COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,423	June 21	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SEC Cebu Extension Office
JUL 13 2020
By:

VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **VIVANT CORPORATION AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 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.

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

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

www.vivant.com.ph

REPUBLIC OF THE PHILIPPINES }
CITY OF CEBU } S.S.

BEFORE ME, a Notary Public, for and in the cities and provinces of Cebu this FEB 2 0 2020, personally appeared the following persons with their respective competent evidence of identity:

Name	Government ID No	Date of Expiry/Place of Issue
Minuel Carmela N. Franco	Passport No. P2168178A	March 5, 2022/DFA Cebu

both known to me and to me known to be the same persons who executed the foregoing instrument and they acknowledge to me that same is their free act and voluntary deed and in the capacities in which they appeared.

IN WITNESS WHEREOF, I hereby affix my signature and notarial seal on the date and place first above-written.

Doc. No. 4;
Page No. 1;
Book No. 34;
Series of 2020.

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

ATTY. JOAN GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 018-19
NOTARY PUBLIC
UNTIL DEC. 31, 20[illegible]
UNITS 1501-1502 AYALA LIF[illegible] CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1571681-CEBU CITY-1-8-2020
IBP LIFETIME NO. 019431-CEBU CITY

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for the Investment in Visayan Electric Company, Inc.

As disclosed in Notes 1 and 10 to the consolidated financial statements, the Group owns 34.81% of Visayan Electric Company, Inc. (VECO), an associate engaged in power distribution services, as at December 31, 2019 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because VECO accounted for 14% of the consolidated total assets and contributed 29% to the consolidated net income of the Group as at and for the year ended December 31, 2019, respectively. VECO's net income is significantly affected by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2019. We evaluated the design and tested the controls over VECO's billing and revenue process. These include the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in the billing statements.

Accounting for the Adoption of PFRS 16

Effective January 1, 2019, the Group adopted PFRS 16, *Leases*, under the modified retrospective approach which resulted in significant changes in the Group's accounting policy for leases. The Group's adoption of PFRS 16 is significant to our audit because the amounts of impact are material to the consolidated financial statements; and the adoption involved application of significant judgment and estimation in determining the lease term and in determining the incremental borrowing rate. This resulted in the recognition of right-of-use assets and lease liability amounting to ₱1,021.3 million as of January 1, 2019, and the recognition of depreciation expense and interest expense of ₱210.8 million and ₱85.7 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Note 3 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new standard on leases, including the determination of the population of the lease contracts covered by PFRS 16, the application of the short-term and low value assets exemption, the selection of the transition approach and any election of available practical expedients. We inspected lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements), identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We reviewed the disclosures related to the transition adjustments based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Valuation of Investment Properties at Fair Value

The Group accounts for its investment properties using the fair value model. Investment properties consist of land and condominium units and represent 3.6% of the consolidated assets as at December 31, 2019. The determination of the fair values of these properties involves significant management judgment and estimation. The valuation requires the assistance of appraisers whose calculations depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors.

The disclosures relating to investment properties are included in Note 12 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the appraiser the basis of adjustments made to the sales price.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

- as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ma. Genalin Q. Arevalo.

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 AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱4,405,244,649	₱3,787,016,107
Trade and other receivables (Note 7)	788,842,129	705,129,504
Advances to associates and stockholders (Note 16)	91,803,173	78,792,412
Inventories - at cost (Note 8)	101,307,901	125,498,946
Prepayments and other current assets (Note 9)	159,912,610	66,557,561
Total Current Assets	5,547,110,462	4,762,994,530
Noncurrent Assets		
Investments in associates and joint ventures (Note 10)	11,236,867,087	10,360,015,772
Property, plant and equipment (Note 11)	1,321,444,974	600,890,899
Right-of-use assets (Note 24)	925,279,293	–
Investment properties (Note 12)	757,280,601	511,453,892
Deferred income tax assets (Note 20)	30,891,693	20,895,450
Pension asset (Note 19)	–	5,720,225
Other noncurrent assets (Note 13)	1,048,137,839	935,337,903
Total Noncurrent Assets	15,319,901,487	12,434,314,141
TOTAL ASSETS	₱20,867,011,949	₱17,197,308,671
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱1,203,179,205	₱685,926,061
Current portion of lease liabilities (Note 24)	360,141,234	–
Advances from related parties (Note 16)	18,309,614	18,411,063
Income tax payable	15,999,066	22,933,075
Current portion of long-term notes payable (Note 15)	25,218,850	25,428,019
Total Current Liabilities	1,622,847,969	752,698,218
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	2,819,508,120	2,844,726,970
Lease liabilities - net of current portion (Note 24)	516,299,054	–
Pension liability (Note 19)	67,222,433	34,452,922
Deferred income tax liabilities (Note 20)	203,423,809	109,362,283
Other noncurrent liabilities (Notes 14 and 23)	836,662,924	885,604,321
Total Noncurrent Liabilities	4,443,116,340	3,874,146,496
Total Liabilities	6,065,964,309	4,626,844,714
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	1,023,456,698	1,023,456,698
Additional paid-in capital	8,339,452	8,339,452

(Forward)

SEC Cebu Extension Office
JUL 13 2020
By:
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	December 31	
	2019	2018
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**₱1,323,680,397**	₱1,398,039,947
Remeasurement gain (loss) on employee benefits (Note 19)	**(10,270,755)**	6,999,009
Share in remeasurement losses on employee benefits of associates and a joint venture (Note 10)	**(80,413,281)**	(78,172,323)
Unrealized valuation gain (loss) on financial assets at fair value through other comprehensive income (FVOCI)	**2,836,709**	1,289,709
Equity reserves (Note 21)	**(25,128,554)**	(43,845)
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**4,449,483,361**	3,972,397,789
Unappropriated	**7,392,814,294**	5,802,739,051
Equity Attributable to Equity Holders of the Parent	**14,084,798,321**	12,135,045,487
Equity Attributable to Non-controlling Interests (Note 21)	**716,249,319**	435,418,470
Total Equity	**14,801,047,640**	12,570,463,957
TOTAL LIABILITIES AND EQUITY	**₱20,867,011,949**	₱17,197,308,671

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Revenue from contracts with customers			
Sale of power (Note 23)			
Generation	**₱2,446,354,295**	₱1,508,376,403	₱2,616,758,725
Ancillary services	**1,009,757,401**	654,346,322	3,629,740
Retail electricity supply	**70,589,533**	67,066,411	–
Management and service fees (Note 16)	**97,547,438**	137,262,570	151,921,967
Engineering service income	**18,582,784**	–	–
Equity in net earnings of associates and joint ventures (Note 10)	**2,183,383,722**	1,796,151,495	1,290,172,769
Interest income (Note 6)	**153,411,964**	117,057,368	72,537,322
	5,979,627,137	4,280,260,569	4,135,020,523
COSTS OF SERVICES			
Generation costs (Notes 17 and 23)	**2,332,094,275**	1,938,813,443	2,187,471,307
Engineering service fees (Note 17)	**1,451,250**	–	–
	2,333,545,525	1,938,813,443	2,187,471,307
OPERATING EXPENSES			
Salaries and employee benefits (Note 18)	**202,975,160**	174,759,438	157,851,176
Professional fees	**173,671,643**	103,823,911	72,216,680
Taxes and licenses (Note 12)	**55,333,078**	48,260,680	50,650,520
Project termination cost (Note 1)	**53,111,200**	–	–
Travel	**37,462,373**	30,384,580	32,058,796
Provision for estimated liability (Note 14)	**32,577,442**	–	–
Depreciation and amortization (Notes 11 and 13)	**31,861,829**	19,492,188	19,718,279
Management fees (Note 16)	**22,206,974**	23,234,666	24,789,731
Outside services	**19,532,232**	15,241,219	9,593,470
Representation	**8,566,625**	9,559,710	7,754,481
Communication and utilities	**7,084,959**	9,554,682	7,039,981
Rent and association dues	**3,613,177**	9,528,118	11,212,411
Other operating expenses (Note 17)	**70,956,984**	59,255,901	49,941,108
	718,953,676	503,095,093	442,826,633
INCOME FROM OPERATIONS	**2,927,127,936**	1,838,352,033	1,504,722,583
OTHER INCOME (CHARGES)			
Gain on fair value measurement of investment properties (Note 12)	**235,326,709**	–	72,501,133
Finance costs on loans (Note 15)	**(170,922,101)**	(173,176,699)	(176,224,968)
Finance costs on lease liabilities (Note 24)	**(85,661,701)**	–	–
Gain on disposal of a joint venture and subsidiary (Notes 1 and 10)	**–**	119,961,701	12,068,717
Foreign exchange gains (losses) - net	**(4,387,978)**	7,167,097	(1,249,454)
Other income - net (Notes 12 and 17)	**41,931,060**	21,263,589	108,568,693
	16,285,989	(24,784,312)	15,664,121

(Forward)

	Years Ended December 31		
	2019	2018	2017
INCOME BEFORE INCOME TAX	**₱2,943,413,925**	₱1,813,567,721	₱1,520,386,704
PROVISION FOR INCOME TAX (Note 20)	**271,663,175**	45,102,782	94,877,898
NET INCOME	**2,671,750,750**	1,768,464,939	1,425,508,806
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on employee benefits (Note 19)	**(26,956,362)**	12,867,279	(7,642,270)
Income tax effect	**7,310,862**	(3,860,184)	1,942,528
	(19,645,500)	9,007,095	(5,699,742)
Unrealized valuation gain on financial assets at FVOCI (Note 13)	**1,820,000**	1,850,000	–
Income tax effect	**(273,000)**	(555,000)	–
	1,547,000	1,295,000	–
Share in the remeasurement losses on employee benefits of associates, net of tax (Note 10)	**(2,240,958)**	(3,607,842)	(15,669,037)
Share in revaluation increment of an associate, net of tax (Note 10)	**–**	–	291,996,394
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**(20,339,458)**	6,694,253	270,627,615
TOTAL COMPREHENSIVE INCOME	**₱2,651,411,292**	₱1,775,159,192	₱1,696,136,421
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱2,338,934,325**	₱1,730,807,717	₱1,259,926,428
Non-controlling interests	**332,816,425**	37,657,222	165,582,378
	₱2,671,750,750	₱1,768,464,939	₱1,425,508,806
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱2,320,970,603**	₱1,735,442,308	₱1,531,685,794
Non-controlling interests	**330,440,689**	39,716,884	164,450,627
	₱2,651,411,292	₱1,775,159,192	₱1,696,136,421
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱2.285**	₱1.691	₱1.231

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

	Equity Attributable to Equity Holders of the Parent											
								Retained Earnings (Note 21)				
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Gain on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and a Joint Venture	Equity Reserves	Unrealized Valuation Gain (Loss) on Financial Assets at FVOCI	Appropriated	Unappropriated	Total	Equity Attributable to Non-Controlling Interests (Note 21)	Total Equity
Balances at January 1, 2019	₱1,023,456,698	₱8,339,452	₱1,398,039,947	₱6,999,009	(₱78,172,323)	(₱43,845)	₱1,289,709	₱3,972,397,789	₱5,802,739,051	₱12,135,045,487	₱435,418,470	₱12,570,463,957
Total comprehensive income (loss)	–	–	–	(17,269,764)	(2,240,958)	–	1,547,000		2,338,934,325	2,320,970,603	350,440,689	2,671,411,292
Appropriation for business expansion	–	–	–	–	–	–	–	2,600,000,000	(2,600,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(2,122,914,428)	2,122,914,428	–	–	–
Acquisition of a subsidiary (Note 13)	–	–	–	–	–	–	–	–	–	–	24,200,169	24,200,169
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	12,737,500	12,737,500
Purchase of NCI's share (Note 21)	–	–	–	–	–	(25,084,709)	–	–	–	(25,084,709)	(5,907,509)	(30,992,218)
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(74,359,550)	–	–	–	–	–	74,359,550	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(346,133,060)	(346,133,060)	(80,648,000)	(426,773,060)
Balances at December 31, 2019	₱1,023,456,698	₱8,339,452	₱1,323,680,397	(₱10,270,755)	(₱80,413,281)	(₱25,128,554)	₱2,836,709	₱4,449,483,361	₱7,392,814,294	₱14,084,798,321	₱716,249,319	₱14,801,047,640
Balances at January 1, 2018	₱1,023,456,698	₱8,339,452	₱1,472,399,497	₱51,576	(₱74,564,481)	(₱43,845)	(₱5,291)	₱3,422,808,228	₱4,832,910,455	₱10,685,352,289	₱582,856,500	₱11,268,208,789
Total comprehensive income (loss)	–	–	–	6,947,433	(3,607,842)	–	1,295,000		1,730,807,717	1,735,442,308	39,716,884	1,775,159,192
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	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	9,474,009	9,474,009
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(74,359,550)	–	–	–	–	–	74,359,550	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(285,749,110)	(285,749,110)	(196,628,923)	(482,378,033)
Balances at December 31, 2018	₱1,023,456,698	₱8,339,452	₱1,398,039,947	₱6,999,009	(₱78,172,323)	(₱43,845)	₱1,289,709	₱3,972,397,789	₱5,802,739,051	₱12,135,045,487	₱435,418,470	₱12,570,463,957
Balances at January 1, 2017	₱1,023,456,698	₱8,339,452	₱1,207,387,400	₱4,652,158	(₱58,895,444)	₱–	(₱5,291)	₱2,778,783,261	₱4,493,321,226	₱9,457,039,460	₱570,305,733	₱10,027,345,193
Total comprehensive income (loss)	–	–	291,996,394	(4,567,991)	(15,669,037)	–	–		1,259,926,428	1,531,685,794	164,450,627	1,696,136,421
Appropriation for business expansion	–	–	–	–	–	–	–	1,250,000,000	(1,250,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(605,975,033)	605,975,033	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,894,000	3,894,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(26,984,297)	–	–	–	–	–	26,984,297	–	–	–
Purchase of 1590's NCI and deconsolidation of VAHC	–	–	–	(32,591)	–	(43,845)	–	–	–	(76,436)	(13,893,860)	(13,970,296)
Cash dividends	–	–	–	–	–	–	–	–	(285,749,110)	(285,749,110)	(141,900,000)	(427,649,110)
Balances at December 31, 2017	₱1,023,456,698	₱8,339,452	₱1,472,399,497	₱51,576	(₱74,564,481)	(₱43,845)	(₱5,291)	₱3,422,808,228	₱4,850,457,874	₱10,702,899,708	₱582,856,500	₱11,285,756,208

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,943,413,925**	₱1,813,567,721	₱1,520,386,704
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(2,183,383,722)**	(1,796,151,495)	(1,290,172,769)
Depreciation and amortization (Notes 24, 11 and 13)	**269,322,566**	31,385,096	106,515,695
Gain on fair value remeasurement of investment properties (Note 12)	**(235,326,709)**	–	(72,501,133)
Finance costs on loans (Note 15)	**170,922,101**	173,176,699	176,224,968
Interest income (Note 6)	**(153,411,964)**	(117,057,368)	(72,537,322)
Finance costs on lease liabilities (Note 24)	**85,661,701**	–	–
Pension expense (Note 19)	**11,987,522**	12,271,812	8,838,915
Unrealized foreign exchange losses (gains)	**4,387,978**	(7,167,097)	1,249,454
Gain on pre-termination of lease (Note 24)	**(153,732)**	–	–
Loss (gain) on disposal of property and equipment (Note 17)	**96,818**	(508,480)	5,045,198
Gain on disposal of a joint venture and subsidiary (Notes 1 and 10)	–	(119,961,701)	(12,068,717)
Operating income (loss) before working capital changes	**913,516,484**	(10,444,813)	370,980,993
Decrease (increase) in:			
Trade and other receivables	**(88,576,075)**	(243,335,973)	(135,642,345)
Prepayments and other current assets	**(93,355,049)**	(61,072,335)	13,573,919
Inventories	**24,191,045**	(2,635,625)	(26,017,562)
Increase in trade and other payables	**143,083,792**	85,423,701	90,429,279
Net cash generated from (used in) operations	**898,860,197**	(232,065,045)	313,324,284
Interest paid	**(253,658,954)**	(169,056,021)	(172,300,087)
Income taxes paid	**(187,494,039)**	(39,401,964)	(87,310,681)
Contributions to the retirement fund (Note 19)	**(454,148)**	(2,497,815)	(2,497,815)
Net cash flows from (used in) operating activities	**457,253,056**	(443,020,845)	51,215,701
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates and joint ventures (Note 10)	**1,317,391,449**	1,314,503,825	1,178,759,551
Additions to property, plant and equipment (Note 11)	**(399,126,651)**	(114,274,889)	(27,853,213)
Interest received	**153,575,414**	113,959,756	69,700,628
Additions to investment properties (Note 12)	**(10,500,000)**	–	–
Additional investments and advances to associates and joint ventures (Note 10)	**(8,400,000)**	(1,524,709,815)	(558,842,078)
Proceeds from:			
Disposal of property, plant and equipment (Note 11)	**299,789**	1,927,269	53,855,824
Redemption of preferred shares (Note 10)	–	50,000,000	–
Sale of an equity interest in a joint venture (Note 10)	–	48,000,000	–
Sale of investment properties (Note 12)	–	–	53,960,000
Decrease (increase) in other noncurrent assets	**(25,662,576)**	7,475,096	(9,994,912)
Net cash outflow from acquisition of a subsidiary (Note 13)	**(61,131,114)**	–	–
Net cash outflow from disposal of a subsidiary (Note 1)	–		(688,002)
Net cash flows from (used in) investing activities	**966,446,311**	(103,118,758)	758,897,798

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Note 21)	**(₱480,184,967)**	(₱346,320,996)	(₱427,288,549)
Lease liabilities (Note 24)	**(259,530,952)**	–	–
Loans (Note 15)	**(30,000,000)**	(30,000,000)	(133,500,000)
Non-controlling interest on the sale of shares (Note 21)	**(30,992,218)**	–	–
Net proceeds (payments) in advances from related parties (see Note 26)	**(13,112,210)**	57,753,105	(54,663,263)
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**12,737,500**	9,474,009	3,894,000
Net cash flows used in financing activities	**(801,082,847)**	(309,093,882)	(611,557,812)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**622,616,520**	(855,233,485)	198,555,687
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,387,978)**	7,167,097	(1,249,454)
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**3,787,016,107**	4,635,082,495	4,437,776,262
Restricted cash (Notes 9 and 13)	**650,000**	650,000	650,000
	3,787,666,107	4,635,732,495	4,438,426,262
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**4,405,244,649**	3,787,016,107	4,635,082,495
Restricted cash (Notes 9 and 13)	**650,000**	650,000	650,000
	₱4,405,894,649	₱3,787,666,107	₱4,635,732,495

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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 75.84%. MRC and JDC are entities incorporated and domiciled in the Philippines.

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

The principal office address of the Parent Company was previously located at Unit 907-908, Ayala Life-FGU Center, Mindanao Ave. Cor. Biliran Rd, Cebu Business Park, Bgy. Luz, Cebu City and is currently located at 9th Floor Oakridge IT Center 3, Oakridge Business Park, A.S. Fortuna Street, Barangay Banilad, Mandaue City, Cebu.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as at December 31, 2019 and 2018:

	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) [o]	**100.00**	–	100.00	–
Vivant Realty Ventures Corporation (VRVC)	–	**100.00** [r] [s]	–	100.00 [r] [s]
Vivant Corporate Center, Inc. (VCCI)	–	**100.00** [r] [x]	–	100.00 [r] [x]
Vivant Infracore Holdings Inc. (VIHI)	**100.00** [w]	–	100.00 [w]	–
Vivant Hydrocore Holdings Inc. (VHHI)	–	**100.00** [cc] [z]	–	–
Vivant Transcore Holdings Inc. (VTHI)	–	**100.00** [cc] [z]	–	–
Watermatic Philippines Corporation (WMP)	–	**60.00** [aa]	–	–
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)		**100.00** [n]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [b] [g]	–	100.00 [b] [g]
Vivant Isla, Inc. (VII)	–	**100.00** [a] [h]	–	100.00 [a] [h]
Vivant Renewable Energy Corporation (VREC) [f]	–	**100.00** [a]	–	100.00 [a]
Corenergy Inc. (Core)	–	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** [a] [i]	–	100.00 [a] [i]
Vivant Enercore Integrated Inc. (VEII)	–	**100.00** [a] [m]	–	100.00 [a] [m]
Isla Norte Energy Corp. (INEC)	–	**73.75** [a] [n]	–	100.00 [a] [n]

(Forward)

	2019		2018	
	Percentage of Ownership			
	Direct	Indirect	Direct	Indirect
Southern Powercore Holding Corp. (SPHC)	–	100.00 [b] [t]	–	100.00 [b] [t]
Amberdust Holding Corporation (AHC)	–	100.00 [b] [u]	–	100.00 [b] [u]
Vivant-Malogo Hydropower, Inc. (VMHI)	–	67.00 [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	55.20 [n]	–	55.20 [a]
ET-Vivant Solar Corporation (ET Vivant)	–	100.00 [a] [x]	–	60.00 [a] [x]
ET Energy Island Corporation (ETEI)	–	100.00 [a] [d]	–	60.00 [a] [d]
Associates				
Visayan Electric Company, Inc. (VECO)	34.81 [e]	–	34.81 [e]	–
Prism Energy, Inc. (PEI)	40.00	–	40.00	–
Abovant Holdings, Inc. (AHI)	–	40.00 [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	40.00 [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	40.00 [c]	–	40.00 [c]
Therma Visayas, Inc. (TVI)	–	20.00 [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)	–	42.50 [c] [f]	–	42.50 [c] [f]
Global Luzon Energy Development Corporation (GLEDC)	–	42.50 [c] [p]	–	42.50 [c] [p]
Sabang Renewable Energy Corporation (SREC)	–	30.00 [b] [q]	–	30.00 [b] [q]
Culna Renewable Energy Corp. (CREC)	–	35.00 [b] [v]	–	35.00 [b] [v]
6 Barracuda Energy Power Corporation (6 Barracuda)	–	40.00 [b] [bb]	–	–
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	50.00 [a]	–	50.00 [a]
Delta P, Inc. (Delta P)	–	50.00 [a] [k]	–	50.00 [a] [k]

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Indirect ownership through VIGC
d. Incorporated January 11, 2017. Ownership interest in ETEI is through ET Vivant
e. Indirect ownership through HDFE until December 31, 2013
f. Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014
i. Incorporated on August 7, 2015
j. Increased to 47.64% effective November 6, 2015
k. Increased to 50% effective May 28, 2015
l. Incorporated on June 10, 2016
m. Incorporated on May 26, 2016
n. Incorporated on June 13, 2016 Changed its corporate name from Vivant Powercore Active Inc. (VPAI) to INEC on December 20, 2019.
o. Incorporated on December 8, 2004. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
p. Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.
q. Incorporated on September 27, 2013
r. Indirect ownership through SGPDC
s. Incorporated May 19, 2017
t. Incorporated April 20, 2017
u. Incorporated August 16, 2017
v. Incorporated April 12, 2017
w. Incorporated December 18, 2018
x. Incorporated October 10, 2018
y. Incorporated April 4, 2018
z. Incorporated May 20, 2019
aa. Incorporated July 23, 2019
bb. Incorporated January 24, 2017
cc. Indirect ownership through VIHI

Subsidiaries

Except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, 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 VPAI.

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) MW of geothermal power from ULGPP beginning January 1, 2015 (see Note 23). On October 25, 2019, the Company paid pre-termination costs amounting to ₱53.1 million recognized under "Operating expenses" in the statement of comprehensive income effectively terminating the contract.

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. Escaño, 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 ₱27.9 million, with the intention of holding the land for capital appreciation. As of December 31, 2019, VRVC has recognized rental income from the purchased investment property (see Note 12).

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

On December 29, 2017, the Group purchased shares held by ICS in 1590 EC, representing 2.5% ownership interest in the latter, in exchange for a total cash consideration of ₱13.9 million. The purchase increased the Group's ownership interest in 1590 EC from 52.7% to 55.2%, and resulted to an increase in the Group's liability by ₱13.9 million and decrease in the equity attributable to the Parent Company by ₱76,435.

The amount payable on the purchase is included under "Trade payables" under Trade and other current payables in 2017 (see Note 14) which was subsequently collected in 2018.

VCCI
VCCI was incorporated on October 10, 2018 and its primary purpose is to engage in the real estate business. As of December 31, 2018, 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, PEI, AHI, CPPC, MPC, TVI, LPCI, GLEDC, SREC, CREC, and 6 Barracuda qualify as associates of the Group.

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

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

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.

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

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

Its principal place of business is located at Aboitiz Corporate Center, Gov. Manuel Cuenco Avenue, Kasambagan, Cebu City, Philippines.

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

The registered office address of CPPC, which is also its principal place of business, is Old VECO Compound, Barangay Ermita, Carbon, Cebu City.

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

In the first quarter of 2014, MPC began construction of a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. In September 2017, MPC already started its operations.

The registered office of MPC is at Brgy. Mandangoa, Balingasag, Misamis Oriental.

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

In May 2014, TVI signed an Engineering, Procurement and Construction (EPC) contract with Hyundai Engineering Co., Ltd. and Galing Power Energy Co., Inc. to construct its Coal-Fired Thermal Power Plant. TVI issued the full Notice to Proceed (NTP) in March 2015 to ensure guaranteed completion date by the last quarter of 2017. The power plant already started its operations in April 2019.

The registered principal office of TVI is at Barangay Bato, Toledo City, Cebu.

LPCI
LPCI was registered with SEC on June 10, 2016 and is primarily engaged in the business of exploring, developing and utilizing renewable energy resources, and establishing, acquiring, maintaining, commissioning, owning and operating geothermal, thermal, hydroelectric, solar, wind, coal, diesel plants and such other sources. As of December 31, 2019, LPCI has not yet started its commercial operations.

The registered office of LPCI is at 22F GT Tower International 6813 Ayala Avenue cor. H.V. dela Costa St, Makati City 1227.

GLEDC
GLEDC, a wholly owned subsidiary of LPCI, was registered with SEC on January 31, 2013. It is primarily engaged in the general business of generating power derived from coal, fossil fuel, geothermal, nuclear, natural gas, hydroelectric, and other viable sources of power, for lighting and power purposes and whole selling the electric power to electric cooperatives, distribution utilities, and industrial customers. As of December 31, 2019, GLEDC has not started its commercial operations.

The registered office of GLEDC is at 22nd Flr GT Tower International, Ayala Avenue Corner H.V. Dela Costa St. Bel-air, Makati City.

SREC
SREC, an associate through VREC, was registered on September 27, 2013 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2019, SREC has not yet started its commercial operations.

The registered principal office of SREC is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

CREC
CREC, an associate through VREC, was registered on April 12, 2017 primarily to engage in the business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, and constructing conventional renewable energy and/or hybrid power generation, distribution and related facilities, and distributing and selling power, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in the furtherance of or otherwise relating to such purpose. As of December 31, 2019, CREC has not yet started its commercial operations.

The registered principal office of CREC is at Sitio Lilibutin, Barangay Guadalupe, Coron, Palawan 5316.

6 Barracuda
6 Barracuda was incorporated and registered with the Philippine SEC on January 24, 2017 and was established primarily to engage in all aspects of exploration, assessment, development and utilization of renewable energy resources, including the procurements, acquisition, importation, construction, installation, erection, ownership, lease, operation, and maintenance of edifices,

structures, facilities, materials, machinery and equipment, for or related of the generation and sale of power; to acquire, purchase, own, lease, sublease and obtain rights and access to real and personal property. As of December 31, 2019, 6 Barracuda has not yet started its operations.

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

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

The registered principal office of CIPC is at Sitio Lilibutin, Barangay Guadalupe Coron, Palawan, Philippines 5316.

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

The registered principal office of Delta P is at Km. 13 North National Highway, Sta. Lourdes, Puerto Princesa City, Palawan.

Authorization to Issue the Consolidated Financial Statements. The consolidated financial statements of the Group 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, Statement of Compliance and Basis of Consolidation

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

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

Basis of Consolidation

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

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

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

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

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

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

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

Accounting for Loss of Control

When the Group loses control of a subsidiary, it derecognizes the assets and liabilities of the former subsidiary, including any non-controlling interests in the former subsidiary at the date control is lost, and components of other comprehensive income attributable to them. The Group also recognizes any investment retained in the former subsidiary at its fair value when control is lost. The Group subsequently accounts for any retained interests and for any amount owed by or to the former subsidiary in accordance with other relevant PFRSs. The fair value shall be regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of an investment in an associate or joint venture. The Group recognizes a gain or loss associated with the loss of control attributable to the former controlling interest.

The Group accounts for all amounts previously recognized in other comprehensive income in relation to former subsidiaries on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group 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 Group is the lessor.

  The Group 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 Group has elected to apply PFRS 16 transition relief to contracts that were previously identified as leases applying PAS 17 and IFRIC 4. The Group 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 statement of financial position as at January 1, 2019 are as follows:

	Increase
Right of use assets	₱1,021,297,132
Lease liabilities	1,021,297,132

  Based on the above, as at January 1, 2019:
  - Right-of-use assets were recognized amounting to ₱1,021.3 million representing the amount of right-of-use assets set up on transition date.
  - Lease liabilities of ₱1,021.3 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 Group 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 Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, 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 income on a straight-line basis over the lease term.

Upon adoption of PFRS 16, the Group 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 Group.

Leases Previously Accounted for As Operating Leases. The Group 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 Group also applied the following practical expedients provided by the standard:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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 24)	₱1,289,484,759
Less commitments relating to short-term leases	325,300
Lease liabilities before discounting as at January 1, 2019	₱1,289,159,459
Weighted average IBR as at January 1, 2019	9.48%
Lease liabilities as at January 1, 2019	₱1,021,297,132

- 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 Group has assessed whether it has any uncertain tax position. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group 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 consolidated financial statements of the Group.

- Amendments to PFRS 9, *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 consolidated financial statements of the Group.

- 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 Group's current practice is in line with these amendments, these amendments had no impact on the consolidated financial statements of the Group.

- 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 consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *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 consolidated financial statements of the Group 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 consolidated financial statements of the Group because dividends declared by the Group 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 Group's current practice is in line with these amendments, these amendments had no impact on the consolidated financial statements of the Group.

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 Group.

- 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 these 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 consolidated financial statements since the Group 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.

  The amendments will only apply to future transactions of the Group.

4. Summary of Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in the consolidated 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 Group classifies all other liabilities as noncurrent.

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

Certain accounts in the financial statements as of December 31, 2018 were reclassified to conform with the presentation in the financial statements as of December 31, 2019.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial Assets and Financial Liabilities

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 Group's business model for managing the financial assets. The Group 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
  - 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 Group 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 Group 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 Group'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 Group's business model does not depend on management's intentions for an individual instrument.

  The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group 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 Group'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 debt 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 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 consolidated statement of 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 "Provision for bad debts" in the consolidated statement of income.

  As at December 31, 2019 and 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, advances to associate and stockholders, and other receivables included under "Other noncurrent assets" such as advances to suppliers and other parties, due from RFM Corporation, and security deposits and restricted cash under "Other current assets" (see Notes 6, 7 and 13).

- *Financial Assets at FVPL.* Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of income. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial liability or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

For derivatives embedded in financial asset host contracts, the Group applies the financial asset classification and measurement requirements to the entire instrument. No embedded derivatives in financial asset host contracts are recognized separately in the financial statements.

Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of financial investments.

As at December 31, 2019 and 2018, the Group has no equity instruments at FVPL.

- *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 Group 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 Group 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 Group'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 Group; and,
- the amount of the dividend can be measured reliably.

As at December 31, 2019 and 2018, the Group has financial assets at FVOCI amounting to ₱7.4 million and ₱5.6 million, respectively, and is presented as part of "Other noncurrent assets" account in Group's consolidated statements of financial position (see Note 13).

- *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 Group 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 Group'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. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedder derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  The Group's financial liabilities include trade and other payables, notes payable and advances from related parties.

- *Impairment of Financial Assets.* Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

  The Group recognizes ECL on debt instruments that are measured at amortized cost.

  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 Group 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'.

- *Determination of the Stage for Impairment.* At each reporting date, the Group 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 Group 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 receivables'. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Financial Instruments - Initial Recognition and Subsequent Measurement Prior to January 1, 2018. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

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

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

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

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

  When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2017, no financial assets have been designated as FVPL.

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

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

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

  As of December 31, 2017, the Group has no HTM investments.

- *AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income. The Group has available for sale financial assets of ₱3.8 million as of December 31, 2018 and 2017, and is presented as part of "Other noncurrent assets" account in the consolidated statements of financial position.

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

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

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

Impairment of Financial Assets Prior to January 1, 2018. The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

  - the rights to receive cash flows from the asset have expired;

  - the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

  - the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Cash and Cash Equivalents

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

Investments in Associates and Interests in Joint Ventures

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

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

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

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

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

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

For an associate that is engaged in the power distribution business, the Group accounts for its distribution utility assets under the revaluation model. Thus, the Group's share of the results of operations of the associate and change in the other comprehensive income recognized in the consolidated financial statements reflects the changes in the fair value of the distribution utility assets.

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

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

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

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

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

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

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred. Land is measured at cost less any impairment losses. For land transferred from investment properties carried at fair value, the land's deemed cost is its fair value at the date of change in use.

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

	Number of Years
Plant machineries and equipment	5–10
Condominium units, building and improvements	5–40
Transportation equipment	5
Office furniture, fixtures and equipment	2–10
Tools and other assets	3–5
Leasehold and land improvements	3–10

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

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

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

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

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Investment Properties

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

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

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

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

Business Combination and Goodwill. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets.

All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

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

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

Impairment of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Impairment of Nonfinancial Assets

As at December 31, 2019 and 2018, the Group has investments in associates and joint ventures and property, plant and equipment which are classified as nonfinancial assets subject to impairment.

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

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

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

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

Equity

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

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

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

Equity Reserves. Equity reserves pertain to the difference between the consideration transferred and the book value of interest acquired from non-controlling interest without loss of control.

Revenue Recognition
Revenue is measured based on the consideration to which the Group 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 Group 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 Group 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

- *Sale of Power.* For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Revenue from power generation and ancillary services is recognized in the period actual capacity is delivered. Revenue is to be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power.

  Power retail supply also qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue should be recognized over time and will recognize revenue based on amounts billed.

- *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.

- *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 years ended December 31, 2019 and 2018, the Group 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.

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

Other Income. Other income includes rental income and gain on disposal of property and equipment. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on disposal of property, plant and equipment is recognized as the difference between the proceeds received upon disposal and the book value of the property, plant and equipment disposed.

Cost and Expenses

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

Provisions

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

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

Pension Benefits

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

Taxes

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

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

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

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

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

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

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

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

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

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

The Group records uncertain tax positions on the basis of a two-step process whereby the Group determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Group recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Group records interest and penalties on uncertain tax positions in "Income tax expense (benefit)" account in the consolidated statement of comprehensive income.

Value-Added Tax (VAT). Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

Leases (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:

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

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

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

Leases (upon adoption of PFRS 16)
The Group 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.

Group as a Lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The 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 Group 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. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group 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
Office space	1-5
Plant and equipment	5

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 Group 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group 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 Group 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 and Leases of Low-value Assets. The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.25 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

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

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

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

As at December 31, 2019 and 2018, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

As of December 31, 2019 and 2018, the fair values of the Group's long-term notes payable amounted to ₱2,983.6 million and ₱2,808.2 million, respectively (see Note 25).

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

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 25.

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

As of December 31, 2019 and 2018, the carrying value of the Group's investment properties amounted to ₱757.3 million and ₱511.5 million, respectively (see Note 12).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Management has determined that by virtue of its ownership in its subsidiaries and associates as of December 31, 2019 and 2018, the Group has the ability to exercise control or significant influence over these investees (see Note 1).

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

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

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. The Group has joint arrangements pertaining to its interests in VSNRGC, CIPC and Delta P which are structured through separate vehicles, being organized as corporations under Philippine laws. This structure, and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangement. The final conclusion was that the Group's investments in VSNRGC, CIPC and Delta P are joint ventures.

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI are disclosed in Notes 1 and 21.

Determining Operating Lease Commitments - Group as a Lessee (prior to adoption of PFRS 16). 1590 EC entered into a Memorandum of Agreement (MOA) with the Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Bauang Diesel Power Plant (BDPP), including the right to use and sell the power generated therefrom, and lease of office spaces. The Group has determined that it does not acquire all the significant risks and rewards from these properties and thus accounts for this MOA as an operating lease.

Determination of Lease Contract and Lease Payments under PFRS 16. 1590 EC entered into lease contract with PGLU for the right to preserve, maintain and operate the BDPP for its sole account and expense for a term of five years commencing January 1, 2019. Under the contract, 1590 EC will pay PGLU for a fixed monthly rent with annual escalation and annual capital investment to cover for upgrading, maintenance, rehabilitation and repair of BDPP. The Group has determined that the lease contract with PGLU meets the definition of the lease under PFRS 16 since the leased asset is explicitly identified and defined in the contract and 1590 EC has the right to control over the identified asset. Further, the payments for capital investments are considered in-substance lease payments as 1590 EC has no other option but to incur this amount whether it be in the form of leasehold improvement or cash. Accordingly, such in-substance lease payments are included in the measurement of right-of-use asset and lease liability upon commencement date.

Revenue Recognition of an Associate. The Group accounts for its investment in VECO under the equity method. VECO's net income is significantly affected by power distribution revenue which requires complex revenue recognition process wherein the revenue will depend on the electric consumption captured, the propriety of rates computed and applied across various customer groups and the systems involved in the billing process. Further in 2018, VECO adopted PFRS 15 which involves the application of judgment in the assessment of its revenue recognition process.

Group's share in net income of VECO amounted to ₱785.1 million, ₱720.2 million and ₱725.4 million in 2019, 2018 and 2017, respectively. Carrying amount of the investment amounted to ₱2,924.0 million and ₱2,566.6 million as of December 31, 2019 and 2018, respectively (see Note 10).

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

The carrying value of the property, plant and equipment amounted to ₱1,321.4 million and ₱600.9 million as of December 31, 2019 and 2018, respectively (see Note 11). The carrying value of intangible assets (relating to software costs and customer contracts under "Other noncurrent assets") amounted ₱5.9 million and ₱12,520 as of December 31, 2019 and 2018, respectively (see Note 13).

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

- Investments in associates and joint ventures
- Property, plant and equipment
- Right-of-use assets
- Investment properties
- Intangible assets

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

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

	2019	2018
Investments in associates and joint ventures (see Note 10)	**₱11,236,867,087**	₱10,360,015,772
Property, plant and equipment (see Note 11)	**1,321,444,974**	600,890,899
Right-of-use assets (see Note 24)	**925,279,293**	–
Investment properties (see Note 12)	**757,280,601**	511,453,892
Intangible assets (see Note 13)	**5,939,275**	12,520

There were no impairment indicators on the Group's nonfinancial assets in 2019, 2018 and 2017.

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

As at December 31, 2019 and 2018, the carrying amount of goodwill amounted to ₱79.4 million and nil, respectively (see Note 13).

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

Deferred income tax assets amounted to ₱33.3 million and ₱24.4 million as of December 31, 2019 and 2018, respectively (see Note 20).

Deferred income tax assets have not been recognized on net operating loss carry-over (NOLCO) of ₱682.9 million and ₱740.1 million as of December 31, 2019 and 2018, respectively, and minimum corporate income tax (MCIT) of ₱4.4 million and ₱2.4 million as of December 31, 2019 and 2018, respectively (see Note 20).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. Management, in consultation with its legal counsel, believes that the likely outcome of these proceedings will not have a material adverse effect on the Group's financial position and operating results.

Management also believes that the current provisions in the accounts are adequate to cover the possible claims that may arise under the current circumstances. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

Estimating the Incremental Borrowing Rate for Lease Liabilities. The Group 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 Group 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 Group '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 Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱876.4 million as of December 31, 2019 (see Note 24).

6. Cash and Cash Equivalents

	2019	2018
Cash on hand and in banks	**₱351,265,532**	₱131,456,495
Short-term investments	**4,053,979,117**	3,655,559,612
	₱4,405,244,649	₱3,787,016,107

Cash in banks earn interest at the respective bank deposit rates.

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

Interest income earned from cash in banks and short-term investments amounted to ₱153.4 million, ₱117.1 million and ₱72.5 million in 2019, 2018 and 2017, respectively. Accrued interest receivable amounted to ₱8.3 million and ₱8.5 million as of December 31, 2019 and 2018, respectively (see Note 7).

7. Trade and Other Receivables

	2019	2018
Trade receivables:		
Third parties	**₱609,233,367**	₱337,276,315
Related parties (see Notes 16 and 23)	**119,234,947**	265,080,128
Dividends receivable (see Notes 10 and 16)	**42,800,000**	47,500,000
Loans receivable	**–**	16,173,188
Accounts receivable (see Note 16)	**19,291,233**	53,606,943
Accrued interest (see Note 6)	**8,294,408**	8,455,867
Advances to officers and employees	**3,143,698**	2,260,639
Others	**40,870,513**	29,177,032
	842,868,166	759,530,112
Less allowance for impairment losses	**54,026,037**	54,400,608
	₱788,842,129	₱705,129,504

Trade receivables represent receivables from Independent Electricity Market Operator of the Philippines (IEMOP) for sales to the Wholesale Electricity Spot Market (WESM), Ancillary Services Procurement Agreement (ASPA) with NGCP and bilateral sales contracts with other parties (see Note 23). Trade receivables are noninterest-bearing and generally have credit terms of 30 days (see Note 23).

Other receivables are mainly composed of amounts receivable from VAHC and AHPC amounting to ₱20.1 million as of December 31, 2019 and 2018 which are reclassified from "Due from related parties" effective after VEC's sale of its shares in VAHC to another party. These also include receivable from NREC for the sale of NR shares. As of December 31, 2019 and 2018, management recognized allowance for impairment losses from VAHC's receivables amounting to ₱17.5 million.

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

	2019	2018
At January 1	**₱54,400,608**	₱52,005,465
Provision (reversal)	**(374,571)**	2,395,143
At December 31	**₱54,026,037**	₱54,400,608

Significant portion of the impairment losses pertains to individually impaired accounts.

8. Inventories - at Cost

	2019	2018
Spare parts	**₱59,729,442**	₱81,918,974
Heavy fuel oil	**35,102,026**	38,382,557
Lube oil	**3,629,793**	2,546,474
Light fuel oil	**2,846,640**	2,650,941
	₱101,307,901	₱125,498,946

The total cost of inventories recognized under "Generation costs" in the consolidated statements of comprehensive income amounted to ₱853.7 million, ₱388.8 million and ₱846.7 million in 2019, 2018 and 2017, respectively (see Note 17).

9. Prepayments and Other Current Assets

	2019	2018
Prepaid expenses	**₱47,180,471**	₱32,762,283
Input VAT - current	**74,770,733**	21,206,727
Creditable withholding taxes - current	**6,489,220**	4,948,707
Advances to suppliers and other parties	**25,108,243**	4,657,714
Others	**6,363,943**	2,982,130
	₱159,912,610	₱66,557,561

Prepaid expenses include payments for the Group's health insurance coverage and for all risks of direct physical loss or damage, including boiler explosion and machinery break down.

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

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

Advances to suppliers and other parties include advance payments to suppliers for purchases of goods and services for the succeeding year.

"Others" include cash restricted amounting to ₱0.7 million as of December 31, 2019 and 2018 for implementing environmental and community projects pursuant to the agreement entered with the Department of Environment and Natural Resources and PGLU.

10. Investments in and Advances to Associates and Joint Ventures

The Group's associates and joint ventures, which are all incorporated in the Philippines, and the corresponding equity ownership as of December 31 follow:

	Nature of Business	Percentage of Ownership		
		2019	2018	2017
Associates:				
VECO	Power distribution	**34.81**	34.81	34.81
LPCI	Power generation	**42.50**	42.50	42.50
CPPC	Power generation	**40.00**	40.00	40.00
PEI	Power generation	**40.00**	40.00	40.00
AHI	Holding company	**40.00**	40.00	40.00
MPC	Power generation	**40.00**	40.00	40.00
TVI	Power generation	**20.00**	20.00	20.00
GLEDC	Power generation	**42.50**	42.50	42.50
SREC	Power generation	**30.00**	30.00	30.00
CREC	Power generation	**35.00**	35.00	35.00
6 Barracuda	Power generation	**40.00**	–	–
Joint ventures:				
VSNRGC	Power generation	–	–	47.64
CIPC	Power generation	**50.00**	50.00	50.00
Delta P	Power generation	**50.00**	50.00	50.00

	2019	2018
Acquisition cost:		
At January 1	**₱7,597,952,015**	₱6,385,506,194
Additions	**8,400,000**	1,524,709,815
Redemption of preferred shares	–	(50,000,000)
Disposal of a joint venture and associate	–	(334,848,001)
Deposits converted to equity	–	72,584,007
At December 31	**7,606,352,015**	7,597,952,015
Deposit for future stock subscription:		
At January 1	–	107,426,776
Transfer to advances (see Note 26)	–	(34,842,769)
Deposits converted to equity	–	(72,584,007)
At December 31	–	–
Accumulated share in net earnings:		
At January 1	**1,442,196,133**	494,640,912
Equity in net earnings of associates and joint ventures	**2,183,383,722**	1,796,151,495
Cash dividends received and receivable	**(1,312,691,449)**	(1,257,803,825)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**74,359,550**	74,359,550
Accumulated losses on disposed investment in a joint venture and an associate	–	334,848,001
At December 31	**2,387,247,956**	1,442,196,133
Share in revaluation increment:		
At January 1	**1,398,039,947**	1,472,399,497
Share in the amount transferred to equity representing depreciation on revaluation increment of an associate	**(74,359,550)**	(74,359,550)
At December 31	**1,323,680,397**	1,398,039,947
Share in remeasurement losses on employee benefits of associates and a joint venture:		
At January 1	**(78,172,323)**	(74,564,481)
Share in the remeasurement losses on employee benefits	**(2,240,958)**	(3,607,842)
At December 31	**(80,413,281)**	(78,172,323)
	1,243,267,116	1,319,867,624
	₱11,236,867,087	₱10,360,015,772

The Group has unrecognized share in losses from results of operations of its investments in an associate and a joint venture amounting to nil in 2019 and 2018 and ₱255.2 million 2017. Total cumulative unrecognized losses amounted to nil as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings amounting to ₱2,387.2 million and ₱1,442.2 million, respectively, are not available for distribution to the stockholders unless declared by the associates and joint ventures.

LPCI
On May 21, 2018, LPCI's application for the increase in authorized capital stock was approved by the SEC and ₱72.6 million of the advances for future stock subscription was subsequently converted to investment in LPCI. As of December 31, 2019 and 2018, total carrying amount of investment in LPCI amounted to ₱114.2 million.

AHI
Total carrying amount of investment in AHI amounted to ₱1,678.0 million and ₱1,542.5 million as of December 31, 2019 and 2018, respectively.

MPC
As of December 31, 2019 and 2018, the carrying amount of the Group's investment in MPC amounted to ₱3,515.5 million and ₱3,373.6 million, respectively.

TVI
In 2018, VIGC made additional investments in TVI which consists of 1,440,771 common stock with a par value of ₱100 per share amounting to ₱144.1 million.

The carrying amount of the Group's investment in TVI amounted to ₱2,391.7 million and ₱2,230.6 million as of December 31, 2019 and 2018, respectively.

SREC
In 2018, VEC and VREC made additional infusions to SREC amounting to ₱26.3 million and ₱8.8 million, respectively. VREC also assigned its preferred shared to VEC amounting to ₱3.8 million. As of December 31, 2019 and 2018, the carrying amount of investment in SREC amounted to ₱36.4 million and ₱38.4 million, respectively.

CREC
In April 2019, a reclassification was made from advances into an equity account amounting to ₱0.3 million. After the capital infusion made on October 11, 2019 amounting to ₱8.4 million, the carrying amount of the Group's investment in CREC amounted to ₱9.9 million and ₱1.7 million as of December 31, 2019 and 2018, respectively.

VSNRGC
In October 2018, VEC and VREC sold their shareholdings in VSNRGC consisting of 272,842,751 preferred shares and 61,982,247 common shares with a carrying value of nil, respectively, for a total consideration of ₱172.8 million. VREC's advances from VSNRGC were also settled upon the disposal of the investment in VSNRGC. The Group recognized a net gain amounting to ₱120.0 million as a result of the sale.

Delta P
In 2018, VEC redeemed 50,000,000 preferred shares at 1 per share amounting to ₱50.0 million. The redemption and additional investment did not change the Group's ownership interest in Delta P as of December 31, 2019 and 2018.

Total carrying amount of investment in Delta P amounted to ₱248.5 million and ₱253.1 million as of December 31, 2019 and 2018, respectively.

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2019, 2018 and 2017:

MPC

	2019	2018	2017
Total current assets	**₱4,396,943,242**	₱3,666,644,777	₱5,253,556,771
Total noncurrent assets	**18,880,730,275**	17,227,716,698	19,550,172,005
Total current liabilities	**2,157,966,265**	6,803,721,218	3,062,725,290
Total noncurrent liabilities	**12,382,086,896**	6,699,248,656	14,606,943,308
Total equity	**8,737,620,356**	8,383,946,261	7,134,060,178
Gross revenue	**6,391,880,815**	6,460,257,152	1,442,431,898
Operating profit	**1,455,751,305**	2,364,087,068	330,065,445
Net income	**1,454,726,804**	1,290,163,571	249,768,193
Total comprehensive income	**1,454,726,804**	1,249,885,979	249,768,193
Group's share in net income	**581,890,722**	499,954,392	99,907,277
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**3,495,048,142**	3,353,578,504	2,853,624,071
Goodwill and other adjustments	**20,424,257**	20,003,167	20,003,209
Carrying amount of investment	**3,515,472,399**	3,373,581,671	2,873,627,280
Dividends received from MPC	**440,000,000**	–	60,000,000

VECO

	2019	2018	2017
Total current assets	**₱5,138,140,960**	₱5,516,842,215	₱3,011,070,128
Total noncurrent assets	**17,078,859,810**	15,377,842,395	15,294,983,259
Total current liabilities	**7,778,509,722**	8,653,918,654	5,525,417,060
Total noncurrent liabilities	**6,025,641,366**	4,849,374,355	5,247,912,930
Total equity	**8,412,849,682**	7,391,391,601	7,532,723,397
Gross revenue	**23,891,280,367**	22,872,102,010	21,106,780,542
Operating profit	**2,876,528,392**	2,610,553,829	2,560,731,237
Net income	**2,255,327,366**	2,069,010,466	2,083,884,256
Other comprehensive income (loss)	**13,201,610**	(13,695,488)	792,152,621
Total comprehensive income	**2,268,528,976**	2,055,314,978	2,876,036,877
Group's share in net income	**785,079,456**	720,222,543	725,400,110
Proportion of Group's ownership	**34.81%**	34.81%	34.81%
Group's share in equity of associate	**2,928,512,974**	2,572,943,416	2,622,141,014
Other adjustments	**(4,511,626)**	(6,297,551)	(9,183,113)
Carrying amount of the investment	**2,924,001,348**	2,566,645,865	2,612,957,901
Dividends received from VECO	**432,319,454**	761,827,180	645,190,876

TVI

	2019	2018	2017
Total current assets	**₱10,559,035,456**	₱9,070,767,989	₱1,479,200,068
Total noncurrent assets	**40,246,422,256**	33,964,848,628	32,765,223,175
Total current liabilities	**5,359,640,905**	997,639,695	1,156,472,362
Total noncurrent liabilities	**33,859,988,898**	31,257,472,322	29,643,442,033
Total equity	**11,585,827,909**	10,780,504,600	3,444,508,848
Gross revenue	**6,254,275,652**	701,944,853	683,215
Operating income (loss)	**1,825,528,655**	(116,908,071)	(58,037,579)
Net income (loss)	**810,948,128**	(46,961,311)	(58,037,579)
Other comprehensive income (loss)	**(5,064,658)**	(1,485,679)	678,853
Total comprehensive income (loss)	**805,883,470**	(48,446,990)	(57,358,726)
Group's share in net income (loss)	**162,077,593**	(9,392,262)	(11,607,516)
Proportion of Group's ownership	**20.00%**	20.00%	20.00%
Group's share in equity of associate	**2,317,165,582**	2,156,100,920	688,901,770
Goodwill and other adjustments	**33,926,358**	33,926,358	21,265,093
Carrying amount of the investment	**2,351,091,940**	2,190,027,278	710,166,863

AHI

	2019	2018	2017
Total current assets	**₱751,133,134**	₱663,293,192	₱795,592,070
Total noncurrent assets	**3,443,509,934**	3,192,609,002	3,019,191,652
Total current liabilities	**16,883**	–	–
Total equity	**4,194,626,185**	3,855,902,194	3,814,783,722
Gross revenue	**1,019,465,880**	827,694,289	742,400,726
Operating profit	**1,019,213,533**	827,280,645	742,279,413
Net income	**1,019,288,938**	827,276,646	742,251,648
Other comprehensive income (loss)	**(20,564,947)**	5,841,826	(1,078,604)
Total comprehensive income	**998,723,991**	833,118,472	741,173,044
Group's share in net income	**407,715,575**	330,910,658	296,900,659
Proportion of Group's ownership	**40.00%**	40.00%	40.00%
Group's share in equity of associate	**1,677,850,474**	1,542,360,878	1,525,913,489
Goodwill and other adjustments	**165,628**	165,628	165,628
Carrying amount of the investment	**1,678,016,102**	1,542,526,506	1,526,079,117
Dividends received from AHI	**264,000,000**	316,800,000	299,199,875

Individually Immaterial Associates and Joint Ventures

The carrying amounts of the Group's interest in all individually immaterial associates and joint ventures that are accounted for using the equity method as of and for the year ended December 31 follows:

	2019	2018	2017
Income from continuing operations	**₱270,239,600**	₱229,876,533	₱241,484,049
Net income	**246,620,376**	254,456,164	179,572,022
Other comprehensive income (loss)	**2,402,472**	(880,037)	874,700
Total comprehensive income	**249,022,848**	253,576,127	180,446,722
Aggregate carrying amounts	**768,285,296**	687,234,452	662,577,737

The associates and joint ventures had no contingent liabilities or capital commitments as of December 31, 2019 and 2018.

11. **Property, Plant and Equipment**

	2019								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱30,631,600	₱591,133,893	₱36,421,603	₱52,331,592	₱59,851,063	₱10,983,896	₱50,041,256	₱96,143,611	₱927,538,514
Additions	100,000	664,464,450	–	12,772,406	8,586,124	9,212,338	398,472	83,879,854	779,413,644
Reclassification	–	–	–	–	–	62,094,465	–	(62,094,465)	–
Disposal (see Note 17)	–	–	–	(3,170,868)	(75,804)	–	–	–	(3,246,672)
At December 31	30,731,600	1,255,598,343	36,421,603	61,933,130	68,361,383	82,290,699	50,439,728	117,929,000	1,703,705,486
Accumulated Depreciation and Amortization									
At January 1	–	216,219,412	22,638,372	30,591,637	41,011,040	7,298,835	8,888,319	–	326,647,615
Depreciation	–	26,278,165	1,043,342	8,455,906	9,509,100	6,060,271	7,116,178	–	58,462,962
Disposal	–	–	–	(2,774,262)	(75,803)	–	–	–	(2,850,065)
At December 31	–	242,497,577	23,681,714	36,273,281	50,444,337	13,359,106	16,004,497	–	382,260,512
Net Book Value	₱30,731,600	₱1,013,100,766	₱12,739,889	₱25,659,849	₱17,917,046	₱68,931,593	₱34,435,231	₱117,929,000	₱1,321,444,974

	2018								
	Land	Plant Machineries and Equipment	Condominium Units, Building and Improvements	Transportation Equipment	Office Furniture, Fixtures and Equipment	Tools and Other Assets	Leasehold and Land Improvements	Construction in Progress	Total
Cost									
At January 1	₱30,631,600	₱590,052,875	₱36,421,603	₱47,338,032	₱45,982,264	₱9,753,477	₱18,587,779	₱39,874,660	₱818,642,290
Additions	–	1,081,018	–	10,202,583	13,537,638	1,230,419	25,988,516	62,234,715	114,274,889
Reclassification	–	–	–	–	500,803		5,464,961	(5,965,764)	–
Disposal (see Note 17)	–	–	–	(5,209,023)	(169,642)	–	–	–	(5,378,665)
At December 31	30,631,600	591,133,893	36,421,603	52,331,592	59,851,063	10,983,896	50,041,256	96,143,611	927,538,514
Accumulated Depreciation and Amortization									
At January 1	–	206,331,876	21,002,682	25,895,347	33,397,734	5,378,176	7,283,103	–	299,288,918
Depreciation	–	9,887,536	1,635,690	8,279,547	7,782,948	1,920,659	1,605,216	–	31,111,596
Disposal	–	–	–	(3,583,257)	(169,642)	–	–	–	(3,752,899)
At December 31	–	216,219,412	22,638,372	30,591,637	41,011,040	7,298,835	8,888,319	–	326,647,615
Net Book Value	₱30,631,600	₱374,914,481	₱13,783,231	₱21,739,955	₱18,840,023	₱3,685,061	₱41,152,937	₱96,143,611	₱600,890,899

Construction in progress includes costs for the construction of the Group's new office in 2019 which was subsequently completed in March 2020. The account also includes mobilization fee and engineering detailed design fees paid to a third-party contractor for the construction of a subsidiary's run-of-river hydropower facility in Negros Occidental. The latter project's implementation is intended to approximately coincide with the government's 230 kV backbone project but the government has not yet started the construction as of April 3, 2020.

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

	2019	2018	2017
Generation costs (see Note 17)	**₱36,800,034**	₱11,892,908	₱86,797,416
Operating expenses	**21,662,928**	19,218,688	18,876,409
	₱58,462,962	₱31,111,596	₱105,673,825

12. Investment Properties

	2019		
	Land	**Condominium Units**	**Total**
At January 1	**₱502,711,090**	**₱8,742,802**	**₱511,453,892**
Unrealized gain on fair value remeasurement	**230,484,778**	**4,841,931**	**235,326,709**
Additions during the year	**–**	**10,500,000**	**10,500,000**
At December 31	**₱733,195,868**	**₱24,084,733**	**₱757,280,601**

	2018		
	Land	Condominium Units	Total
At January 1 and December 31	₱502,711,090	₱8,742,802	₱511,453,892

Some of the Group's properties are leased out to outside parties to earn rental income, for a lease period of three years. Total rental income amounting to ₱2.2 million, ₱0.8 million, ₱5.3 million in 2019, 2018 and 2017, respectively, were recorded as part of "Other income" in the consolidated statements of comprehensive income.

In 2017, HDFE sold some of its investment properties to VECO. In the same year, an appraisal was carried out on the Group's investment properties resulting in a fair value change amounting to ₱72.5 million.

In 2018, the Group did not obtain an updated valuation report since there is no significant change in the fair value of the Group's investment properties from the last valuation date until December 31, 2018. There were no significant developments to the properties and within its vicinity in 2018.

In 2019, an appraisal was performed on the Group's investment properties which resulted to an increase in the fair value amounting to ₱235.3 million. Net unrealized gain and loss on fair value remeasurement of investment properties, recognized under "Other income (charges)" in the consolidated statements of comprehensive income, amounted to ₱235.3 million, nil and ₱72.5 million in 2019, 2018 and 2017, respectively.

Direct costs pertain to real property taxes amounting to ₱0.6 million in 2019 and 2018, and ₱0.8 million in 2017, are included under "Taxes and licenses" account in the consolidated statements of comprehensive income. No other direct operating costs were incurred relating to investment properties in 2019, 2018, and 2017.

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

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to valuation for investment properties have been provided in Note 25.

13. Other Noncurrent Assets

	2019	2018
Advances to suppliers and other parties	**₱703,774,874**	₱701,135,323
Creditable withholding taxes - noncurrent	**208,704,118**	177,422,849
Goodwill	**79,430,946**	–
Input VAT - noncurrent	**17,896,338**	40,692,878
Financial assets at FVOCI	**7,370,000**	5,550,000
Customer contracts	**5,900,337**	–
Software cost - net	**38,938**	12,520
Others - net of allowance for impairment loss of ₱48.05 million	**25,022,288**	10,524,333
	₱1,048,137,839	₱935,337,903

Advances to Suppliers and Other Parties
Advances to suppliers pertain to cash advances given to contractors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others and to parties to comply with certain contractual obligations.

Financial Assets at FVOCI
These pertain to investments in club shares and are irrevocably designated at FVOCI as the Group intends to hold these investments in the foreseeable future.

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.	**₱3,400,000**	₱3,400,000
Tower Club, Inc.	**300,000**	300,000
	3,700,000	3,700,000
Fair value remeasurement gain (loss):		
Cebu Country Club, Inc.	**3,900,000**	2,100,000
Tower Club, Inc.	**(230,000)**	(250,000)
	3,670,000	1,850,000
	₱7,370,000	₱5,550,000

Cebu Country Club, Inc. In 2012, the Group 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 Group 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 Group's financial assets at FVOCI are provided in Note 25.

Software Costs

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

	2019	2018
Cost		
At January 1 and December 31	**₱7,473,524**	₱7,473,524
Additions during the year	**40,343**	–
At December 31	**7,513,867**	7,473,524
Accumulated Amortization		
At January 1	**7,461,004**	7,187,504
Amortization for the year	**13,925**	273,500
At December 31	**7,474,929**	7,461,004
Net Book Value	**₱38,938**	₱12,520

Goodwill

Goodwill was recognized on the acquisition of WMP. Goodwill acquired through business combination has been attributed to each business considered as a cash-generating unit.

Management believes that the carrying value of the goodwill does not materially exceed its recoverable amount.

Acquisition of Watermatic Philippines Corporation (WMP). On June 12, 2019, VHHI and WaterMatic International Ltd. (WMI), a subsidiary of an Israel-based Company, WaterMatic Treatment Ltd., with an extensive experience and expertise in water treatment and waste water treatment, entered into a Memorandum of Agreement (MOA) to form WMP with both 50% interest in WMP with the purpose of transferring WMI's existing operations to WMP. The Group has assessed that it has control over WMP on the basis that the MOA gives VHHI substantive potential voting rights from its option to increase its ownership by 1%.

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The following are the fair values of the identifiable assets acquired on acquisition date:

Assets:	
Cash in bank	₱42,500,000
Customer contracts	5,900,337
Total assets at fair value	₱48,400,337

(Forward)

Non-controlling interest	(₱24,200,169)
Goodwill arising on acquisition	79,430,946
Purchase consideration transferred	₱103,631,114

Cash flow on acquisition:	
Cash acquired with the subsidiary	₱42,500,000
Purchase consideration transferred	(103,631,114)
Net cash outflow	(₱61,131,114)

The goodwill of ₱79.4 million comprises the value of technical knowhow and technology of WMI and potential contracts acquiree is negotiating with prospective new customers at the acquisition date. Because the potential contracts are not themselves assets at the acquisition date, the Group did not recognize them separately from goodwill. As allowed by PFRS 3, the assets recognized were based on provisional assessment of their fair value. The valuation had not been completed by the date the financial statements were approved for issue by the BOD. Hence, the determination of final amount of intangible assets, goodwill, non-controlling interest are subject to change within one (1) year of measurement period after the acquisition date.

For the period ended December 31, 2019, WMP has contributed ₱21.7 million in net losses in the consolidated financial statements of the Group.

No impairment was recognized in 2019. As at December 31, 2019, the carrying amount of goodwill amounted to ₱79.4 million.

Others

Others include receivable from RFM Corporation, the Group's previous owner, which has been fully provided with allowance for impairment losses as of December 31, 2019 and 2018. Also included in this account are deposits for future subscription of an entity that is yet to be incorporated and security deposits with various tenants and other parties in the conduct of the Group's operations.

14. Trade and Other Payables

	2019	2018
Trade payables	**₱1,559,160,562**	₱1,189,402,584
Deferred output VAT	**284,031,956**	157,972,574
Dividends payable	**87,464,385**	140,876,292
Provision for estimated liability	**32,577,442**	–
Accrued interest (see Note 15)	**23,540,892**	25,188,025
Accounts payable	**19,051,900**	12,641,294
Accrued expenses	**14,992,246**	6,644,574
Accrued taxes payable	**6,145,960**	3,171,177
Output VAT	**1,404,401**	24,127,148
Refundable deposits	–	1,791,977
Others	**11,472,385**	9,714,737
	2,039,842,129	1,571,530,382
Less noncurrent portion	**836,662,924**	885,604,321
	₱1,203,179,205	₱685,926,061

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers and advances from a supplier. Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

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

Dividends payable consists of dividends to the non-controlling interests of the Group arising from dividend declaration made by 1590 EC. Dividends declared relating to non-controlling interests amounted to ₱80.6 million, ₱196.6 million and ₱141.9 million in 2019, 2018 and 2017, respectively (see Note 21).

Provision for estimated liability includes regulatory charges which payment is probable and the amount is estimable as at reporting date with uncertain amount or timing of actual disbursement. The management reassesses its estimates on an annual basis to determine the reasonableness of provision. Disclosure of information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is not provided because of reasons permitted under paragraph 92 of PAS 37. Accordingly, general description is provided.

Accounts payable consist mainly of liabilities for payroll, professional fees and other expenses.

Accrued expenses mainly consist of accruals for fuel, audit fees, contracted services, legal fees, securities and transfer fees, benefits, and other expenses.

15. Notes Payable

Short-term Notes Payable

On September 19 and October 17, 2016, 1590 EC obtained loans from a local bank amounting to ₱55.0 million and ₱48.5 million, respectively. The loans which matured and were settled on March 17 and April 12, 2017, respectively, bear an interest of 2.75% per annum. These were further renewed for another 6 months which matured on September 13 and October 5, 2017, respectively. The loans were unsecured.

On January 19, 2018, the Company obtained a local bank loan amounting to ₱85.0 million which bears an interest at 3.40% per annum. The Company settled the loan on April 19, 2018.

Interest expense recognized in the consolidated statements of comprehensive income on these loans in 2019, 2018 and 2017, amounted to nil, ₱0.7 million and ₱2.2 million, respectively.

Long-term 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 ₱4.6 million in 2019 and ₱4.4 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 MPC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on February 3, 2014. The second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes will mature on February 3, 2021 and are payable at 1% based on the principal amount of the notes in the first six (6) years and 94% at maturity. Interest is payable quarterly.

Repayments of outstanding principal amounts are scheduled as follows:

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

Interest expense recognized in the consolidated statements of comprehensive income related to these notes payable amounted to ₱170.9 million, ₱172.4 million and ₱174.0 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 14).

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

16. Related Party Transactions

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

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

	2019				
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Associates					
Sale of power (see Note 16g):					
VECO	₱730,808,648	₱8,411,306	₱–	30 days; noninterest-bearing	Unsecured; no impairment
PEI	283,768,208	–	50	30 days; Noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CEDC	50,215,012	1,364,750	–	30 days; Noninterest-bearing	Unsecured; no impairment
CPPC	11,785,714	13,200,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	5,357,143	6,000,000	–	On-demand; Noninterest-bearing	Unsecured; no impairment
AESI	6,754,027	7,564,510	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	–	339	–	30-60 days; noninterest-bearing	Unsecured; no impairment
SREC	6,000,000	6,000,000		On-demand; Noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
LPCI	5,748,419	80,937,914	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	577,645	1,348,726	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	432,319,454	–	–	noninterest-bearing	Unsecured
PEI	12,800,000	12,800,000	–	noninterest-bearing	Unsecured
AHI	264,000,000	–	–	noninterest-bearing	Unsecured
MPC	440,000,000	–	–	noninterest-bearing	Unsecured
CPPC	87,572,000	–	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16d):					
Delta P	2,264,253	732,108	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	930,330	–	–	30-60 days; noninterest-bearing	Unsecured
Service income (see Note 16d):					
CIPC	2,988,222	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P	22,272,794	24,500,073	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
Delta P	7,870,044	1,813,454	–	noninterest-bearing	Unsecured; no impairment
CIPC	168,432	538,529	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	10,000,000	10,000,000	–	noninterest-bearing	Unsecured; no impairment
Delta P	66,000,000	20,000,000	–	noninterest-bearing	Unsecured; no impairment

(Forward)

Category	Volume	2019 Outstanding Balance Receivables	Payables	Terms	Conditions
Advances from (see Note 16b):					
Delta P	₱326	₱–	₱326	payable on demand; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
JDC	5,102,790	–	–	30-60 days; noninterest-bearing	Unsecured
MRC	7,654,184	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
GPI	37,800,000	–	–	Payable on demand; Noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment
ETPII	2,130	904,796	18,309,288	On demand; Noninterest-bearing	Unsecured

Category	Volume	2018 Outstanding Balance Receivables	Payables	Terms	Conditions
Associates					
Sale of power (see Note 16g):					
VECO	₱908,693,009	₱162,768,166	₱–	30 days; noninterest-bearing	Unsecured; no impairment
PEI	238,889,868	102,311,962	50	30 days; Noninterest-bearing	Unsecured; no impairment
Management fees (see Note 16d):					
CPPC	35,303,624	22,604,516	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CPPC	17,631,353	19,219,749	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	1,665,690	616	–	30-60 days; noninterest-bearing	Unsecured; no impairment
SREC	3,982,500	3,825,195	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CREC	350,440	350,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16h):					
LPCI	74,480,907	75,189,495	–	30-60 days; noninterest-bearing	Unsecured; no impairment
GLEDC	1,529,683	831,869	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
VECO	761,827,180	–	–	noninterest-bearing	Unsecured
PEI	4,104,769	–	–	noninterest-bearing	Unsecured
AHI	316,800,000	–	–	noninterest-bearing	Unsecured
CPPC	87,571,875	40,000,000	–	noninterest-bearing	Unsecured; no impairment
Joint Ventures					
Management fees (see Note 16d):					
Delta P	9,057,012	1,464,217	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	3,721,320	–	–	30-60 days; noninterest-bearing	Unsecured
Service income (see Note 16d):					
CIPC	250,820	54,472	–	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

	2018				
		Outstanding Balance			
Category	Volume	Receivables	Payables	Terms	Conditions
Delta P	₱4,321,191	₱4,735,468	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
Delta P	509,694	530,938	–	noninterest-bearing	Unsecured; no impairment
CIPC	64,204	315,034	–	noninterest-bearing	Unsecured; no impairment
Dividends (see Note 16f):					
CIPC	10,000,000	7,500,000	–	noninterest-bearing	Unsecured; no impairment
Delta P	77,500,000	–	–	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16b):					
Delta P	326	–	326	payable on demand; noninterest-bearing	Unsecured
MRC	8,270,799	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with Significant Influence					
Management fees expense (see Note 16e)					
JDC	5,513,866	–	–	30-60 days; noninterest-bearing	Unsecured
MRC	8,270,799			30-60 days; noninterest-bearing	Unsecured
Service fee (see Note 16d)					
JDC	77,500	–	–	30-60 days; noninterest-bearing	Unsecured
Stockholders with No Significant Influence					
Advances to (see Note 16c):					
JGS	–	42,676	–	payable on demand; noninterest-bearing	Unsecured; no impairment
ETPH	18,418,014		18,410,737	payable on demand; noninterest-bearing	Unsecured; no impairment

a. Advances to related parties are noninterest-bearing cash advances to associates, joint ventures and stockholders. The outstanding advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

b. Advances from related parties are noninterest-bearing cash advances payable on demand, from the Group's joint ventures and stockholders.

c. Advances to a "stockholder with no significant influence" pertains to the life insurance plan advanced by the Parent Company for a member of its BOD.

d. Management and service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates and joint ventures. These are governed by management consultancy and service-level contracts executed by the Group and its associates. These are recognized as "Management and service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income amounting to ₱97.5 million, ₱137.3 million and ₱151.9 million in 2019, 2018, and 2017, respectively.

Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2019 and 2018 amounted to ₱47.4 million and ₱51.9 million, respectively (see Note 7).

e. The Group also entered into consultancy and management service agreements with its stockholders to perform management consultancy services. Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" under "Generation costs" (see Note 17) and "Operating expenses" in the consolidated statements of comprehensive income.

f. In 2019, VECO, PEI, AHI, MPC, CIPC, CPPC, and DPI declared additional dividends amounting to ₱432.3 million, ₱12.8 million, ₱264.0 million, ₱440.0 million, ₱10.0 million, ₱87.6 million, and ₱66.0 million, respectively. In 2018, VECO, PEI, AHI, CIPC, CPPC, and DPI declared additional dividends amounting to ₱761.8 million, ₱4.1 million, ₱316.8 million, ₱10.0 million, ₱87.6 million, and ₱77.5 million, respectively. The outstanding amounts from these dividends declarations are currently lodged under "Dividends receivable" (see Note 7).

g. The Group has an energy supply agreement with VECO (see Note 23). The Group shall supply contract energy to VECO from the 17 MW of the contracted capacity of the Unified Leyte Geothermal Power Plant administered by the Group. Revenue from the ESA with VECO amounted to ₱730.8 million and ₱908.7 million in 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's trade receivables from VECO for the sale of power amounted to ₱8.4 million and ₱162.8 million, respectively (see Note 7).

In 2017, the Group entered into a Power Supply Agreement (PSA) with PEI (see Note 23). Under the PSA, the Group shall supply energy to PEI from the Bauang diesel power plant, administered by the Group. Revenue from PSA with PEI amounted to ₱283.8 million and ₱238.9 million in 2019 and 2018, respectively. As of December 31, 2019 and 2018, the Group's trade receivables from PEI for the sale of power amounted to nil and ₱102.3 million respectively (see Note 7).

h. Working capital advances to LPCI and GLEDC are noninterest-bearing, collateral-free and are due on demand. As of December 31, 2019 and 2018, the Company recognized a receivable from LPCI amounting to ₱80.9 million and ₱75.2 million and from GLEDC amounting to ₱1.3 million and ₱0.8 million, respectively.

The above transactions are generally settled through cash.

Compensation and Benefits of Key Management Personnel

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

	2019	2018	2017
Short-term employee benefits	**₱106,465,055**	₱88,162,681	₱81,133,487
Post-employment pension benefits (see Note 19)	**6,990,120**	6,016,720	4,851,293
	₱113,455,175	₱94,179,401	₱85,984,780

17. Costs of Services and Other Operating Expenses

Costs of Services

The Group's cost of services pertains to the costs incurred in the operation of the BDPP and 17 MW of geothermal power from ULGPP:

	2019	2018	2017
Purchased power (see Note 23)	**₱934,778,346**	₱1,117,734,415	₱888,118,045
Heavy fuel oil (see Notes 8 and 23)	**806,131,649**	327,518,653	680,654,465
Depreciation (see Notes 11 and 24)	**237,460,737**	11,892,908	86,797,416
Contractual and outside services	**130,771,453**	46,240,919	22,439,298
Rent (see Note 24)	–	171,358,716	166,367,686
Salaries, wages and employee benefits (see Note 18)	**66,680,338**	62,103,280	56,487,184
Professional fees (see Note 16e)	**30,146,029**	28,350,000	28,385,000
Insurance	**28,525,355**	29,351,305	29,038,389
Light fuel oil (see Note 8)	**25,789,479**	16,314,377	16,416,871
Royalty fees (see Note 24)	**24,465,978**	10,255,790	14,623,386
Lube oil (see Note 8)	**21,749,482**	11,182,659	26,354,148
Supply and metering charges	**13,884,475**	41,083,815	22,687,577
Repairs and maintenance	**3,124,664**	19,822,008	14,252,055
Market fees (see Note 23)	**2,067,802**	2,117,263	2,781,941
Light and power	**1,152,199**	1,044,646	1,146,048
Taxes and licenses	**1,093,043**	979,468	1,217,285
Transportation	**905,330**	857,812	660,222
Materials and supplies (see Note 8)	–	33,818,940	123,250,984
Others	**4,819,166**	6,786,469	5,793,307
	₱2,333,545,525	₱1,938,813,443	₱2,187,471,307

Other Operating Expenses

	2019	2018	2017
Corporate social responsibility	**₱14,565,162**	₱16,385,988	₱3,280,772
Regulatory expenses	**13,285,981**	2,511,631	2,446,335
Office supplies	**7,679,550**	7,464,349	5,729,590
Marketing expenses	**5,633,320**	7,332,293	7,399,504
Directors' per diem (see Note 18)	**5,596,500**	4,864,300	6,621,650
Dues and subscriptions	**4,508,335**	2,372,296	1,647,680
Insurance expense	**4,089,108**	1,862,508	954,873
Stand-by letter of credit	**4,119,043**	6,577,791	9,855,418
Repairs and maintenance	**3,814,972**	3,538,646	3,296,682
Stockholders' meeting expenses	**1,325,744**	928,992	817,847
Others	**6,339,269**	9,651,911	10,493,310
	₱70,956,984	₱59,255,901	₱49,941,108

Regulatory expenses include payments of administrative fees charged by the PSE and SEC and other charges.

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

Other Income - net

	2019	2018	2017
Recovery of previously written-off receivables	**₱28,800,000**	₱–	₱–
Other service income	**6,509,020**	7,468,990	2,598,750
Intercompany services	**4,531,325**	7,340,278	10,913,274
Rent income (see Note 12)	**2,187,532**	838,665	5,254,068
Gain (loss) in disposal of property, plant and equipment (see Note 11)	**(96,817)**	508,480	(5,045,198)
Insurance claims	–	–	87,129,498
Others	–	5,107,176	7,718,301
	₱41,931,060	₱21,263,589	₱108,568,693

Recovery of previously written-off receivables pertains to recovery by VEC and VREC of its receivables from the sale of VSNRGC.

Insurance claims pertains to 1590 EC's insurance claims for its power engines that were damaged in 2017 and 2016. Insurance claims receivable in 2017 amounting ₱87.1 million were subsequently collected in 2018.

Others include reversal of allowance for impairment losses, reimbursements from third parties for equipment station use, and billings to related parties for the shared expenses initially paid by the Group on behalf of related parties (see Note 16).

18. Personnel Expenses

	2019	2018	2017
Salaries, wages and employee benefits	**₱269,655,498**	₱238,862,718	₱214,338,360
Pension expense (see Note 19)	**11,987,522**	12,271,812	8,838,915
Directors' compensation and benefits (see Note 17)	**5,596,500**	4,864,300	6,621,650
	₱287,239,520	₱255,998,830	₱229,798,925

19. Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company, 1590 EC and VEC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

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

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

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

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

	2019	2018	2017
Current service cost	**₱9,109,532**	₱11,040,307	₱7,939,720
Past service cost	**652,062**	–	–
Net interest cost	**2,225,928**	1,231,505	899,195
Pension expense	**₱11,987,522**	₱12,271,812	₱8,838,915

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

	2019	2018	2017
Remeasurement gain (loss) on defined benefit plan	**(₱26,653,847)**	₱13,996,176	(₱6,097,031)
Return on assets excluding amount included in net interest cost	**(302,515)**	(1,128,897)	(1,545,239)
	(₱26,956,362)	₱12,867,279	(₱7,642,270)

The pension liability pertaining to the Parent Company's funded retirement plan and VEC's unfunded retirement plan as of December 31, 2019 and 2018 follows:

	2019	2018
Present value of defined benefit obligation	**₱107,174,551**	₱48,992,064
Fair value of plan assets	**(39,952,118)**	(14,539,142)
Pension liability	**₱67,222,433**	₱34,452,922

The pension asset pertaining to 1590 EC's funded retirement plan as of December 31, 2018 follows:

Fair value of plan assets	₱23,348,265
Present value of defined benefit obligation	(17,628,040)
	₱5,720,225

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

	2019	2018
At January 1	**₱66,620,104**	₱66,262,955
Current service cost	**9,109,532**	11,040,307
Interest cost on defined benefit obligation	**4,139,006**	3,313,018
Past service cost	**652,062**	–
Remeasurement loss (gain) due to:		
Experience adjustments	**12,130,843**	(2,615,146)
Changes in demographic assumptions	**–**	(1,946,310)
Changes in financial assumptions	**14,523,004**	(9,434,720)
At December 31	**₱107,174,551**	₱66,620,104

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

	2019	2018
At January 1	**₱37,887,407**	₱34,436,976
Contributions to the retirement fund	**454,148**	2,497,815
Interest income included in net interest cost	**1,913,078**	2,081,513
Return on assets excluding amount included in net interest cost	**(302,515)**	(1,128,897)
At December 31	**₱39,952,118**	₱37,887,407

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

	2019	2018
At January 1	**₱28,732,697**	₱31,825,979
Pension expense for the year	**11,987,522**	12,271,812
Remeasurement loss (gain) recognized for the year	**26,956,362**	(12,867,279)
Contributions to retirement fund	**(454,148)**	(2,497,815)
At December 31	**₱67,222,433**	₱28,732,697

The major categories of the plan assets as a percentage of the fair value of the total plan assets are as follows:

	2019	2018
Fixed income securities:		
Unitized investment trust funds	**37.70%**	34.96%
Time certificate of deposit	**61.00%**	47.37%
Savings deposit	**0.03%**	0.06%
Investment in government securities	**1.27%**	17.26%
Accrued interest receivable	**0.00%**	0.35%
Total plan assets	**100.00%**	100.00%

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

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

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

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

	2019	2018
Discount rate	**4.92%–5.00%**	7.35%–7.43%
Future salary increase rate	**7.00%**	7.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2019 and 2018, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2019	2018
Discount rate	+100 basis points	**(₱9,707,309)**	(₱5,208,831)
	−100 basis points	**11,535,089**	6,139,555
Future salary increase rate	+100 basis points	**11,655,598**	6,476,776
	−100 basis points	**(10,011,666)**	(5,588,521)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit obligation at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date), while all other assumptions remained unchanged.

The average duration of the defined benefit obligation as of December 31, 2019 and 2018 is 17.8 - 20.0 years and 18.7–20.4 years, respectively.

The Group does not expect to contribute to the defined benefit plan in 2020.

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 and 2018:

	2019	2018
Less than one year	**₱32,402,994**	₱22,976,131
More than one year to five years	**12,384,756**	11,747,471
More than five years to 10 years	**34,213,899**	26,325,047
More than 10 years to 15 years	**87,017,590**	74,453,914
More than 15 years to 20 years	**186,393,920**	160,745,528
More than 20 years	**242,046,866**	219,812,220
Total	**₱594,460,025**	₱516,060,311

20. **Income Taxes**

	2019	2018	2017
Current	**₱180,657,456**	₱39,679,470	₱90,407,602
Final	**–**	12,571,882	6,532,901
	180,657,456	52,251,352	96,940,503
Deferred	**91,005,719**	(7,148,570)	(2,062,605)
	₱271,663,175	₱45,102,782	₱94,877,898

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense follows:

	2019	2018	2017
Income before income tax	**₱2,943,413,925**	₱1,813,567,721	₱1,520,386,704
Tax calculated at 30% statutory rate	**₱883,024,178**	₱544,070,316	₱456,116,011
Adjustments for the tax effects of:			
Equity in net earnings of associates and joint ventures	**(650,195,246)**	(538,845,449)	(387,051,831)
Unrecognized deferred income tax assets on NOLCO and MCIT	**125,381,714**	89,271,807	81,576,654
Difference of OSD over deductible expenses	**(80,866,487)**	–	(22,146,917)
Non-deductible expenses	**48,202,025**	7,846,227	11,598,309
Interest income subject to final tax	**(46,023,589)**	(32,379,988)	(10,408,119)
Non-deductible impairment loss	**(66,899)**	–	(6,391,855)
Unrealized gain on change in fair value of investment properties	–	–	(14,894,907)
Gain on sale of an associate subjected to capital gains tax	–	(35,988,510)	–
Others	**(7,792,521)**	11,128,379	(13,519,447)
	₱271,663,175	₱45,102,782	₱94,877,898

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

	2019	2018
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Net pension liability	**19,344,112**	10,518,541
Unrealized foreign exchange loss	**72,078**	–
	33,339,518	24,441,869
Deferred income tax liabilities on:		
Unamortized debt issue costs	**1,581,909**	2,953,503
Unrealized foreign exchange gain	**37,916**	37,916
	1,619,825	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	**₱30,891,693**	₱20,895,450

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

	2019	2018
Deferred income tax liabilities on:		
Unrealized fair value gain on investment property	**₱177,278,532**	₱106,595,700
Finance lease	**24,284,221**	–
Unrealized foreign exchange gain	**1,351,084**	1,258,612
Net pension liability	**388,377**	1,498,197
Accrued rent	**121,595**	9,774
	₱203,423,809	₱109,362,283

Net deferred income tax asset on pension liability recognized in other comprehensive income amounted to ₱3.4 million as of December 31, 2019 and net deferred income tax liability of ₱3.9 million as of December 31, 2018.

In 2019 and 2018, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2019	2018
NOLCO	**₱682,894,582**	₱740,140,220
MCIT	**4,445,012**	2,361,158

NOLCO and MCIT as of December 31, 2019 and 2018 can be claimed as deduction against future taxable income and income tax due in the next three years from the year of incurrence from 2017-2019 and 2016-2018, respectively.

Republic Act (RA) No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that 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.

21. 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.

Dividends

The BOD declared cash dividends to its stockholders as follows:

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
	2019	2018	2017
Dividends declared:			
Regular dividends	**₱346,133,060**	₱285,749,110	₱203,156,155
Special dividends	–	–	82,592,955
	₱346,133,060	₱285,749,110	₱285,749,110
Dividends per share	**₱0.3382**	₱0.2792	₱0.2792

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.

Unappropriated Retained Earnings
The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱4.4 billion and ₱4.0 billion as of December 31, 2019 and 2018, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-controlling Interests
In 2017, VMHI received cash amounting to ₱11.8 million for the issuance of capital stock, ₱3.9 million of which was contributed by non-controlling interest. In the same year, the Group sold to ICS its entire shareholdings in VAHC, representing 60% common ownership and acquired additional shares from ICS in 1590 EC representing 2.5% ownership interest in the latter, in exchange for a net cash consideration amounting to ₱13.3 million. As a result of this transaction, the balance of non-controlling interest in 1590 EC was reduced by ₱13.9 million.

In 2018, ET Vivant and ETEI received cash with a total amount of ₱9.5 million from its non-controlling interest for the issuance of capital stock.

In 2019, INEC, and ET-VVT received cash amounting to ₱12.3 million, and ₱0.4 million, respectively, from its non-controlling interest for the issuance of capital stock. In the same year, VEC and VREC purchased shares of ET-VVT's non-controlling interest in exchange for a cash consideration with a total amount of ₱8.0 million. As a result of this transaction, the balance of non-controlling interest in ET-VVT was reduced by ₱7.3 million. The difference between the consideration transferred and book value of non-controlling interest acquired amounting ₱0.7 million was accounted for under "Equity reserve".

In June 2019, the Group acquired WMP and recognized non-controlling interest amounting ₱24.2 million representing proportionate share of its interest in WMP's identifiable net assets (see Note 13).

In November 2019, Vivant paid cash consideration amounting ₱23.0 million to WMP's non-controlling interest in relation to WMP's issuance of capital stock. Above consideration was considered additional investments to VIHI and VHHI. The difference between the consideration transferred and book value of non-controlling interest acquired amounting to ₱24.3 million was accounted for under "Equity reserve". As a result of this transaction, the balance of non-controlling interest in WMP was increased by ₱1.3 million.

Material Partly-Owned Subsidiary - 1590 EC
In 2017, the Group purchased additional 2.50% indirect ownership interest in 1590 EC, increasing the Group's indirect ownership interest to 55.20% from 52.70% (see Note 1). As of December 31, 2019 and 2018, the Group's ownership in 1590 EC is 55.2% in both years.

	2019	2018	2017
Total current assets	**₱1,146,026,096**	₱729,554,489	₱586,650,571
Total noncurrent assets	**2,600,678,162**	1,135,187,658	1,117,972,503
Total current liabilities	**1,548,547,457**	637,246,205	273,371,808
Total noncurrent liabilities	**1,326,054,025**	888,126,741	886,695,940
Total equity	**872,102,776**	339,369,201	545,134,175
Sale of power	**2,720,283,002**	1,253,955,509	1,811,340,518
Operating profit	**997,299,782**	113,258,517	290,303,931
Net income	**718,036,557**	89,637,567	289,018,147
Total comprehensive income	**712,733,575**	94,235,026	286,625,439
Net income attributable to non-controlling interests	**321,680,378**	40,157,630	129,480,130
Total comprehensive income attributable to non-controlling interests	**319,304,642**	42,217,292	128,408,197
Dividends paid to non-controlling interests	**80,640,000**	134,400,000	141,900,000
Accumulated non-controlling interest	**390,702,044**	152,037,402	244,220,110

22. Earnings Per Share (EPS)

The amounts of EPS are computed as follows:

	2019	2018	2017
Net income attributable to shareholders of the parent	**₱2,338,934,325**	₱1,730,807,717	₱1,259,926,428
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱2.285**	₱1.691	₱1.231

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

23. Contracts, Commitments and Contingencies

Interim Power Supply Agreements
On March 31, 2014, the 1590 EC entered into an Interim Power Supply Agreement (IPSA) with Manila Electric Company (Meralco) to supply 140 MW for the period April 1 to June 30, 2014. On June 30, 2014, ERC approved the extension of the IPSA to October 31, 2014, and extended until July 25, 2015 under the same terms and conditions unless otherwise agreed upon. On January 19, 2016, the Group entered into a new IPSA with Meralco to supply 170 MW (firm contract capacity) for the period February 26 to July 25, 2016 and up to 170 MW (non-firm) for the period July 26, 2016 to February 25, 2017. The contract was extended to supply 170 MW (firm contract capacity) for the period February 26 to July 25, 2017. Revenue from the IPSA with Meralco amounted to nil in 2019 and 2018 and ₱1,135.0 million in 2017.

Ancillary Services Procurement Agreement
In January 2017, the Group entered into an ASPA with NGCP to be its service provider, whereby the Group will provide dispatchable reserve to NGCP to maintain power quality, reliability, and security of the nationwide grid. The term of agreement is in force for five (5) years. Actual transactions such as nominations and scheduling started in November 2017 when the access and technical requirements were finally fulfilled. Revenue from ASPA with NGCP amounted to ₱1,009.8 million, ₱654.3 million and ₱3.6 million in 2019, 2018 and 2017, respectively.

Participation in WESM
The revenue from sale of power recognized by the Group amounting to ₱1,460.2 million, ₱360.8 million and ₱614.6 million in 2019,2018 and 2017, respectively, were generated from its participation in the trading of electricity at the WESM.

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

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

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

On November 7, 2017 the CA in the consolidated Petitions for Review, rendered a decision declaring the Orders of the ERC dated March 3, 2014, March 27, 2014, May 9, 2014 and October 15, 2014 (the "ERC Orders") for having been rendered without any factual and legal basis. Accordingly, the CA nullified the regulated prices imposed by the ERC in the ERC Orders that were to prevail in lieu of the WESM prices for the November and December 2013 supply months. Thereafter, the ERC and Intervenor, filed their respective MRs to which the Company duly filed its respective Oppositions thereto. Moreover, as of March 14, 2018, twelve (12) entities who are not original parties to the consolidated Petitions for Review but claim legal interest in the consolidated Petitions for Review filed their respective Motions for Leave to file intervention and admit the attached MRs. Both the third parties' Motions for Leave and the MRs of ERC and Meralco remain pending as of April 3, 2020.

Amounts recognized in the consolidated statements of comprehensive income related to the Group's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱239.9 million, ₱212.1 million and ₱113.6 million in 2019, 2018 and 2017, respectively (see Note 17).

Trade receivable from WESM has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury bill per annum on the past due receivables. Outstanding receivables from transactions with WESM amounted to ₱455.6 million and ₱79.4 million as of December 31, 2019 and 2018, respectively (see Note 7).

Supply Agreement for Heavy Fuel
On April 1, 2012, the Group entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the Group's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and the Group shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016 and was further renewed from May 1, 2016 to April 30, 2018. On May 1, 2018, the contract was renewed again until April 30, 2020.

Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱806.1 million, ₱327.5 and ₱680.7 million in 2019, 2018 and 2017, respectively (see Note 17).

Open Access Transmission Service
Pursuant to the provision on Credit Support under Section A8.1 of the Open Access Transmission Service Rules as well as the condition set under Billing and Payments of the Transmission Service Agreement, 1590 EC provided additional credit support in the form of a security deposit presented as "Other noncurrent assets" in the consolidated statements of financial position amounting to ₱2.3 million as of December 31, 2019 and 2018.

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

Amounts recognized in the consolidated statements of comprehensive income related to VEC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱702.1 million, ₱873.5 million and ₱777.2 million in 2019, 2018 and 2017, respectively.

On October 25, 2019, the IPP Administration Agreement was pre-terminated and the Company paid pre-termination costs amounting to ₱53.1 million recognized under "Operating expenses" in the statement of comprehensive income. As a result, the Company's power supply agreements were also terminated.

Energy Supply Agreement (ESA) with VECO
In October 2014, VEC entered into an ESA with VECO to supply 17,000 kW contract energy per month coming from the 17 strips of energy of the Unified Leyte Geothermal Power Plant. The ESA became effective on December 26, 2014 and is valid until July 25, 2021. In 2019, the contract was terminated, hence, total revenue from the ESA with VECO amounted to ₱727.6 million, ₱908.7 million and ₱806.2 million in 2019, 2018 and 2017, respectively, which are presented under "Sale of power" in the consolidated statements of comprehensive income (see Note 16).

PSA with PEI
In April 2017, VEC entered into a PSA with PEI to supply contracted power. The PSA became effective on April 26, 2017 and is valid until December 25, 2020. In 2019, the contract was terminated. Revenue from PSA with PEI amounting to ₱253.1 million, ₱238.9 million and ₱61.0 million in 2019, 2018 and 2017, respectively, are presented under "Sale of power" in the consolidated statements of comprehensive income (see Note 16).

Contingencies
The Group is a party to certain proceedings and assessments in the normal course of business. The ultimate outcome of these proceedings cannot be presently determined. The Group's position has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. As allowed by PAS 37, no further disclosures were provided as this might prejudice the Group's position on this matter. Management believes, based on information currently available and professional legal advice, that the ultimate resolution of these proceedings would not likely have a material, adverse effect on the results of operations, financial position or liquidity of the Group. Existing circumstances and assumptions about future developments related to these proceedings may still change. Such changes are reflected in the assumptions when they occur.

24. Lease Agreements

The Group has lease contracts for various items of land and office space used in its operations. Leases of land has a lease term of 17 years, while office space generally have lease terms between 2 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets There are several lease contracts that include extension and termination options.

On May 11, 2012, a MOA was entered into between the 1590 EC and the PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱14.1 million.

On March 22, 2013, a new MOA was executed between 1590 EC and PGLU for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed extending the agreement to December 31, 2015. In February 2015, the parties executed a Second Amendment to the MOA extending its term until December 31, 2018. The Second Amendment provides for a monthly consideration of ₱13.2 million. All other terms and conditions remained.

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

On January 19, 2018, the Group entered into a lease contract with the PGLU over the BDPP after emerging as the winning Proponent during the bidding for the lease thereof. Under the lease contract, the Group can use, possess, man, operate, and maintain the BDPP for its sole account and expense, for a term of five (5) years commencing on January 1, 2019. The lease is in consideration for a monthly rental of ₱14.1 million, royalty payment at 1.5% of monthly net profit, and the infusion of total capital investment of at least ₱600.0 million over the five-year term.

Total rent expense from this lease amounted to nil, ₱171.4 million and ₱166.4 million in 2019, 2018 and 2017, respectively, and total royalty fees recognized under "Generation costs" amounted to ₱24.5 million, ₱10.3 million and ₱14.6 million in 2019, 2018 and 2017, respectively (see Note 17).

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

Within one year	₱336,877,781
After one year but not more than five years	952,606,978
	₱1,289,484,759

The Group identified these as leases under PFRS 16, *Leases*, and applies the new accounting standard for leases.

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

	Right-of-use Assets			
	Office Space	Plant and Equipment	Total	Lease Liabilities
As at January 1	₱17,993,615	₱1,003,303,517	₱1,021,297,132	₱1,021,297,132
Additions and modifications	56,548,024	–	56,548,024	56,548,024
Termination	(2,331,600)	–	(2,331,600)	(2,485,332)
Depreciation expense	(10,184,976)	(200,660,703)	(210,845,679)	–
Remeasurement of lease liability	–	60,611,416	60,611,416	60,611,416
Interest expense	–	–	–	85,661,701
Payments	–	–	–	(345,192,653)
As at December 31	₱62,025,063	₱863,254,230	₱925,279,293	₱876,440,288

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

Depreciation expense of right-of-use assets	
Generation costs (see Note 17)	₱200,660,703
Operating expenses	10,184,976
Interest expense on lease liabilities	85,661,701
Variable lease payments (see Note 17)	24,465,978
Rent expense - short-term leases	3,613,177
Gain on pre-termination of lease	(153,732)
	₱324,432,803

Variable lease payments are presented as Royalty fees under "Generation costs" in the consolidated statements of comprehensive income.

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

Within one year	₱428,987,599
After one year but not more than five years	581,391,331
	₱1,010,378,930

25. Financial Risk Management Objectives and Policies

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

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

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

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing. Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC from an electric cooperative and other receivables which were provided with allowance (see Note 7), management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱5,984.4 million and ₱5,271.4 million as of December 31, 2019 and 2018, respectively.

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

The Group 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 Group 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 Group may also write-off financial assets that are still subject to enforcement activity. The Group 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 Group'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 of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.

- *Advances to Associates and Stockholders, Receivables from Related Parties and Other Receivables and Security Deposits.* No ECL is recognized for related party receivables since there were no history of default payments. As of December 31, 2019 and 2018, allowance for impairment losses pertain to individually impaired accounts of other receivables. 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 and Accounts Receivable* - The Group 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 impairment test amounted to ₱0.5 million. Management evaluated that the Group'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	₱5,237,086,044	₱–	₱99,617,163	₱747,759,547	₱6,084,462,754
Loss allowance	–	–	(99,617,163)	(486,937)	(100,104,100)
Carrying amount	₱5,237,086,044	₱–	₱–	₱747,272,610	₱5,984,358,654

	2018				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱4,616,305,625	₱–	₱99,617,163	₱655,963,386	₱5,371,886,174
Loss allowance	–	–	(99,617,163)	(861,508)	(100,478,671)
Carrying amount	₱4,616,305,625	₱–	₱–	₱655,101,878	₱5,271,407,503

The following tables set out the aging analysis per class of financial assets, including those that were past due but not impaired, as of December 31, 2019 and 2018:

	2019						
	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days		
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱4,404,754,649	₱–	₱–	₱–	₱–	₱–	₱4,404,754,649
Trade and other receivables	578,600,527	40,117,129	13,662,316	47,943,526	108,518,631	54,026,037	842,868,166
Advances to associates and stockholders	91,803,173	–	–	–	–	–	91,803,173
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	–	–	–	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other current assets")	650,000	–	–	–	–	–	650,000
Security deposits (under "Other noncurrent assets")	2,292,013	–	–	–	–	–	2,292,013
	₱5,776,409,065	₱40,117,129	₱13,662,316	₱47,943,526	₱108,518,631	₱100,104,100	₱6,084,462,757

	2018						
	Neither Past Due nor Impaired	Past Due But not Impaired					
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Financial Assets at Amortized Cost							
Cash and cash equivalents (excluding cash on hand)	₱3,784,638,831	₱–	₱–	₱–	₱–	₱–	₱3,784,638,831
Trade and other receivables	541,413,150	10,566,782	19,225,933	2,557,440	131,366,199	54,400,608	759,530,112
Advances to associates and stockholders	78,792,412	–	–	–	–	–	78,792,412
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	–	–	–	698,308,703
Due from RFM Corporation (under "Other noncurrent assets")	–	–	–	–	–	46,078,063	46,078,063
Restricted cash (under "Other current assets")	650,000	–	–	–	–	–	650,000
Security deposits (under "Other noncurrent assets")	3,888,053	–	–	–	–	–	3,888,053
	₱5,107,691,149	₱10,566,782	₱19,225,933	₱2,557,440	₱131,366,199	₱100,478,671	₱5,371,886,174

Liquidity Risk

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

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments. The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2019				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱4,405,244,649	₱351,265,532	₱4,053,979,117	₱–	₱–
Trade and other receivables	788,842,129	578,600,527	210,241,602	–	–
Advances to associates and stockholders	91,803,173	91,803,173	–	–	–
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	698,308,703	–
Restricted cash (under "Other current assets")	650,000	650,000	–	–	–
Security deposit (under "Other current assets")	2,292,013	–	–	2,292,013	–
At FVOCI	7,370,000	–	–	7,370,000	–
	5,994,510,667	1,022,319,232	4,264,220,719	707,970,716	–
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	1,715,682,370	–	879,019,446	836,662,924	–
Long-term note payable**	3,022,887,218	–	186,768,491	2,836,118,727	–
Lease liabilities***	1,010,378,930	–	428,987,599	581,391,331	–
Advances from related parties	18,309,614	18,309,614	–	–	–
	5,767,258,132	18,309,614	1,494,775,536	4,254,172,982	–
Net Financial Assets (Liabilities)	₱227,252,535	₱1,004,009,618	₱2,769,445,183	(₱3,546,202,266)	₱–

**Excluding nonfinancial liabilities*
***Including contractual interest to maturity*
****Contractual undiscounted lease payments*

	2018				
	Contractual Undiscounted Payments				
	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets					
At amortized cost:					
Cash and cash equivalents	₱3,787,016,107	₱131,456,495	₱3,655,559,612	₱–	₱–
Trade and other receivables	705,129,504	541,413,150	163,716,354	–	–
Advances to associates and stockholders	78,792,412	22,012,741	56,779,671	–	–
Advances to a supplier (under "Other noncurrent assets")	698,308,703	–	–	698,308,703	–
Restricted cash (under "Other current assets")	650,000	650,000	–	–	–
Security deposit (under "Other current assets")	3,888,053	–	3,888,053	–	–
At FVOCI	5,550,000	–	–	5,550,000	–
	5,279,334,779	695,532,386	3,879,943,690	703,858,703	–
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	1,386,259,483	–	500,655,162	885,604,321	–
Long-term note payable**	3,209,517,093	–	188,430,201	3,021,086,892	–
Advances from related parties	18,411,603	18,411,603	–	–	–
	4,614,188,179	18,411,603	689,085,363	3,906,691,213	–
Net Financial Assets (Liabilities)	₱665,146,600	₱677,120,783	₱3,190,858,327	(₱3,202,832,510)	₱–

**Excluding nonfinancial liabilities*
***Including contractual interest to maturity*

Foreign Currency Risk

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

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

	2019		
	USD	**EUR**	**Php Equivalent**
Financial Asset			
Cash	**US$67,710**	**€1,021**	**₱3,486,367**
Financial Liability			
Trade and other payables	**7,499,990**	–	**379,799,494**
	(US$7,432,280)	**€1,021**	**(₱376,313,127)**

	2018		
	USD	EUR	Php Equivalent
Asset			
Cash	US$21,171	€1,021	₱1,174,748
	US$21,171	€1,021	₱1,174,748

The December 31 exchange rates used follows:

	2019	2018
US Dollar	**₱50.64 to US$1**	₱52.58 to US$1
Euro Dollar	**₱56.35 to €1**	₱60.31 to €1

The Group recognized net foreign exchange loss of ₱4.4 million in 2019, net foreign exchange gain of ₱7.2 million in 2018 and net foreign exchange loss of ₱1.2 million in 2017.

The Group manages the timing of settlements or payments to ensure that the Group is not unfavourably exposed to fluctuations of foreign exchange rates. Likewise, the Group maintains adequate PHP, US, and EUR bank deposits to fund major expenditures or payments in foreign currencies.

The tables below demonstrate the sensitivity to a reasonably possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2019 and 2018.

	Change in Philippine Peso to US Dollar	
	Appreciation	Depreciation
Effect in income before income tax:		
2019 (at 1.81% appreciation and 1.81% depreciation)	**(₱6,812,309)**	**₱6,812,309**
2018 (at 2.50% appreciation and 2.43% depreciation)	27,829	27,050

	Change in Philippine Peso to Euro	
	Appreciation	Depreciation
Effect in income before income tax:		
2019 (at 3.88% appreciation and 3.34% depreciation)	**₱2,232**	**₱1,922**
2018 (at 6.11% appreciation and 7.10% depreciation)	2,451	2,434

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

Interest Rate Risk

The Group is not exposed to interest rate risk since its loans are subject to fixed interest rates and are therefore not subject to interest rate risk. Accounts receivable and other significant liabilities are noninterest-bearing. The Group has achieved a balanced mix of cash balances with various deposit rates.

Fair Value Measurement

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

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of 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.

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

The Group considers the notes payable with fair value of ₱3.0 billion and ₱2.8 billion as of December 31, 2019 and 2018, respectively, under Level 3 classification. The fair values were determined by discounting future cash flows using the applicable rates of similar types of instruments plus a certain spread. This spread is the unobservable input and the effect of changes to this is that the higher the spread, the lower the fair value.

The Group's financial assets at FVOCI and investment properties, which are classified under Level 2 and 3, respectively, are measured at fair value.

As of December 31, 2019 and 2018, there were no transfers into and out of Level 3 fair value measurements.

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

Highest and Best Use
As at December 31, 2019 and 2018, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following tables show an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy as of December 31, 2019 and 2018:

	2019			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	₱7,370,000	₱–	₱7,370,000	₱–
Investment properties (see Note 12):				
Land	733,195,868	–	–	733,195,868
Condominium units	24,084,733	–	–	24,084,733

	2018			
		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
Financial assets at FVOCI	₱5,550,000	₱–	₱5,550,000	₱–
Investment properties (see Note 12):				
Land	502,711,090	–	–	502,711,090
Condominium units	8,742,802	–	–	8,742,802

Valuation Techniques Used to Derive Level 3 Fair Values

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

Description	Carrying Value as of December 31, 2019	Fair Value as of December 31, 2019	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱2,844,726,970	₱2,983,602,555	Discounted Cash Flow Approach	Risk-free interest rate	3.11%–5.22% (3.70%)

Description	Carrying Value as of December 31, 2018	Fair Value as of December 31, 2018	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Long-term notes payable	₱2,870,154,989	₱2,808,219,797	Discounted Cash Flow Approach	Risk-free interest rate	5.41%–7.53% (6.92%)

Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income amounted to ₱235.3 million in 2019, nil in 2018, and ₱72.5 million in 2017 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

The fair value of financial assets at FVOCI is determined based on the available selling price in the market for identical assets under Level 2 as of December 31, 2019 and 2018. The Group recognized an unrealized gain on financial assets at FVOCI under "Other comprehensive income" in the consolidated statements of comprehensive income amounting to ₱1.8 million in 2019 and ₱1.9 million in 2018. The Group did not recognize any unrealized gain on AFS investments in 2017.

There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Value

The table below presents the following for each class of the Group's investment properties as of December 31, 2019 and 2018:

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

	2019			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱733,195,868	Sales Comparison Approach	Price per square meter	₱2,460–₱74,400
Condominium units	24,084,733	Sales Comparison Approach	Price per square meter	₱170,734–₱195,000

	2018			
Class of Property	Fair Value	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 12):				
Land	₱502,711,090	Sales Comparison Approach	Price per square meter	₱2,400–₱18,300
Condominium units	8,742,802	Sales Comparison Approach	Price per square meter	₱55,000

Descriptions and Definitions

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

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

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

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

The fair value of the investment properties were based on valuations performed by an accredited independent appraiser, with a recognized and relevant professional qualification and with recent experience in the locations and categories of the investment properties being valued, conducted on various dates in 2017. The valuation models in accordance with those recommended by the International Valuation Standards Committee have been applied.

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

Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

No changes were made in the objectives, policies or processes during the years ended 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 15). 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 21).

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

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

	2019	2018
Notes payable	**₱2,844,726,970**	₱2,870,154,989
Less: Cash and cash equivalents	**4,405,244,649**	3,787,016,107
Net cash and cash equivalents (a)	**(1,560,517,679)**	(916,861,118)
Equity Attributable to Equity Holders of the Parent	**14,084,798,321**	12,135,045,487
Equity and net cash and cash equivalents (b)	**₱12,524,280,642**	₱11,218,184,369
Gearing ratio (a/b)	**(0.12):1.00**	(0.08):1.00

26. Notes to the Consolidated Statement of Cash Flows

Changes in Liabilities arising from Financing Activities (in thousands)

	2019					
	Long-term Notes Payable	**Advances from Related Parties**	**Lease Liabilities**	**Dividends Payable**	**Others**	**Total Liabilities from Financing Activities**
January 1, 2019	**₱2,870,155**	**₱18,412**	**₱–**	**₱140,876**	**₱13,368**	**₱3,042,811**
Effects of PFRS 16 adoption			1,021,297			1,021,297
Non-cash changes:						
Dividends declared	–	–	–	426,773	–	426,773
Amortization of debt issue cost	4,572	–	–	–	–	4,572
Pre-termination of lease	–	–	(2,485)	–	–	(2,485)
Additional advances to related parties	–	13,010	–	–	–	13,010
Additions and modifications	–	–	56,548	–	–	56,548
Remeasurement	–	–	60,611	–	–	60,611
Cash flows	(30,000)	(13,112)	(259,531)	(480,185)	(18,254)	(801,082)
December 31, 2019	**₱2,844,727**	**₱18,310**	**₱876,440**	**₱87,464**	**(₱4,886)**	**₱3,822,055**

	2018				
	Long-term Notes Payable	Advances from Related Parties	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2018	₱2,895,772	₱72,406	₱4,819	₱3,894	₱2,976,891
Non-cash changes:					
Dividends declared	–	–	482,378	–	482,378
Amortization of debt issue cost	4,383	–	–	–	4,383
Disposal of a subsidiary (Note 1)	–	(71,961)	–	–	(71,961)
Additional advances to related parties	–	(39,786)	–	–	(39,786)
Cash flows	(30,000)	57,753	(346,321)	9,474	(309,094)
December 31, 2018	₱2,870,155	₱18,412	₱140,876	₱13,368	₱3,042,811

	2017				
	Long-term Notes Payable	Advances from Related Parties	Dividends Payable	Others	Total Liabilities from Financing Activities
January 1, 2017	₱3,025,085	₱111,677	₱4,459	₱–	₱3,141,221
Non-cash changes:					
Dividends declared	–	–	427,649	–	427,649
Amortization of debt issue cost	4,187	–	–	–	4,187
Disposal of a subsidiary (Note 1)	–	(8,898)	–	–	(8,898)
Additional advances to related parties	–	24,290	–	–	24,290
Cash flows	(133,500)	(54,663)	(427,289)	3,894	(611,558)
December 31, 2017	₱2,895,772	₱72,406	₱4,819	₱3,894	₱2,976,891

Others include cash received from non-controlling interest for its share of investment.

Non-cash Changes in Investing Activities

- In 2019, additions to property, plant and equipment include unpaid portion purchased on account amounting to ₱380.3 million (see Note 11).

- In 2018, the Group made a reclassification of LPCI's deposit for future stock subscription from "Investment in and advances to associates and joint ventures" account to "Advances to associates and stockholders" amounting to ₱34.8 million (see Note 10).

- In 2018, VREC's advances from VSNRGC amounting to ₱72.0 million were settled upon the sale of its investment in the joint venture (see Notes 10 and 16).

27. Operating Segment Information

The Group is currently organized into two operating segments: (1) power generation and distribution operations and (2) investing in shares of stock. These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

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

Power Generation and Distribution

1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM. VEC is the IPP administrator of 17 MW contracted capacity of ULGPP wherein energy generated is covered under an energy supply agreement with VECO (see Note 23) and as a retail electricity supplier to PEI. Core also started its operation in 2018 as a retail electricity supplier with two customers currently, Lafargeholcim Aggregate, Inc. and EMS Land Services, Inc. VMHI is on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental (see Note 1). VII and VGPC were incorporated in 2014, VIDC was incorporated in 2015, and INEC was incorporated in 2016 which companies are intended to undertake various power generation activities of the Group. ETEI started its commercial operations in January 2019 wherein ETEI will provide the entire energy output to a customer for 15 years.

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

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, INEC, VMHI, Core, VII, VGPC, VIDC, ETEI, VEII, and WMP, the Parent Company and all other subsidiaries are operating as holding and investing companies. Aside from operating as a power generation company, VEC also operates as a holding and investing company. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

The segment results for the years ended December 31 follow:

	2019			
	Power Generation and Distribution	**Investing in Shares of Stock**	**Eliminations**	**Consolidated**
Revenues from external customers	**₱2,547,108,140**	**₱10,531,392**	**₱–**	**₱2,557,639,532**
Revenue from inter-segment, associates and affiliates	**2,647,857,345**	**1,860,001,244**	**(3,422,666,670)**	**1,085,191,919**
Equity in net earnings of associates and joint ventures	**2,183,383,722**	**–**	**–**	**2,183,383,722**
Interest income	**36,905,413**	**116,506,551**	**–**	**153,411,964**
Inter-segment revenues	**(2,726,055,473)**	**(696,611,197)**	**3,422,666,670**	**–**
	4,689,199,147	**1,290,427,990**	**–**	**5,979,627,137**
Income from operations	**2,181,889,826**	**745,238,110**	**–**	**2,927,127,936**
Gain on fair value remeasurement of investment properties	**–**	**235,326,709**	**–**	**235,326,709**
Finance cost on loans	**(502)**	**(170,921,599)**	**–**	**(170,922,101)**
Finance cost on lease liabilities	**(83,352,610)**	**(2,309,091)**	**–**	**(85,661,701)**
Foreign exchange losses	**(4,146,366)**	**(241,612)**	**–**	**(4,387,978)**
Other income	**36,308,556**	**5,622,504**	**–**	**41,931,060**
Income before income tax	**2,130,698,904**	**812,715,021**	**–**	**2,943,413,925**
Income tax expense	**(204,931,810)**	**(66,731,365)**	**–**	**(271,663,175)**
Net income	**₱1,925,767,094**	**₱745,983,656**	**₱–**	**₱2,671,750,750**

	2018			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,082,206,258	₱67,780,324	₱–	₱1,149,986,582
Revenue from inter-segment, associates and affiliates	1,395,067,529	2,031,327,923	(2,209,330,328)	1,217,065,124
Equity in net earnings of associates and joint ventures	1,796,151,495	–	–	1,796,151,495
Interest income	23,381,127	93,676,241	–	117,057,368
Inter-segment revenues	(240,015,662)	(1,969,314,666)	2,209,330,328	–
	4,056,790,747	223,469,822	–	4,280,260,569
Income from operations	635,949,207	1,202,402,826	–	1,838,352,033
Gain on disposal of an associate or subsidiary	119,961,701	–	–	119,961,701
Finance cost on loans	(724,755)	(172,451,944)	–	(173,176,699)
Foreign exchange gain	6,800,967	366,130	–	7,167,097
Other income	8,853,455	12,410,134	–	21,263,589
Income before income tax	770,840,575	1,042,727,146	–	1,813,567,721
Income tax expense	(39,606,471)	(5,496,311)	–	(45,102,782)
Net income	₱731,234,104	₱1,037,230,835	₱–	₱1,768,464,939

	2017			
	Power Generation and Distribution	Investing in Shares of Stock	Eliminations	Consolidated
Revenues from external customers	₱1,811,340,517	₱–	₱–	₱1,811,340,517
Revenue from inter-segment, associates and affiliates	1,361,274,639	1,652,512,718	(2,052,817,442)	960,969,915
Equity in net earnings of associates and joint ventures	1,290,172,769	–	–	1,290,172,769
Interest income	16,525,038	56,012,284	–	72,537,322
Inter-segment revenues	(546,296,800)	(1,506,520,642)	2,052,817,442	–
	3,933,016,163	202,004,360	–	4,135,020,523
Income from operations	778,936,669	725,785,914	–	1,504,722,583
Insurance claims	87,129,498	–	–	87,129,498
Gain on fair value remeasurement	–	72,501,133	–	72,501,133
Gain on disposal of a subsidiary	12,068,717	–	–	12,068,717
Finance cost	(2,222,611)	(174,002,357)	–	(176,224,968)
Foreign exchange gain (loss)	(1,253,375)	3,921	–	(1,249,454)
Other income	5,655,242	15,783,953	–	21,439,195
Income before income tax	880,314,140	640,072,564	–	1,520,386,704
Income tax expense	(80,503,727)	(14,374,171)	–	(94,877,898)
Net income	₱799,810,413	₱625,698,393	₱–	₱1,425,508,806

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

Of the Group's total revenues, about 46% and 17% pertains to energy fees in 2019, 24% and 27% in 2018, and 43% and 21% in 2017, of 1590 EC and VEC, respectively.

In 2019, revenue from sale of power to two major customers amounted to ₱2.8 billion representing 78% of the total revenue from the sale of power and 46% of total revenues.

In 2018, revenue from sale of power to two major customers amounted to ₱1.8 billion representing 81% of the total revenue from the sale of power and 42% of total revenues.

In 2017, revenue from sale of power to two major customers amounted to ₱2.0 billion representing 79% of the total revenue from sale of power and 50% of total revenues.

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

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

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

	2019		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱11,509,535,562**	**₱9,357,476,387**	**₱20,867,011,949**
Liabilities	**2,995,913,242**	**3,070,051,067**	**6,065,964,309**
Capital expenditures	**712,992,726**	**66,420,918**	**779,413,644**

	2018		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱9,067,976,690	₱8,129,331,981	₱17,197,308,671
Liabilities	2,591,103,184	2,035,741,530	4,626,844,714
Capital expenditures	86,648,697	27,626,192	114,274,889

	2017		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱7,456,799,786	₱8,296,737,917	₱15,753,537,703
Liabilities	1,381,909,962	3,085,871,533	4,467,781,495
Capital expenditures	2,062,898	25,790,315	27,853,213

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2019	**₱238,017,520**	**₱31,305,046**	**₱269,322,566**
2018	13,082,878	18,302,218	31,385,096
2017	88,763,731	17,751,964	106,515,695

The Management Committee monitors the operating results of each business unit separately for the purpose of determining resource allocation and assessing performance. Performance is evaluated based on (i) net income for the year, (ii) consolidated earnings before interest, taxes, and depreciation and amortization ("consolidated EBITDA"); and (iii) consolidated core net income ("CCNI "). Net income for the year is measured consistent with reported net income in the consolidated statement of income.

Consolidated EBITDA is measured as total net income excluding interest, provision for income taxes, depreciation and amortization, financial costs, foreign exchange gains and losses, and other one-off gains and losses.

CCNI for the year is measured as consolidated net income attributable to equity holders of the parent adjusted for foreign exchange gain or loss, impairment or reversal of impairment of noncurrent assets and certain other non-recurring gain or loss, if any, net of tax effect of the foregoing adjustments.

The following table shows the reconciliation of the EBITDA to net income:

	2019	2018	2017
EBITDA	**₱3,152,719,861**	₱1,891,000,718	₱1,719,806,971
Add (Deduct):			
Depreciation and amortization (Notes 11 and 13)	**(269,322,566)**	(31,385,096)	(106,515,695)
Finance cost (Note 15)	**(170,922,101)**	(173,176,699)	(176,224,968)
Gain on disposal of a joint venture and subsidiary	–	119,961,701	12,068,717
Gain on fair value remeasurement of investment properties (Note 12)	**235,326,709**	–	72,501,133
Foreign exchange gains (losses) - net	**(4,387,978)**	7,167,097	(1,249,454)
Income before income tax	**2,943,413,925**	1,813,567,721	1,520,386,704
Provision for income tax (Note 20)	**(271,663,175)**	(45,102,782)	(94,877,898)
Net income	**₱2,671,750,750**	₱1,768,464,939	₱1,425,508,806

28. Events after the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region. On March 14, 2020, the Office of the Governor of the province of Cebu implemented similar response through issuance of Executive Order Nos. 5-E, 5-F and 5-G. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and enjoined all government agencies and local government units to render full assistance and cooperation to curtail and eliminate the threat of COVID-19. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could impact 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

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

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated April 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Vivant Corporation
9th Floor, Oakridge IT Center 3
Oakridge Business Park, A.S. Fortuna Street
Brgy. Banilad, Mandaue City
Cebu, Philippines 6014

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and its subsidiaries (the Group) as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019.

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

April 3, 2020

A member firm of Ernst & Young Global Limited

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

Schedule	Contents
A	Financial Assets
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
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VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2019

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Financial assets at amortized cost:				
Cash and cash equivalents	–	₱4,405,244,649	₱4,405,244,649	₱153,411,964
Trade and other receivables:				
Trade receivables	–	674,442,277	674,442,277	3,642,831,451
Dividends receivable	–	42,800,000	42,800,000	–
Accounts receivable	–	19,291,233	19,291,233	–
Advances to officers and employees	–	3,143,698	3,143,698	–
Accrued interest	–	8,294,408	8,294,408	–
Others	–	40,870,513	40,870,513	–
		788,842,129	788,842,129	3,642,831,451
Advances to associates and stockholders	–	91,803,173	91,803,173	–
Advances to supplier	–	698,308,703	698,308,703	–
Restricted cash	–	650,000	650,000	–
Security deposits	–	2,292,013	2,292,013	–
		793,053,889	793,053,889	–
		5,987,140,667	5,987,140,667	3,796,243,415
Financial assets at fair value through other comprehensive income:				
Cebu Country Club, Inc.	–	7,300,000	7,300,000	–
Tower Club, Inc.	–	70,000	70,000	–
	–	7,370,000	7,370,000	–
Total financial assets	–	₱5,994,510,667	₱5,994,510,667	₱3,796,243,415

See Notes 6, 7, 9, 13 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Reversals	Write Offs	Balance at End of Period		
						Current	Noncurrent	Total
Calamian Islands Power Corp.	₱7,869,506	₱14,086,984	(₱11,417,961)	₱–	₱–	₱10,538,529	₱–	₱10,538,529
Cebu Private Power Corporation	81,824,265	99,357,714	(167,981,979)	–	–	13,200,000	–	13,200,000
Cebu Energy Development Corp.	–	50,215,012	(48,850,262)	–	–	1,364,750	–	1,364,750
Delta P, Inc.	6,730,623	98,407,417	(58,092,405)	–	–	47,045,635	–	47,045,635
Minergy Power Corporation	–	440,000,000	(440,000,000)	–	–	–	–	–
Prism Energy, Inc.	103,844,362	296,568,208	(386,080,170)	–	–	14,332,400	–	14,332,400
Visayan Electric Company, Inc.	162,768,782	1,163,128,102	(1,317,485,578)	–	–	8,411,306	–	8,411,306
Global Luzon Energy Development Corporation	831,869	5,934,788	(733,592)	–	–	6,033,065	–	6,033,065
Lunar Power Core Inc.	75,189,495	5,748,419	–	–	–	80,937,914	–	80,937,914
Abovant Holdings, Inc.	–	264,000,000	(264,000,000)	–	–	–	–	–
Sabang Renewable Energy Corp.	3,825,195	6,000,000	(3,825,195)	–	–	6,000,000	–	6,000,000
Culna Renewable Energy Corp.	350,000	–	(349,661)	–	–	339	–	339
Advances to stockholders	42,676	50,559,104	(49,654,308)	–	–	947,472	–	947,472
	₱443,276,773	₱2,494,005,748	(₱2,746,471,111))	₱–	₱–	₱100,011,410	₱–	₱100,011,410

VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Vivant Energy Corporation	₱202,952,109	₱1,763,960,215	(₱1,858,614,630)	₱–	₱108,297,694	₱–	₱108,297,694
Vivant Corporation	208,758	858,101,127	(841,563,349)	–	16,746,536	–	16,746,536
Hijos de F. Escaño, Inc.	83,827	886,103	(876,665)	–	93,265	–	93,265
Vivant Geo Power Corp.	–	60	(60)	–	–	–	–
Vivant Isla Inc.	–	230	(30)	–	200	–	200
Southern Grove Properties and Development Corp.	9,923,774	1,284,187	(1,284,526)	–	9,923,435	–	9,923,435
1590 Energy Corp.	683,036	386,823,760	(323,967,827)	–	63,538,969	–	63,538,969
Vivant Renewable Energy Corporation	231,834	8,778	(10,178)	–	230,434	–	230,434
Vivant -Malogo Hydropower, Inc.	50,944	7,145	(51,444)	–	6,645	–	6,645
Corenergy Inc.	340,638	9,811,305	–	–	10,151,943	–	10,151,943
Isla Norte Energy Corp.	106	2,140,890	(256)	–	2,140,740	–	2,140,740
Vivant Enercore Integrated Inc.	106	256	(362)	–	–	–	–
Vivant Integrated Generation Corporation	8,238	59,186	(65,656)	–	1,768	–	1,768
Vivant Integrated Diesel Corporation	270	867,029	–)	–	867,299	–	867,299
Vivant Realty Ventures Corp.	55,661	280	(55,661)	–	280	–	280
Amberdust Holding Corp.	106	256	(362)	–	–	–	–
Southern Powercore Holding Corp.	106	280	(386)	–	–	–	–
Vivant Corporate Center Inc.	616	590	(1,116)	–	90	–	90
Vivant Infracore Holdings Inc.	47,300	1,488,887	(1,535,967)	–	220	–	220
Vivant Hydrocore Holdings Inc.	–	128,668	(118,738)	–	9,930	–	9,930
Vivant Transcore Holdings Inc.	–	11,722	–	–	11,722	–	11,722
Watermatic Philippines	–	1,294,157	(2,162)	–	1,291,995	–	1,291,995
ET Energy Island Corp.	28,711,428	45,558,356	(147,969)	–	74,121,815	–	74,121,815
ET-VVT Solar Corp.	281,904	33,814	(298,183)	–	17,535	–	17,535
	₱243,580,761	₱3,072,467,281	(₱3,028,595,527)	₱–	₱287,452,515	₱–	₱287,452,515

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2019

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes	Ending Balance
Customer Contracts	₱–	₱5,900,337	₱–	₱–	₱–	₱5,900,337
Goodwill	–	79,430,945	–	–	–	79,430,945
Software cost	12,520	40,343	(₱13,925)	–	–	38,938
	₱12,520	₱85,371,625	(₱13,925)	₱–	₱–	₱85,370,220

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

DECEMBER 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱2,850,000,000	₱30,000,000	₱2,820,000,000
Unamortized debt issue cost	(5,273,030)	(4,781,150)	(491,880)
	₱2,844,726,970	₱25,218,850	₱2,819,508,120

VIVANT CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2019

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

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2019

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

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2019

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

VIVANT CORPORATION

SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2019

Items	Amount
Unappropriated Retained Earnings, Beginning	₱989,402,347
Adjustments:	
Deferred income tax assets that reduced the amount of provision for income tax	(26,662,215)
Deferred income tax liabilities that increased the amount of provision for income tax	2,991,419
Unappropriated Retained Earnings, as Adjusted, Beginning	965,731,551
Net Income Based on the Face of AFS	805,306,062
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Gain on reversal of impairment loss	(59,824,418)
Gain on pre-termination of lease	(153,726)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(2,750,856)
Deferred income tax liability that reduced the amount of provision for income tax	(1,371,594)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	741,205,468
Add (Less)	
Dividend declarations during the period	(346,133,059)
Appropriations of retained earnings during the period	(2,600,000,000)
Reversals of appropriations	2,122,914,428
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱883,718,388

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE J - MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019

VIVANT CORPORATION

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Ratio	Formula		2019	2018
Current Ratio	Total Current Assets divided by Total Current Liabilities		**3.42**	6.33
	Total Current Assets	₱5,547,110,462		
	Divide by: Total Current Liabilities	1,622,847,969		
	Current Ratio	3.42		
Acid Test Ratio/Quick Ratio	Quick Assets (*Total Current Assets less Inventories and Other Current Assets*) divided by Total Current Liabilities		**3.26**	6.07
	Total Current Assets	₱5,547,110,462		
	Less: Inventories	101,307,901		
	Other Current Assets	159,912,610		
	Quick Assets	₱5,285,889,951		
	Divide by: Total Current Liabilities	1,622,847,969		
	Acid Test Ratio	3.26		
Solvency Ratio/Debt-to-Equity Ratio	Total Liabilities divided by Total Equity		**0.41**	0.37
	Total Liabilities	₱6,065,964,309		
	Divide by: Total Equity	14,801,047,640		
	Debt-to-Equity Ratio	0.41		
Net Debt-to-Equity Ratio	Net Debt (*Total Debt less Cash and Cash Equivalents, Short-term investments and Financial Assets at FVTPL)* divided by Total Equity		**(0.11)**	(0.07)
	Total Long-term Debt	₱2,844,726,970		
	Less: Cash and Cash Equivalents	351,265,532		
	Short-term Investments	4,053,979,117		
	Financial Assets at FVTPL	–		
	Net Debt	(₱1,560,517,679)		
	Divide by: Total Equity	14,801,047,640		
	Net Debt-to-Equity Ratio	(0.11)		
Asset-to-Equity Ratio	Total Assets divided by Total Equity		**1.41**	1.37
	Total Assets	₱20,867,011,949		
	Divide by: Total Equity	14,801,047,640		
	Asset-to-Equity Ratio	1.41		

Ratio	Formula	2019	2018
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization (*net Income plus provision for income tax, interest and other charges, depreciation and amortization)* divided by Interest and Other Financing Charges Net Income ₱2,671,750,750 Add: Provision for Income Tax 271,663,175 Interest and Other Financing Charges 256,583,802 EBIT ₱3,199,997,727 Add: Depreciation and Amortization 269,322,566 EBITDA ₱3,469,320,293 Interest and Other Financing Charges 256,583,802 Interest Expense Coverage Ratio 13.52	**13.52**	11.65
Return on Equity	Net Income divided by Average Total Equity (*Total Equity PY + Total Equity CY divided by 2)* Net Income ₱2,671,750,750 Total Equity CY ₱14,801,047,640 Total Equity PY 12,570,463,957 Average Total Equity ₱13,685,755,799 Return on Equity 19.52%	**19.52%**	14.83%
Return on Assets	Net Income divided by Average Total Assets (*Total Assets PY + Total Assets CY divided by 2)* Net Income ₱2,671,750,750 Total Assets CY ₱20,867,011,949 Total Assets PY 17,197,308,671 Average Total Assets ₱19,032,160,310 Return on Assets 14.04%	**14.04%**	10.73%
Net Income Margin	Net Income Attributable to Parent divided by Revenue Net Income Attributable to Parent ₱2,338,934,325 Revenue 5,979,627,137 Net Income Margin 39.12%	**39.12%**	40.44%