

AUDITED FINANCIAL STATEMENTS

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

vivant@vivant.com.ph

(032) 234-2256

N/A

1,423

June 20

December 31

Atty. Joan A. Giduquio-Baron

jbaron@jpgarcialaw.com

(032) 232-0253

0917-5356692

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.

By: _____



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

RAMONTITO E. GARCIA

Chairman of the Board/ Chief Executive Officer

MINUEL CARMELA N. FRANCO

Chief Financial Officer

Signed this 3rd day of April, 2020.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Vivant Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

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

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

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

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

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

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



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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ma. Genalin Q. Arevalo

Ma. Genalin Q. Arevalo

Partner

CPA Certificate No. 108517

SEC Accreditation No. 1613-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

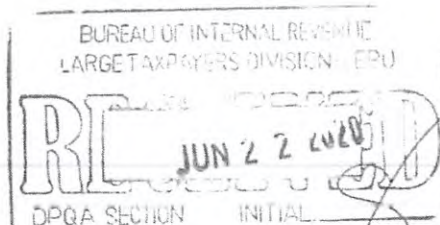
Tax Identification No. 224-024-926

BIR Accreditation No. 08-001998-123-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125207, January 7, 2020, Makati City

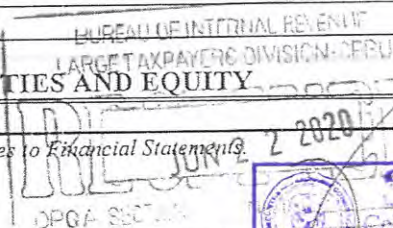
April 3, 2020



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	P2,313,237,102	P2,193,499,060
Trade and other receivables (Note 7)	71,032,941	73,703,037
Prepaid expenses and other current assets (Note 8)	15,894,158	12,794,187
Total Current Assets	2,400,164,201	2,279,996,284
Noncurrent Assets		
Investments in and advances to subsidiaries and associates (Note 9)	6,714,244,525	6,443,344,373
Property and equipment (Note 10)	99,396,994	68,481,322
Right-of-use assets (Note 21)	61,482,817	—
Deferred income tax assets - net (Note 16)	30,561,008	20,895,450
Other noncurrent assets (Note 11)	151,766,839	130,417,061
Total Noncurrent Assets	7,057,452,183	6,663,138,206
TOTAL ASSETS	P9,457,616,384	P8,943,134,490
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 13)	P25,218,850	P25,428,019
Current portion of lease liabilities (Note 21)	14,466,267	—
Trade and other current liabilities (Note 12)	40,375,742	39,836,190
Total Current Liabilities	80,060,859	65,264,209
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	2,819,508,120	2,844,726,970
Lease liabilities - net of current portion (Note 21)	49,550,916	—
Pension liability (Note 15)	44,571,235	33,071,216
Other noncurrent liabilities (Notes 14 and 15)	16,704,078	—
Total Noncurrent Liabilities	2,930,334,349	2,877,798,186
Total Liabilities	3,010,395,208	2,943,062,395
Equity		
Capital stock (Note 17)	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452
Remeasurement of employee benefits (Note 15)	(8,390,113)	5,180,809
Remeasurement of financial assets at FVOCI (Note 11)	2,842,000	1,295,000
Retained earnings (Note 17)		
Appropriated for business expansion	4,449,483,361	3,972,397,789
Unappropriated	971,489,778	989,402,347
Total Equity	6,447,221,176	6,000,072,095
TOTAL LIABILITIES AND EQUITY	P9,457,616,384	P8,943,134,490

See accompanying Notes to Financial Statements.



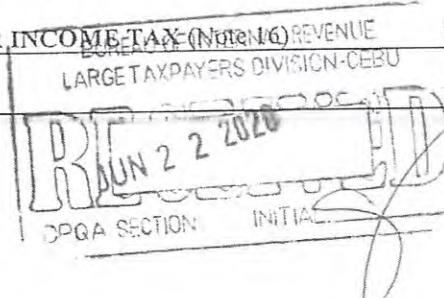
JUL 13 2020



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

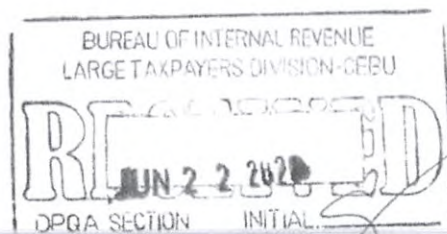
	Years Ended December 31		
	2019	2018	2017
REVENUE			
Dividend income (Note 9)	P1,026,516,503	P1,090,552,417	P1,095,190,876
Revenue from contracts with customers			
Management fees (Note 14)	129,484,747	182,373,580	206,161,967
Service income (Note 14)	8,213,522	6,551,296	11,625,819
Engineering service income	10,531,392	-	-
Interest income (Note 6)	103,527,517	72,777,976	47,323,234
	<u>1,278,273,681</u>	<u>1,352,255,269</u>	<u>1,360,301,896</u>
EXPENSES			
Salaries and employee benefits (Notes 15 and 18)	118,196,811	150,788,879	136,379,255
Professional fees (Note 14)	111,772,984	63,823,785	53,391,327
Depreciation (Notes 10 and 21)	30,918,093	17,409,401	16,279,765
Travel	24,719,648	25,103,222	25,031,124
Taxes and licenses	13,881,971	2,848,040	2,193,517
Outside services	9,373,855	6,876,797	5,666,345
Supplies	6,387,506	7,256,867	5,292,769
Communication and utilities	5,774,855	6,456,585	6,306,449
Director's per diem	4,645,072	4,864,300	6,621,650
Representation	3,889,559	8,427,372	7,027,912
Rent and association dues	3,430,502	10,444,556	12,218,764
Repairs and maintenance	2,852,244	3,158,352	2,022,237
Meetings and conferences	1,321,658	928,993	817,847
Marketing	1,173,417	6,282,187	7,174,604
Corporate social responsibility	456,222	505,637	3,280,772
Impairment loss on investment in a subsidiary (Note 9)	-	-	21,306,182
Others	7,051,117	6,489,506	5,989,651
	<u>345,846,314</u>	<u>321,664,479</u>	<u>317,000,170</u>
INCOME FROM OPERATIONS	<u>932,427,367</u>	<u>1,030,590,790</u>	<u>1,043,301,726</u>
FINANCE CHARGES			
Interest expense (Notes 13 and 21)	173,197,836	172,448,986	174,002,357
Other financing charges	31,672	1,463,913	3,798,782
	<u>173,229,508</u>	<u>173,912,899</u>	<u>177,801,139</u>
OTHER INCOME			
Gain on reversal of impairment loss (Note 9)	59,824,418	-	-
Other income	3,586,038	7,685,030	5,442,459
	<u>63,410,456</u>	<u>7,685,030</u>	<u>5,442,459</u>
INCOME BEFORE INCOME TAX	<u>822,608,315</u>	<u>864,362,921</u>	<u>870,943,046</u>
PROVISION FOR INCOME TAX (Note 16)	<u>17,302,253</u>	<u>5,205,918</u>	<u>7,385,225</u>
NET INCOME	<u>805,306,062</u>	<u>859,157,003</u>	<u>863,557,821</u>

(Forward)



	Years Ended December 31		
	2019	2018	2017
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 15)	(P19,387,030)	P6,299,480	(P4,724,334)
Income tax effect	5,816,108	(1,889,844)	1,417,300
	(13,570,922)	4,409,636	(3,307,034)
Unrealized valuation gain on financial assets at FVOCI (Note 11)	1,820,000	1,850,000	-
Income tax effect	(273,000)	(555,000)	-
	1,547,000	1,295,000	-
Other comprehensive income (loss) for the year, net of tax	(12,023,922)	5,704,636	(3,307,034)
TOTAL COMPREHENSIVE INCOME	P793,282,140	P864,861,639	860,250,787
EARNINGS PER SHARE (BASIC/DILUTED)			
(Note 17)	P0.787	P0.839	P0.844

See accompanying Notes to Financial Statements.



VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Remeasurement of Financial Assets at FVOCI (Note 11)	Retained Earnings (Note 17)		Total
					Appropriated	Unappropriated	
At January 1, 2019	P1,023,456,698	P8,339,452	P5,180,809	P1,295,000	P3,972,397,789	P989,402,347	P6,000,072,095
Net income	-	-	-	-	-	805,306,062	805,306,062
Other comprehensive income (loss)	-	-	(13,570,922)	1,547,000	-	-	(12,023,922)
Total comprehensive income (loss)	-	-	(13,570,922)	1,547,000	-	805,306,062	793,282,140
Reversal of appropriation for business expansion	-	-	-	-	(2,122,914,428)	2,122,914,428	-
Appropriation for business expansion	-	-	-	-	2,600,000,000	(2,600,000,000)	-
Cash dividends declared	-	-	-	-	-	(346,133,059)	(346,133,059)
At December 31, 2019	P1,023,456,698	P8,339,452	(P8,390,113)	P2,842,000	P4,449,483,361	P971,489,778	P6,447,221,176
At January 1, 2018	P1,023,456,698	P8,339,452	P771,173	P-	P3,422,808,228	P965,584,015	P5,420,959,566
Net income	-	-	-	-	-	859,157,003	859,157,003
Other comprehensive income	-	-	4,409,636	1,295,000	-	-	5,704,636
Total comprehensive income (loss)	-	-	4,409,636	1,295,000	-	859,157,003	864,861,639
Appropriation for business expansion	-	-	-	-	1,700,000,000	(1,700,000,000)	-
Reversal of appropriation for business expansion	-	-	-	-	(1,150,410,439)	1,150,410,439	-
Cash dividends declared	-	-	-	-	-	(285,749,110)	(285,749,110)
At December 31, 2018	P1,023,456,698	P8,339,452	P5,180,809	P1,295,000	P3,972,397,789	P989,402,347	P6,000,072,095
At January 1, 2017	P1,023,456,698	P8,339,452	P4,078,207	P-	P2,778,783,261	P1,031,800,271	P4,846,457,889
Net income	-	-	-	-	-	863,557,821	863,557,821
Other comprehensive income (loss)	-	-	(3,307,034)	-	-	-	(3,307,034)
Total comprehensive income (loss)	-	-	(3,307,034)	-	-	863,557,821	860,250,787
Appropriation for business expansion	-	-	-	-	1,250,000,000	(1,250,000,000)	-
Reversal of appropriation for business expansion	-	-	-	-	(605,975,033)	605,975,033	-
Cash dividends declared	-	-	-	-	-	(285,749,110)	(285,749,110)
At December 31, 2017	P1,023,456,698	P8,339,452	P771,173	P-	P3,422,808,228	P965,584,015	P5,420,959,566

See accompanying Notes to Financial Statements.



VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P822,608,315	P864,362,921	P870,943,046
Adjustments for:			
Dividend income (Note 9)	(1,026,516,503)	(1,090,552,417)	(1,095,190,876)
Interest expense (Notes 13 and 21)	173,197,836	172,448,986	174,002,357
Interest income (Note 6)	(103,527,517)	(72,777,976)	(47,323,234)
Gain on reversal of impairment loss (Note 9)	(59,824,418)	—	—
Depreciation (Notes 10 and 21)	30,918,893	17,409,401	16,279,765
Pension expense (Note 15)	8,817,067	7,612,647	6,316,314
Gain on disposal of property and equipment (Note 10)	(299,787)	(508,480)	(1,111,600)
Unrealized foreign exchange gain (loss)	240,260	(31,534)	(3,921)
Gain on pre-termination of ROU asset (Note 21)	(153,726)	—	—
Impairment loss on investment in a subsidiary (Note 9)	—	—	21,306,182
Operating loss before working capital changes	(154,539,580)	(102,036,452)	(54,781,967)
Decrease (increase) in:			
Trade and other receivables	17,520,367	(21,452,359)	26,363,155
Prepaid expenses and other current assets	(3,099,971)	(1,032,605)	(2,761,104)
Creditable tax withheld under other noncurrent assets	(9,497,919)	(24,661,069)	(28,242,190)
Increase (decrease) in trade and other current liabilities	1,838,592	(3,689,873)	(3,728,029)
Net cash used in operations	(147,778,511)	(152,872,358)	(63,150,135)
Interest paid	(170,272,988)	(168,328,308)	(170,077,476)
Net cash flows used in operating activities	(318,051,499)	(321,200,666)	(233,227,611)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and an associate (Note 9)	1,013,716,503	1,090,552,417	1,100,354,260
Interest received	80,052,543	58,101,038	40,516,744
Additions to:			
Investments in and advances to subsidiaries and associates (Note 9)	(211,075,734)	(1,256,688,189)	(644,642,533)
Property and equipment (Note 10)	(51,315,759)	(27,265,391)	(25,790,315)
Other noncurrent assets	(10,031,859)	159,615	(1,934,995)
Proceeds from disposal of property and equipment	299,787	1,723,819	1,111,607
Net cash flows from (used in) investing activities	821,645,481	(133,416,691)	469,614,768
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 17 and 20)	(345,784,966)	(285,273,643)	(285,388,549)
Notes payable (Notes 13 and 20)	(30,000,000)	(30,000,000)	(30,000,000)
Lease liability (Note 21)	(7,830,714)	—	—
Cash flows used in financing activities	(383,615,680)	(315,273,643)	(315,388,549)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,978,302	(769,891,000)	(79,001,392)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(240,260)	31,534	3,921
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,193,499,060	2,963,358,526	3,042,355,997
CASH AND CASH EQUIVALENTS AT END OF YEAR (see Note 6)	P2,313,237,102	P2,193,499,060	P2,963,358,526

See accompanying Notes to Financial Statements.



VIVANT CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

The Parent Company is owned by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2019, 2018 and in 2017. MRC and JDC are entities incorporated and domiciled in the Philippines.

On December 13, 2019, the SEC approved the Parent Company's application to change its registered address to 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu. The Parent Company's previous address was located at Unit 907-908 Ayala Life- FGU Center Mindanao Avenue corner Biliran Road, Cebu Business Park, Barangay Luz, Cebu City, Philippines.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2019 and 2018 are shown below:

	2019		2018	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	50.94	—	50.94	—
Southern Grove Properties and Development Corp. (SGPDC) ⁽ⁱ⁾	100.00	—	100.00	—
Vivant Realty Ventures Corporation (VRVC)	—	100.00 ^(h)	—	100.00 ^(h)
Vivant Corporate Center, Inc. (VCCI)	—	100.00 ^(h)	—	100.00 ^(h)
Vivant Infracore Holdings Inc. (VIHI)	100.00	—	100.00	—
Vivant Hydrocore Holdings Inc. (VHHI)	—	100.00 ⁽ⁱ⁾	—	—
Vivant Transcore Holdings Inc. (VTHI)	—	100.00 ⁽ⁱ⁾	—	—
Watermatic Philippines Corporation (WMP)	—	60.00 ⁽ⁱ⁾	—	—
Vivant Energy Corporation (VEC)	100.00	—	100.00	—
Vivant Integrated Generation Corporation (VIGC)	—	100.00 ^(a)	—	100.00 ^(a)
Vivant Geo Power Corp. (VGPC)	—	100.00 ^(b)	—	100.00 ^(b)
Vivant Isla, Inc. (VII)	—	100.00 ^(a)	—	100.00 ^(a)
Vivant Renewable Energy Corporation (VREC)	—	100.00 ^{(a) (d)}	—	100.00 ^{(a) (d)}
Corenergy Inc. (Core)	—	100.00 ^(a)	—	100.00 ^(a)
Vivant Integrated Diesel Corporation (VIDC)	—	100.00 ^(a)	—	100.00 ^(a)
Vivant Enercore Integrated Inc. (VEII)	—	100.00 ^(a)	—	100.00 ^(a)
Isla Norte Energy Corp. (INEC)	—	73.75 ^{(a) (c)}	—	100.00 ^(a)
Southern Powercore Holding Corp. (SPHC)	—	100.00 ^(b)	—	100.00 ^(b)
Amberdust Holding Corporation (AHC)	—	100.00 ^(b)	—	100.00 ^(b)
Vivant-Malogo Hydropower, Inc. (VMHI)	—	67.00 ^(a)	—	67.00 ^(a)
1590 Energy Corp. (1590 EC)	—	55.20 ^(a)	—	55.20 ^(a)
ET-Vivant Solar Corporation (ET Vivant)	—	100.00 ^(a)	—	100.00 ^(a)
ET Energy Island Corporation (ETEI)	—	100.00 ^{(a) (c)}	—	100.00 ^{(a) (c)}

(Forward)



	2019		2018	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Associates				
Visayan Electric Company, Inc. (VECO)	34.81	—	34.81	—
Prism Energy, Inc. (PEI)	40.00	—	40.00	—

a. Indirect ownership through VEC

b. Indirect ownership through VRIC

c. Ownership interest in ETEL is through ET Vivant

d. Changed its corporate name from Vies-Bakun Holdings Corporation (Vies-Bakun) to VRIC on October 2, 2015.

e. Changed its corporate name from Vivant Powercore Active Inc. (VPAD) to INEC on December 20, 2019.

f. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.

g. Ownership interest in GLEDC is through LPCI.

h. Indirect ownership through SGPDC

i. Indirect ownership through VMHI

j. Indirect ownership through VMHI

Subsidiaries

Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEL, VEIL, and WMP 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 and VCCI, both real estate companies.

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



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

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 Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC) (until its disposal on October 12, 2018), 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 VPAL.

VIHI

VIHI was incorporated on December 18, 2018 and its primary purpose is to engage in real estate business in all its branches and ramifications, to hold, construct, develop, manage, administer, sell, convey, encumber, purchase, acquire, rent or otherwise deal in and dispose of, for itself or for others, all kinds of real property such as lands, buildings, commercial centers, housing projects, mixed-use property, or to act as real estate broker, for itself or for others, for such fees as may be legal and proper. As of December 31, 2019, VIHI is operating as a holding company for VHHI and VTHI.

VHHI

VHHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2019, VHHI is operating as a holding company for Watermatic Philippines Corporation (WMP).

VTHI

VTHI was incorporated on May 20, 2019 and its primary purpose is to purchase, subscribe for or otherwise acquire and own, hold, use, invest in, develop, sell, assign, transfer, lease, take option to, mortgage, pledge, exchange, and in all ways deal with, personal and real property of every kind and description, including share of the capital stock of corporations, bonds, notes, evidence of indebtedness, and other securities, contracts, or obligations of any corporation, domestic or foreign, without however engaging in dealership in securities, in the stock brokerage business or in the business of an investment company, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations. As of December 31, 2019, VTHI has not yet started its operations.



WMP

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

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, 2019, 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, 2019, 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, and 6 Barracuda.

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, 2019, Core has entered into Retail Supply Contract with two customers, Lafargeholcim Aggregate, Inc. and EMS Land Services, Inc.

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, 2019, 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, 2019, VEII is still in the pre-operating stage.

INEC

INEC, formerly Vivant Powercore Active Inc. (VPAI) was incorporated on June 13, 2016. Its primary purpose is to engage in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources that may be a viable source of electric light, heat and power system. As of December 31, 2019, INEC is effectively 74%-owned by VEC and 26%-owned by Gigawatt Power, Inc. (GPI) through a consortium formed by Vivant Integrated Diesel Corporation (VIDC), a wholly-owned subsidiary of VEC, and GPI. INEC has not yet started commercial operations.

VRVC

VRVC was incorporated on May 19, 2017. Its primary purpose is to engage in the real estate business. On July 3, 2017, VRVC purchased from Hijos de F. Escano, Inc. (HDFE), a company under common control, a parcel of land located at M.J. Cuenco Ave., Tinago Central, Barangay San Roque, Cebu City amounting to P27.9 million, with the intention of holding the land for capital appreciation.

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, 2019, 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, 2019, AHC has not yet started its commercial operations.

VMHI

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

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

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 GPI, Eco Utilities Ventures Holdings Company, Inc. and ICS Renewables Holdings, Inc. (ICS), among others. The principal place of business is located in Brgy. Luz, Cebu City, Philippines while 1590 EC's principal office is located at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu Philippines.



VCCI

VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2019, VCCI has not yet started its operations.

ET Vivant

ET Vivant was incorporated on April 4, 2018. Its primary purpose is to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing solar power generation and related facilities for lighting and power purposes and whole-selling the electric power to the wholesale electricity spot market, private distribution utilities, private electric cooperatives and other off-takers and selling and/or trading electricity for light, heat and power purposes within the cities, municipalities and provinces of the Philippines, as the Corporation may determine and 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. It has direct equity shareholdings in ETEI, an entity engaged in the solar power generation business.

ETEI

ETEI was incorporated on January 11, 2017 with the primary purpose to explore, develop, build, construct, install, commission, rehabilitate, maintain, own, manage, operate and invest in, bid for or otherwise acquire power generating plants and related facilities and to engage in the business of generating, marketing, selling and supplying electricity generated from solar photovoltaic systems and components; planning and construction of photovoltaic power plants and to provide consulting services associated with photovoltaic power plants, provided that it shall not operate a public utility. As of December 31, 2019, ETEI has started its commercial operations.

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

VECO

VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from after the expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

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

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

PEI

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

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

The parent company financial statements as of and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issuance by the Board of Directors (BOD) on April 3, 2020.



2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

The Parent Company also prepares and issues consolidated financial statements for the same period as these separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 9th Floor, Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Brgy. Banilad, Mandaue City, Cebu, Philippines.

Statement of Compliance

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

PFRS 16 was issued in January 2016 and it replaces PAS 17, *Leases*, IFRIC-4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. 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*.

Lessor accounting under PFRS 16 is substantially unchanged from 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. Therefore, PFRS 16 does not have an impact for leases where the Parent Company is the lessor.

The Parent Company adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application without restating comparative information. The Parent Company has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Parent Company will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

The effects of adoption on the balance sheet as at January 1, 2019 are as follows:

	Increase
Right-of-use assets	₱22,300,351
Lease liabilities	22,300,351



Based on the above, as at January 1, 2019:

- Right-of-use assets were recognized amounting to P22.3 million representing the amount of right-of-use assets set up on transition date.
- Lease liabilities of P22.3 million were recognized.
- There were no adjustments to retained earnings in relation to the adoption of PFRS 16.

Prior to adoption of PFRS 16, the Parent Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Parent Company; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in the statements of comprehensive income on a straight-line basis over the lease term. Any prepaid rent was recognized under "Other current assets".

Upon adoption of PFRS 16, the Parent Company applied a single recognition and measurement approach for all leases, except for short-term leases and low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Parent Company.

Leases previously accounted for as operating leases. The Parent Company recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and low-value assets. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate (IBR) at the date of initial application. In some leases, the right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the IBR at the date of initial application.

The Parent Company also applied practical expedient provided by the standard to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at	
December 31, 2018 (see Note 21)	P28,299,404
Less commitments relating to short-term leases	325,300
Lease liabilities before discounting as at	
January 1, 2019	27,974,104
Weighted average IBR as at January 1, 2019	8.55%
Lease liabilities at January 1, 2019	P22,300,351



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

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

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

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation does not have an impact on the financial statements of the Parent Company.

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

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

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



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

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

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

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

Since the Parent Company's current practice is in line with these amendments, these amendments had no impact on the financial statements of the Parent Company.

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

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

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

These amendments had no impact on the financial statements as the Parent Company does not have long-term interests in its associates.

▪ *Annual Improvements to PFRSs 2015-2017 Cycle*

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

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



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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the financial statements of the Parent Company since there is no transaction where joint control is obtained.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the financial statements of the Parent Company because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs*, *Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

Since the Parent Company's current practice is in line with these amendments, these amendments had no impact on the financial statements of the Parent Company.

Effective Beginning On or After January 1, 2020

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

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

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



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

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

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

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

Effective Beginning On or After January 1, 2023

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. The new standard will have no impact on the financial statements because the Parent Company is not engaged in the insurance business.

Deferred Effectivity

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

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



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

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

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in the parent company statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

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

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

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



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

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

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

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

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

Financial Instruments

Initial Recognition and Subsequent Measurement

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

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the



contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- *Financial Assets at Amortized Cost.* A financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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



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

Dividends are recognized in profit or loss only when:

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

As at December 31, 2019 and 2018, the Parent Company has financial assets at FVOCI amounting to P7.4 million and P5.6 million, respectively, and is presented as part of "Other noncurrent assets" (see Note 11).

Classification of Financial Liabilities. Financial liabilities are measured at amortized cost, except for the following:

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

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

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

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

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

Impairment of Financial Assets. The Parent Company recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.



ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

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

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



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

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

Offsetting Financial Instruments. Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

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

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

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



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

Cash and Cash Equivalents

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

Prepaid Expenses and Other Current Assets

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

Investments in and Advances to Subsidiaries and Associates

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

An associate is an entity over which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Property and Equipment

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



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

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

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

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

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

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

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

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

Leases (prior to adoption of PFRS 16)

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:

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

Parent Company 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.

Leases (upon adoption of PFRS 16)

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

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

Right-of-use Assets. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follow.

	Number of Years
Land	15
Office space	1-4

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

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

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



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

Impairment of Nonfinancial Assets

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

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

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

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

Equity

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

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

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



Revenue Recognition

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

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

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

Revenue from Contracts with Customers

- *Management Fees.* Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized over time when the related services are rendered based on the terms of the management and service contracts.
- *Service Income.* Revenue from service income arising from intercompany charges are recognized overtime when the related services are rendered based on agreed hourly billing rates.
- *Engineering Service Income.* Revenue from engineering services, arising from engagement with customers availing technical and engineering expertise and covered by service contracts, are recognized overtime when the services are rendered.

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

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

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

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

Cost and Expense Recognition

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



Provisions

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

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

Pension Benefits

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

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

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Remeasurements of net defined benefit liability or asset.

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

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

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

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



limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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



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

Value-Added Tax (VAT)

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

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

Contingencies

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

Events After the Reporting Period

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

Earnings Per Share

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

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

As of December 31, 2019 and 2018, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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



Judgments

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

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

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

As of December 31, 2019 and 2018, the fair values of the Parent Company's long-term notes payable amounted to ₱2,983.6 million and ₱2,808.2 million, respectively (see Note 19).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries and associates as of December 31, 2019 and 2018, the Parent Company has the ability to exercise control over the subsidiaries and has significant influence over the associates (see Note 1).

Estimates and Assumptions

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

Estimating Allowance for Impairment of Losses on Investments in and Advances to Subsidiaries and Associates. Investments in and advances to subsidiaries and associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, it was determined that the carrying value of the investment in HDFE exceeded its recoverable amount. As a result, an impairment loss amounting to ₱21.3 million was recognized arising from the appraisal and disposal of IIDFE's investment properties and depreciation of land improvements (see Note 9). In 2019, there was an increase in the carrying value of HDFE's investment properties being appraised. Thus, a reversal of prior impairment was recognized in 2019 amounting to ₱59.8 million.



Estimating Provision for Pension Liability. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The pension liability as of December 31, 2019 and 2018 amounted to P44.6 million and P33.1 million, respectively (see Note 15).

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

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

Gross deferred income tax assets amounted to P33.0 million and P24.4 million as of December 31, 2019 and 2018, respectively. Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of P782.7 million and P635.4 million as of December 31, 2019 and 2018, respectively, and minimum corporate income tax (MCIT) of nil and P0.4 million as of December 31, 2019 and 2018, respectively, because management believes that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized (see Note 16).

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

The Parent Company's lease liabilities amounted to P64.0 million as of December 31, 2019 (see Note 21).

6. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	P48,565,734	P15,280,298
Short-term investments	2,264,671,368	2,178,218,762
	P2,313,237,102	P2,193,499,060



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

Interest income recognized from cash in banks and short-term investments amounted to P103.5 million, P72.8 million, and P47.3 million in 2019, 2018 and 2017, respectively. Accrued interest receivable amounted to P6.5 million and P4.4 million as of December 31, 2019 and 2018, respectively (see Note 7).

7. Trade and Other Receivables

	2019	2018
Accounts receivable:		
Third parties	P216,158	P6,339,442
Related parties (see Note 14)	19,071,629	46,196,699
Advances to related parties (see Note 14)	14,726,757	13,485,499
Dividends receivable (see Note 14)	12,800,000	—
Accrued interest receivable (see Note 6)	6,454,332	4,404,061
Advances to employees	2,224,803	2,166,199
Others (see Notes 9 and 14d)	16,026,199	1,972,645
	71,519,878	74,564,545
Less allowance for impairment and credit losses	486,937	861,508
	P71,032,941	P73,703,037

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

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

In 2018, The Parent Company recognized provision for estimated credit losses amounting to P0.5 million as a result from performing collective impairment test of its trade receivables using simplified approach. In 2019, the Parent Company recognized a reversal of the estimated credit losses amounting to P0.4 million since most of the receivables were recovered.

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

	2019	2018
At January 1	P861,508	P333,032
Provision (reversal)	(374,571)	528,476
At December 31	P486,937	P861,508



8. Prepaid Expenses and Other Current Assets

	2019	2018
Prepayments	P6,705,267	P7,446,465
Input VAT	3,651,412	—
Others	5,537,479	5,347,722
	P15,894,158	P12,794,187

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

Others include dues and subscriptions and unused office supplies.

9. Investments in and Advances to Subsidiaries and Associates

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

	Nature of Business	Ownership	2019	2018
Investments in Subsidiaries				
VEC	Power generation	100.00	P5,214,447,475	P5,188,814,762
HDFE	Holding company	50.94	760,507,362	760,507,362
SGPDC [formerly VC Ventures Net, Inc. (VNI)]	Real estate	100.00	5,000,000	5,000,000
VIHI	Holding company	100.00	177,505,520	62,500
			6,157,460,357	5,954,384,624
Less allowance for impairment loss			457,715,219	517,539,638
			5,699,745,138	5,436,844,986
Investments in Associates				
VECO	Power distribution	34.81	919,693,137	919,693,137
PEI	Retail electricity supplier	40.00	6,900,000	6,900,000
			926,593,137	926,593,137
Advances for Future Stock Subscription				
SGPDC			61,750,000	53,750,000
VRVC			26,156,250	26,156,250
			87,906,250	79,906,250
			P6,714,244,525	P6,443,344,373

Subsidiaries

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



VEC

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

	2019		2018	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Subsidiaries				
Vivant Integrated Generation Corporation (VIGC)	100.00	—	100.00	—
Vivant Renewable Energy Corporation (VREC)	100.00	—	100.00	—
Corenergy Inc. (Core)	100.00	—	100.00	—
Vivant Isla Inc. (VII)	100.00	—	100.00	—
Vivant Integrated Diesel Corporation (VIDC)	100.00	—	100.00	—
Vivant Enercore Integrated Inc. (VEII)	100.00	—	100.00	—
Isla Norte Energy Corporation (INEC; formerly Vivant Powercore Active, Inc.)	73.75	—	100.00	—
1590 Energy Corp. (1590 EC)	55.20	—	55.20	—
Vivant-Malogo Hydropower, Inc. (VMHI)	20.00	47.00	20.00	47.00
Vivant Geo Power Corp. (VGPC)	—	100.00	—	100.00
Amberdust Holding Corporation (AHC)	—	100.00	—	100.00
Southern Powercore Holding Corp. (SPHC)	—	100.00	—	100.00
ET-Vivant Solar Corporation (ET Vivant)	—	100.00	—	60.00
ET Energy Island Corporation (ETEI)	—	100.00	—	60.00
Associates				
Cebu Private Power Corporation (CPPC)	40.00	—	40.00	—
Lunar Power Core Inc. (LPCI)	—	42.50	—	42.50
Global Luzon Energy Development Corporation (GLEDC)	—	42.50	—	42.50
Abovant Holdings, Inc. (AHI)	—	40.00	—	40.00
Minergy Power Corporation (MPC)	—	40.00	—	40.00
6 Barracuda Energy Corp.	—	40.00	—	—
Culina Renewable Energy Corp. (CREC)	—	35.00	—	35.00
Sabang Renewable Energy Corporation (SREC)	—	30.00	—	30.00
Therma Visayas, Inc. (TVI)	—	20.00	—	20.00
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	50.00	—	50.00	—
Delta P, Inc. (Delta P)	50.00	—	50.00	—

In November 2013, VEC participated in the public bidding process conducted by Power Sector Assets and Liabilities Management (PSALM) for the selection and appointment of the Independent Power Producer (IPP) Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the winning bidder for seventeen (17) strips of energy of the ULGPP. This allowed VEC to sell seventeen (17) Megawatt (MW) of geothermal power from ULGPP beginning January 1, 2015, the start of commercial operations. On October 25, 2019, the IPP Administration Agreement was pre-terminated.

VEC declared dividends to the Parent Company amounting to ₱581.4 million in 2019, ₱260.0 million in 2018 and ₱450.0 million in 2017.

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



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

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

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

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

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

HDFE

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

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

As of December 31, 2017, the Parent Company determined that the carrying value of the Parent Company's investment in HDFE exceeded its recoverable amount mainly due to the disposal of a portion of HDFE's investment properties and depreciation of land improvements. Accordingly, the Parent Company recognized an impairment loss of ₱21.3 million in its 2017 statement of comprehensive income.

As of December 31, 2019, an appraisal of HDFE's investment properties showed an increase in their fair market value, thereby increasing the carrying value of the Parent Company's investment in HDFE. Reversal of allowance for impairment loss amounting to ₱59.8 million was recognized in the parent company statement of comprehensive income in 2019.

HDFE declared dividends to the Parent Company amounting to ₱64.6 million in 2018. No dividends were declared in 2019 and 2017.

SGPDC

On June 1, 2017, the Parent Company received the ₱5.2 million cash dividends declared by SGPDC on December 7, 2015. No cash dividends were declared to the Parent Company in 2017.

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



In 2018, the Parent Company made additional investments in SGPDC amounting to P3.75 million, which represents 3,750,000 common shares with par value of P1.00 per share. In addition, the Parent Company made advances for future stock subscription to SGPDC and VRVC and amounting to P53.75 million and P26.2 million, respectively, in 2018.

In 2019, the Parent Company made additional advances for future stock subscription to SGPDC for investments in SGPDC amounting to P8.0 million, which represents 800,000 common shares with par value of P1.00 per share and 7,200,000 million preferred shares with par value of P1.00 per share.

VIHI

VIHI is a holding company with 100% ownership of shareholdings on Vivant Transcore Holdings, Inc. (VTHI) and Vivant Hydrocore Holdings, Inc. (VHHI) in 2019.

In 2019, the Parent Company made investments in VIHI amounting to P72.2 million, which represents 7,385,625 common shares with par value of P1.00 per share and 64,783,125 preferred shares with par value of P1.00 per share. In the same year, the Parent Company made investments for the acquisition of Watermatic Philippines Corporation (WMP) on behalf of VHHI, a subsidiary of VIHI, amounting P105.3 million. These payments are accounted for as investment in VIHI as additional paid-in capital.

Associates

VECO and PEI qualify as associates of the Parent Company.

VECO

VECO declared cash dividends to the Parent Company amounting to P432.3 million, P761.8 million, and P645.2 million in 2019, 2018 and 2017, respectively.

PEI

In 2017, the Parent Company made additional advances for future stock subscription to PEI amounting to P6.4 million. The advances for future stock subscription was already converted to equity in 2018.

PEI declared dividends to the Parent Company amounting to P12.8 million, P4.1 million, and nil in 2019, 2018, and 2017, respectively.

10. Property and Equipment

	2019						
	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	P36,421,603	P37,177,384	P49,656,076	P18,306,565	P8,511,303	P—	P150,072,931
Additions	—	6,394,425	7,655,901	22,500	—	37,242,933	51,315,759
Disposals	—	(1,187,838)	(75,804)	—	—	—	(1,263,642)
At December 31	36,421,603	47,383,971	57,236,173	18,329,065	8,511,303	37,242,933	200,125,048
Accumulated Depreciation							
At January 1	22,638,373	17,820,019	31,357,141	3,867,412	5,908,664	—	81,591,609
Additions	1,043,342	6,979,135	9,018,796	2,071,368	1,287,446	—	20,400,087
Disposals	—	(1,187,838)	(75,804)	—	—	—	(1,263,642)
At December 31	23,681,715	23,611,316	40,300,133	5,938,780	7,196,110	—	100,728,054
Net Book Value	P12,739,888	P18,772,655	P16,936,040	P12,390,285	P1,315,193	P37,242,933	P99,396,994



2018

	Condominium Units and Improvements	Transportation Equipment	Office Furniture and Equipment	Leasehold Improvements	Other Equipment	Construction in Progress	Total
Cost							
At January 1	P36,421,603	P32,280,529	P35,872,877	P10,517,302	P7,268,381	P5,825,514	P128,186,206
Additions	-	10,105,878	13,464,543	2,324,302	1,230,418	140,250	27,265,391
Reclassifications	-	-	488,299	5,464,961	12,504	(5,965,764)	0
Disposals	-	(5,209,023)	(169,643)	-	-	-	(5,378,666)
At December 31	36,421,603	37,177,384	49,656,076	18,306,565	8,511,303	0	150,072,931
Accumulated Depreciation							
At January 1	21,241,666	15,149,869	24,669,570	2,576,577	4,394,130	-	68,031,812
Additions	1,396,707	6,350,112	6,857,443	1,290,835	1,514,304	-	17,409,401
Reclassifications	-	-	(230)	-	230	-	0
Disposals	-	(3,679,962)	(169,642)	-	-	-	(3,849,604)
At December 31	22,638,373	17,820,019	31,357,141	3,867,412	5,908,664	-	81,591,609
Net Book Value	P13,783,230	P19,357,365	P18,298,935	P14,439,153	P2,602,639	P-	P68,481,322

Construction in progress includes costs for the construction of the Parent Company's new office in 2019 which was subsequently completed in March 2020.

11. Other Noncurrent Assets

	2019	2018
Creditable tax withheld	P130,620,388	P121,122,469
Financial assets at FVOCI	7,370,000	5,550,000
Input VAT - noncurrent	3,666,550	-
Others - net of allowance for impairment loss of P46.1 million	10,109,901	3,744,592
	P151,766,839	P130,417,061

Creditable Tax Withheld

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

Financial Assets at FVOCI

As of December 31, 2019 and 2018, the carrying values of the financial assets at FVOCI are as follows:

	2019	2018
Cost:		
Cebu Country Club, Inc.	P3,400,000	P3,400,000
Tower Club, Inc.	300,000	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	3,900,000	2,100,000
Tower Club, Inc.	(230,000)	(250,000)
	3,670,000	1,850,000
	P7,370,000	P5,550,000

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



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

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

Others

Others include receivable from RFM Corporation, the Parent Company's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2019 and 2018. Also included in this account are security deposits with various tenants and other parties.

12. Trade and Other Current Liabilities

	2019	2018
Accrued interest (see Note 13)	₱23,540,892	₱25,188,025
Accounts payable	4,505,216	3,302,995
Dividends payable (see Note 20)	3,154,947	2,806,854
Deferred output value-added tax - net	3,651,511	3,861,079
Accrued taxes payable	3,812,060	3,534,691
Accrued expenses	1,454,705	846,872
Advances from related parties (see Note 14)	42,458	67,226
Others	213,953	228,448
	₱40,375,742	₱39,836,190

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

13. Notes Payable

	2019	2018
Fixed Rate Corporate Notes (FRCN)		
₱1.0 billion at 5.7271% interest per annum	₱950,000,000	₱960,000,000
₱2.0 billion at 5.4450% interest per annum	1,900,000,000	1,920,000,000
	2,850,000,000	2,880,000,000
Less unamortized debt issue costs	5,273,030	9,845,011
	2,844,726,970	2,870,154,989
Less current portion - net of unamortized debt issue costs of ₱4.8 million in 2019 and ₱4.6 million in 2018	25,218,850	25,428,019
	₱2,819,508,120	₱2,844,726,970

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



The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured. The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes will mature on February 3, 2021 and are payable at 1% based on the principal amount of the notes in the first 6 years and 94% at maturity. Interest is payable quarterly.

Repayments of outstanding principal amounts are scheduled as follows:

	2019	2018
Within one year	₱30,000,000	₱30,000,000
More than one year but not more than five years	2,820,000,000	2,850,000,000
	₱2,850,000,000	₱2,880,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the Parent Company's debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2019 and 2018.

Interest expense recognized in the parent company statements of comprehensive income related to these notes payable amounted to ₱166.3 million, ₱168.1 million and ₱169.8 million in 2019, 2018 and 2017, respectively, and the related accrued interest expense as of December 31, 2019 and 2018 amounted to ₱23.5 million and ₱25.2 million, respectively (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the EIR method, over the term of the related loans. The Parent Company has recognized amortization of debt issue costs amounting to ₱4.6 million, ₱4.4 million, and ₱4.2 million in 2019, 2018, and 2017, respectively. These are presented under "Interest expense" in the parent company statements of comprehensive income.

14. Related Party Transactions

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

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

		2019			
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
Subsidiaries					
Dividend income (see Note 9): VEC	₱581,397,049	₱—	₱—	30-60 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a): 1590 EC	46,200,000	3,734,500	—	30-60 days; noninterest bearing	Unsecured; no impairment
HDFE	840,000	67,900	—	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)



2019					
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
SGPDC	P200,000	P-	P-	30-60 days; noninterest-bearing	Unsecured; no impairment
VEC	68,564,148	6,285,048	-	30-60 days; noninterest-bearing	Unsecured; no impairment
WMP	225,000	252,000	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	5,699,895	2,605,073	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	19,180	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIHI	17,849	19,991	-	30-60 days; noninterest-bearing	Unsecured; no impairment
1590EC	197,213	154,120	-	30-60 days; noninterest-bearing	Unsecured; no impairment
ETEI	1,104,706	1,208,724	-	30-60 days; noninterest-bearing	Unsecured; no impairment
ETVVT	2,262	609	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CORE	57,657	869	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VAHC	3,700	4,144	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	51,238	10,548	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	6,264	6,904	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	48,010	2,559	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	100	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	100	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	2,425	154,503	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VHHI	546	612	-	30-60 days; noninterest-bearing	Unsecured; no impairment
WMP	323,056	361,823	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	8,566,440	2,121,652	42,322	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	60,889	19,790	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SGPDC	11,111	9,923,435	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	280	280	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	2,335	1,835	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	58,998	1,580	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	60	-	30	30-60 days; noninterest-bearing	Unsecured
COREENERGY	27,685	2,089	-	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	46,103	25,365	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	8,778	3,028	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	750	1,040	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	230	200	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VEII	256	-	-	30-60 days; noninterest-bearing	Unsecured

(Forward)



Category	Volume	2019 Outstanding Balance		Terms	Conditions
		Receivable	Payable		
INEC (formerly VPAI)	P180	P-	P-	30-60 days; noninterest-bearing	Unsecured
AHC	256	-	106	30-60 days; noninterest-bearing	Unsecured
SPHC	280	-	-	30-60 days; noninterest-bearing	Unsecured
VCCI	590	90	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIHI	1,488,877	220	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VHHI	119,048	310	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VTHI	47,148	310	-	30-60 days; noninterest-bearing	Unsecured; no impairment
ETEI	36,939	26,239	-	30-60 days; noninterest-bearing	Unsecured; no impairment
EVC	4,181	2,589	-	30-60 days; noninterest-bearing	Unsecured; no impairment
WMP	680,334	678,172	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Transferred pension obligations (see Note 14d)					
VEC	16,704,078	-	16,704,078	On Demand; noninterest-bearing	Unsecured
Lease liabilities (see Note 14c)					
SGPDC	4,306,736	-	3,633,003	30-60 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9):					
VECO	432,319,454	-	-	30-60 days; noninterest-bearing	Unsecured
PEI	12,800,000	12,800,000	-	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
PEI	-	1,532,400	-	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	-	300	-	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	215	30,609	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	339	339	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a)					
GLEDC	8,912	9,979	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income) (see Note 14a):					
DPI	9,537,047	8,732,181	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,918,552	-	-	30-60 days; noninterest-bearing	Unsecured
Service income (see Note 14a):					
CIPC	116,280	127,908	-	30-60 days; noninterest-bearing	Unsecured
DPI	554,129	5,234,340	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	12,032	6,732	-	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	79,810	305,477	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
INC	5,102,790			30-60 days; noninterest-bearing	Unsecured

(Forward)



2019					
Category	Volume	Outstanding Balance		Terms	Conditions
		Receivable	Payable		
MRC	P7,654,184	P-	P-	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c): Shareholder	-	42,676	-	30-60 days; noninterest-bearing	Unsecured; no impairment
2018					
Category	Volume	Receivable	Payable	Terms	Condition
Subsidiaries					
Dividend income (see Note 9):					
VEC	P260,000,000	P-	P-	30-60 days; noninterest-bearing	Unsecured
HDFE	64,620,468	-	-	30-60 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a):					
1590 EC	46,200,000	-	-	30-60 days; noninterest-bearing	Unsecured
HDFE	840,000	67,900	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VEC	6,000,000	-	-	30-60 days; noninterest-bearing	Unsecured
SGPDC	1,200,000	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a):					
VEC	74,211	63,853	-	30-60 days; noninterest-bearing	Unsecured; no impairment
1590EC	1,442,894	351,559	-	30-60 days; noninterest-bearing	Unsecured; no impairment
AHC	130	146	-	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	10,710	3,256	-	30-60 days; noninterest-bearing	Unsecured; no impairment
CORE	3,973	24,999	-	30-60 days; noninterest-bearing	Unsecured; no impairment
ETEI	112	125	-	30-60 days; noninterest-bearing	Unsecured; no impairment
ETVVT	3,068	3,436	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	291,024	243,573	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	1,437	1,609	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIGC	19,168	2,890	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	257	-	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	1,280	1,434	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VCCI	156	174	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VEII	130	146	-	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
VEC	976,021	1,414,354	61,542	30-60 days; noninterest-bearing	Unsecured; no impairment
1590 EC	318,082	114,683	-	30-60 days; noninterest-bearing	Unsecured; no impairment
SGPDC	600	9,923,774	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VRVC	3,301	106	-	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	44,866	56,628	5,684	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)



Category	Volume	2018 Outstanding Balance		Terms	Conditions
		Receivable	Payable		
VIGC	P103,884	P8,238	P—	30-60 days; noninterest-bearing	Unsecured; no impairment
VGPC	279	—	—	30-60 days; noninterest-bearing	Unsecured; no impairment
COREENERGY	57,728	9,160	—	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	20,646	15,926	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VREC	9,738	6,423	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VIDC	2,241	270	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VII	115	—	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VEII	106	106	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VPAI	106	106	—	30-60 days; noninterest-bearing	Unsecured; no impairment
AHC	198	106	—	30-60 days; noninterest-bearing	Unsecured; no impairment
SPHC	197	106	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VCCI	616	616	—	30-60 days; noninterest-bearing	Unsecured; no impairment
VIHI	47,300	47,300	—	30-60 days; noninterest-bearing	Unsecured; no impairment
EVC	3,616	1,430	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Rent and association dues (see Note 14e) SGPDC	1,187,466	—	219,703	30-60 days; noninterest-bearing	Unsecured
Associates					
Dividend income (see Note 9): VECO	761,827,180	—	—	30-60 days; noninterest-bearing	Unsecured
PEI	4,104,769	—	—	30-60 days; noninterest-bearing	Unsecured
Management fees (income) (see Note 14a): CPPC	47,574,924	39,303,477	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 14a): VECO	5,690	616	—	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	28,966	15,122	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	2,125	2,380	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14e): PEI	—	1,532,400	—	30-60 days; noninterest-bearing	Unsecured; no impairment
LPCI	—	300	—	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	30,394	30,393	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	440	—	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (income) (see Note 14a): DPI	9,057,012	1,464,217	—	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,721,320	—	—	30-60 days; noninterest-bearing	Unsecured

(Forward)



Category	Volume	2018 Outstanding Balance		Terms	Conditions
		Receivable	Payable		
Service income (see Note 14a):					
CIPC	P257,113	P55,662	P—	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	4,331,352	4,734,953	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances (see Note 14c):					
CIPC	61,564	54,731	—	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	491,650	225,667	—	30-60 days; noninterest-bearing	Unsecured; no impairment
Stockholders					
Professional fees (see Note 14b):					
JDC	5,513,866	—	—	30-60 days; noninterest-bearing	Unsecured
MRC	8,270,799	—	—	30-60 days; noninterest-bearing	Unsecured
Service income (see Note 14a):					
JDC	77,500	—	—	30-60 days; noninterest-bearing	Unsecured
Advances (see Note 14c):					
Shareholder	—	42,676	—	30-60 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

- Management fees and service income from subsidiaries and associates represent compensation for consultancy, management, technical and other related services rendered by the Parent Company and use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by SLAs or Management Contracts are recognized as part of the "Management fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries, associates and joint ventures on irregular basis are recognized as part of the "Service income" account in the parent company statements of comprehensive income.
- The Parent Company entered into agreements with MRC and JDC, its stockholders, to perform consultancy services. For the consideration of the services rendered by MRC and JDC, the Parent Company will pay management fees agreed upon by the parties, without need for further demand. These are recognized as part of "Professional fees" in the parent company statements of comprehensive income.
- Advances to and from subsidiaries, associates, joint ventures, and shareholders pertain to advances for working capital requirements. Advances to shareholder pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.
- Pension obligations transferred to VEC pertains to the Parent Company's employees transferred to its subsidiary, VEC, upon its full operation in 2019.
- In 2017, the Parent Company entered into lease agreements as lessee with SGPDC to lease a condominium unit and a parcel of land. The condominium unit was leased for a fixed period of three (3) years from January 1, 2017 to December 31, 2019 while the land was leased for a period of seventeen (17) years and four (4) months from September 1, 2017 to December 31, 2034. In 2018, payments are recognized as part of "Rent and association dues" in the parent company statement of comprehensive income. In 2019, right-of-use assets and lease liabilities were recognized in relation to the adoption of PFRS 16 (see Note 21).



The retirement fund (the Fund) of the Parent Company is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of P15.1 million and P14.5 million as of December 31, 2019 and 2018, respectively (see Note 15). The Parent Company does not have any other transactions with the Fund in 2019 and 2018.

Compensation and Benefits of Key Management Personnel

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

	2019	2018	2017
Short-term employee benefits	P78,125,480	P88,162,681	P81,133,487
Post-employment pension benefits (see Note 15)	6,990,120	6,016,720	4,851,293
	P85,115,600	P94,179,401	P85,984,780

15. Retirement Plan

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

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

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

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

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

	2019	2018	2017
Current service cost	P5,879,280	P6,372,961	P5,176,857
Past service cost	542,263	—	—
Net interest cost	2,395,524	1,239,686	1,139,457
Pension expense	P8,817,067	P7,612,647	P6,316,314



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

	2019	2018	2017
Remeasurement gains (losses) on defined benefit obligation	(P19,728,536)	P6,781,877	(P3,947,827)
Remeasurement gains (losses) on plan assets	341,506	(482,397)	(776,507)
	<u>(P19,387,030)</u>	<u>P6,299,480</u>	<u>(P4,724,334)</u>

The Parent Company's pension liability as of December 31, 2019 and 2018 follows:

	2019	2018
Present value of defined benefit obligation	P59,676,255	P47,610,358
Fair value of plan assets	(15,105,020)	(14,539,142)
Pension liability	<u>P44,571,235</u>	<u>P33,071,216</u>

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

	2019	2018
At January 1	P47,610,358	P45,956,101
Current service cost	5,879,280	6,372,961
Past service cost	542,263	—
Remeasurement loss (gain) due to:		
Changes in financial assumptions	9,277,229	(6,696,787)
Changes in demographic assumptions	—	(508,322)
Experience adjustments	10,451,307	423,232
Interest cost on defined benefit obligation	2,619,896	2,063,173
Transferred obligation due to employee transfers	(16,704,078)	—
At December 31	<u>P59,676,255</u>	<u>P47,610,358</u>

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

	2019	2018
At January 1	P14,539,142	P14,198,052
Interest income included in net interest cost	224,372	823,487
Remeasurement gains (losses) on return on plan assets	341,506	(482,397)
At December 31	<u>P15,105,020</u>	<u>P14,539,142</u>

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

	2019	2018
At January 1	P33,071,216	P31,758,049
Pension expense	8,817,067	7,612,647
Remeasurement losses (gains) recognized for the year	19,387,030	(6,299,480)
Transferred obligation due to employee transfers	(16,704,078)	—
At December 31	<u>P44,571,235</u>	<u>P33,071,216</u>



The major categories of the plan assets are as follows:

	2019	2018
Investments quoted in active markets:		
Government securities	P=	P1,235,806
Unquoted investments:		
Unitized investment trust funds	15,104,848	13,269,469
Cash and cash equivalents	172	35,033
Accrued income	—	156
Accrued expenses	—	(1,322)
Total plan assets	P15,105,020	P14,539,142

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

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

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

	2019	2018
Discount rate	4.97%	7.38%
Future salary increase rate	7.00%	7.00%

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

		Increase (Decrease) in the Present Value of Defined Benefit Obligation	
	Increase (Decrease)	2019	2018
Discount rate	+100 basis points	(P4,296,440)	(P3,412,168)
	-100 basis points	5,085,211	4,024,501
Future salary increase rate	+100 basis points	5,172,252	4,249,104
	-100 basis points	(4,470,563)	(3,668,935)

The average duration of the defined benefit obligation at the end of the reporting period is 17.7 years and 18.7 years as of December 31, 2019 and 2018, respectively.



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

	2019	2018
Less than one year	P26,758,165	P22,223,579
More than 1 year to 5 years	5,877,487	4,702,922
More than 5 years to 10 years	11,343,747	11,287,213
More than 10 years to 15 years	45,862,202	48,355,673
More than 15 years to 20 years	65,071,294	130,386,791
More than 20 years	111,937,368	135,479,540
	P266,850,263	P352,435,718

16. Income Tax

	2019	2018	2017
Current tax:			
Final (at 20% and 7.5%)	P21,424,703	P12,571,881	P6,532,901
	21,424,703	12,571,881	6,532,901
Deferred	(4,122,450)	(7,365,963)	852,324
	P17,302,253	P5,205,918	P7,385,225

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

	2019	2018	2017
Income before income tax	P822,608,315	P864,362,921	P870,943,046
Income tax computed at 30%	P246,782,494	P259,308,876	P261,282,914
Adjustments to income tax resulting from:			
Nontaxable dividend income	(307,954,951)	(327,165,725)	(328,557,263)
Unrecognized deferred income tax assets on NOLCO and MCIT	91,658,940	75,113,504	68,039,429
Interest income subjected to final tax	(31,058,255)	(19,489,783)	(9,882,422)
Final taxes paid	21,424,703	12,571,881	6,532,901
Nontaxable gain	(18,060,343)	—	—
Nondeductible expenses	13,050,802	4,876,625	9,969,666
Others – net	1,458,863	(9,460)	—
	P17,302,253	P5,205,918	P7,385,225



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

	2019	2018
Deferred income tax assets on:		
Allowance for impairment losses	P13,923,328	P13,923,328
Pension liability	13,371,372	9,921,366
Transferred obligation due to employee transfers	5,011,223	—
Unamortized past service cost	630,833	597,175
Unrealized foreign exchange loss	72,078	—
	33,008,834	24,441,869
Deferred income tax liabilities on:		
Unamortized debt issue costs	1,581,909	2,953,503
Unrealized foreign exchange gain	37,917	37,916
	1,619,826	2,991,419
Deferred income tax liability on unrealized valuation gain of financial assets at FVOCI recognized in other comprehensive income:	828,000	555,000
Net deferred income tax assets	P30,561,008	P20,895,450

Deferred income tax asset on pension liability recognized in other comprehensive income amounted to P3.6 million as of December 31, 2019 and deferred income tax liability of P2.2 million as of December 31, 2018.

As of December 31, 2019 and 2018, the Parent Company has accumulated NOLCO and MCIT which can be claimed as deduction against future taxable income and income tax due, respectively, as follows:

Year Incurred	Expiry Date	As of December 31, 2018	Additions	Applied	Expired	As of December 31, 2019
NOLCO						
2019	2022	P—	P305,529,801	P—	P—	P305,529,801
2018	2021	250,378,347	—	—	—	250,378,347
2017	2020	226,798,098	—	—	—	226,798,098
2016	2019	158,211,454	—	—	158,211,454	—
		P635,387,899	P305,529,801	P—	P158,211,454	P782,706,246
MCIT						
2016	2019	P441,767	P—	P—	P441,767	P—

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

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



17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2019 and 2018.

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, 2019 and 2018, the Parent Company's issued capital stock all consists of common shares.

The Parent Company has 1,423 stockholders as of December 31, 2019, 1,425 stockholders as of December 31, 2018, and 1,434 stockholders as of December 31, 2017, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Appropriation of Retained Earnings for Business Expansion

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

In a BOD meeting held on December 21, 2017, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.2 billion for the investment on the two ongoing power plants in Visayas and Mindanao and a rooftop solar installation project starting 2018. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to an additional ₱1.3 billion to be used for future investments in these projects which are expected to be completed starting 2018.

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

In a BOD meeting held on December 12, 2018, the BOD has determined that the Parent Company's operation require to continue the existing appropriations amounting to ₱2.3 billion for the investments in the two on-going power plant projects in the Visayas, one on-going power plant project in Mindanao and a rooftop solar installation project. In the same BOD meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to additional ₱1.7 billion to be used for the investment in one on-going power plant project in the Visayas estimated to start commercial operations in 2021, new power generation projects in Luzon and the Visayas, and for infrastructure projects in the Visayas starting 2019.

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



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

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2019	2018	2017
Date of declaration	May 15, 2019	May 11, 2018	May 12, 2017
Date of record	May 29, 2019	June 6, 2018	May 26, 2017
Date of payment	June 24, 2019	July 3, 2018	June 22, 2017
Dividends declared:			
Regular dividends	₱346,133,059	₱285,749,110	₱203,156,155
Special dividends	—	—	82,592,955
	₱346,133,059	₱285,749,110	₱285,749,110
Dividends per share	₱0.3382	₱0.2792	₱0.2792

Earnings per Share

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

	2019	2018	2017
Net income for the year	₱805,306,062	₱859,157,003	₱863,557,821
Number of outstanding common shares	1,023,456,698	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	₱0.787	₱0.839	₱0.844

There are no potential dilutive shares as of December 31, 2019, 2018 and 2017.

18. Personnel Expenses

	2019	2018	2017
Salaries and employee benefits	₱109,379,744	₱143,176,232	₱130,062,941
Pension expense (see Note 15)	8,817,067	7,612,647	6,316,314
	₱118,196,811	₱150,788,879	₱136,379,255

19. Financial Risk Management Objectives and Policies

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

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



Credit Risk

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

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

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

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱2,384.2 million and ₱2,267.0 million as of December 31, 2019 and 2018, respectively.

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

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

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

The Parent Company may also write-off financial assets that are still subject to enforcement activity. The Parent Company has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2019 and 2018.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2019 and 2018:

- *General Approach*

- *Cash and Cash Equivalents.* As of December 31, 2019 and 2018, the ECL relating to the cash and cash equivalents and short-term investments of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Receivables from Related Parties, Accrued Interest Receivables, Advances to Officers and Employees and Other Receivables.* The Parent Company did not recognize ECL relating to receivable from related parties and other receivables since there were no history of default payments, except for the receivable from RFM Corporation, which is specifically and fully provided with allowance for impairment amounting to ₱46.1 million as of December 31, 2019 and 2018 (see Note 11). This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.



▪ *Simplified Approach*

- *Trade Receivables.* The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2019 and 2018, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P0.5 million and P0.9 million, respectively. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

	2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P2,365,379,193	P-	P46,078,063	P19,287,787	P2,430,745,043
Loss allowance	-	-	(46,078,063)	(486,937)	(46,565,000)
Carrying amount	P2,365,379,193	P-	P-	P18,800,850	P2,384,180,043

	2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P2,215,312,464	P-	P46,078,063	P52,536,141	P2,313,926,668
Loss allowance	-	-	(46,078,063)	(861,508)	(46,939,571)
Carrying amount	P2,215,312,464	P-	P-	P51,674,633	P2,266,987,097

As of December 31, 2019 and 2018, the aging analysis per class of financial assets is as follows:

	2019					
	Neither Past Due nor Impaired	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Total
Financial Assets at Amortized Cost						
Cash and cash equivalents (excluding cash on hand)	P2,313,147,102	P-	P-	P-	P-	P2,313,147,102
Trade and other receivables:						
Accounts receivable	-	11,213,677	874,229	874,229	5,838,715	19,287,787
Advances to related parties	-	261,974	193,342	55,541	14,173,224	14,684,081
Accrued interest receivable	6,454,332	-	-	-	-	6,454,332
Dividends receivable	12,800,000	-	-	-	-	12,800,000
Advances to employees	-	33,364	137,211	198,459	1,898,445	2,267,479
Others	-	4,074,032	1,713,519	2,381,381	7,857,267	16,026,199
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063
	P2,332,401,434	P15,583,047	P2,918,301	P3,509,610	P29,767,651	P2,430,745,043

	2018					
	Neither Past Due nor Impaired	Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Total
Financial Assets at Amortized Cost						
Cash and cash equivalents (excluding cash on hand)	P2,193,284,060	P-	P-	P-	P-	P2,193,284,060
Trade and other receivables:						
Accounts receivable	44,997,936	1,492,830	3,536	868,463	4,311,868	52,536,141
Advances to related parties	2,967	483,866	123,174	198,202	12,677,290	13,485,499
Accrued interest receivable	4,404,061	-	-	-	-	4,404,061
Advances to employees	232,564	200,002	9,751	12,763	1,711,119	2,166,199
Others	144,433	37,889	6,759	7,520	1,776,044	1,972,645
Due from RFM Corporation (under "Other noncurrent assets")	-	-	-	-	-	46,078,063
	P2,243,066,021	P2,214,587	P143,220	P1,086,948	P20,476,321	P2,313,926,668

Liquidity Risk

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



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

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

	2019			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P2,313,237,102	P48,565,734	P2,264,671,368	P-
Trade and other receivables:				
Accounts receivable	18,800,850	-	18,800,850	-
Advances to related parties	14,684,081	-	14,684,081	-
Dividends receivable	12,800,000	-	12,800,000	-
Advances to employees	2,267,479	-	2,267,479	-
Accrued interest receivable	6,454,332	-	6,454,332	-
Others	16,026,199	-	16,026,199	-
At FVOCI	7,370,000	-	-	7,370,000
	2,391,640,043	48,565,734	2,335,704,309	7,370,000
Financial Liabilities				
Other financial liabilities:				
Notes payable*	3,021,086,892	-	186,768,491	2,834,318,401
Lease liabilities**	74,202,997	-	17,876,646	56,326,351
Accrued interest	23,540,892	-	23,540,892	-
Accounts payable and accrued expenses***	5,266,765	-	5,266,765	-
Dividends payable	3,154,947	-	3,154,947	-
	3,127,252,493	-	236,607,741	2,890,644,752
Net Financial Assets (Liabilities)	(P735,612,450)	P48,565,734	P2,099,096,568	(P2,883,274,752)

*Including contractual interest to maturity

**Contractual undiscounted lease payments

	2018			
	Contractual Undiscounted Payments			
	Total	On Demand	Less than 1 Year	1 to 5 Years
Financial Assets				
At amortized cost				
Cash and cash equivalents	P2,193,499,060	P15,280,298	P2,178,218,762	P-
Trade and other receivables:				
Accounts receivable	51,674,633	-	51,674,633	-
Advances to related parties	13,485,499	-	13,485,499	-
Advances to employees	2,166,199	-	2,166,199	-
Accrued interest receivable	4,404,061	-	4,404,061	-
Others	1,972,645	-	1,972,645	-
At FVOCI	5,550,000	-	-	5,550,000
	2,272,752,097	15,280,298	2,251,921,799	5,550,000
Financial Liabilities				
Other financial liabilities:				
Notes payable*	3,209,517,093	-	188,430,201	3,021,086,892
Accrued interest	25,188,025	-	25,188,025	-
Accounts payable and accrued expenses	4,381,563	-	4,381,563	-
Dividends payable	2,806,854	-	2,806,854	-
	3,241,893,535	-	220,806,643	3,021,086,892
Net Financial Assets (Liabilities)	(P969,141,438)	P15,280,298	P2,031,115,156	(P3,015,536,892)

*Including contractual interest to maturity



Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy

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

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

The Parent Company's financial assets at FVOCI is carried at fair value classified under Level 2 as at December 31, 2019 and 2018, since its fair value was measured based on published buying and selling prices in a relatively inactive market, and no significant adjustments were made to market observations due to the relatively non-volatile movements in historical prices of the said club shares (see Note 11).

As of December 31, 2019 and 2018, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity.

The Parent Company considers the notes payable with fair value of ₱3.0 billion and ₱2.8 billion as of December 31, 2019 and 2018, respectively, under Level 3 classification. The carrying amounts of these notes payable amounted to ₱2.8 billion and ₱2.9 billion as of December 31, 2019 and 2018, respectively.

Valuation Techniques Used to Derive Level 3 Fair Values

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

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

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

Capital Management

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

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



No changes were made in the objectives, policies or processes during the years ended 2019, 2018 and 2017.

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, 2019 and 2018 (see Note 13). The Parent Company is also subject to Minimum Public Ownership requirement of the PSE. As of December 31, 2019 and 2018, the Parent Company has complied with the requirement. The Parent Company is not subject to other externally imposed capital requirements (see Note 17).

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

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

	2019	2018
Notes payable	₱2,844,726,970	₱2,870,154,989
Less cash and cash equivalents	2,313,237,102	2,193,499,060
Net cash and cash equivalents (a)	531,489,868	676,655,929
Equity	6,447,221,176	6,000,072,095
Equity and net cash and cash equivalents (b)	₱6,978,711,044	₱6,676,728,024
Gearing ratio (a/b)	0.08:1.00	0.10:1.00

20. Changes in Liabilities Arising from Financing Activities

	Notes Payable	Dividends Payable	Lease from Financing Liabilities	Total Liabilities from Financing Activities
January 1, 2019	₱2,870,154,989	₱2,806,854	₱—	₱2,872,961,843
Effects of PFRS 16 adoption	—	—	22,300,351	22,300,351
Cash flows	(30,000,000)	(345,784,966)	(7,830,714)	(383,615,680)
Non-cash changes:				
Amortization of debt issue cost	4,571,981	—	—	4,571,981
Dividends declared	—	346,133,059	—	346,133,059
Additions and Modifications	—	—	52,032,876	52,032,876
Pre-termination of lease	—	—	(2,485,330)	(2,485,330)
December 31, 2019	₱2,844,726,970	₱3,154,947	₱64,017,183	₱2,911,899,100

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



21. Lease Agreements

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

As of December 31, 2018, the future minimum lease payments under these non-cancellable operating lease are as follows:

1 year	P7,983,708
more than 1 years to 2 years	6,813,592
more than 2 years to 3 years	5,678,003
more than 3 years to 5 years	2,303,326
more than 5 years	5,520,775
	<u>P28,299,404</u>

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

	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
As at January 1	P3,702,633	P18,597,718	P22,300,351	P22,300,351
Additions and modifications	—	52,032,876	52,032,876	52,032,876
Termination	—	(2,331,604)	(2,331,604)	(2,485,330)
Depreciation expense	(231,415)	(10,287,391)	(10,518,806)	—
Interest expense	—	—	—	2,309,097
Payments	—	—	—	(10,139,811)
As at December 31	<u>P3,471,218</u>	<u>P58,011,599</u>	<u>P61,482,817</u>	<u>P64,017,183</u>

As of December 31, 2019, current and non-current portion of lease liabilities recognized in the parent company statement of financial position amounted to P14.5 million and P49.6 million, respectively.

Set out below are the amounts recognized in the statement of comprehensive income for the period ended December 31, 2019:

Depreciation expense of right-of-use assets	P10,518,806
Interest expense on lease liabilities	2,309,097
Rent expense - short-term leases	693,722
Gain on pre-termination of lease	(153,726)
	<u>P13,367,899</u>



Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2019:

1 year	P17,876,646
more than 1 years to 2 years	17,475,610
more than 2 years to 3 years	18,150,461
more than 3 years to 5 years	16,026,542
more than 5 years	4,673,738
	<u>P74,202,997</u>

22. Supplementary Information Required under Revenue Regulations 15-2010

In compliance with the requirements set forth by the RR 15-2010, hereunder are the information on taxes, duties, and license fees paid or accrued by the Parent Company in 2019:

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

Value-Added Tax (VAT)

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

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

	Net Sales/ Receipts	Output VAT
Net sales	P172,156,622	P20,658,795

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

Input VAT. The Parent Company recognized input VAT for the purchases of goods and services from other VAT-registered individuals or corporations in 2019 amounting to P166,521,925.

Total input VAT available for application as of December 31, 2019 is as follows:

Balance at January 1	P2,244,535
Current year's domestic purchases or payments for:	
Services lodged under expenses	17,768,409
Capital goods subject to amortization	767,331
Capital goods not subject to amortization	233,560
Goods other than capital goods	1,213,331
Total	22,227,166
Adjustments:	
Amortization of input VAT from capital goods	(779,416)
Deferred Input VAT	97,732
Claims against output VAT	(14,227,520)
At December 31	<u>P7,317,962</u>



Documentary Stamp Tax

The Parent Company paid documentary stamp taxes in 2019 amounting to ₱196,646 of which ₱411 are from the advances from related parties, and ₱196,235 from telegraphic transfer from bank transactions, insurance-related and other transactions entered during the year.

Customs Duties

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

Withholding Taxes

The amount of taxes withheld in 2019 follows:

Expanded withholding taxes	₱34,174,044
Withholding taxes on compensation and benefits	22,410,481
Final withholding taxes	141,004
	<u>₱56,725,529</u>

Other Taxes and Licenses

Other taxes paid during the year are as follows:

Deficiency taxes	₱11,289,862
Business permit	1,686,640
Fringe benefit tax	478,203
Real property tax	67,662
Community tax	11,000
Bureau of Internal Revenue (BIR) annual registration fee	500
Others	151,458
	<u>₱13,685,325</u>

Tax Assessments and Cases

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

