did not recognize any unrealized gain on AFS investments in 2017 and 2016. All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

As of December 31, 2017, the Group does not have liabilities measured at fair value. There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Value
The tables below present the following for each class of the Group's investment properties as of December 31, 2017 and 2016:

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and

- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

	2017			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱502,711,090	Sales Comparison Approach	Price per square meter	₱2,400–₱18,300
Buildings	–	Cost Approach	Reproduction cost	–

	2016			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱511,423,557	Sales Comparison Approach	Price per square meter	₱2,100–₱36,500
Buildings	3,378,000	Cost Approach	Reproduction cost	400,000–1,728,000

Descriptions and Definitions

The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 of the Hierarchy

- *Land.* Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

- *Buildings and Improvements.* Significant increases (decreases) in the reproduction cost in isolation would result in a significantly higher (lower) fair value measurement.

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2017, 2016 and 2015.

The Parent Company is required to maintain a minimum current ratio and maximum debt-to-equity ratio as part of its covenants on its notes payable. The Parent Company has complied with these ratio requirements as of December 31, 2017 and 2016 (see Note 15). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2017 and 2016, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 21).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of short-term and long-term notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2017	2016
Notes payable	**₱2,895,771,935**	₱3,025,084,679
Less: Cash and cash equivalents	**4,635,082,495**	4,437,776,262
Net cash and cash equivalents (a)	**(1,739,310,560)**	(1,412,691,583)
Equity	**10,702,899,708**	9,457,039,460
Equity and net cash and cash equivalents (b)	**₱8,963,589,148**	₱8,044,347,877
Gearing ratio (a/b)	**(0.19):1.00**	(0.18):1.00

25. Notes to the 2017 Consolidated Statement of Cash Flows

Changes in Liabilities Arising from Financing Activities (in thousands)

	Long-term Notes Payable	Advances from Related Parties	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2017	₱3,025,085	₱111,677	₱4,459	₱–	₱3,141,221
Non-cash changes:					
Dividends declared	–	–	427,649	–	427,649
Amortization of debt issue cost	4,187	–	–	–	4,187
Disposal of a subsidiary (Note 1)	–	(8,898)	–	–	(8,898)
Additional advances to related parties	–	63,579	–	–	63,579
Cash flows	(133,500)	(93,952)	(427,289)	3,894	(650,847)
December 31, 2017	₱2,895,772	₱72,406	₱4,819	₱3,894	₱2,976,891

Non-cash Changes in an Investing Activity

The Group transferred certain investment properties amounting to ₱30.6 million to property, plant and equipment in 2017.

26. Operating Segment Information

The Group is currently organized into two operating segments: (1) power generation and distribution operations and (2) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The operating segments and their corresponding principal activities are as follows:

Power Generation and Distribution

1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. VEC is the IPP administrator of 17 MW contracted capacity of ULGPP wherein energy generated is covered under an energy supply agreement with VECO (see Note 23). VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively (see Note 1). VII and VGPC were incorporated in 2014 and VIDC was incorporated in 2015, which companies are intended to undertake various power generation activities of the Group.

VECO, an associate of the Group, is involved in the distribution and sale of electricity, while the other associates and joint ventures are engaged in the generation and supply of power to various entities and parties.

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, VEC, VMHI, Core, VII, VGPC, the Parent Company and all other subsidiaries are operating as holding and investing companies. Aside from operating as a power generation company, VEC also operates as a holding and investing company. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

The segment results for the years ended December 31 follow:

	2017			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,811,340,517	₱–	₱–	₱1,811,340,517
Revenue from inter-segment, associates and affiliates	1,361,274,639	1,652,512,718	(2,052,817,442)	960,969,915
Equity in net earnings of associates and joint ventures	1,290,172,769	–	–	1,290,172,769
Interest income	16,525,038	56,012,284	–	72,537,322
Inter-segment revenues	(546,296,800)	(1,506,520,642)	2,052,817,442	–
	3,933,016,163	202,004,360	–	4,135,020,523
Income from operations	778,936,669	725,785,914	–	1,504,722,583
Insurance claims	87,129,498	–	–	87,129,498
Gain on fair value remeasurement	–	72,501,133	–	72,501,133
Gain on disposal of a subsidiary	12,068,717	–	–	12,068,717
Finance cost	(2,222,611)	(174,002,357)	–	(176,224,968)
Foreign exchange gain (loss)	(1,253,375)	3,921	–	(1,249,454)
Other income	5,655,343	15,783,953		21,439,196
Income before income tax	880,314,140	640,072,564	–	1,520,386,704
Income tax expense	(80,503,727)	(14,374,171)	–	(94,877,898)
Net income	₱799,810,413	₱625,698,393	₱–	₱1,425,508,806

	2016			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,530,605,858	₱–	₱–	₱1,530,605,858
Revenue from inter-segment, associates and affiliates	1,050,137,336	1,455,742,356	(1,513,986,133)	991,893,559
Equity in net earnings of associates and joint ventures	1,288,333,002	–	–	1,288,333,002
Interest income	8,548,676	50,701,193	–	59,249,869
Inter-segment revenues	(270,686,000)	(1,243,300,133)	1,513,986,133	–
	3,606,938,872	263,143,416	–	3,870,082,288
Income from operations	603,459,075	1,094,529,392	–	1,697,988,467
Finance cost	(2,553,626)	(174,992,188)	–	(177,545,814)
Foreign exchange gain	1,541,433	–	–	1,541,433
Other income	24,263,873	14,309,915	–	38,573,788
Income before income tax	626,710,755	933,847,119	–	1,560,557,874
Income tax expense	(125,199,700)	(6,775,487)	–	(131,975,187)
Net income	₱501,511,055	₱927,071,632	₱–	₱1,428,582,687

	2015			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,844,105,327	₱–	₱–	₱1,844,105,327
Revenue from inter-segment, associates and affiliates	1,481,919,789	1,129,654,986	(1,509,210,386)	1,102,364,389
Equity in net earnings of associates and joint ventures	1,009,709,570	–	–	1,009,709,570
Interest income	8,493,306	51,254,209	–	59,747,515
Inter-segment revenues	(287,494,000)	(1,221,716,386)	1,509,210,386	–
	4,056,733,992	(40,807,191)	–	4,015,926,801
Income from operations	888,760,696	459,158,307	–	1,347,919,003
Gain on fair value remeasurement of investment properties	–	240,730,557	–	240,730,557
Finance cost	(2,802,602)	(170,030,841)	–	(172,833,443)
Foreign exchange loss	(302,360)	–	–	(302,360)
Other income (expense)	(2,867,655)	8,032,514	–	5,164,859
Income before income tax	882,788,079	537,890,537	–	1,420,678,616
Income tax expense	(89,829,890)	(80,886,181)	–	(170,716,071)
Net income	₱792,958,189	₱457,004,356	₱–	₱1,249,962,545

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Of the Group's total revenues, about 43% and 21% pertains to energy fees in 2017, 40% and 22% in 2016, and 44% and 18% in 2015, of 1590 EC and VEC, respectively.

Revenue from sale of power to two major customers amounted to ₱2.0 billion representing 79% and ₱1.7 billion representing 71% of the total revenue from sale of power in 2017 and 2016, respectively.

In 2015, revenue from sale of power from a single customer amounted to ₱2.1 billion, representing 75% of the total revenue from sale of power.

Geographical business information is not required since the Group has only one geographical segment as all of its assets are located in the Philippines, and it operates or derives all of its revenue from domestic operations.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.



Other segment information included in the consolidated statements of financial position as of December 31 is as follows:

	2017		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱7,456,799,786**	**₱8,296,737,917**	**₱15,753,537,703**
Liabilities	**1,381,909,962**	**3,085,871,533**	**4,467,781,495**
Capital expenditures	**6,074,889,823**	**5,210,866,385**	**11,285,756,208**

	2016		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱6,794,003,727	₱7,767,951,103	₱14,561,954,830
Liabilities	1,395,338,266	3,139,271,371	4,534,609,637
Capital expenditures	5,398,665,461	4,628,679,732	10,027,345,193

	2015		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱6,500,617,070	₱7,189,319,981	₱13,689,937,051
Liabilities	1,634,795,271	3,117,077,207	4,751,872,478
Capital expenditures	4,865,821,799	4,072,242,774	8,938,064,573

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2017, 2016 and 2015 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2017	**₱88,763,731**	**₱17,751,965**	**₱106,515,696**
2016	89,655,679	18,594,212	108,249,891
2015	35,643,824	16,611,304	52,255,128

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Building a better working world

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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 AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Vivant Corporation
Unit 907-908 Ayala Life-FGU Center
Mindanao Avenue Corner Biliran Road
Cebu Business Park, Barangay Luz
Cebu City, Philippines 6000

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and Subsidiaries as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated March 27, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

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. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 6621343, January 9, 2018, Makati City

March 27, 2018

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2017

Items	Amount
Unappropriated Retained Earnings, Beginning	P1,031,800,271
Adjustment:	
Deferred income tax assets that reduced the amount of provision for income tax	(22,709,032)
Deferred income tax liabilities that increased the amount of provision for income tax	5,551,875
Unappropriated Retained Earnings, as Adjusted, Beginning	1,014,643,114
Net Income Based on the Face of AFS	863,557,821
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	(1,782,142)
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	21,306,182
Deferred income tax liability that increased the amount of provision for income tax	2,634,466
Net Income Actual/Realized	885,716,327
Add (Less)	
Dividend declarations during the period	(285,749,110)
Appropriations of retained earnings during the period	(1,250,000,000)
Reversals of appropriations	605,975,033
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	P970,585,364

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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

RECEIVABLES, AVAILABLE-FOR-SALE INVESTMENTS AND OTHER SHORT-TERM INVESTMENTS

DECEMBER 31, 2017

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and receivables:				
Cash and cash equivalents	–	₱4,635,082,495	₱4,635,082,495	₱72,537,322
Trade and other receivables:				
Trade receivables	–	258,173,350	258,173,350	2,772,310,432
Dividends receivable	–	104,200,000	104,200,000	–
Advances to shareholders of a joint venture	–	17,792,000	17,792,000	–
Accounts receivable	–	28,858,278	28,858,278	–
Insurance claims receivable	–	87,080,666	87,080,666	–
Advances to officers and employees	–	3,097,115	3,097,115	–
Accrued interest	–	6,736,241	6,736,241	–
Others	–	20,462,053	20,462,053	–
		526,399,703	526,399,703	2,772,310,432
Advances to associates and stockholders	–	83,736,329	83,736,329	–
Advances to other parties	–	703,950,007	703,950,007	–
Due from RFM Corporation	–	–	–	–
Restricted Cash	–	650,000	650,000	–
Security Deposits	–	3,899,653	3,899,653	–
		5,953,718,187	5,953,718,187	
Available-for-sale investments:				
Cebu Country Club, Inc.	–	3,400,000	3,400,000	–
Tower Club, Inc.	–	300,000	300,000	–
INCA Plastic Philippines	–	50,000	50,000	–
Others	–	631	631	–
	–	3,750,631	3,750,631	–
Total financial assets	–	₱5,957,468,818	₱5,957,468,818	₱2,844,847,754

See Notes 6, 7, 9, 13 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Reversals	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Calamian Islands Power Corp.	₱281,328	₱33,791,056	(₱3,735,865)	₱–	₱–	₱30,336,519	₱–	₱30,336,519
Cebu Private Power Corporation	112,263,875	160,659,795	(232,048,313)	–	–	40,875,357	–	40,875,357
Delta P, Inc.	1,060,769	160,407,992	(155,923,692)	–	–	5,545,069	–	5,545,069
Minergy Power Corporation	–	60,000,000		–	–	60,000,000	–	60,000,000
Vivant-Sta. Clara Northern Renewables Generation Corporation	888,119	11,409,044	(11,355,587)	–	–	941,576	–	941,576
Prism Energy, Inc.	1,532,400	60,994,199	(10,220,241)	–	–	52,306,358	–	52,306,358
Visayan Electric Company, Inc.	86,005,194	1,540,272,668	(1,543,795,153)	–	–	82,482,709	–	82,482,709
Global Luzon Energy Development Corporation	39,289,553	126,378,219	(89,209,287)	–	–	76,458,485	–	76,458,485
Lunar Power Core Inc.	–	708,588	–	–	–	708,588	–	708,588
Abovant Holdings, Inc.	–	299,199,875	(299,199,875)	–	–	–	–	–
Advances to officers and employees	4,959,370	–	(1,862,255)	–	–	3,097,115	–	3,097,115
	₱246,280,608	₱2,453,821,436	(₱2,347,350,268)	₱	₱	₱352,751,776	₱	₱352,751,776

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2017

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Vivant Energy Corporation	₱115,831	₱55,589,030	(₱335,592)	₱–	₱55,369,269	₱–	₱55,369,269
Vivant Corporation	–	133,670	–		133,670		133,670
Hijos de F. Escaño, Inc.	2,024	23,388	(12,991)	–	12,421	–	12,421
Vivant Geo Power Corp.	403	353	(627)		129	–	129
Vivant Isla Inc	134	129	(134)		129	–	129
Southern Grove Properties and Development Corp.	9,923,646	50,505,161	(411)	–	60,428,396	–	60,428,396
1590 Energy Corp	2,374,932	2,371,580	(2,761,026)	–	1,985,486	–	1,985,486
Vivant Renewable Energy Corporation	2,867	–	(2,867)	–	–	–	–
Vivant -Malogo Hydropower, Inc.	662,864	875,277	(754,072)	–	784,069	–	784,069
Corenergy Inc.	185,374	129,811	(288,341)	–	26,844	–	26,844
Vivant Powercore Active Inc	7,171	569	(7,171)	–	569	–	569
Vivant Enercore Integrated Inc	7,321	569	(7,321)	–	569	–	569
Vivant Integrated Generation Corporation	423,002	338,889	(214,581)	–	587,290	–	587,290
Vivant Integrated Diesel Corporation	134	129	(134)		129	–	129
Vivant Realty Ventures Corp.	–	27,887,672	–		27,887,672	–	27,887,672
Amberdust Holding Corp.	–	53,263	–		53,263	–	53,263
Southern Powercore Holding Corp.	–	55,744	–		55,744	–	55,744
	₱13,705,703	₱137,985,214	(₱4,385,268)	₱–	₱147,305,649	₱–	₱147,305,649

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2017

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Goodwill	₱42,559,451	₱–	₱–	₱–	₱–	₱42,559,451
Software cost	1,127,890	–	(841,870)	–	–	286,020
	₱43,687,341	₱–	(₱841,870)	₱–	₱–	₱42,845,471

VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2017

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱2,910,000,000	₱30,000,000	₱2,880,000,000
Unamortized debt issue cost	(14,228,065)	(4,383,054)	(9,845,011)
	2,895,771,935	25,616,946	2,870,154,989
Pension liability	31,825,980	–	31,825,980
	₱2,927,597,915	₱25,616,946	₱2,901,980,969

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2017

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
– Not applicable –	– Not applicable	

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2017

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –		– Not applicable –		

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,698	–	892,911,763	–	130,544,935

VIVANT CORPORATION

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
AS OF DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing costs			✓
	Amendments to PFRS 1: Meaning of "Effective PFRSs"			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	See footnote**Error! Bookmark not defined.**		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

[1]Not early adopted; Effective beginning on or after January 1, 2018

[2]Not early adopted; Effective beginning on or after January 1, 2019

[3]Deferred effectivity

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4 Insurance Contracts	See footnoteError! Bookmark not defined.		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments (2010 version)	See footnoteError! Bookmark not defined.		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnoteError! Bookmark not defined.		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation	See footnoteError! Bookmark not defined.		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	See footnoteError! Bookmark not defined.		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28:			✓

[1]Not early adopted; Effective beginning on or after January 1, 2018

[2]Not early adopted; Effective beginning on or after January 1, 2019

[3]Deferred effectivity

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Investment Entities - Applying the Consolidation Exception			
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term receivable and payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	See footnoteError! Bookmark not defined.		
PFRS 16	Leases	See footnoteError! Bookmark not defined.		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the requirements for comparative information	✓		
	Amendments to PAS 1: Disclosure Initiatives	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiatives	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of servicing equipment			✓

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[3]Deferred effectivity

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendment to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	See footnoteError! Bookmark not defined.		
	Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures	See footnoteError! Bookmark not defined.		
	Amendment to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	See footnoteError! Bookmark not defined.		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendment to PAS 32: Presentation - Tax effect of distribution to holders of equity instrument			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Disclosure of Information 'elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Interrelationship between PFRS 3 and PAS 40			✓
	Amendments to PAS 40: Transfers of Investment Property	See footnoteError! Bookmark not		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
		defined.		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14: Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate	See footnoteError! Bookmark not defined.		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Philippine Interpretation IFRIC 22, Foreign Currency Transactions and Advance Consideration	See footnoteError! Bookmark not defined.		
IFRIC 23	Uncertainty over Income Tax Treatments	See footnoteError! Bookmark not defined.		
SIC-7	Introduction of the Euro			✓

[1]Not early adopted; Effective beginning on or after January 1, 2018

[2]Not early adopted; Effective beginning on or after January 1, 2019

[3]Deferred effectivity

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2017 and 2016.

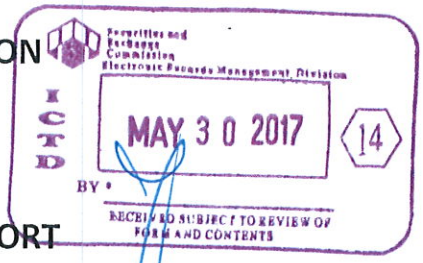
[1]Not early adopted; Effective beginning on or after January 1, 2018

[2]Not early adopted; Effective beginning on or after January 1, 2019

[3]Deferred effectivity

"EXHIBIT" 6

SECURITIES AND EXCHANGE COMMISSION



SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year: **2016**

2. Exact Name of Registrant as Specified in its Charter: **VIVANT CORPORATION**

3. **SUITE 907-908 AYALA LIFE-FGU CENTER, MINDANAO AVE. COR. BILIRAN ROAD, CEBU BUSINESS PARK, CEBU CITY**
   Address of Principal Office

   6000
   Postal Code

4. SEC Identification Number: **175222**

5. [redacted] (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number: **242-603-734-000**

7. **(032) 234-2256; (032) 234-2285**
   Issuer's Telephone number, including area code

8. **There has been no change in name or address since last report.**
   Former name or former address, if changed from the last report

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A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
Actual number of Directors for the year	11

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Dennis N. A. Garcia	NED	MRC	Jose Marko Anton G. Sarmiento	Dec. 20, 2002	June 16, 2016	Annual Stock-holders' Meeting	14 years
Emil Andre M. Garcia	ED	MRC	Jose Marko Anton G. Sarmiento	June 19, 2009	June 16, 2016	Annual Stock-holders' Meeting	7 years
Gil A. Garcia II	NED	MRC	Jose Marko Anton G. Sarmiento	Sept. 30, 2004	June 16, 2016	Annual Stock-holders' Meeting	12 years
Charles Sylvestre A. Garcia	NED	MRC	Jose Marko Anton G. Sarmiento	Sept. 30, 2004	June 16, 2016	Annual Stock-holders' Meeting	12 years
Elbert M. Zosa	NED	MRC	Jose Marko Anton G. Sarmiento	Sept. 25, 2003	June 16, 2016	Annual Stock-holders' Meeting	13 years
Ramontito E. Garcia	ED	JDC	Emil Andre M. Garcia	Dec. 20, 2002	June 16, 2016	Annual Stock-holders' Meeting	14 years
Efren P. Sarmiento	NED	JDC	Emil Andre M. Garcia	Dec. 20, 2002	June 16, 2016	Annual Stock-holders' Meeting	14 years
Jose Marko Anton G. Sarmiento	NED	JDC	Emil Andre M. Garcia	June 27, 2008	June 16, 2016	Annual Stock-holders' Meeting	8 years
Mr. Antonio S. Abacan, Jr.	NED	Mirant Global Corp.	Emil Andre M. Garcia		June 16, 2016	Annual Stock-holders' Meeting	2 years
Raul Ch. Rabe	ID	N.A.	Paolo Gabriel	Dec. 20,	June 16,	Annual	14 years

[1] SEC Memorandum Circular No. 9 Series of 2011 capped the number of years of service for an Independent Director to five (5) years from January 2, 2012.

			G. Sarmiento -no relation to the nominee	2002	2016; 14 years	Stock-holders' Meeting	
Jesus B. Garcia, Jr.	ID	N.A.	Shem Jose W. Garcia -no relation to the nominee	2004	June 16, 2016; 13 years	Annual Stock-holders' Meeting	13 years

[Note:
MRC – MAI-I Resources Corporation
JDC – JEG Development Corporation]

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Board of Directors and Management of the Company believe that corporate governance is a necessary component of what constitutes sound strategic business management and will, therefore, undertake every effort necessary to create awareness within the organization. To ensure adherence to the corporate principles and best practices in Corporate Governance, the Chairman of the Board has designated a Compliance Officer charged with the responsibility to independently review and recommend measures as well as audit the compliance of its officers and employees with respect to government legislations and regulations, company policies, procedures and ethical standards.

(c) How often does the Board review and approve the vision and mission?

The Board reviews and approves the vision and mission bi-annually.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Dennis N. A. Garcia	Vivant, VEC, VGPC, VIGC, VMHI, NR, Abovant, 1590 EC, CEDC, VREC, Vivant Isla, VIDC, HDFE, MPC, VVT Enercore, VVT Powercore.	Chairman (NED): Vivant, VEC, VGPC, VIGC, VIDC, HDFE, 1590 EC, VVT Enercore, VVT Powercore Vice-Chairman (NED): NR Director (NED): Abovant, CEDC, VREC , Vivant Isla, VMHI, MPC
Emil Andre M. Garcia	Vivant, VECO, CIPC, NR, VGPC, AHPC, VICS-Amlan, VEC, 1590 EC, VIGC, VREC, VMHI, Vivant Isla, CPPC, Delta P, HDFE, MPC, VVT Enercore, VVT Powercore.	Chairman (NED): CIPC, VICS-Amlan Director (NED): VECO, NR, VGPC, AHPC, VICS-Amlan,

[2] *The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.*

		CPPC, HDFE, Delta P, MPC, VVT Enercore, VVT Powercore Director (ED): Vivant, VEC, 1590 EC, VIGC, VREC, VMHI, Vivant Isla, NR.
Gil A. Garcia II	Vivant, VECO	Director (NED): Vivant, VECO
Charles Sylvestre A. Garcia	Vivant, VECO	Director (NED): Vivant, VECO
Ramontito E. Garcia	Vivant, VECO, Vivant Isla Inc., VREC, and 1590 EC, VIGC, CPPC, VMHI, VEC, Abovant, VICS-Amlan, HDFE, VGPC, VIGC, MPC.	Chairman (NED): VMHI, Vivant Isla, VICS-Amlan, VREC, 1590 EC, MPC. Vice-Chairman(NED): CPPC Director (NED): VMHI, VEC, Abovant, HDFE, VIGC, Vivant Isla, VGPC, 1590 EC. Director (ED): Vivant
Jose Marko Anton G. Sarmiento	Vivant, Southern Grove	Chairman: Southern Grove Director: Vivant

Legend: 1590 EC – 1590 Energy Corp.
Abovant – Abovant Holdings, Inc.
AHPC – Amlan Hydroelectric Power Corporation
CEDC – Cebu Energy Development Corporation
CIPC – Calamian Islands Power Corporation
CPPC – Cebu Private Power Corporation
Delta P – Delta P Inc.
HDFE – Hijos de F. Escaño, Inc.
MPC – Minergy Power Corporation
NR – Vivant-Sta. Clara Northern Renewables Generation Corporation
VECO – Visayan Electric Company, Inc.
Vivant – Vivant Corporation
VEC – Vivant Energy Corporation
VICS-Amlan – VICS-Amlan Holdings Corporation
Southern Grove – Southern Grove Properties and Development Corp. (formerly VC Ventures Net, Inc.)
VIDC – Vivant Integrated Diesel Corporation
VIGC – Vivant Integrated Generation Corporation
Vivant Isla – Vivant Isla, Inc.
VGPC – Vivant Geo Power Corporation
VMHI – Vivant-Malogo Hydropower Inc.
VREC – Vivant Renewable Energy Corporation (formerly, VICS-Bakun Holdings Corp.)
VVT Enercore – Vivant Enercore Integrated Inc.
VVT Powercore – Vivant Powercore Active, Inc.

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Antonio S. Abacan, Jr.	Cebu Holdings, Inc.	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Dennis N. A. Garcia	MRC	Nominee and Director of MRC
Emil Andre M. Garcia	MRC	Nominee and Director of MRC
Gil A. Garcia II	MRC	Nominee and Director of MRC
Charles Sylvestre A. Garcia	MRC	Nominee and Director of MRC
Ramontito E. Garcia	JDC	Nominee and Director of JDC
Jose Marko Anton G. Sarmiento	JDC	Nominee and Director of JDC
Efren P. Sarmiento	JDC	Nominee and Director of JDC
Elbert M. Zosa	JDC	Nominee and Director of JDC
Antonio S. Abacan, Jr.	Mirant Global Corporation	Proxy for Annual Stockholders' Meeting

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	None.	Not applicable
Non-Executive Director	None.	Not applicable
CEO	None.	Not applicable

(e) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Dennis N. A. Garcia	1	1,121,514 (EMAG Resources and Development, Inc.)	0.00

Emil Andre M. Garcia	1	0	0.00
Gil A. Garcia II	1	0	0.00
Charles Sylvestre A. Garcia	1	0	0.00
Elbert M. Zosa	626	1,121,511 (Providence Commercial Intercontinental Holdings)	0.00
Ramontito E. Garcia	1	0	0.00
Efren P. Sarmiento	1	0	0.00
Jose Marko Anton G. Sarmiento	28,501	0	0.00
Antonio S. Abacan, Jr.	1,562	0	0.00
Raul Ch. Rabe	1	0	0.00
Jesus B. Garcia, Jr.	1	0	0.00
TOTAL	**31,432**	**2,243,025**	**0.00**

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X] No [ ]

Identify the Chairman and the CEO:

Chairman of the Board	Dennis N. A. Garcia
CEO/President	Ramontito E. Garcia

(b) Roles, Accountabilities and Deliverables

	Chairman	Chief Executive Officer
Role	Ensure that Board meetings are held in accordance with by-laws; supervise preparation of Board meeting agenda; maintain qualitative and timely lines of communication and information between Board and Management	Oversee company operations vis-à-vis the policies and guidelines from the Board. Exercise oversight responsibility over the investor relations program.
Accountabilities		Accountable to the Board on the results of operations.
Deliverables		

3) Explain how the board of directors' plan for the succession of the CEO/Managing Director/President and the top key management positions?

Management is in the process of formulating succession plans for the key management positions.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The company does not have a written and express policy of requiring that directors must come from diverse experience and background, but it encourages nominees who have experience in other industries other than the electric power industry.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

While the company does not have a written and express policy which requires experience in the electric power industry in which the company has committed substantial investments, some of its non-executive directors do have substantial experience in the industry.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The company adopts the existing definition of "independence" under the Securities Regulation Code.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The company adopts the term limit for independent directors under SEC Memorandum Circular No. 9 Series of 2011, as amended by SEC Advisory dated March 31, 2016.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	Not applicable	Not applicable	Not applicable

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors	A list of nominees from the stockholders is submitted to the Nomination Committee which shall conduct pre-qualification screening process. Qualified nominees are then presented to the stockholders through the Information Statement for casting of votes during the annual stockholders' meeting.	The following are the minimum criteria for selection: (a) college education or equivalent academic degree (b) practical understanding of the business of the corporation (c) membership in good standing in relevant industry, business or professional organizations (d) previous business experience.

(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	The same as executive directors
b. Re-appointment		
(i) Executive Directors	A list of nominees is submitted by stockholders to the Nomination Committee which conducts pre-qualification screening process. Qualified nominees are then presented to the stockholders through the Information Statement for casting of votes during the annual stockholders' meeting. Directors who failed to attend at least 50% of all board meetings shall not be eligible for re-election.	The following are the minimum criteria for re-appointment: (a) college education or equivalent academic degree (b) practical understanding of the business of the corporation I membership in good standing in relevant industry, business or professional organizations (d) previous business experience.
(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	The same as executive directors
c. Permanent Disqualification		
(i) Executive Directors	Each director is required to voluntarily disclose pending, threatened, or resolved litigation with him as a party-defendant. If the litigation falls under any of the criteria, the director will be permanently removed from the board.	Any one of the following criteria will warrant permanent disqualification: (a) final conviction of crime under the Securities Regulation Code (b) final conviction of a crime involving moral turpitude (c) for an independent director, if he becomes an employee of the company (d) insolvency declared by court (e) final conviction of an offense punishable by imprisonment of more than 6 years (f) final conviction for a violation of the Corporation Code within 5 years prior to the date of his election (g) unjustified failure or refusal of a temporarily disqualified director to remedy or correct a ground for temporarily disqualification with 60 business days from the existence of the cause

(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	The same as executive directors
d. Temporary Disqualification		
(i) Executive Directors	If as a result of the records of the company of the attendance falling below 50% during all board meetings during his incumbency, the Nomination Committee shall not consider such director for re-election. Each director is required to voluntarily disclose pending, threatened, or resolved litigation with him as party defendant. If the litigation falls under any of the criteria, the director will be temporarily disqualified for re-election.	Any one of the following criteria will warrant disqualification: (a) refusal to comply with disclosure requirements, for as long as the refusal persists (b) absence for more than 50% of all regular and special meetings of the board, unless due to illness, death in the immediate family or serious accident, and the disqualification applies for purposes of the succeeding election (c) dismissal/termination for cause as a director, until cleared from any involvement in the cause that gave rise to the dismissal/termination (d) if any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final
(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	If the beneficial equity ownership of an independent director in the company, is subsidiaries and affiliates exceeds 2% of its subscribed capital stock, until the limit is later complied with
e. Removal		
(i) Executive Directors	Each director is required to voluntarily disclose pending, threatened, or resolved litigation with him as party-defendant. In addition, the Board will deliberate on any complaint against any director for violation of his oath of office. The Board then deliberates on the removal.	Any of the following may warrant removal: (a) conflict-of-interest transactions entered into by a director (b) existence of a pending or decided litigation which may be adversely decided against the director, and which litigation involves moral turpitude (c) existence of any ground for permanent disqualification
(ii) Non-Executive Directors	The same as executive directors	The same as executive directors

(iii) Independent Directors	The same as executive directors	The same as executive directors
f. Re-instatement		
(i) Executive Directors	Once the criteria constituting a ground for removal is eliminated, the process for selection/appointment is adopted as soon as the Nomination Committee is informed thereof.	Elimination or curing of the ground for removal from office.
(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	The same as executive directors
g. Suspension		
(i) Executive Directors	If as a result of the records of the company of the attendance falling below 50% during all board meetings during his incumbency, the Nomination Committee shall not consider such director for re-election. Each director is required to voluntarily disclose pending, threatened, or resolved litigation with him as party defendant. If the litigation falls under any of the criteria, the director will be temporarily disqualified for re-election.	Any one of the following criteria will warrant disqualification: (a) refusal to comply with disclosure requirements, for as long as the refusal persists (b) absence for more than 50% of all regular and special meetings of the board, unless due to illness, death in the immediate family or serious accident, and the disqualification applies for purposes of the succeeding election (c) dismissal/termination for cause as a director, until cleared from any involvement in the cause that gave rise to the dismissal/termination (d) if any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final
(ii) Non-Executive Directors	The same as executive directors	The same as executive directors
(iii) Independent Directors	The same as executive directors	The same as executive directors

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Dennis N. A. Garcia	856,350,519
Emil Andre M. Garcia	856,350,519
Gil A. Garcia II	856,350,519
Charles Sylvestre A. Garcia	856,350,519
Elbert M. Zosa	856,350,519
Ramontito E. Garcia	685,696,506
Efren P. Sarmiento	685,696,506
Jose Marko Anton G. Sarmiento	685,696,506
Antonio S. Abacan, Jr.	685,696,506
Raul Ch. Rabe	856,350,519
Jesus B. Garcia, Jr.	685,350,519

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

No change

State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years:

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Dennis N. A. Garcia, Ramontito E. Garcia, Gil A. Garcia II, Charles Sylvestre A. Garcia, Efren P. Sarmiento, Elbert M. Zosa, Emil Andre M. Garcia, Jose Marko Anton G. Sarmiento, Jesus B. Garcia, Jr., Raul Ch. Rabe, Arlo A. G. Sarmiento, Minuel Carmela N. Franco,Juan Eugenio L. Roxas[4], Macario C. Padullo, Jr., Maria Victoria E. Sembrano, Jess Anthony N. Garcia.	August 9, 2014 August 15, 2015 November 11, 2016	Corporate Governance Seminar Corporate Governance Seminar Corporate Governance Seminar	SGV & Co. SGV & Co. Institute of Corporate Directors
Mr. Antonio S. Abacan, Jr.			
Theo C. Sunico	August 26, 2014 December 8, 2015	Corporate Governance Seminar Corporate Governance Seminar	Philippine Securities Consultancy Corporation SGV & Co.

[3] Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

[4] Mr. Roxas resigned effective May 1, 2016.

	November 11, 2016	Corporate Governance Seminar	Institute of Corporate Directors
Dennis N. A. Garcia, Ramontito E. Garcia, Gil A. Garcia II, Charles Sylvestre A. Garcia, Efren P. Sarmiento, Elbert M. Zosa, Emil Andre M. Garcia, Jose Marko Anton G. Sarmiento, Johannes Rudolf Hauri[5], Jesus B. Garcia, Jr., Raul Ch. Rabe, Arlo A. G. Sarmiento, Minuel Carmela N. Franco, Juan Eugenio L. Roxas[6], Macario C. Padullo, Jr., Maria Victoria E. Sembrano, Jess Anthony N. Garcia.	August 9, 2014	Enterprise Risk Management	SGV & Co.

Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Arlo A. G. Sarmiento	3 Day Masterclass: Global LNG	November 16-18, 2016	Terrapinn Training
Emil Andre M. Garcia	Shell Powering Progress together Asia 2016 Conference	March 03, 2016	Shell
Minuel Carmela N. Franco	First Metro Annual Economic & Capital Markets Briefing	January 07, 2016	First Metro Investment Corp.
	Business World Economic Forum	July 12, 2016	BusinessWorld
	8th Corporate Treasury & CFO Summit	August 16, 2016	Haymarket Financial Media
	Philippine Investment Forum	September 6, 2016	Euromoney
	Euromoney Philippines Energy and Infrastructure Finance	September 7, 2016	Euromoney

[5] Mr. Hauri resigned on September 18, 2015. On September 21, 2015, Mr. Antonio S. Abacan was elected.
[6] Mr. Roxas resigned effective May 1, 2016.

	Forum SBC's Economic Forum	 November 23, 2016	 SBC
Macario C. Padullo, Jr.	Mandatory Continuing Legal Education (MCLE) Reliability Engineering Introduction to Power Structures	March 29,31,April 1 August 15-19, 2016 September 26-30, 2016	Lyceum of the Phils. Univ Power Edge Asia Power Edge Asia
Maria Victoria E. Sembrano	Introduction to Power Systems The Professional Accountant Cases & Applications Transfer Pricing & Tax Updates A Comprehensive Discussion of withholding taxes PICPA Board of Accountancy Updates Taxation of Wages and Fringe Benefits Code of Ethics and the Professional Accountant	January 25-29, 2016 July 5, 2016 July 28, 2016 August 31, 2016 August 27, 2016 August 31, 2016 September 12, 2016	Power Edge Asia PICPA PICPA SGV PICPA SGV PICPA
Grant Clark	Project Finance and Economics in the Energy Sector	April 12-15, 2016	Meralco Power Academy
Theo C. Sunico	WESM Lectures Series on Derivatives Philippine Electric Summit 2016	May 18, 2016 December 2, 2016	PEMC/WESM PEMC
Cris C. Fernandez	EPC Contracts Masterclass 3M Power Cable Jointing and Termination IIEE Selection and Application Protective Relaying	May 5-7, 2016 July 28, 2016 August 19-20, 2016 September 7-9, 2016	 3M Phils Inc IIEE - Cebu Chapter

Continuing education programs for all employees: programs and seminars and roundtables attended during the year.

Program	Name of Training Institution	Date of Training
Advance Knowledge in Financial and Credit Analysis	Ateneo CCE	March 14-18, 2016
2016 Asian Power Utility Forum	Asian Power	March 08, 2016
Strategic Systems thinking: Creating Competitive Advantage	Ateneo CCE	April 25-26, 2016
Knowledge in Money Market	Ateneo CCE	April 11-15, 2016
Mandatory Continuing Legal Education (MCLE)	Lyceum of the Philippines University	March 29-31 and April 01, 2017
Project Finance and Economics in the Energy Sector	Meralco Power Academy	April 12-15, 2016
Legal Aspects in Procurement and Contract Management	Ateneo CCE	April 11-12, 2016
Digital Communication and Branding	IABC	April 26, 2016
Expenditures taxation: Tax Compliance	SGV	May 27, 2016
3rd Power and Electricity World Philippines	Terrapin	May 18-19, 2016
2016 Workforce Health and Wellbeing Forum: Policy Making Skills	Towers Watson and Willis	June 29, 2016
Auditing the Procurement-to-pay Process	Institute of Internal Auditors	June 16-17, 2016
Corporate Innovation and Growth	HKUST	June 28-29, 2016
Better Business Efficiencies using MS Excel Advanced	ECCI	July 21-22, 2016
Delivering Dynamic Presentations	ADMU-CCE	August 10-12, 2016
Reliability Engineering	Power Edge Asia	August 15-19, 2016
Techniques in Understanding and Reading Financial Statements	PICPA WMMC	August 26, 2016
Effective Strategic Planning for Business Unit	PICPA	September 08, 2016
Comprehensive Corporate Income Taxation and VAT Taxation	PICPA WMMC	September 09, 2016
Leading Strategic Execution	Ateneo CCE	September 08-09, 2016
Communication Assertiveness	Guthrie Jensen	August 12-13, 2016
3 Day Masterclass: Global LNG	Terrapinn Training	November 16-18, 2016

Introduction to Power Systems	Power Edge Asia	January 25-29, 2016
Retail Competition and Open Access (RCOA) Training	WESM	November 08-09, 2016
EPC Contracts Masterclass	YF Asia Pte Ltd	May 05-07, 2016
1st Philippine Clean Energy Summit	Pinnacle Group International	October 13, 2016
IIEE Selection and Application	IIEE - Cebu Chapter	August 19-20, 2016
3M Power Cable Jointing and Termination	3M Phils Inc	July 28, 2016
Philippine Electric Summit 2016	PEMC	December 02, 2016

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Vivant will engage the services of an independent consultancy group to assist in developing codes of conduct to guide its employees when making decisions in the conduct of business. The company aims to define ethical principles and its role in the business environment, identify ethical issues that may arise relative to the businesses of the company, and to determine the steps the company can take in improving ethical behavior within the organization.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest			
(b) Conduct of Business and Fair Dealings			
(c) Receipt of gifts from third parties			
(d) Compliance with Laws & Regulations			
(e) Respect for Trade Secrets/Use of Non-public Information			
(f) Use of Company Funds, Assets and Information			
(g) Employment & Labor Laws & Policies			
(h) Disciplinary action			
(i) Whistle Blower			
(j) Conflict Resolution			

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

No change

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

No change

4) Related Party Transactions

(a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Related Party Transactions	Policies and Procedures
(1) Parent Company	None
(2) Joint Ventures	None
(3) Subsidiaries	None
(4) Entities Under Common Control	None
(5) Substantial Stockholders	None
(6) Officers including spouse/children/siblings/parents	None
(7) Directors including spouse/children/siblings/parents	None
(8) Interlocking director relationship of Board of Directors	None

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None
Name of Officer/s	None
Name of Significant Shareholders	None

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	None
Group	None

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[7] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
MRC	Consultancy	MRC has a consultancy contract with the company
JDC	Consultancy	JDC has a consultancy contract with the company

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
MRC	Consultancy	MRC has a consultancy contract with the company
JDC	Consultancy	JDC has a consultancy contract with the company

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None	Not applicable	Not applicable

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	None
Corporation & Third Parties	None
Corporation & Regulatory Authorities	None

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

The company schedules its meetings at the beginning of the year.

[7] Family relationship up to the fourth civil degree either by consanguinity or affinity.

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Dennis N. A. Garcia	June 16, 2016	13	13	100%
Member	Emil Andre M. Garcia	June 16, 2016	13	12	100%
Member	Gil A. Garcia II	June 16, 2016	13	13	100%
Member	Charles Sylvestre A. Garcia	June 16, 2016	13	13	100%
Member	Elbert M. Zosa	June 16, 2016	13	13	80%
Member	Ramontito E. Garcia	June 16, 2016	13	12	92%
Member	Efren P. Sarmiento	June 16, 2016	13	13	100%
Member	Jose Marko Anton G. Sarmiento	June 16, 2016	13	12	92%
Member	Antonio S. Abacan, Jr.	June 16, 2016	13	11	85%
Independent	Raul Ch. Rabe	June 16, 2016	13	11	85%
Independent	Jesus B. Garcia, Jr.	June 16, 2016	13	8	62%

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No separate meetings were held by non-executive directors without any executive present for the year.

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. The By-Laws of the company provide that a majority of the directors present and constituting a quorum can decide on any matter brought before the board.

5) Access to Information

(a) How many days in advance are board papers[8] for board of directors meetings provided to the board?

.The Office of the Corporate Secretary sends out board materials at least five (5) days before a scheduled meeting

(b) Do board members have independent access to Management and the Corporate Secretary?

Board members have independent access to Management and the Corporate Secretary.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc.?

The corporate secretary is required to be loyal to the mission, vision and objectives of the company, must work fairly and objectively with the Board, Management and stockholders. His role includes informing the board members accurate information, including applicable laws to enable them to arrive at intelligent decisions on matters that require their approval.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes.

[8] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [ ] No [X]

Committee	Details of the procedures
Executive	None
Audit	None
Nomination	None
Remuneration	None
Others (specify)	None

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Committee	Details of the procedures
Executive	None
Audit	None
Nomination	None
Remuneration	None
Others (specify)	None

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

Existing Policies	Changes	Reason
Not applicable	Not applicable	Not applicable

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	None	
(2) Variable remuneration	None	
(3) Per diem allowance	None	
(4) Bonus	None	
(5) Stock Options and other financial instruments	None	
(6) Others (specify)	None	

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	None	None	None
Non-Executive Directors	None	None	None

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Not applicable	None

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	Php 9.6 mn	None	None
(b) Variable Remuneration	None	None	None
(c) Per diem Allowance	Php 0.2 mn	Php 0.7 mn	Php 0.2 mn
(d) Bonuses	Php 4.0 mn	Php 1.4 mn	Php 0.7 mn
(e) Stock Options and/or other financial instruments	None	None	None
(f) Others (Specify)	None	None	None
Total	Php 13.8 mn	Php 2.1 mn	Php 0.9 mn

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	None	Php 0.04 mn	None
2) Credit granted	None	None	None
3) Pension Plan/s Contributions	None	None	None
(d) Pension Plans, Obligations incurred	None	None	None
(e) Life Insurance Premium	Php 0.5 mn	Php 0.2 mn	None
(f) Hospitalization Plan	Php 0.2 mn	Php 0.2 mn	None

(g) Car Plan	Php 2.4 mn	None	None
(h) Others – Cellphone and Gas Allowance	Php 0.1 mn	Php 0.1 mn	None
Total	Php 3.2 mn	Php 0.5 mn	None

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
None	Not applicable	Not applicable	Not applicable	Not applicable

(b) Amendments of Incentive Programs

Incentive Program	Amendments	Date of Stockholders' Approval
None	Not applicable	Not applicable

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

5) Remuneration of Management

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Arlo Angelo G. Sarmiento – EVP and Chief Operating Officer	Php 29,668,653.00
Minuel Carmela N. Franco – VP Finance	
Juan Eugenio L. Roxas – VP External Affairs[9]	
Jess Anthony N. Garcia – General Counsel and Corporate Secretary	
Maria Victoria E. Sembrano – AVP Finance	

[9] Mr. Roxas resigned effective May 1, 2016.

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	3	4	0	[We do not have a charter, but only general statements in the MCG]	Exercise the powers of the board when the board is not in session, except for decisions on matters that specifically reserved for the board under law.	Decide on matters in between regular/special meetings of the board. Submit as an item in the board meeting agenda matters brought to it for decision which, for whatever reason, it cannot decide on.	Exercise the power of the board when the board is not in session, including passing resolutions.
Audit	2	1	1	[We do not have a charter, but only general statements in the MCG	[Please see Schedule 1]	1. Assist the board in its oversight functions financial reporting process, system of internal control, audit process, and monitoring of compliance with laws, and over internal and external auditors 2. organize, monitor and evaluate internal audit department, and evaluate performance of external audit	Create an internal audit division. Recommend an external auditor and evaluate the performance of the current external auditor.

						3. review quarterly and annual reports prior to submission to the board	
Nomination	2	1	1	[We do not have a charter, but only general statements in the MCG	1. Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval 2. assess the effectiveness of the Board's processes and Procedures in the election or replacement of director	Screen nominees for the board and executive positions.	Receive and screen nominees to the board and executive positions.
Remuneration	2	1	1		Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the company's culture, strategy and the business environment in which it operates.	Ensure a fair and reasonable policy on compensation vis-à-vis the culture, strategy and prevailing industry practice.	Examine, evaluate, and if necessary, recommend changes in compensation policy
Finance	0	2	1	[We do not have a charter, but only general statements in the MCG	1. Review the financial performance of the company, its subsidiaries, associates and joint ventures; 2. Review the funding and capital		

					requirements of the company; 3. Review banking relationships		

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Dennis N. A. Garcia	June 16, 2016	3	3		14 years
Member (NED)	Ramontito E. Garcia	June 16, 2016	3	3		14 years
Member (NED)	Efren P. Sarmiento	June 16, 2016	3	1		14 years
Member (NED)	Gil A. Garcia II	June 16, 2016	3	3		12 years
Member (NED)	Charles Sylvestre A. Garcia	June 16, 2016	3	3		12 years
Member (ED)	Emil Andre M. Garcia	June 16, 2016	3	3		7 years
Member (NED)	Jose Marko Anton G. Sarmiento	June 16, 2016	3	3		8 years

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jesus B. Garcia, Jr.	June 16, 2016	2	2		11 years
Member (ED)	Ramontito E. Garcia	June 16, 2016	2	2		11 years
Member (NED)	Elbert M. Zosa	June 16, 2016	2	2		11 years
Member (NED)	Gil A. Garcia II	June 16, 2016	2	2		11 years

Disclose the profile or qualifications of the Audit Committee members.

1) Chairman of the Audit Committee: Jesus B. Garcia, Jr., 71 years old, Filipino, has been the Independent Director and concurrently, has been the Chairman of the Audit Committee of the Company since 2004. Mr. Garcia was the Secretary of the Department of Transportation and Communications of the Republic of the Philippines for the period 1992 to 1996. Other positions currently held are as follows: Chairman - SunStar Publishing, Inc., Pan Arts Corporation, SunStar Management, Inc.; President, Jesever Realty Corporation, and Madre Realty Corporation.

2) Member of the Audit Committee: Ramontito E. Garcia, 60 years old, Filipino, has been the President of the Company since December 20, 2002. Mr. Garcia is also a Director and Member of the Executive Committee of the Company since 2003. Other positions currently held are as follows: Chairman – Vivant – Malogo Hydropower Inc., Vivant Isla Inc., VICS-Bakun Holdings Corporation and Minergy Power Corporation; Vice Chairman – Cebu Private Power Corporation; Chairman and President - JEG Development Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Director – VECO, Vivant Integrated Generation Corporation, Vivant Energy Corporation, Vivant Isla Inc., Vivant Geo Power, Abovant Holdings, Inc., 1590 Energy Corporation and JEGVEG Realty, Inc.

3) Member of the Audit Committee: Elbert M. Zosa, 69 years old, Filipino, has been a Director of the Company since September 25, 2003. Mr. Zosa is also the Chairman of the Finance Committee of the

Company. He is Chairman of Providence CI Holdings and a Senior Consultant. Mr. Zosa's past professional experience includes the following: Executive Vice-President - Rizal Commercial Banking Corporation; Senior Vice President/Head of Strategic Planning, Corporate Communications, Economics, and Investor Relations; International Banking at PCI Bank; Managing Director (ex-officio) – PCI Capital Corporation; Head of Branches- Customer Services – Manila Electric Company; adjunct professor at the De La Salle Graduate School of Business. He obtained his MBA from the Wharton School, University of Pennsylvania.

4) Member of the Audit Committee: Gil A. Garcia II, 64 years old, Filipino, has been a Director of the Company since September 30, 2004. Mr. Garcia was the Treasurer of the Company from 2004 to 2014. Other positions presently held include: Treasurer-VECO and Director, Chief Finance Officer and Treasurer of MAI-I Resources Corporation.

Describe the Audit Committee's responsibility relative to the external auditor.

The Audit Committee ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all, records, properties and personnel to, enable them to perform their respective audit functions. Prior to the commencement of the audit, it shall discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts. It reviews the reports submitted by the external auditors. Finally, it evaluates and determines the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the corporation's overall consultancy expenses.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ID)	Jesus B. Garcia, Jr.	June 16, 2016	1	1	100	10 years
Member (ED)	Ramontito E. Garcia	June 16, 2016	1	1	100	13 years
Member (ED)	Dennis N. A. Garcia	June 16, 2016	1	1	100	12 years
Member (ex officio)	Arlo A. G. Sarmiento	June 16, 2016	1	1	100	13 years

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (ED)	Dennis N. A. Garcia	June 16, 2016	1	1	100	11 years
Member (ED)	Ramontito E. Garcia	June 16, 2016	1	1	100	12 years
Member (ID)	Jesus B. Garcia, Jr.	June 16, 2016	1	1	100	9 years
Member (ex officio)	Arlo A. G. Sarmiento	June 16, 2016	1	1	100	12 years

(e) Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman (NED)	Elbert M. Zosa	June 16, 2016	4	4		10 years
Member (NED)	Efren P. Sarmiento	June 16, 2016	4	3		10 years
Member (ID)	Jesus B. Garcia, Jr.	June 16, 2016	4	1		10 years
Member (NED)	Dennis N. A. Garcia	June 16, 2016	4	4		
Member (ex officio)	Arlo A. G. Sarmiento	June 16, 2016	4	3		
Member (ex officio)	Minuel Carmela N.Franco	June 16, 2016	4	4		

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	None	Not applicable
Audit	None	Not applicable
Nomination	None	Not applicable
Remuneration	None	Not applicable
Others (specify)	None	Not applicable

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

Name of Committee	Work Done	Issues Addressed
Executive	Regular receipt and discussion of financial and operations reports; 2015 budget discussion and review; discussion on existing and proposed new or expansion projects	Strategic investment decisions consistent with the policy set by the Board.
Audit	Recommended for the approval of: the 2015 Audited Financial Statements, first quarter 2016 financial statements, second quarter 2016 financial statements, third quarter 2016 financial statements, 2016 audit plans, the Internal Audit Charter, and the selection and appointment of the external auditor for 2016	Compliance with financial and regulatory reportorial requirements
Nomination	Shortlisting of candidates for Board and Independent Directors for 2015-2016	Compliance with requirements of relevant SEC Memorandum Circulars on qualifications and elections.
Remuneration	Deliberated on the proposed Salary and Benefits Adjustments for employees.	Ensure that the salary and benefits package for all employees are consistent with performance reviews and industry standards.
Others (specify)	Not applicable	Not applicable

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	Succession Program; Performance Appraisal Policy; Whistleblower Policy	
Audit	Enterprise Risk Management Program	To establish risk management system
Nomination		
Remuneration		
Others (specify)	Corporate Social Responsibility (CSR) Program	To establish stakeholder programs

1. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;
(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
(c) Period covered by the review;
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
(e) Where no review was conducted during the year, an explanation why not.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
None	None	None

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
None	None	None

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
None

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
None	None	None

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
None	None	None

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
None	None	None

2. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company.

Actions taken by Management, Board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

Yes. The directors, through the audit committee, reviewed and discussed the evaluation of internal controls and governance processes of the Company and its subsidiaries.

(c) Period covered by the review;

The review is performed annually.

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system;

Internal controls are reviewed annually and are assessed whether such are sufficiently designed to meet organizational goals and whether such are operating effectively to ensure assets are safeguarded, resources are efficiently used, policies, laws and regulations are complied with, and financial & non-financial information are reliable.

(e) Where no review was conducted during the year, an explanation why not.

Not Applicable.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

The company's internal audit group is set up to ensure that internal control systems are effective and adequate with the objective of: 1) safeguarding its assets and resources as well as ensure efficient utilization thereof; 2) ensuring efficient and orderly conduct of business; 3) preventing and detecting fraud and pilferage; 4) assuring accuracy and freedom from errors of financial and operating reports as these are the basis of management decisions; and 5) ensuring adherence to company policies.

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?

The Audit Committee has oversight function over the company's internal audit group. Its approval is required for the appointment/removal of the Chief Audit Executive.

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel?

The internal audit group reports to the Audit Committee and has direct access to the board of directors through the Office of the Chairman.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

None.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress against plans	On-track based on Audit Plan.
Significant issues	All audit issues are monitored in the Audit Review Memorandum (ARM). ARM contains actions plans and corresponding timeline for each issue
Significant findings	ARM contain all findings of all audit examinations based on the audit plan.
Examinations Trends	Financial Review, Compliance Review, Operation and Process-based review. (Governance, Risk Management, Control)

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies and Procedures	Implementation
Operation Policies & Procedures of Business Units	Business units have their respective operating policies and procedures manual. The updating is done regularly and some as a result of the audit findings.

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

AUDITORS	FINANCIAL ANALYST	INVESTMENT BANKS	RATING AGENCIES
1. INTERNAL AUDIT GROUP (IAG) reports functionally to the Audit Committee and administratively to the Chairman & EVP-COO of the Company. 2. The Board appoints and re-appoints the independent auditors of the Company.	Information provided is limited to information publicly available.	Information provided is limited to information publicly available.	Information provided is limited to information publicly available.

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

The Compliance Officer and the President attest to the compliance of the company with its Code of Corporate Governance on an annual basis, which attestation is submitted to the SEC and the PSE.

3. ROLE OF STAKEHOLDERS

a. Disclose the company's policy and activities relative to the following:

The company is currently developing its corporate social responsibility policy, which will include stakeholder mapping. Once these are firmly in place, the following can be addressed in detail.

	Policy	Activities
Customers' welfare	**None**	**Not applicable**
Supplier/contractor selection practice	**Selection of the most qualified contractor and supplier at the most economical cost, for major contracts and equipment.**	**Implementing a competitive selection process for major contracts and equipment**
Environmentally friendly value-chain	**None**	**Not applicable**
Community interaction	**None**	**Not applicable**
Anti-corruption programmes and procedures?	**None**	**Not applicable**
Safeguarding creditors' rights	**None**	**Not applicable**

b. Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?

None.

c. Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

The Company has the following policies in place for its employees' safety, health, and welfare:

1. **Gym and Club Policy**
2. **Drug-free Workplace Policy**
3. **Workplace Policy and Program on Tuberculosis (TB) Prevention and Control**
4. **Policy on Non-discrimination, Confidentiality and Work Accommodation/Arrangements for Employees Living with Hepa B, HIV and/or AIDS**
5. **Policy on Maternity Subsidy (to supplement the SSS Maternity Benefit)**

The Company also provides HMO coverage for employees and dependents, life and accident insurance, and onsite quarterly health talks.

(b) Show data relating to health, safety and welfare of its employees.

ACTIVITY	DATE	PARTICIPANTS	CONDUCTED BY
Fire Drill	March	All Employees	Bldg Administrator
Earthquake Drill	November	All Employees	Bldg Administrator
Annual Physical Examinations	Variable	Sr. Managers Down	Maxicare
Health Maintenance Plan	Variable	All Employees	Maxicare
Weekly Basketball	Once a week	All Male Employees	In House
Weekly Zumba Classes	Once a week	All Female Employees	FGU Bldg.

(c) State the company's training and development programmes for its employees. Show the data.

Program	Name of Training Institution	Date of Training
Advance Knowledge in Financial and Credit Analysis	Ateneo CCE	March 14-18, 2016
2016 Asian Power Utility Forum	Asian Power	March 08, 2016
Strategic Systems thinking: Creating Competitive Advantage	Ateneo CCE	April 25-26, 2016
Knowledge in Money Market	Ateneo CCE	April 11-15, 2016
Mandatory Continuing Legal Education (MCLE)	Lyceum of the Philippines University	March 29-31, April 01, 2016
Project Finance and Economics in the Energy Sector	Meralco Power Academy	April 12-15, 2016
Legal Aspects in Procurement and Contract Management	Ateneo CCE	April 11-12, 2016
Digital Communication and Branding	IABC	April 26, 2016
Expenditures taxation: Tax Compliance	SGV	May 27, 2016
3rd Power and Electricity World Philippines	Terrapin	May 18-19, 2016
2016 Workforce Health and Wellbeing Forum: Policy Making Skills	Towers Watson and Willis	June 29, 2016
Auditing the Procurement-to-pay Process	Institute of Internal Auditors	June 16-17, 2016
Corporate Innovation and Growth	HKUST	June 28-29, 2016
Better Business Efficiencies using MS Excel Advanced	ECCI	July 21-22, 2016
Delivering Dynamic Presentations	ADMU-CCE	August 10-12, 2016
Reliability Engineering	Power Edge Asia	August 15-19, 2016
Techniques in Understanding and Reading Financial Statements	PICPA WMMC	August 26, 2016
Effective Strategic Planning for Business Unit	PICPA	September 08, 2016
Comprehensive Corporate Income Taxation and VAT Taxation	PICPA WMMC	September 09, 2016
Leading Strategic Execution	Ateneo CCE	September 08-09, 2016
Communication Assertiveness	Guthrie Jensen	August 12-13, 2016
3 Day Masterclass: Global LNG	Terrapinn Training	November 16-18, 2016
Introduction to Power Systems	Power Edge Asia	January 25-29, 2016

Retail Competition and Open Access (RCOA) Training	WESM	November 08-09, 2016
EPC Contracts Masterclass	YF Asia Pte Ltd	May 05-07, 2016
1st Philippine Clean Energy Summit	Pinnacle Group International	October 13, 2016
IIEE Selection and Application	IIEE - Cebu Chapter	August 19-20, 2016
3M Power Cable Jointing and Termination	3M Phils Inc	July 28, 2016
Philippine Electric Summit 2016	PEMC	December 02, 2016
Advance Knowledge in Financial and Credit Analysis	Ateneo CCE	March 14-18, 2016
2016 Asian Power Utility Forum	Asian Power	March 08, 2016
Strategic Systems thinking: Creating Competitive Advantage	Ateneo CCE	April 25-26, 2016
Knowledge in Money Market	Ateneo CCE	April 11-15, 2016
Mandatory Continuing Legal Education (MCLE)	Lyceum of the Philippines University	March 29-31, April 01, 2016
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Reliability Engineering	Power Edge Asia	August 15-19, 2016
Techniques in Understanding and Reading Financial Statements	PICPA WMMC	August 26, 2016
Effective Strategic Planning for Business Unit	PICPA	September 08, 2016
Comprehensive Corporate	PICPA WMMC	September 09, 2016

Income Taxation and VAT Taxation		
Leading Strategic Execution	Ateneo CCE	September 08-09, 2016
Communication Assertiveness	Guthrie Jensen	August 12-13, 2016
3 Day Masterclass: Global LNG	Terrapinn Training	November 16-18, 2016
Introduction to Power Systems	Power Edge Asia	January 25-29, 2016
Retail Competition and Open Access (RCOA) Training	WESM	November 08-09, 2016
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IIEE Selection and Application	IIEE - Cebu Chapter	August 19-20, 2016
3M Power Cable Jointing and Termination	3M Phils Inc	July 28, 2016
Philippine Electric Summit 2016	PEMC	December 02, 2016

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.

None.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

None.

4. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more*

Shareholder	Number of Shares	Percent	Beneficial Owner
MRC	464,831,568	45.42%	MRC
JDC	311,524,642	30.44%	JDC
Mirant Global Corporation	116,555,553	11.39%	Mirant Global Corporation
PCD Nominee Corporation (Filipino)	68,445,443	6.69%	

*As of May 15, 2017.

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ramontito E. Garcia	1	0	0
Arlo A. G. Sarmiento	89,600	0	0
Gil A. Garcia II	1	0	0
Emil Andre M. Garcia	1	0	0
Minuel Carmela N. Franco	0	20,300	0

Jess Anthony N. Garcia	12,200	0	0
Juan Eugenio L. Roxas	0	0	0
Maria Victoria E. Sembrano	0	0	0
Macario C. Padullo, Jr.	9,400	0	0
Grant Clark	0	0	0
Cris C. Fernandez	0	0	0
Theo C. Sunico	0	0	0
TOTAL	**110,604**	**20,300**	**0**

[Note: As of May 15, 2017]

(e) Does the Annual Report disclose the following:

Key risks	YES
Corporate objectives	YES
Financial performance indicators	YES
Non-financial performance indicators	YES
Dividend policy	NO
Details of whistle-blowing policy	NO
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	YES
Training and/or continuing education programme attended by each director/commissioner	NO
Number of board of directors/commissioners meetings held during the year	YES
Attendance details of each director/commissioner in respect of meetings held	YES
Details of remuneration of the CEO and each member of the board of directors/commissioners	YES

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

The company does not currently have a whistle-blowing policy to disclose in the Annual Report. Moreover, disclosures on training and/or continuing education programme that are attended by each director, the number of board and committee meetings for the year and the attendance details of each director or committee member are contained in the Information Statement and separate reports submitted to the SEC and the PSE.

(f) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SyCip Gorres Velayo & Co. (SGV)	Php687,868.38	Php1,254,030.16

(g) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

The company disseminates information through the following modes:

(a) The company website: www.vivant.com.ph
(b) Disclosures to the SEC and PSE, which in turn, the PSE publishes in its website www.pse.com.ph

(h) Date of release of audited financial report: **March 31, 2017**

(i) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	NO
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	NO
Company's constitution (company's by-laws, memorandum and articles of association)	NO

(j) Disclosure of RPT**

RPT	Relationship	Nature	Value (in Php)
Visayan Electric Company, Inc. (VECO)	Associate	Sale of power Management fees Service income Operating lease	78.5 mn 4.9 mn 1.9 mn 0.8 mn
Cebu Private Power Corporation (CPPC)	Associate	Management fees Service income Dividend income	12.4 mn 0.3 mn 99.6 mn
Amlan Hydroelectric Power Corporation (AHPC)	Associate	Service income Advances granted	0.2 mn 15.9 mn
Prism Energy, Inc. (PEI)	Associate	Advances granted	1.5 mn
Global Luzon Energy Development Corporation (GLEDC)	Associate	Receivable from	39.3 mn
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC)	Joint venture	Management fees Service income Advances granted Advances received	0.1 mn 0.04 mn 0.8 mn 72.0 mn
Delta P, Inc. (Delta P)	Joint venture	Service income Advances granted Note payable Sale of equipment	0.05 mn 0.8 mn 30.7 mn 0.2 mn
Calamian Islands Power Corp. (CIPC)	Joint venture	Service income Advances granted	0.02 mn 0.3 mn
Stockholders	Stockholder with no significant Influence	Advances received Advances granted	8.9 mn 0.04 mn

** Based on balances at year-end 2016

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

In reviewing RPTs for approval, the RPT is submitted to the Board for review. In resolving the RPT, the Board follows the provisions of the Corporation Code relative to "dealings of directors, trustees or officers with the corporation" under Section 32 thereof, "contracts between corporations with interlocking directors" under Section 33 thereof, and "disloyalty of a director" under Section 34 thereof.

5. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	The attendance of stockholders representing at least a majority of issued and outstanding capital stock, whether in person or by proxy.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Casting of votes by show of hands by the stockholders present or represented
Description	During the Annual/Special Stockholders' Meeting, the corporate secretary presents to the body the proposed corporate acts for casting of votes for and against the acts.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
None	None

Dividends

Declaration Date	Record Date	Payment Date
May 12, 2016	June 3, 2016	June 29, 2016

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Other than the information contained in the Information Statement which informs the stockholders of the issues to be deliberated upon during a stockholder meeting together with the contact details of the company, the company has not yet adopted a formal measure to promote a formal measure to solicit and understand the view of the stockholders and procedures for putting forward proposals at stockholders' meetings.	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution
   b. Authorization of additional shares
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company

   In the event that any of the aforementioned is to be submitted for approval by the stockholders, it is included in the Notice of Annual/Special Stockholders' Meeting and Agenda for the Meeting. In addition, details of which are included in the Information Statement, including details of exercise of the appraisal right.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

   No. The company's By-Laws provide for two (2) weeks' prior notice, which is consistent with Rule 20 of the SRC that requires notice at least 15 business days prior to meeting date.

   a. Date of sending out notices: June 5, 2016

   b. Date of the Annual/Special Stockholders' Meeting: **June 16, 2016**

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

   NONE

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
Approval and adoption of the minutes of the June 26, 2015 ASM	Unanimous	None	None
Approval of the 2015 Annual Report and Financial Statements	Unanimous	None	None
Ratification of all acts and resolutions of the board and management for the fiscal year 2015	Unanimous	None	None
Delegation to the board of the appointment of external auditor for 2016	Unanimous	None	None

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

The results were published in the SEC Form 17-C (Current Report) and disclosed to the SEC and PSE.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	Not applicable

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	1. Dennis N. A. Garcia 2. Emil Andre M. Garcia 3. Elbert M. Zosa 4. Gil A. Garcia II 5. Charles Sylvestre A. Garcia 6. Ramontito E. Garcia 7. Efren P. Sarmiento 8. Jose Marko Anton G. Sarmiento 9. Atty. Jesus B. Garcia, Jr. 10. Arlo A. G. Sarmiento 11. Maria Victoria E. Sembrano 12. Macario C. Padullo, Jr. 13. Jess Anthony N. Garcia 14. Joan Giduquio-Baron	16 June 2016	By show of hands	0.00%	75.86%	775.86%
Special	Not applicable					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

NO.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

YES. One common share equals one vote.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	A deadline for acceptance of proxies is disclosed to the SEC, PSE and in the Information Statement, together with requirements of identification.
Notary	The company does not require notarization of proxy to make it more convenient for the stockholder
Submission of Proxy	Proxies are to be submitted in person or by mail which must be received within the deadline
Several Proxies	The company has no policy governing several proxies for a single stockholder
Validity of Proxy	A proxy is valid only for a particular stockholders' meeting, and any adjournment thereof.
Proxies executed abroad	The company has no policy governing several proxies executed abroad
Invalidated Proxy	Proxies that are not received within the deadline, or proxies who attend without the proper identification are invalidated.
Validation of Proxy	The company enforces a deadline to validate proxies.
Violation of Proxy	Any violation of the proxy, including beyond deadline and no proper identification, invalidate the proxy.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
The company imposes a deadline for mailing of Notice of Meeting, Agenda for the Meeting, and Information Statement.	The company selects a reliable private courier to ensure timely arrival of Notice of Meeting, Agenda for the Meeting, and Information Statement.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,496 stockholders
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	June 5, 2016
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	June 5, 2016
State whether CD format or hard copies were distributed	Hard copies and CD.
If yes, indicate whether requesting stockholders were provided hard copies	Not applicable

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	NO
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	NO
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

At the time of mailing of the Information Statement to the stockholders, the Board has usually yet to approve any dividend declaration. Nonetheless, the Information Statement contains details on previous dividend declarations.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

Policies	Implementation
"One share, one vote" policy	Each common share is entitled to one vote during election and voting.
All shareholders are treated equally with respect to dividend rights	Dividends are declared on a per share basis

(b) Do minority stockholders have a right to nominate candidates for board of directors?

Yes, provided, that the nominees must be submitted to the Nomination Committee for pre-qualification screening.

6. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

All major company announcements are reviewed and approved by the Office of the Corporate Secretary.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	To effectively communicate relevant and material information to the company's stakeholders, particularly its shareholders. This is to enable them to make a full assessment of the company's performance and make an informed judgment on the fair value of the company's shares of stock

(2) Principles	Transparency, Fairness, Truthful
(3) Modes of Communications	SEC filings, PSE disclosures, website, Annual Shareholders' Meeting
(4) Investors Relations Officer	c/o Office of the Corporate Secretary (032) 234-2256; (032) 234-2285

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

Not applicable

7. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

The company established Vivant Foundation, Inc. in 2014. The foundation will be focusing on initiatives related to Science, Technology, Engineering and Math (STEM) involving the public school system. The company, together with the foundation and an associate company, implemented its first CSR project, which involved the construction of computer and science laboratories in two locations in Busuanga Island. The company also conducted its annual tree planting activity in Cebu.

8. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	None	None
Board Committees	None	None
Individual Directors	None	None
CEO/President	None	None

9. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
For each violation or incident of breach-	Each incident may be a ground for removal, temporary or permanent disqualification, suspension, or ineligibility for re-election for directors, while it may be a ground for sanctions under the company's code of conduct for management and employees.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Cebu on May 30, 2017.

SIGNATURES

DENNIS N. A. GARCIA
Chairman of the Board

RAMONTITO E. GARCIA
President

AMB. RAUL CH. RABE
Independent Director

ATTY. JESUS B. GARCIA, JR
Independent Director

ATTY. JOAN A. GIDUQUIO-BARON
Compliance Officer

SUBSCRIBED AND SWORN to before me this MAY 29 2017 day of May 2017, affiant(s) exhibiting to me their _____, as follows:

NAME/NO.	PASSPORT/SENIOR CITIZEN I.D. NO.	DATE OF EXPIRY	PLACE OF ISSUE
Dennis N. A. Garcia	Passport No. EC0044262	January 19, 2019	DFA Cebu
Ramontito E. Garcia	Passport No. EC5751689	October 20, 2020	DFA Cebu
Amb. Raul Ch. Rabe	Passport No. EB7852324	April 11, 2018	DFA Manila
Atty. Jesus B. Garcia, Jr.	Passport No. EC1139625	April 18, 2019	DFA Cebu
Atty. Joan Giduquio-Baron	Passport No. P0333694A	Sept. 21, 2021	DFA Cebu

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ATTY. NYERA HYSSENE O. YU
ROLL NO. 65101
NOTARY PUBLIC
CEBU CITY, PHILIPPINES

ATTY. NYERA HYSSENE O. YU
NOTARIAL COMMISSION NO. 024-17
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 65101
PTR NO. 1174596 - CEBU CITY - 01/05/17
IBP LIFETIME NO. 015200

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 4
Series of 2017

TO	:	**REGISTERED ISSUERS, PUBLIC AND MUTUAL FUND COMPANIES**
SUBJECT	:	**TERM LIMIT OF INDEPENDENT DIRECTORS**
DATE	:	09 March 2017

To promote and reinforce board independence and to be consistent with recognized regional best practice, the Commission in its *en banc* meeting on 09 March 2017 resolved to amend its rules on the term limit of independent directors as follows:

1. A company's independent director shall serve for a maximum cumulative term of nine (9) years;

2. After which, the independent director shall be perpetually barred from re-election as such in the same company, but may continue to qualify as a non-independent director;

3. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting; and

4. Reckoning of the cumulative nine-year term is from 2012.

This Memorandum Circular shall take effect immediately.

All past resolutions or circulars of the Commission that are inconsistent with this Circular shall be deemed repealed or modified accordingly.

Pasay City, Philippines, 10 March 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 5
Series of 2017

TO	:	**ALL INDEPENDENT DIRECTORS**
SUBJECT	:	**CERTIFICATE OF QUALIFICATION**
DATE	:	07 March 2017

To promote full disclosure of the qualifications of independent directors to hold said position, the Commission in its *en banc* meeting on 02 March 2017 resolved to update the pro forma Certification required from all independent directors.

The Certification shall include, among others, disclosure of any pending criminal or administrative investigation or proceedings, positions held in Government-Owned and Controlled Corporations and the required written permission or consent from the head of Department/Agency [for those in government service].

The Certification shall be submitted together with the companies' Information Statements (SEC Form 20-IS) and before the election of the independent director.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 10 March 2017.

For the Commission:

TERESITA J. HERBOSA
Chairperson

Published:
Phil. Daily Inquirer, March 16, 2017
Manila Standard, March 16, 2017

CERTIFICATION OF INDEPENDENT DIRECTOR

I, _____, Filipino, of legal age and a resident of _____, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of _____ and have been its independent director since _____ (where applicable).

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of _____, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in _____, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of _____ of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at _____.

_____
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of _____ at _____, affiant personally appeared before me and exhibited to me his/her _____ issued at _____ on _____.

Doc. No. _____;
Page No. _____;
Book No. _____;
Series of _____;

Securities and Exchange Commission
PHILIPPINES

SEC MEMORANDUM CIRCULAR NO. 2
Series of 2018

TO	:	**PUBLICLY-LISTED COMPANIES**
SUBJECT	:	**COMPLIANCE WITH SEC-PRESCRIBED WEBSITE TEMPLATE**

Pursuant to the Commission's drive to promote a better corporate governance environment for PLCs, it issued SEC Memorandum Circular No. 11, Series of 2014, prescribing a Website Template for all Publicly-Listed Companies.

In connection with this, the Commission, in its *en banc* meeting on 19 December 2017 resolved that all companies applying for registration of its securities for listing are directed to comply with the SEC-prescribed website template as one of the requirements before the Registration Statement is rendered effective.

For companies listed before the issuance of this Memorandum Circular, due date of compliance with the SEC-prescribed website template shall be six (6) months from listing date.

Failure to comply with the website template shall result in the imposition of penalty provided under SEC Memorandum Circular No. 18, Series of 2014.

This Memorandum Circular shall take effect immediately.

Pasay City, Philippines, 22 January 2018.

For the Commission:

TERESITA J. HERBOSA
Chairperson

JAN 2 2 2018