

# COVER SHEET

SEC Registration Number

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## COMPANY NAME

A	L	S	O	N	S		C	O	N	S	O	L	I	D	A	T	E	D		R	E	S	O	U	R	C	E	S	,
I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S									

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

A	l	s	o	n	s		B	u	i	l	d	i	n	g		D	o	n		C	h	i	n	o				
R	o	c	e	s		A	v	e	n	u	e		M	a	k	a	t	i		C	i	t	y					

Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	A	
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## COMPANY INFORMATION

Company's Email Address

legal@alcantaragroup.com

Company's Telephone Number

982 - 3000

Mobile Number

N/A

No. of Stockholders

462

Annual Meeting (Month / Day)

May 30

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

Robert F. Yenke

Email Address

ryenke@alcantaragroup.com

Telephone Number/s

982-3000

Mobile Number

## CONTACT PERSON'S ADDRESS

Alsons Building, 2286 Chino Roces Avenue, Makati 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.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended 31 March 2019
2. SEC Identification Number 59366
3. BIR Tax Identification Number - 001-748-412
4. Exact name of registrant as specified in its charter: ALSONS CONSOLIDATED RESOURCES, INC.
5. Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Alsons Bldg., 2286 Pasong Tamo Extension,  
Makati City 1231  
Address of principal office Postal Code
8. (632) 982-3000  
Registrant's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC
- | <u>Title of Each Class</u>           | <u>Number of Shares of Common Stock<br/>Outstanding and Amount of Debt Outstanding</u> |
|--------------------------------------|--|
| <b>Common Stock P 1.00 par value</b> | <b>6,291,500,000 Shares</b>  |
11. Are any or all of these securities listed on the Philippine Stock Exchange ?
- Yes [☒] No [☐]
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:
- Philippine Stock Exchange Common Stock
12. Check whether the registrant:
- (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
- Yes [☒] No [☐]
- (b) has been subject to such filing requirements for the past 90 days.
- Yes [☒] No [☐]

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## PART I -- FINANCIAL INFORMATION

### Item 1. Financial Statements

The following financial statements are submitted as part of this report:

Interim Financial Statements as of March 31, 2019 and 2018 (with Comparative Audited Consolidated Balance Sheet as of December 31, 2018).

#### Key Performance Indicators

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the six months ended September 30, 2018 and 2017. (Amounts in million pesos, except ratios)

Financial KPI	Definition	March 31	
		2019	2018
<u>Profitability</u>			
<b>REVENUES</b>		<b>₱1,226</b>	₱1,678
<b>EBITDA</b>		<b>550</b>	623
EBITDA Margin	$\frac{\text{EBITDA}}{\text{Net Sales}}$	<b>45%</b>	37%
Return on Equity	$\frac{\text{Net Income}}{\text{Total Average Stockholders' Equity}}$	1%	0.7%
<b>NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>6</b>	(20)
<u>Efficiency</u>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	31%	22%
<u>Liquidity</u>			
Net Debt Coverage	$\frac{\text{Cash Flow from Operating Activities}}{\text{Net Financial Debt}}$	2%	3%
<b>CURRENT RATIO</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	1.37:1	1.42:1
<b>DEBT-TO-EQUITY RATIO</b>		2.70:1	2.28:1
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.03:1	2.72:1
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$	1.41:1	1.67:1

#### Profitability

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company remains stable at 45%. SEC 1 operations continue to generate income for the Group. Return on equity (ROE) increased to 1% from 0.7% in 2018 due to the higher performance of SEC 1.

## Efficiency

The Company currently faces challenges in its diesel business brought about by the current surplus of power capacity in Mindanao. In response to the challenging environment, the Company has embarked on initiatives for its diesel plants to provide ancillary services to the National Grid Corp. of the Philippines (NGCP). Last year, NGCP and the Company's Western Mindanao Power Corp. (WMPC) signed an ancillary services procurement agreement (ASPA) for WMPC's 100-MW diesel plant in Zamboanga City to provide NGCP with dispatchable generating capacity, reactive power support, and black start capability that will stabilize the power grid in the Zamboanga Peninsula (Western Mindanao/Region 9). Also last year, the Company tendered a proposal for the group's Southern Philippines Power Corp. (SPPC) diesel plant in Sarangani to provide ancillary services to NGCP in order to help stabilize the power grid in Region 12 or South Central Mindanao. The Company is likewise actively exploring prospective markets for its diesel capacity in areas outside of Mindanao where the demand for power is growing.

With the ongoing construction of Sarangani Energy Corp.'s (SEC) Section 2, the operating expense ratio increased to 31% from 22% in the previous year. The operating efficiency of the operating power plants is expected to continue in accordance with the plans and budgets.

ACR's cash flows from operations this year decreased from ₱565 million to ₱365 million due mainly to the timing of payments of trade and other current liabilities during the period. The additional issuance of corporate note by the Parent and loan drawdown for the construction of SEC 2 contributed to the decrease in net debt coverage from 1.67% in 2018 to 1.41% this year while current ratio decreased to 1.37:1 from last year's 1.42:1, resulting from higher loans payable during the period.

## **DESCRIPTION OF KEY PERFORMANCE INDICATORS:**

1. **REVENUES.** Revenue is the amount of money that the company subsidiaries receive arising from their business activities and is presented in the top line of the statements of income. The present revenue drivers of the Company are i) energy and power and ii) real estate. Revenue growth is one of the most important factors management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making a sound investment decision.
2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts and to finance its capital expenditure and working capital requirements.
3. **NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT.** Net income attributable to shareholders is one more step down from net income on the income statement. The net income of a company is all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.

4. **DEBT-TO-EQUITY RATIO.** This measures the company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **CURRENT RATIO.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

## ***Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition***

### **RESULTS OF OPERATIONS**

The three months' financial results showed ₱1,226 million revenues, slightly lower than the ₱1,678 million revenues in 2018. SEC 1 operations continue to generate revenues for ACR. The Company hopes to recover the shortfall when SEC 2 comes online in the second half of this year. The Company has embarked on initiatives for its diesel plants to provide ancillary services to the National Grid Corp. of the Philippines (NGCP). WMPC has signed an ancillary services procurement agreement (ASPA) with NGCP for the 100 megawatt WMPC plant in Zamboanga to provide NGCP with dispatchable generating capacity, reactive power support, and black start capability in order to stabilize the power grid in the Zamboanga Peninsula (Western Mindanao/Region 9). SPPC has also tendered a proposal to NGCP to provide the latter with ancillary services in order to help stabilize the power grid in Region 12 or South Central Mindanao. The Company is likewise actively exploring prospective markets for its diesel capacity in areas outside of Mindanao where the demand for power is growing.

Cost of goods sold and services was lower in 2019 at ₱825 million from last year's ₱1,177 million due mainly to the lower fuel costs as a result of lower energy delivered this year. Gross profit margin however slightly increased to 32% from last year's 29%, delivering a steady gross profit of ₱401 million in the first three months of 2019.

General and administrative expenses increased slightly by 2% from ₱92 million to ₱94 million this year. The continued expansion of SEC increased the administrative costs when some of the corporate re-organization was implemented last year.

Net finance charges this year was at ₱216 million compared to last year's ₱254 million. The decrease in interest was due to the partial loan repayment by the Parent Company in March of the previous year.

Due to improved performance of SEC 1 and lower finance charges this year, net income attributable to Parent is higher at ₱6 million compared to the ₱20 million loss incurred in the same period last year.

### **REVIEW OF FINANCIAL POSITION**

ACR and Subsidiaries continue to post strong balance sheets with total assets of ₱44,306 million, up from ₱43,492 million at the end of 2018.

Current assets increased 7% from ₱8,904 million to ₱9,527 million brought about by the higher cash and cash equivalents during the period. The increase in cash was due to the issuance of commercial papers towards the end March this year by the Parent amounting to ₱1 billion.

On the other hand, non-current assets increased 0.6% from ₱34,588 million to ₱34,779 million. This is due largely to the increase in property, plant and equipment resulting from the ongoing construction of phase 2 of the SEC power plant during the period. SEC 2 is expected to be in commercial operation by second half of 2019.

Total liabilities amounted to ₱29,697 million is higher than the ₱28,986 million reported at the end of 2018. The increase in long-term due to additional drawdown of SEC 2 project loan resulted to the increase in total liabilities.

As of March 31, 2019, ACR's current ratio decreased from 1.42:1 at the end of 2018 to 1.37:1 this period. Debt to equity ratio increased to 2.68:1 from 2.28:1 last year.

ACR's consolidated statement of cash flows showed that cash from operating activities is the major source of funding for payment of maturing loans and additional capital expenditures during the period.

i. Causes of the material changes (5% or more) in balances of relevant accounts as of March 31, 2019 compared to December 31, 2018 are as follows:

- a) **Cash and cash equivalents** – Increased 19%  
The increase is due to the issuance of commercial papers in March this year. The proceeds from this issuance is for the hydro project of the Company.
- b) **Short-term cash investments** – Decreased 6%  
The decrease is due mainly to the pre-termination of placement during the period.
- c) **Trade and other receivables** – Increased 3%  
The increase is due mainly to the timing of collection of trade receivables by the power companies during the period.
- e) **Spare parts and supplies** – Decreased 20%  
The decrease is due mainly to the usage of spare parts by the power companies. SPPC has no existing contract while WMPC temporarily suspended supplying power to ZAMCELCO due to nonpayment of obligation. On May 3, 2019, WMPC resumed supplying power to ZAMCELCO after both parties reached a compromise agreement.
- f) **Prepaid expenses and other current assets** – Increased 4%  
The increase is due to the additional creditable withholding and valued added taxes during the period.
- g) **Noncurrent portion of installment receivables** – Increased 57%  
The increase is due to the installment sales generated by ALC during the period.
- f) **Advances to contractors** – decreased 8%  
The decrease was due to the offsetting of advances for the upgrade of transmission Line for SEC 2 against payments during the period.
- g) **Loans payable** – Increased 317%  
The increase is due to the additional issuance of commercial papers registered with Securities and Exchange Commission of the Parent Company. The commercial papers are registered with the Philippine Dealing System (PDEX).
- h) **Income tax payable** – Increased 138%  
Timing of payments of income tax payable led to the increase in this account during the period.

- ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of obligation.

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation and various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of the legal matters in which its subsidiaries or affiliates are involved have material effect on the Company's financial condition and results of operations.

- iii. There are no Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

## **PART II -- OTHER INFORMATION**

### **Other Required Disclosures**

1. The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2018.
2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD&A, there were no other issuances, repurchases and repayments of debt and equity securities.
5. There were no material events subsequent to March 31, 2019 up to the date of this report that need disclosure herein.
6. There were no changes in the composition of the Company during the interim period such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
7. There were no changes in contingent liabilities or contingent assets since December 31, 2018.
8. There were no material contingencies and other material events or transactions affecting the current interim period.
9. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
10. There were no known trends, events or uncertainties that have had or that were reasonably expected to have a material favorable or unfavorable impact to the Company.
11. There was no significant element of income or loss that did not arise from the Company's continuing operations.
12. There were no known seasonal or cyclical aspects that had a material effect on the financial condition or results of operations for the interim period.



13. There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources for such expenditures.

14. Any seasonal aspects that had a material effect on the financial condition or results of operations.

ACR being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ACR's power business units generates fairly stable stream of revenues throughout the year.

ACR's real property development does not show any seasonality. The remaining real estate inventory of Alsons Land does not shown signs of impairments during the period.

There are NO matters and events that need to be disclosed under SEC Form 17-C.

### SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

#### ALSONS CONSOLIDATED RESOURCES, INC.

Issuer


By:

Registrant :

  
TIRSO G. SANTILLAN, JR.  
Executive Vice-President & COO

Date:

May 17, 2019

  
ROBERT F. YENKE  
Chief Financial Officer

Date:

05/17/2019

# Alsons Consolidated Resources, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As at March 31, 2019 and for the Three-Month Periods Ended  
March 31, 2019 and 2018  
*(With Comparative Audited Consolidated Balance Sheet as at  
December 31, 2018)*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31, 2019**  
**(With Comparative Audited Figures as at December 31, 2018)**

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱4,129,815,948	₱3,474,561,841
Short-term cash investments (Note 4)	247,426,210	262,952,916
Trade and other receivables (Note 5)	2,683,694,052	2,611,221,442
Real estate inventories (Note 6)	631,459,387	631,565,395
Spare parts and supplies - at cost	645,674,707	682,741,033
Prepaid expenses and other current assets (Note 10)	1,289,190,960	1,240,571,129
<b>Total Current Assets</b>	<b>9,527,261,265</b>	<b>8,903,613,756</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of installment receivables	6,319,792	4,019,641
Investments in real estate (Note 6)	191,436,343	191,436,343
Investments in associates (Note 6)	2,224,963,587	2,209,533,587
Advances to contractors	89,767,450	97,932,769
Property, plant and equipment (Note 7)	27,311,197,483	27,137,641,252
Equity instruments designated at fair value through other comprehensive income (FVTOCI) (Note 8)	2,358,327,598	2,358,327,598
Goodwill (Note 9)	806,687,320	806,687,320
Net retirement assets	19,796,277	20,450,756
Contract asset	1,079,924,047	1,080,416,000
Deferred financing cost	39,796,992	39,796,992
Deferred income tax assets – net	43,393,316	43,393,316
Other noncurrent assets	607,570,244	598,573,648
<b>Total Noncurrent Assets</b>	<b>34,779,180,449</b>	<b>34,588,209,222</b>
<b>TOTAL ASSETS</b>	<b>₱44,306,441,714</b>	<b>₱43,491,822,978</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities (Note 11)	₱4,485,472,195	₱4,657,904,845
Loans payable	1,478,860,771	354,895,860
Short-term notes payable	64,823,526	95,163,413
Income tax payable	24,333,081	10,207,718
Current portion of long-term debt	921,210,882	1,161,893,431
<b>Total Current Liabilities</b>	<b>6,974,700,455</b>	<b>6,280,065,267</b>
<b>Noncurrent Liabilities</b>		
Long-term debt - net of current portion	21,629,524,524	21,619,760,478
Deferred income tax liabilities - net	849,195,409	849,195,409
Retirement benefits liabilities	40,031,646	37,952,129
Asset retirement obligation	203,189,228	199,409,217
<b>Total Noncurrent Liabilities</b>	<b>22,721,940,807</b>	<b>22,706,317,233</b>
<b>Total Liabilities</b>	<b>29,696,641,262</b>	<b>28,986,382,500</b>

(Forward)

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
<b>Equity</b> (Note 12)		
Capital stock	₱ 6,331,283,333	₱6,331,283,333
Other equity reserves	2,518,570,606	2,518,570,606
Retained earnings:		
Unappropriated	1,351,103,742	1,344,989,831
Appropriated	1,300,000,000	1,300,000,000
Attributable to equity holders of the parent	11,500,957,681	11,494,843,770
Non-controlling interests	3,108,842,771	3,010,596,708
<b>Total Equity</b>	<b>14,609,800,452</b>	<b>14,505,440,478</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱44,306,441,714</b>	<b>₱43,491,822,978</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Three Months Ended March 31	
	2019	2018
	Unaudited	Unaudited
<b>REVENUE</b>		
Revenue from contract with customers	P1,223,432,368	P1,674,613,320
Rental income and others	3,030,617	3,010,377
	<b>1,226,462,985</b>	<b>1,677,623,697</b>
<b>INCOME (EXPENSES)</b>		
Cost of goods and services	(825,022,900)	(1,177,103,194)
General and administrative expenses	(94,310,566)	(91,775,394)
Finance income (charges) - net	(216,793,878)	(254,773,976)
Other income - net	21,571,376	2,329,062
	<b>(1,114,555,968)</b>	<b>(1,521,323,502)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>111,907,017</b>	<b>156,300,195</b>
<b>PROVISION FOR (BENEFIT FROM)</b>		
<b>INCOME TAX (Note 12)</b>		
Current	15,496,246	37,251,604
Deferred	(7,949,205)	15,909,728
	<b>7,547,041</b>	<b>53,161,332</b>
<b>NET INCOME</b>	<b>P104,359,976</b>	<b>P103,138,863</b>
<b>Attributable to:</b>		
Owners of the parent (Note 12)	P6,113,912	(P19,749,992)
Non-controlling interest	98,246,064	122,888,855
	<b>P104,359,976</b>	<b>P103,138,863</b>
Basic/diluted earnings per share attributable to owners of the parent	P0.00	(P0.00)

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>NET INCOME FOR THE PERIOD</b>	<b>₱104,359,976</b>	<b>₱103,138,863</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Gain (loss) on valuation of AFS financial assets	-	-
Translation adjustment	-	-
	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱104,359,976</b>	<b>₱103,138,863</b>
<b>Attributable to:</b>		
Owners of the parent	<b>₱6,113,912</b>	<b>(₱19,749,992)</b>
Non-controlling interests	<b>98,246,064</b>	<b>122,888,855</b>
	<b>₱104,459,976</b>	<b>₱103,138,863</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2019 AND 2018**

	Attributable to Equity Holders of the Parent									
	Capital Stock(Note 12)	Actuarial Gains (Losses)	Unrealized Gains (Losses) on AFS Financial Assets(Note 8)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Equity Reserves	Cumulative Translation Adjustment	Total	Non-controlling Interests (Note 1)	Total
Balance at December 31, 2018	₹6,331,283,333	₹4,541,504	(₹33,841,668)	₹1,344,989,831	₹1,300,000,000	₹854,620,762	₹1,693,250,008	₹11,494,843,770	₹3,010,596,708	₹14,505,440,478
Net income	-	-	-	6,113,912	-	-	-	6,113,912	98,246,064	104,353,976
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	6,113,912	-	-	-	6,113,912	98,246,064	104,353,976
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2019	₹6,331,283,333	₹4,541,504	(₹33,841,668)	₹1,351,103,743	₹1,300,000,000	₹854,620,762	₹1,693,250,008	₹11,500,957,682	₹3,108,842,771	₹14,609,800,454
Balance at December 31, 2017	₹6,326,883,333	₹4,650,820	(₹43,320,245)	₹887,872,315	₹1,300,000,000	₹854,620,762	₹1,678,353,798	₹11,009,060,783	₹2,820,582,601	₹13,829,643,384
Net income	-	-	-	(19,747,992)	-	-	-	(19,747,992)	122,888,855	103,138,863
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (loss)	-	-	-	(19,747,992)	-	-	-	(19,747,992)	122,888,855	103,138,863
Appropriation of retained earnings	-	-	-	-	-	-	-	-	-	-
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-
Balance at March 31, 2018	₹6,326,883,333	₹4,650,820	(₹43,320,245)	₹868,124,323	₹1,300,000,000	₹854,620,762	₹1,678,353,798	₹10,989,312,791	₹1,943,471,456	₹13,932,782,247

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31	
	2019	2018
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱111,907,017	₱156,300,195
Adjustments for:		
Depreciation and amortization	221,324,157	212,182,193
Interest income	(16,117,136)	(8,772,531)
Finance charges	232,911,014	246,001,444
Retirement cost	2,079,517	1,394,050
Equity in net earnings of an associate	(15,430,000)	
Operating income before working capital changes	536,674,569	607,105,351
Decrease (increase) in:		
Trade and other receivables	(72,472,610)	(145,586,109)
Prepaid expenses and other current assets	(48,619,831)	163,672,211
Spare parts and supplies	137,066,326	34,516,449
Increase (decrease) in:		
Accounts payable and other current liabilities	(172,432,650)	(57,136,916)
Customers' deposits	-	-
Net cash flows from operations	380,215,804	602,570,986
Increase (decrease) in income tax payable	(15,496,246)	(37,251,604)
Net cash flows from (used in) operating activities	364,719,558	565,319,382
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Other noncurrent assets	(8,996,596)	(16,981,693)
Due from related parties	32,972,185	6,039,296
Short-term cash investments	15,526,706	(13,867,124)
Investments in real estate	-	-
Additions to property, plant and equipment (Note 7)	(394,880,388)	(1,257,104,360)
Interest received	16,117,136	8,772,531
Increase in other noncurrent liabilities	-	-
Net cash flows from (used in) investing activities	(339,260,957)	(1,273,141,350)



**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of long-term debts	₱-	₱1,500,000,000
Availment of short-term loans	1,123,964,911	-
Payments of:		
Payment of debts	(261,258,390)	(1,806,881,788)
Interest	(232,911,014)	(212,182,193)
Net cash flows used in financing activities	629,795,507	(519,063,981)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>655,254,107</b>	<b>(1,226,885,948)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,474,561,841</b>	<b>4,383,802,048</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱4,129,815,948</b>	<b>₱3,156,916,100</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*

# ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

## NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. General Information

#### Corporate Information

Alsons Consolidated Resources, Inc. (ACR or Parent Company) is a stock corporation organized on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. ACR's primary purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose. The Company's ultimate parent company is Alsons Corporation, a company incorporated in the Philippines.

The registered office address of ACR is 2286 Don Chino Roces Ave. Extension, Makati City.

The consolidated financial statements include the accounts of ACR and the subsidiaries (collectively referred to as "the Group") listed in the table below:

Subsidiaries	Nature of business	Percentage of Ownership			
		2019		2018	
		Direct	Indirect	Direct	Indirect
Conal Holdings Corporation (CHC)	Investment holding	100.00	—	100.00	—
Alsing Power Holdings, Inc. (APHI)	Investment holding	20.00	80.00	20.00	80.00
Western Mindanao Power Corporation (WMPC)	Power generation	—	55.00	—	55.00
Southern Philippines Power Corporation (SPPC)	Power generation	—	55.00	—	55.00
Alto Power Management Corporation (APMC)	Management services	—	60.00	—	60.00
APMC International Limited (AIL)	Management services	—	100.00	—	100.00
Mapalad Power Corporation (MPC)	Power generation	—	100.00	—	100.00
FGen Northern Power Corp. (FGNPC)	Power generation	—	60.00	—	60.00
Alsons Renewable Energy Corporation (AREC)	Investment holding	80.00	—	80.00	—
Siguil Hydro Power Corporation (Siguil)	Power generation	—	80.00	—	80.00
Kalaong Power Corporation (Kalaong)	Power generation	—	80.00	—	80.00
Sindangan Zambo-River Power Corp. (Sindangan)	Power generation	—	80.00	—	—
Bago Hydro Resources Corporation	Power generation	—	80.00	—	—
Alsons Thermal Energy Corporation (ATEC)	Power generation	50.00*	—	100.00	—
Sarangani Energy Corporation (Sarangani)	Power generation	—	37.50	—	75.00
ACES Technical Services Corporation (ACES)	Management services	—	50.00	—	100.00
San Ramon Power, Inc. (SRPI)	Power generation	—	50.00	—	100.00
Alsons Power International Limited (APIL)	Power generation	100.00	—	100.00	—
Alsons Land Corporation (ALC)	Real estate	99.55	—	99.55	—
MADE (Markets Developers), Inc.	Distribution	80.44	—	80.44	—
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	Real estate	100.00	—	100.00	—
Alsons Power Supply Corporation (APSC)	Customer Service	100.00	—	100.00	—

\*50% ownership plus 1 share of the total voting and total outstanding capital stock.

SPPC and WMPC are independent power producers (IPPs) with Energy Conversion Agreements (ECAs) with the Philippine government through the National Power Corporation (NPC). ECA of SPPC and WMPC ended in May 2016 and December 2015, respectively.

Except for AIL and APIL, which are incorporated in the British Virgin Islands (BVI), all of the subsidiaries are incorporated in the Philippines.

#### Power and Energy

*CHC and Subsidiaries.* The Board of Directors (BOD) of Northern Mindanao Power Corporation (NMPC), a subsidiary under CHC, approved on April 25, 2008 the amendments to NMPC's Articles of Incorporation to shorten its corporate life up to November 15, 2009. After November 15, 2009, NMPC was dissolved. Consequently, NMPC's remaining assets and liabilities have all been transferred to CHC's books as at December 31, 2009. CHC is responsible for the final liquidation of NMPC's net assets and the payment to the non-controlling shareholders. In 2013, CHC has fully liquidated the net distributable assets of NMPC and paid the non-controlling shareholders.

CHC organized and incorporated MPC on July 13, 2010 as a wholly owned subsidiary to rehabilitate and operate the 103 mega-watts (MW) Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II located in Iligan City. On June 27, 2011, ACR acquired full control of MPC through an agreement with CHC, wherein CHC assigned all shares to ACR. The deed of sale of IDPP with Iligan City Government was signed on February 27, 2013. On August 1, 2013, ACR transferred MPC to CHC for a total consideration of P0.3 million. MPC entered into Power Supply Agreements (PSAs) with various distribution utilities and electric cooperatives (see Note 33). On September 6, 2013, MPC started operating 98 MW of the 103 MW Bunker-Fired IDPPs. MPC completed the rehabilitation and operated the balance of 5 MW in 2014.

On July 7, 2015, CHC subscribed and paid 60% of FGNPC's outstanding common shares amounting to ₱0.04 million. Investment of non-controlling interest amounted to ₱0.02 million in 2015.

On February 14, 2017, CHC and subsidiaries notified the Philippine Securities and Exchange Commission (SEC) of the change in its functional currency from US dollar to Philippine peso which was adopted prospectively from the date of change, which is January 1, 2016.

#### *ATEC and Subsidiaries*

*ATEC.* On November 23, 2015, ACR organized ATEC primarily to develop and invest in energy projects, including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱1 million.

On October 13, 2016, ACR and ATEC executed an assignment of share agreement wherein the Parent Company assigned and transferred its ownership interests in ACES to ATEC for a total consideration of ₱20 million. Accordingly, ACES became wholly owned subsidiary of ATEC.

On May 24, 2017, ACR and ATEC executed an assignment of share agreement wherein ACR assigned and transferred its ownership interests in SRPI to ATEC amounting to ₱1.2 million for a total consideration of ₱0.3 million, net of subscriptions payable amounting to ₱0.9 million. Accordingly, SRPI became a wholly owned subsidiary of ATEC. Subsequently, on May 31, 2017, ACR and ATEC executed a deed of assignment of advances wherein ACR assigned to ATEC its advances to SRPI totaling to ₱231 million.

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to Global Business Power Corporation (GBPC) for a total consideration amounting to ₱2,378 million, inclusive of retention receivable amounting to ₱100 million to be received upon issuance

by the Bureau of Internal Revenue (BIR) of the Certificate of Authorizing Registration. The retention receivable was received in January 2018. The Parent Company recognized a gain amounting to ₱709 million, net of transaction costs totaling to ₱169 million. Subsequently, on December 1, 2017, the Parent Company, GBPC and ATEC executed a deed of assignment of advances wherein the Parent Company assigned and transferred to GBPC its right to collect 50% of its advances to ATEC amounting to ₱1,880 million.

Sarangani. CHC organized Sarangani on October 15, 2010 as a wholly owned subsidiary to construct, commission and operate power generating plant facilities of electricity in Maasim, Sarangani Province. On June 27, 2011, ACR acquired full control of Sarangani through an agreement with CHC, wherein CHC assigned all its shares to ACR. On December 10, 2012, ACR entered into a shareholders agreement with Toyota Tsusho Corporation (TTC), a company incorporated in Japan, wherein TTC subscribed and paid ₱355 million worth of Sarangani shares representing 25% of the total equity of Sarangani. In accordance with the shareholders agreement, ACR increased its investment in Sarangani to 75% of the total equity of Sarangani by converting its advances and additional cash infusion.

The construction of the Sarangani's SM200 project is in two phases. Construction of Phase 1 (105 MW) of the Project commenced in January 2013 and was completed in 2016. The preliminary works for Phase 2 (105 MW) has started in 2016 and the construction of the plant is expected to be completed in 2019.

In 2015, ACR made additional cash infusion and conversion of advances totaling to ₱572 million, primarily to meet the funding requirements of Sarangani's SM200 project.

On April 20, 2016, ACR subscribed to ATEC's proposed increase in authorized capital stock to the amount of ₱2,989,285,100 worth of shares of stock. The subscription was paid by way of ACR's investment in Sarangani and cash amounting to ₱14 million.

On February 6, 2017, ATEC's BOD authorized the conversion its advances to Sarangani amounting to ₱3,375 million into equity by way of subscription to the increase in authorized capital stock of Sarangani. The Philippine SEC approved Sarangani's increase in authorized capital stock on March 20, 2017. Also, TTC subscribed to additional common shares amounting to ₱1,125 million which was settled through cash infusion. As at March 31, 2019, Sarangani is 75% owned by ATEC.

SRPI. ACR organized and incorporated SRPI on July 22, 2011 as a wholly owned subsidiary. SRPI was incorporated primarily to acquire, construct, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. SRPI has obtained its Environmental Compliance Certificate (ECC) on March 20, 2012 for the planned 105 MW coal fired power plant to be located in Zamboanga Ecozone. SRPI's expected construction of the power plant that was previously forecasted to commence in the latter part of 2013, has been deferred at a later time. The total project cost is estimated at ₱13 billion. As at March 31, 2019, SRPI has not yet started the construction of the power plant.

ACES. ACR organized and incorporated ACES on July 7, 2011 primarily to provide operations and maintenance services to the Group's coal power plants.

#### *AREC and Subsidiaries*

Siguil and Kalaong. ACR organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest

in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 17MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. As at March 31, 2019, Siguil and Kalaong have not yet started commercial operations.

*Bago and Sindangan.* AREC organized and incorporated Bago and Sindangan on February 26, 2018 and August 31, 2018, respectively, as wholly owned subsidiaries. Bago and Sindangan were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Bago's 16 MW Hydro Power Project is in Don Salvador, Negros Occidental while Sindangan's 38 MW Hydro Power Project is in Sindangan, Zamboanga Del Norte. These projects are expected to augment power supply in the cities of Negros Occidental and Zamboanga, respectively, once they are completed. As at March 31, 2018, Siguil and Sindangan have not yet started commercial operations.

*AREC.* On September 18, 2014, ACR organized AREC primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱31 million.

On July 10, 2015, ACR and AREC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% in 2014 to 80%.

#### Property Development

*ALC.* On November 25, 1994, the Parent Company incorporated ALC to acquire, develop, sell and hold for investment or otherwise, real estate of all kinds, sublease office.

*KAED.* On September 3, 2010, the Parent Company incorporated KAED to establish, develop, operate and maintain an agro-industrial economic zone and provides the required infrastructure facilities and utilities such as power and water supply and distribution system, sewerage and drainage system, waste management system, pollution control device, communication facilities and other facilities as may be required for an agro-industrial economic zone.

#### Other Investments

*MADE.* MADE, which is in the distribution business, has incurred significant losses in prior years resulting in capital deficiency. Because of the recurring losses, MADE decided to cease operations effective April 30, 2006 and terminated its employees. These factors indicate the existence of a material uncertainty which may cast significant doubt about MADE's ability to continue operating as a going concern. As at March 31, 2018, MADE has no plans to liquidate but new business initiatives are being pursued which will justify resumption of its trading operations.

*APSC.* ACR organized and incorporated APSC on October 13, 2016 primarily to provide services necessary or appropriate in relation to the supply and delivery of electricity.

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## **2. Basis of Preparation and Statement of Compliance**

### Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2019 and for the three-month periods ended March 31, 2019 and 2018 have been

prepared in accordance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for equity instruments designated at fair value through other comprehensive income (FVTOCI)/ available-for-sale (AFS) financial assets that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2018.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year (see Note 1).

The Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses 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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributable to equity holders of the parent of the Group and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to 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.

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

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Non-controlling interests represent the portion of profits or losses and net assets of subsidiaries not held by the equity holders of the Parent Company and are presented separately in the consolidated statement of income and consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to the equity holders of the Parent Company.

#### Material Partly-Owned Subsidiaries

The tables below show details of materially partly-owned subsidiaries of ACR either directly or indirectly:

Name of Subsidiary	Place of Incorporation and Operation	Principal Activity	Proportion Ownership Interest and Voting Rights Held by Non-controlling Interests	
			2019	2018
SPPC	Philippines	Power generation	45.0%	45.0%
WMPC	Philippines	Power generation	45.0%	45.0%
ATEC	Philippines	Holding Company	50.0%	50.0%
Sarangani	Philippines	Power generation	62.5%	62.5%

(Amounts in Thousands)	March 31, 2019			December 31, 2018		
	SPPC	WMPC	ATEC	SPPC	WMPC	ATEC
Current Assets	168,373	724,719	4,110,112	181,366	701,101	3,940,237
Noncurrent Assets	303,515	384,390	25,967,437	316,737	447,237	25,870,607
Current Liabilities	(33,514)	(500,477)	(6,769,775)	(38,092)	(538,524)	(6,685,461)
Noncurrent Liabilities	(83,372)	(90,171)	(15,860,094)	(84,525)	(91,311)	(15,856,382)
Equity	355,003	518,461	7,447,680	375,486	518,503	7,269,001
Equity Attributable to:						
Equity holders of the parent	194,009	273,351	3,160,917	205,203	273,374	3,085,083
Non-controlling interest	160,995	245,110	4,286,763	170,283	245,129	4,183,918
	355,003	518,461	7,447,680	375,486	518,503	7,269,001

### **3. Changes in Accounting Policies and Disclosures**

#### New Standards Effective Starting January 1, 2018

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a sharebased

payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

These amendments do not have any impact on the Group's consolidated financial statements since the Group does not perform cash-settled share based payments.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9. The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts not yet completed as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 11 and related Interpretations.



The nature of the adjustments as at January 1, 2018 and the reasons for the significant changes in the consolidated statement of financial position as at December 31, 2018 and the statement of comprehensive income for the year ended December 31, 2018 are described below:

a) *Prompt payment discount on capacity recovery fees and interconnection capacity recovery fees*

Under the power sales agreements, customers could avail of the prompt payment discount (PPD) if payment is made within 10 days after the invoice date. The PPD, which is equivalent to 1.5% of capital recovery fees and interconnection capacity recovery fees, can only be applied to the invoice subsequent to the billing period covered by the prompt payment. Before the adoption of PFRS 15, the Group recognized revenue at fair value of consideration received or receivable, gross of discount. The Group used the most likely amount method to estimate the discount to be provided. As at January 1, 2018, adoption of PFRS 15 resulted to a decrease in *Trade and other receivables* of P2.51 million and decrease in *Deferred income tax liabilities* of P 0.12 million for the expected future discount. The Group also reduced *Unappropriated retained earnings* and *Non-controlling interests* for P 0.90 million and P 1.49 million, respectively, as at January 1, 2018.

As at December 31, 2018, adoption of PFRS 15 resulted to a decrease in *Trade and other receivables*, *Revenue from contracts with customers*, *Unappropriated retained earnings* and *Non-controlling interests* amounting to P 2.88 million, P 0.37 million, P 1.03 million and P 1.72 million, respectively. It also decreased *Deferred income tax liabilities - net* by P 0.14 million for the year ended December 31, 2018

- PFRS 9, Financial Instruments

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9 for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied PFRS 9 retrospectively, with an initial application date of January 1, 2018. As allowed by the Standard, the Group has not restated the comparative information, which continues to be reported under PAS 39.

The impact of the adoption is described below:

(a) *Classification and measurement*

Under PFRS 9, debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or FVTOCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact to the Group.

The following are the changes in the classification of the Group's financial assets:

- Cash and cash equivalents, short-term investments, trade and other receivables, debt service reserve account and recoverable deposits classified as loans and receivables as at December 31, 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning January 1, 2018.
- Equity instruments classified as *AFS financial assets* as at December 31, 2017 are classified and measured as *Equity instruments designated at FVTOCI* beginning January 1, 2018. The Group elected to classify irrevocably its quoted and unquoted equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognized in consolidated statements of income for these investments in prior periods. Upon transition to PFRS 9, the carrying value of equity instruments approximates fair value.

*b) Impairment*

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The adoption of PFRS 9 did not result to recognition of additional or reduction of impairment losses. Accordingly, no adjustments in the consolidated statement of financial position as of January 1, 2018 were recognized.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

The amendments do not have any impact on the Group's financial position and results of operation. The Parent Company is not a venture capital organization hence, the Group continues to value its investments in associates using equity method.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for

the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of this interpretation.

#### Future Changes in Accounting Policies

The following are the new and revised standards and interpretations that will become effective subsequent to December 31, 2018. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated

#### *Effective beginning on or after January 1, 2019*

- 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. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*  
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17.

Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group assesses that PFRS 16 has no material impact to the Company.

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements 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*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

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

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *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 Group is currently assessing the impact of this interpretation to the Group.

#### *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 are currently not applicable to the Group but may apply to future transactions.

- 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. herefore, 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 is permitted. These amendments are not relevant to 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, the Group does not expect any effect on its consolidated financial statements upon adoption.

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

*Effective beginning on or after January 1, 2021*

- 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, 2021, with comparative figures required. Early application is permitted.

*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 Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2018 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

##### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheets based on current or 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 or cash equivalent 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;
- held primarily for the purpose of trading;
- expected to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer 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 and retirement benefits assets and liabilities are classified as noncurrent assets and liabilities, respectively.

##### Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet 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 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 best economic interest.

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

The 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.



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 of 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 of input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level of 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 of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. 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.

#### Cash and Cash Equivalents

Cash include 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 three months or less from dates of acquisitions and are subject to an insignificant risk of change in value.

#### Short-term Cash Investments

Short-term cash investments are short-term, highly liquid investments that are convertible to known amounts of cash with original maturities of more than three months but less than one year from the date of acquisition and that are subject to an insignificant risk of change in value.

#### ***Financial Instruments - initial recognition and subsequent measurement effective January 1, 2018*** ***Initial recognition and subsequent measurement***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### Financial assets

##### ***Initial recognition and measurement of financial assets***

Financial assets are classified, at initial recognition, and measured at amortized cost, FVTOCI, and FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

##### ***Subsequent measurement of financial assets***

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVTOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

#### *Financial assets at amortized cost*

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term cash investments, trade and other receivables, debt service reserve account and recoverable deposits.

#### *Financial assets designated at FVTOCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Equity instruments designated at FVTOCI are not subject to impairment assessment. The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.

#### *Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred

asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

#### *Impairment of financial assets*

Upon adopting PFRS 9, the Group applied the ECL model on the impairment of its financial assets. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables from customers and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Group uses a provision matrix which is based on historical observed default rate or losses and adjusted by forward-looking estimate. Primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on inflation and changes in GDP rates were added to the expected losses calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, and default date. Generally, the Group considers trade receivables in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a receivable 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 made by the Group.

The probability of default is applied to the estimate of the loss arising in default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive. For purposes of calculating loss given default, accounts are segmented based on geographical location of customers.

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the

Company uses the ratings published by a reputable rating agency.

#### Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Financial liabilities

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable and other current liabilities (excluding statutory payables), loans payable, short-term notes payable and long-term debts.

##### *Subsequent measurement - payables, loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest expense in the Group's consolidated statement of income.

##### *Derecognition of financial liabilities*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

##### *Offsetting of financial instruments*

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

## ***Financial Instruments - initial recognition and subsequent measurement prior to January 1, 2018***

### ***Date of recognition***

The Group recognizes a financial asset in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place. Derivatives are recognized on a trade date basis.

### ***Initial recognition of financial instrument***

Financial instruments are recognized initially at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

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.

### ***“Day 1” difference***

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

### **Classification of Financial Instruments between Debt and Equity**

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### **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 Group’s right to receive cash flows from the asset has 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 right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, 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 right to receive cash flows from an asset and has entered into a “pass-through” arrangement, 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged, 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 income.

#### Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses 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 for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred).

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of income. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is presented as "Gain on recovery of bad debts" under other income (charges) in the consolidated statement of income.

#### *AFS financial assets*

In the case of equity investments classified as AFS, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. Where there is evidence of impairment loss, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed in the consolidated statement of income. Increases in their fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Spare Parts and Supplies

Spare parts and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average cost method. NRV is the current replacement cost. When the circumstances that previously caused the spare parts and supplies to be written down below cost no longer exist, or when there is clear evidence of an increase in NRV because of changed economic circumstances, the amount of write-down is reversed. The reversal cannot be greater than the amount of the original write-down.

#### Real Estate Inventories

Real estate inventories representing real estate opened up for sale are carried at the lower of cost and NRV. The cost includes acquisition cost of the land, direct development cost incurred, including borrowing costs and any other directly attributable costs of bringing the assets to its intended use. NRV is the estimated selling price in the ordinary course of business, less estimated cost to sell. A write-down of inventories is recognized in consolidated statement of income when the cost of the real estate inventories exceeds its NRV.

### Investments in Real Estate

Investments in real estate comprise land, building and improvements which are not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. Cost includes acquisition cost of the land and any other directly attributable costs of bringing the asset to its intended use.

Subsequent to initial recognition, investments in real estate, except land, are measured at cost less accumulated depreciation and impairment loss. Land is carried at cost less any impairment in value.

Building and improvements are depreciated using the straight-line method over the estimated useful life of five years to 15 years.

Investments in real estate are derecognized when either these have been disposed of or when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investments in real estate when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investments in real estate when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investments in real estate at the date of change in use.

### Investments in Associates

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

The consideration made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in associates are accounted for under the equity method of accounting. Under the equity method, the investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of income reflects the Group's share of the financial performance of the associates. Unrealized gains and losses from transactions with the associates are eliminated to the extent of the Group's interest in the associates. The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

An investment in an associate is accounted for using the equity method from the date when it becomes an associate. On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's identifiable assets liabilities and contingent liabilities is accounted for as follows:



- a. Goodwill relating to an associate is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's profit or losses.
- b. Any excess of the Group's share in the fair value of the associate's identifiable assets, liabilities, and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

Also, appropriate adjustments to the Group's share of the associate's profit or loss after acquisition are made to account, if any, for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate, such as for goodwill or property, plant and equipment.

When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed. If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

The Group discontinues the use of the equity method from the date when it ceases to have significant influence over an associate and accounts for the investment in accordance with PAS 39 from that date, provided the associate does not become subsidiary or a joint venture. Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

#### Property, Plant and Equipment

Property, plant and equipment (except land) is stated at cost, net of accumulated depreciation and amortization and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is carried at cost less any impairment losses.

Depreciation or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date the item is derecognized.

Property, plant and equipment are depreciated and amortized using the straight-line method over their expected economic useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated and amortized separately.

The components of the power plant complex and their related estimated useful lives are as follows:

The components of the power plant complex and their related estimated useful lives are as follows:

	Number of Years
Main engine	12 - 28 years
Plant mechanical, electrical, switchyard and desulfurization equipment	28 years
Plant structures and others	28 years

Other property, plant and equipment are depreciated and amortized using the straight-line method over the following estimated useful lives:

	Number of Years
Buildings	10 - 25 years
Leasehold improvements	2 - 5 years or term of the lease, whichever period is shorter
Machinery and other equipment:	
Power and water facilities	7 - 30 years
Machinery and equipment	5 - 10 years
Office furniture, fixtures and equipment	3 - 5 years
Transportation and office equipment	3 - 5 years

Construction in progress represents properties under construction and is stated at cost. Cost includes cost of construction and other direct costs. Construction in progress is depreciated when the asset is available for use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the property, plant and equipment (difference between the net disposal proceeds and carrying amount of the asset) is included in the consolidated statement of income in the period the property, plant and equipment is derecognized.

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed at each financial year-end, and adjusted prospectively if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method.

#### *Initial measurement*

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 Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department or business development offices are expensed and

included as part of “General and administrative expenses” account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired 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 previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with the changes in fair value recognized either in the consolidated statement of income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with appropriate PFRSs. Contingent consideration that is classified as equity is not 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 net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree’s identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts for the combination using provisional values. Adjustments to these provisional values because of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if the asset, liability or contingent liability’s fair value at the acquisition date had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

#### *Subsequent measurement*

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units (CGUs), or groups of CGUs, 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 group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group’s format determined in accordance with PFRS 8, Operating Segments.

Where goodwill forms part of a CGU (group of CGUs) 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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized as income or loss in the consolidated statement of income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

#### Computer Software

Computer software (included as part of “Other noncurrent assets” account) is initially recognized at cost. Following initial recognition, computer software is carried at cost less accumulated amortization and accumulated impairment losses, if any.

The software cost is amortized on a straight-line basis over its useful economic life of three (3) years and assessed for impairment whenever there is an indicator that the computer software may be impaired. The amortization commences when the computer software is available for use. The amortization period and method for the computer software are reviewed at each reporting date.

Changes in the expected useful life is accounted for by changing the amortization period as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income.

#### Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists and 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 cash-generating unit’s fair value less cost to sell or 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. When 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 pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in the consolidated statement of 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 makes an estimate of 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 income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates after application of the equity method.

The Group determines at each balance sheet date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the investment in associate and the acquisition cost (adjusted for post-acquisition changes in the Group's share of the financial performance of the associates) and recognizes the difference in the consolidated statement of income.

#### Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

#### Redeemable Preferred Shares

In determining whether a preferred share is a financial liability or an equity instrument, the Group assesses the particular rights attaching to the share to determine whether it exhibits the fundamental characteristic of a financial liability. A preferred share that provides for mandatory redemption by the Group for a fixed or determinable amount at a fixed or determinable future date, or gives the holder the right to require the Group to redeem the instrument at or after a particular date for a fixed or determinable amount, is a financial liability. Redeemable preferred shares is presented as equity when the option for redeeming the redeemable preferred shares is at the issuer's discretion and the price of redemption is to be decided by the BOD.

#### Retained Earnings

Retained earnings include accumulated profits attributable to the equity holders of the Parent Company reduced by dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity. Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings are restricted for specific purposes that are approved by the BOD and are not available for dividend distributions.

#### Cash Dividend and Non-cash Distribution to Equity Holders of the Parent Company

The Parent Company recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Parent Company. A distribution is authorized when it is approved by the BOD. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

#### Revenue Recognition (Upon Adoption of PFRS 15)

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

*Energy sales.* Revenue from contracts with customers is recognized whenever the Company's power generation capacity is contracted and/or the electricity generated by the Company is transmitted through the transmission line designated by the buyer for a consideration. The Company has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risks.

The contracted capacity as agreed in the PSA and the energy delivered to customers are separately identified. These two performance obligations are combined and considered as one performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity 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 since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

*Real estate sales.* The Group recognizes revenue from sale of completed real estate units at point in time, generally upon the execution of the contract to sell and upon collection of at least 25% of the contract price in the year of sale. When the collection threshold of 25% has not yet been met, the Group recognizes the collections received as "Contract liabilities" in the consolidated balance sheet.

#### *Contract balances*

*Receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets.* Contract assets pertain to the Group's conditional right over the consideration for the completed performance for which revenue was already recognized but not yet billed to the customers. The amounts recognized as contract assets will be reduced gradually at the time revenue per billing is greater than the revenue earned using straight-line basis and when cash is collected from the customers.

*Contract liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs its obligations under the contract. The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Cost to obtain a contract.* The Group pays sales commission and transportation to its marketing agents on the sale of real estate units. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Company to immediately expense sales commissions (included under "Operating expenses") because the amortization period of the asset that the Company otherwise would have used is one (1) year or less.

#### Revenue Recognition (Prior to Adoption of PFRS 15)

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Regardless of when the payment is being made, revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue recognition arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all its arrangements.

#### *Energy sales.*

Revenue from PSAs consist of fixed capital recovery fee, fixed and variable operation and maintenance fee, actual fuel cost and other variable energy fees. Revenues from fixed capital recovery fee and fixed operation and maintenance fee are recognized on a monthly basis in accordance with the terms of the PSAs. Revenue from actual fuel cost, and variable operations and maintenance and other energy fees are recognized upon delivery of power to customers.

#### *Real estate sales.*

The Group recognizes revenue from sale of completed real estate units using the full accrual method when at least 25% of the of the contract price is collected in the year of sale. Otherwise, the collections received are recognized as “Customers deposits” in the consolidated balance sheet.

#### *Management fees.*

Revenue from management services is recognized as the services are rendered in accordance with the terms of the agreements.

#### Rental income

Rental income is recognized on a straight-line method over the term of the lease agreements. Interest income Interest income is recognized as the interest accrues using the effective interest rate.

#### Costs and Expenses

Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated balance sheet as an asset.

#### Retirement Benefits

The Group, excluding SPPC, WMPC and APMC, has an unfunded, noncontributory defined benefit retirement plan covering all qualified employees. SPPC, WMPC, and APMC have a funded, noncontributory defined benefit retirement plan covering all qualified employees. The Group’s obligation and costs of retirement benefits are actuarially computed by professionally qualified independent actuary using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which these occur in other comprehensive income.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net retirement benefits obligation or asset

- Remeasurements on the net retirement benefits obligation 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 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 part of retirement cost in the consolidated statement of 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 profit or loss in subsequent periods.

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.

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.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Actuarial valuations are made with sufficient regularity that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

#### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date or whether the fulfillment of the arrangement is dependent on the use of a 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 substantial change to the asset.

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

#### *Group as lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as expense based on terms of the lease contract.

#### *Group as lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as rental income in the consolidated statement of income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which these are earned.

#### Foreign Currency-denominated Transactions and Translations

Transactions denominated in foreign currency are recorded in Philippine peso by applying to the foreign currency amount the exchange rate between the Philippine peso and the foreign currency at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the balance sheet date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial transaction. All exchange rate differences are taken to the consolidated statement of income.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Borrowing costs not qualified for capitalization are expensed as incurred.

#### 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 tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax for current and prior periods shall, to the extent unpaid, be recognized as a liability and is presented as "Income tax payable" in the consolidated balance sheet. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset and is presented as part of "Other current assets" in the

consolidated balance sheet.

*Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable income; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) [excess MCIT] and net operating loss carryover (NOLCO). Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of excess MCIT and NOLCO can be utilized,

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period 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 assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets 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 at the end of the reporting period. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 tax authority.

#### *Value-added tax*

Revenues, expenses, and assets are recognized net of the amount of value-added tax (VAT), if applicable.

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

#### Provisions

##### *General*

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.

When the Group expects some or all of provision to be reimbursed, 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 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 provisions due to the passage of time is recognized as an interest expense.

##### *Decommissioning liability*

The decommissioning liability arose from the Group's obligation, under its ECC, to decommission or dismantle its power plant complex at the end of their operating lives. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an interest expense. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex, shall not exceed its carrying amount. If the decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in the consolidated statement of income.

##### *Contingencies*

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

##### *Basic/Diluted Earnings Per Share*

Basic/diluted earnings per share (EPS) is determined by dividing net income by the weighted average number of shares issued and outstanding after giving retroactive adjustment for any stock dividends and stock splits declared during the period. The Group has no financial instrument or other contract that may entitle its holder to common shares that would result to diluted EPS.

### *Business Segments*

Operating segments are components of the Group: (a) that engage in business activities from which the Group may earn revenues and incur losses and expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available. The Group's CODM is the Parent Company's BOD. The Parent Company's BOD regularly reviews the operating results of the business units to make decisions on resource allocation and assess performance.

The Group conducts majority of its business activities into two major business segments:

(1) Power and Energy and (2) Property Development. The Group's other activities consisting of product distribution and investment holding activities are shown in aggregate as "Other Investments".

### *Segment assets and liabilities*

Segment assets include all operating assets used by a segment and consist principally of operating cash and cash equivalents, short-term cash investments, trade and other receivables, investments in real estate and real estate inventories, and property, plant and equipment, net of allowances and provision. Segment liabilities include all operating liabilities and consist principally of accounts payable and other liabilities. Segment assets and liabilities do not include deferred income taxes, investments and advances, and borrowings

### *Inter-segment transactions*

Segment revenue, segment expenses and segment performance include transfers among business segments. The transfers, if any, are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in consolidation.

### *Events After the End of Reporting Period*

Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes to consolidated financial statements when material

## **3. Segment Information**

The Group conducts majority of its business activities in two major business segments: (1) Energy and Power, and (2) Property Development. The Group's other activities consisting of product distribution and investment holding activities are shown in aggregate as "Other Investments."

Information with regard to the Group's significant business segments are shown below:

Three-Month Period Ended March 31, 2019						
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
Revenues						
External customer	₱ 1,223,078,949	₱3,384,037	₱—	₱ 1,226,462,986	₱—	₱ 1,226,462,986
Inter-segment	45,589,312	1,274,493	-	46,863,805	(46,863,805)	-
Total revenues	1,268,668,261	4,658,530	-	1,273,326,791	(46,863,805)	1,226,462,986
Finance income	30,316,955	348,588	9,268,920	39,934,463	-	39,934,463
Finance charges	(195,464,787)	-	(61,263,554)	(316,728,341)	-	(316,728,341)
Provision for income tax	7,853,286	63,725	-	7,917,011	(369,970)	7,547,041
Net income (loss)	159,629,668	(3,240,346)	(43,561,659)	112,827,662	(8,467,686)	104,359,976

Three-Month Period Ended March 31, 2018						
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
<b>Revenues</b>						
External customer	₱1,674,613,320	₱3,010,377	₱—	₱1,677,623,697	₱—	₱1,677,623,697
Inter-segment	46,519,787	1,274,493	-	47,794,280	(47,794,280)	—
<b>Total revenues</b>	<b>1,721,133,107</b>	<b>4,284,870</b>	<b>-</b>	<b>1,725,417,977</b>	<b>(47,794,280)</b>	<b>1,677,623,697</b>
<b>Finance income</b>	<b>3,684,166</b>	<b>6,473</b>	<b>11,354,157</b>	<b>15,044,796</b>	<b>—</b>	<b>15,044,796</b>
<b>Finance charges</b>	<b>(177,624,910)</b>	<b>—</b>	<b>(166,198,390)</b>	<b>(343,823,300)</b>	<b>74,004,529</b>	<b>(269,818,772)</b>
<b>Provision for income tax</b>	<b>32,148,040</b>	<b>42,016</b>	<b>-</b>	<b>32,190,056</b>	<b>20,971,276</b>	<b>53,161,332</b>
<b>Net income (loss)</b>	<b>224,465,094</b>	<b>(2,625,391)</b>	<b>(161,672,714)</b>	<b>60,166,989</b>	<b>42,971,875</b>	<b>103,138,864</b>

#### 4. Cash and Cash Equivalents and Short-term Cash Investments

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Cash on hand	₱355,500	₱355,500
Cash in banks	2,961,306,175	2,672,453,236
Cash equivalents	1,168,154,273	801,753,105
	<b>₱4,129,815,948</b>	<b>₱3,474,561,841</b>

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

Short-term cash investments amounting to ₱263 million and ₱263 million as at March 31, 2019 and December 31, 2018, respectively, consist of money market placements with maturities of more than three months but less than one year with interest ranging from 3.00% to 4.10%.

Interest income from cash and cash equivalents and short-term cash investments amounted to ₱39.9 million and ₱15.04 million as of March 2019 and March 2018, respectively.

## 5. Trade and Other Receivables

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade:		
Power	₱1,469,520,971	₱1,359,055,132
Real estate	92,828,868	94,922,081
Product distribution and others	31,749,577	31,730,458
Due from related parties	1,083,631,550	1,116,603,735
Contract assets	1,080,416,000	1,080,416,000
Retention receivable	44,455,481	44,455,481
Others	51,263,217	51,910,016
	<b>3,853,865,664</b>	<b>3,779,092,903</b>
Less noncurrent portion of :		
Installment receivables	6,319,792	4,019,641
Contract assets	1,080,416,000	1,080,416,000
	<b>1,086,735,792</b>	<b>1,084,435,641</b>
	<b>2,767,129,872</b>	<b>2,694,657,262</b>
Less allowance for impairment losses	83,435,820	83,435,820
	<b>₱2,683,694,052</b>	<b>₱2,611,221,442</b>

### Power

These receivables are noninterest-bearing and are generally on 30 days term. Trade receivables include SPPC's long-outstanding receivables from NPC amounting to ₱123 million as at December 31, 2017 and 2016, respectively. These receivables pertain to the portion of accounts that was disputed by NPC and was decided upon by the Energy Regulation Commission (ERC) on June 3, 2013 in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA). On August 17, 2015, CA denied NPC's motion for reconsideration and decided in favor of SPPC. On September 18, 2015, NPC elevated the case with the Supreme Court (SC). On July 4, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality.

As at March 31, 2019, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

The allowance for impairment loss of ₱33 million as at March 31, 2019 and December 31, 2018, respectively, is management's best estimate of impairment loss on the long-outstanding receivables from NPC.

### Real Estate

These pertain to receivables from venturers and customers from the sale of residential and commercial lots and units. Real estate receivables are generally noninterest-bearing and have terms of less than one year, except for installment receivables amounting to ₱51 million as at March 31, 2019 and December 31, 2018, respectively, which are collectible in monthly installment over a period of two to 10 years and bear interest rates ranging from 18% to 21% computed on the outstanding balance of the principal. Title on the lots sold is passed on to the buyer only upon full settlement of the contract price. The noncurrent portion of the installment receivables amounted to ₱6 million as at March 31, 2019 and ₱4 million as at December 31, 2018, respectively.

Real estate receivables include the Group's share on the sale of the developed residential and commercial lots and golf shares in the Eagle Ridge Golf and Residential Estates jointly developed with Sta. Lucia Realty and Development, Inc. (SLRDI).

#### Product Distribution and Others

These pertain to receivables from the supply of goods and merchandise to customers. Product distribution and other receivables are noninterest-bearing and generally have a term of less than one year. Outstanding receivables amounting to ₱32 million were fully provided with allowance for impairment losses as at March 31, 2019 and December 31, 2018.

#### Retention Receivable

Retention receivables pertain to the outstanding balances from Aboitiz Land, Inc. (Aboitiz) for the sale of investment in Lima Land Inc. (LLI), which will be collected accomplishment of certain milestones .

#### Due from Related Parties and Other Receivables

Related Party Transactions - The movement in this account from December 31, 2018 to March 31, 2019 represents only 0.02% of the total balance as of March 31, 2019.

Parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprises that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Transactions with related parties pertain mainly to cash advances and reimbursements of expenses. Outstanding related party balances are generally settled in cash.

The table below shows the details of the Group's transactions with related parties.

Related Party	Advances during the Year		Due from related parties		Terms	Conditions
Major Shareholder	2019	32,972,185	978,548,203		30 days,	Party
	2018	62,941,349	1,011,520,388		noninterest bearing	secured, no impairment
Subsidiaries of major stockholders	2019	-	47,258,947		30 days,	Party
	2018	4,003,487-	47,258,947		noninterest bearing	secured, no impairment
Affiliates	2019	-	57,824,400		30 days,	Party
	2018	45,679,259	57,824,400		noninterest bearing	secured, no impairment
Total	2019	-	1,083,631,550			
	2018	112,624,095	1,116,603,735			

Other receivables primarily include advances to employees, receivables from contractors, receivables from insurance claims and receivables from venturers. Terms and conditions of the "Due from related parties"

The Parent Company has various advances to third parties that were nonmoving since prior years. These advances have been specifically identified to be potentially uncollectible and thus, provided with allowance amounting to ₱5 million as at March 31, 2019 and December 31, 2018.

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## 6. Real Estate Inventories and Investments in Real Estate

### Real Estate Inventories

	<b>March 31, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Eagle Ridge Project (General Trias, Cavite) - at cost	<b>₱616,781,112</b>	₱616,887,120
Campo Verde Project (Lipa and Malvar, Batangas) - at NRV	<b>14,678,275</b>	14,678,275
	<b>₱ 631,459,387</b>	₱631,565,395

### Investments in Real Estate

	<b>March 31, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
ALC Property (Pasong Tamo, Makati)	<b>₱133,963,376</b>	₱133,963,376
Batangas Project (Lipa and Malvar, Batangas)	<b>52,787,031</b>	52,787,031
Laguna Project (Cabuyao, Laguna)	<b>4,685,936</b>	4,685,936
	<b>₱191,436,343</b>	₱191,436,343

### Lanang Property

On December 27, 2011, the BOD of ACR approved the acquisition of 72% of the outstanding shares (consisting of 2,000,000 common shares and 344,498 preferred shares) of C. Alcantara & Sons, Inc. (CASI) from Aldevinco, a stockholder of ACR and Alcorp, in behalf of Aldevinco, for a total consideration of ₱1,226 million. The acquisition was paid through the reduction of ACR's receivables from Aldevinco equivalent to ₱1,226 million on that date. The total consideration of ₱1,226 million represents the market value of Lanang landholdings of CASI as determined by an independent third party appraiser. This acquisition provides ACR the right to own and develop 21.27 hectares of land and 3 hectares of foreshore leased area in Lanang, Davao City.

CASI filed with the Bureau of Internal Revenue (BIR) and notified the SEC regarding the shortening of its corporate life until March 31, 2014. As a result, ACR received the Lanang property of CASI as liquidating dividend amounting to ₱1,226 million in 2014. Transaction costs incurred such as taxes and processing fees to transfer the Lanang property to ACR's name totaling ₱49 million were capitalized as part of "Investments in real estate". Also, ACR incurred input VAT amounting to ₱103 million in 2014 arising from this transaction.



## 7. Investments in Associates

	Percentage of Ownership		March 31, 2019	December 31, 2018
	2019	2018		
At equity:				
Acquisition costs:				
Indophil Resources Phils., Inc.	2.00	2.00	<b>₱1,213,332,960</b>	₱1,213,332,960
Aviana Dev't. Corporation	34.00	34.00	<b>963,311,802</b>	963,311,802
T'boli Agro-Industrial Dev't., Inc.	22.32	22.32	<b>66,851,701</b>	66,851,701
			<b>2,323,689,762</b>	2,323,689,762
Accumulated equity in net earnings				
Balance at beginning of year			<b>32,888,825</b>	-
Share in net earnings			<b>15,430,000</b>	32,888,825
Balance at end of period			<b>48,318,825</b>	32,888,825
Accumulated impairment loss				
Balance at beginning of year			<b>(147,045,000)</b>	(147,045,000)
Disposal			-	-
Balance at end of period			<b>(147,045,000)</b>	(147,045,000)
			<b>₱2,224,963,587</b>	₱2,209,533,587

### IRNL and IRPI

The Parent Company purchased 29,149,000 shares of IRNL in the amount of ₱1,316 million in 2010. Together with the ownership interests of APIC and AC through a series of subscription agreements, the Alcantara Group was the largest shareholder of IRNL at 19.99%. By virtue of the Agreement for the Joint Voting of IRNL shares with APIC and AC, the Parent Company has concluded that it has significant influence over IRNL through its representation in the BOD of IRNL. Accordingly, the Parent Company treated its investment in IRNL as part of "Investments in associates" using the equity method in the 2014 consolidated financial statements. The Parent Company had determined that the acquisition cost of IRNL includes goodwill amounting to ₱785 million.

On January 23, 2015, IRNL implemented the Scheme of Arrangement between APIC and IRNL shareholders wherein APIC acquired all of the remaining outstanding shares from existing shareholders of IRNL. Accordingly, IRNL became a subsidiary of APIC starting January 2015. In July 2015, APIC was no longer part of the Alcantara Group as it was bought by a third party. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

On December 11, 2015, the Parent Company and AC entered into Deed of Assignment of Shares (share swap) agreements with APIC, whereby the Parent Company and AC assigned and transferred to APIC all their interests in IRNL in exchange for ownership interests in IRPI. Accordingly, the Parent Company recognized the investment in IRPI amounting to ₱1,213 million representing the carrying value of the investment at the date of the share swap agreement.

The transfer of the Parent Company's investment in IRNL to investment in IRPI resulted in the Parent Company still exercising significant influence over IRPI due to its representation in the BOD of IRPI and representation in the BOD and Operating Committee of the operating subsidiary of IRPI. Accordingly, ACR treats its investment in IRPI as part of "Investments in associates" using the equity method in the 2018, 2017 and 2016 consolidated financial statements.

### Aviana

On March 21, 2013, Aldevinco and ACIL, Inc. (collectively referred to as "AG") and Ayala Land, Inc. (Ayala Land) entered into a joint venture agreement, where Ayala Land shall own 60% and

AG shall own 40% of the outstanding capital stock of Aviana to undertake the development of the Lanang property of the Parent Company in Davao City. On September 17, 2013, Aviana was incorporated as a joint venture corporation. The Parent Company subscribed to the 296 preferred shares and 32 common shares for 32.8% ownership in Aviana. In December 2015, the Parent Company subscribed to additional 332,200 preferred shares and 35,800 common shares of Aviana through the conversion of the Parent Company's advances amounting to P36 million. In August 2015, the Parent Company subscribed to additional 261,450 preferred shares and 29,050 common shares of Aviana for P22 million. The additional subscription to shares of Aviana in 2015 increased the Parent Company's interest in Aviana to 34%.

## 7. Property, Plant and Equipment

Balances as at March 31, 2019

	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	P19,183,589,380	P4,649,048,437	P554,953,296	P915,937,534	P12,425,398,524
Additions	1,286,607	-	-	-	393,593,781
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Balances at end of year	19,184,875,987	4,649,048,437	554,953,296	915,937,534	12,818,992,305
<b>Accumulated depreciation and amortization</b>					
Balances at beginning of year	(6,391,817,513)	(3,672,826,153)	(189,100,053)	(337,542,200)	(10,591,285,919)
Depreciation and amortization for the year	(210,897,018)	(7,416,393)	(356,655)	(2,654,092)	(221,324,157)
Disposals	-	-	-	-	-
Balances at end of year	(6,602,714,531)	(3,680,242,546)	(189,456,708)	(340,196,292)	(10,812,610,076)
<b>Net Book Value</b>	P13,142,244,857	P1,123,903,585	P377,484,486	P448,814,534	P8,635,527,112
					P27,311,197,483

Balances as at December 31, 2018

Cost	Plant Main Engine, Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total	
Balances at beginning of year	P19,173,981,691	P4,647,085,159	P552,089,119	P726,585,794	P7,425,077,226	P32,524,818,989
Additions	108,746,622	1,963,278	2,864,177	191,948,043	5,000,321,298	5,305,843,418
Disposals	(72,352,062)	-	-	(2,596,303)	-	(74,948,365)
Adjustments / Reclassifications	(26,786,871)	-	-	-	-	(26,786,871)
Balances at end of year	19,183,589,380	4,649,048,437	554,953,296	915,937,534	12,425,398,524	37,728,927,171
Accumulated depreciation and amortization						
Balances at beginning of year	(5,824,223,254)	(3,521,523,708)	174,247,978	(275,117,168)	-	(9,795,112,108)
Depreciation and amortization for the year	(630,235,949)	(151,302,445)	(14,852,075)	(71,848,231)	-	(868,238,700)
Disposals	62,641,690	-	-	9,423,199	-	72,064,889
Balances at end of year	6,391,817,513	3,672,826,153	189,100,053	337,542,200	-	10,591,285,919
Net Book Value	P12,791,771,867	P976,222,284	P365,853,245	P578,395,334	P12,425,398,524	P27,137,641,252

Construction in progress represents the total accumulated costs incurred for the construction of Sarangani's power-generating project "SM 200". The construction of SM 200 is in two phases. Construction of Phase 1 (105 MW) of SM 200 commenced in January 2013 and was completed in April 2016. The construction of Phase 2 (105 MW) commenced in January 2017 and is expected to be in commercial operations in the second quarter of 2019.

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## 8. Equity Instruments Designated at FVTOCI

Equity instruments designated at FVTOCI are as follows:

	March 31, 2019	December 31, 2018
Quoted		
Balance at beginning of year	₱136,158,830	₱131,064,253
Fair value gain during the year	-	12,024,309
Disposals during the year	-	(4,384,000)
Transfers of realized gain from OCI	-	(2,545,732)
Balance at end of period	136,158,830	136,158,830
Unquoted	2,222,168,768	2,222,168,768
	₱2,358,327,598	₱2,358,327,598

The fair value of investments in shares of listed companies was based on their closing prices as of the balance sheet dates.

In 2018, the Group recognized dividend income from Aldevinco amounting to ₱264 million.

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## 9. Goodwill

Goodwill acquired through business combinations has been allocated to the power generation CGUs consisting of the operations of SPPC and WMPC.

In 2016, the power plants of SPPC and WMPC were fully contracted. However, the actual dispatch capacities were significantly lower than what was originally forecasted. Accordingly, the Group revised the assumed dispatchable capacity which significantly reduced the cash flow projections. As a result, the Group recognized impairment loss on goodwill amounting to ₱245 million in 2016. As at March 31, 2019 and December 31, 2018, the carrying amount of goodwill amounted to ₱807 million

### Key assumptions used in value-in-use calculations

The calculation of value-in-use for both CGUs are most sensitive to the following assumptions explained as follows:

*Tariff rates.* Tariff rates, comprising capital recovery fee, fixed and variable operation and maintenance fee, actual fuel cost and other variable energy fees, pertain to the rates used in determining the amount of energy fees to be billed to electric cooperatives and distribution utilities. The tariff rates used in the value-in-use computation are based on SPPC's and WMPC's provisionally approved PSAs.

*Contracted and dispatchable capacity.* Contracted capacity reflects the management's forecast of future contracts to be agreed with electric cooperatives and distribution utilities, and approved by ERC. On the other hand, dispatchable capacity reflects management's estimate of actual energy to be delivered during the contract period. Contracted and dispatchable capacities are based on historical performance of the CGUs.

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**10. Prepaid Expenses and Other Current Assets**

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Deposit in interest reserve accounts	₱947,510,436	₱919,227,228
Creditable withholding tax	270,461,720	253,747,381
Prepayments	68,310,910	64,761,955
Input VAT	2,907,894	2,834,564
	<b>₱1,289,190,960</b>	<b>₱1,240,571,129</b>

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**11. Accounts Payable and Other Current Liabilities**

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
Accounts payable	₱2,203,629,895	₱2,775,058,065
Accrued expenses	829,029,243	754,554,604
Payable to customers	25,686,113	35,239,313
Output tax and withholding tax payable	121,516,280	86,787,902
Dividends payable	185,000,000	185,000,000
Interest payable	630,045,322	301,601,399
Other current liabilities	490,565,342	519,663,562
	<b>₱4,485,472,195</b>	<b>₱4,657,904,845</b>

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Trade payables are noninterest-bearing and are normally on a 60 to 75 days term.

Accrued expenses represent accruals for vacation and sick leaves, interest, overhead fees and utilities. Accrued expenses are normally settled within a year.

Other current liabilities include statutory payables, such as withholding taxes, SSS premiums and other liabilities to the government. Other current liabilities are noninterest-bearing and have an average term of 30 days.

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**12. Equity**Capital Stock

	March 31, 2019		December 31, 2018	
	No. of shares	Amount	No. of shares	Amount
<b>Authorized</b>				
Common stock - ₱1 par value	11,945,000,000	₱11,945,000,000	11,945,000,000	₱11,945,000,000
Preferred stock - ₱0.01 par value	5,500,000,000	55,000,000	5,500,000,000	55,000,000
		<b>₱12,000,000,000</b>		<b>₱12,000,000,000</b>
<b>Common Shares</b>				
Issued and outstanding	6,291,500,000	₱6,291,500,000	6,291,500,000	₱6,291,500,000
<b>Preferred Shares</b>				
Subscribed	5,500,000,000	55,000,000	5,500,000,000	55,000,000
Subscriptions receivable		(15,216,667)		(15,216,667)
		<b>₱ 6,331,283,333</b>		<b>₱ 6,331,283,333</b>

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On May 25, 2011, SEC approved the amendment of the Articles of Incorporation of ACR creating a class of preferred shares, by reclassifying 55,000,000 unissued common shares with a par value of ₱1.0 per share into 5,500,000,000 redeemable preferred voting shares with a par value of ₱0.01 per share.

The redeemable preferred shares have the following features:

- a. Redeemable preferred shares may only be issued or transferred to Filipino citizens or corporations or associations at least 60% of capital of such corporations or associations is owned by Filipino citizens.
- b. Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of ACR, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares.
- c. ACR may, by resolution of the BOD, redeem the preferred shares at par value. ACR will redeem the preferred shares at par value (i) when the foreign equity limits to which ACR is subject to shall have been removed; and (ii) ACR is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require ACR to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired, and may be reissued upon resolution of the BOD.
- d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of ACR will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

On February 4, 2013, Alcorp subscribed to 5,500,000,000 preferred shares with par value of ₱0.01 per share, from the unissued authorized preferred shares of the Company. On the same date, Alcorp paid ₱13.8 million representing 25% of the subscription price of ₱55.0 million.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Activity	Authorized Common Shares	No. of Shares Issued	Issue/Offer Price
1993	Initial Public Offering	12,000,000,000	6,291,500,000	₱1
2011	Conversion of unissued common shares to redeemable preferred shares	(55,000,000)	—	—
		11,945,000,000	6,291,500,000	

#### Retained Earnings

On May 4, 2012, the BOD approved the appropriation of ₱850 million of its retained earnings as at December 31, 2011, for its equity contributions to the following projects:

Project Name	Nature/Project Description	Amount (In millions)	Timeline (Year)
SM200 1 & 2	Phase 1 of the 200 MW coal-fired power plant in Maasim, Sarangani	₱400	2015
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	150	2016
IDPP 1 & 2*	Rehabilitation of 108 MW diesel plant in Iligan City	200	2013
Siguil	Hydro-electric power in Maasim, Sarangani	35	2017
Bago	Hydro-electric power in Negros Occidental	15	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	50	2019
		₱850	

\* The ₱200 million previously appropriated for IDPP 1 & 2 in 2012 was reallocated to SM200 Phase 2 which is expected to be completed in 2018.

On March 28, 2014, the BOD approved an additional appropriation of ₱850 million of the Parent Company's retained earnings as at December 31, 2013 for its equity contribution to the following projects:

Project Name	Nature/Project Description	Amount (In millions)	Timeline (Year)
SM200 1 & 2*	Phase 2 of the 200 MW coal-fired power plant in Maasim, Sarangani	₱600	2015
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	150	2017
Siguil	Hydro-electric power in Maasim, Sarangani	35	2017
Bago	Hydro-electric power in Negros Occidental	15	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	50	2019
		₱850	

\*As discussed above, completion of Phase 2 was extended to 2018.

On December 11, 2015, the BOD approved the reversal of appropriation relating to Phase 1 of the Sarangani project amounting to ₱400 million.

The retained earnings are restricted from being declared as dividends to the extent of the appropriation for equity contribution to the foregoing projects.

The Parent Company declared the following cash dividends:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2018	May 24, 2018	₱100,664,000	₱0.016	June 30, 2018	July 25, 2018
2017	May 25, 2017	₱100,664,000	₱0.016	June 30, 2017	July 25, 2017
2016	May 27, 2016	100,664,000	0.016	June 30, 2016	July 25, 2016
2016	May 27, 2016	4,400,000	0.0008	June 30, 2016	July 25, 2016
2015	March 27, 2015	3,145,750	0.0005	June 5, 2015	March 22, 2016
2015	May 22, 2015	62,915,000	0.01	June 5, 2015	June 16, 2015

Dividends on preferred shares amounting to ₱4 million in 2018, 2017 and 2016 were applied against the Parent Company's subscriptions receivable from Alcorp.



### Earnings Per Share (EPS) Attributable to Equity Holders of the Parent

	<u>Three-Month Period Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Net income attributable to equity holders of the parent	(P69,316,088)	(P19,749,992)
Dividends on preferred shares	-	-
Net income attributable to equity holders of the parent after dividends on preferred shares	(69,316,088)	(19,749,992)
Divided by the average number of common shares outstanding during the year	6,291,500,000	6,291,500,000
Basic/Diluted EPS	(P0.011)	(P0.003)

### **13. Loans Payable**

#### *Parent Company*

In 2018 and 2017, the Company availed of unsecured short-term loans from local banks totaling to P1,070.8 million and P829.8 million, respectively. These loans are subject to annual interest rates ranging from 3.50% to 6.00% per annum and are payable on various dates within one year. Upon maturity in 2018, these loans were renewed by the Company. As at December 31, 2018 and 2017, outstanding short-term loans amounted to P114.9 million and P475.7 million, respectively.

In 2018, the Parent Company initiated a P2.5 billion Commercial Paper Program with the Multinational Investment Bancorporation acting as the sole issue manager, lead arranger and underwriter of such commercial papers to be listed publicly through the Philippine Dealing & Exchange Corporation. The issuance was divided into two tranches. The first and second tranches shall amount to issuances totaling P1,500.0 million and P1,000.0 million, respectively. On October 2018, the Company has listed a total of P100 million worth of commercial papers, which was part of the first tranche, with a tenor of 360 days, maturing on October 2019. These were issued at discounted amounts with net proceeds amounting to P94 million. During the year, the Company has recognized an interest expense amounting to P1.2 million for the amortization of discount on these commercial papers (see Note 35 of the Audited Financial Statements).

#### *MPC*

In 2018, MPC availed of bank loans from Development Bank of the Philippines (DBP) and Philippine National Bank amounting to P210.00 million and P40.00 million, respectively. The loans bears interest rates ranging from 4.25% to 6.00%. In 2018, MPC settled its bank loan from DBP..

#### *WMPC*

WMPC availed of bank loans from DBP and UBP totalling to P250 million and P150 million for the year ended December 31, 2018 and 2017, respectively, with interest rate ranging from 3.875% to 4.400%. Outstanding balance from the related bank loans amounted to P200 million and P50 million as at December 31, 2018 and 2017, respectively.

#### *Sarangani*

Sarangani availed of loan from local banks to be used as working capital amounting to P1,600 million and P300 million for the year ended December 31, 2018 and 2017, respectively, with nominal interest rate ranging from 4.21% to 8.25%. Outstanding balance from the related bank loans amounted to P300 million as at December 31, 2017 (nil in 2018). Interest expense related to

loans payable amounted to ₱77 million and ₱ million in 2018 and 2017, respectively (see Note 26 of the audited financial statements).

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#### 14. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, short-term cash investments, AFS financial assets, loans payable, and long-term debt. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables (including noncurrent portion of installment receivables) and accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk (interest rate risk, equity price risk and foreign currency risk).

Management and the BOD review and approve policies for managing each of these risks which are summarized below.

##### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or a customer contract, leading to a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

In the Group's real estate business, transfer of the property is executed only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of the installment/deposits made by the customer in favor of the Group in case of default. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

In the Group's power generation business, exposure to credit risk arises from default of counterparties, with a maximum exposure equal to the carrying amount of the receivables from PSAs with various customers.

The credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, short-term cash investments, trade and other receivables and AFS investments, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

##### Liquidity Risk

Liquidity risk arises from the possibility that the Group encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. 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 are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets (held for liquidity purposes):

March 31, 2019					
	On Demand	≤ 1 Year	>1–3 Years	> 3 Years	Total
Financial Liabilities					
Accounts payable and other current liabilities*	P4,237,583,370	P-	P-	P-	P4,237,583,370
Loans payable	-	1,478,860,771	-	-	1,478,860,771
Long-term debt	-	921,210,882	8,715,673,314	12,913,851,210	22,550,735,406
	P4,237,583,370	P2,400,071,653	P8,715,673,314	P12,913,851,210	P28,267,179,547
Financial Assets					
Cash and cash equivalents	P4,129,815,949	P-	P-	P-	P4,129,815,949
Short-term cash investments	-	247,426,210	-	-	247,426,210
Trade receivables	1,562,499,131	25,185,656	6,414,629	-	1,594,099,419
Equity instruments at FVTOCI	2,358,327,598	-	-	-	2,358,327,598
	P8,050,642,778	P272,611,866	P6,414,629	P-	P8,329,670,173

\* Excluding statutory payables and other payable to government agencies

March 31, 2018					
	On Demand	≤ 1 Year	>1–3 Years	> 3 Years	Total
Financial Liabilities					
Accounts payable and other current liabilities*	P3,547,599,351	P-	P-	P-	P3,547,599,351
Loans payable	-	998,011,257	-	-	998,011,257
Long-term debt	-	904,552,337	8,715,673,314	8,778,115,898	18,398,341,549
	P3,547,599,351	P1,902,563,594	P8,715,673,314	P8,778,115,898	P22,943,952,157
Financial Assets					
Cash and cash equivalents	P 3,156,916,100	P-	P-	P-	P2,015,619,026
Short-term cash investments	-	272,187,100	-	-	272,187,100
Trade receivables	1,417,729,321	25,185,656	6,414,629	-	1,449,329,606
AFS financial assets	2,353,233,021	-	-	-	2,343,630,303
	P6,927,878,442	P297,372,756	P6,414,629	P-	P6,080,766,035

\* Excluding statutory payables and other payable to government agencies

March 31, 2018					
	On Demand	≤ 1 Year	>1–3 Years	> 3 Years	Total
Financial Liabilities					
Accounts payable and other current liabilities*	P3,547,599,351	P-	P-	P-	P3,547,599,351
Loans payable	-	998,011,257	-	-	998,011,257
Long-term debt	-	904,552,337	8,715,673,314	8,778,115,898	18,398,341,549
	P3,547,599,351	P1,902,563,594	P8,715,673,314	P8,778,115,898	P22,943,952,157
Financial Assets					
Cash and cash equivalents	P 3,156,916,100	P-	P-	P-	P2,015,619,026
Short-term cash investments	-	272,187,100	-	-	272,187,100
Trade receivables	1,417,729,321	25,185,656	6,414,629	-	1,449,329,606
AFS financial assets	2,353,233,021	-	-	-	2,343,630,303
	P6,927,878,442	P297,372,756	P6,414,629	P-	P6,080,766,035

\* Excluding statutory payables and other payable to government agencies

### Equity Price Risk

Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's quoted AFS financial assets. The Group's policy requires it to manage such risk by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector. The Group intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

### Capital Management

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 businesses and maximize shareholder's value.

The Group considers its total equity and debt reflected in the unaudited interim condensed consolidated balance sheet as its capital. The Group manages its capital structure and makes adjustments to it, in the 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 and raise additional. No changes were made in the objectives, policies or processes as at March 31, 2018 and December 31, 2018, respectively.

The Group monitors its capital based on debt to equity ratio. The Group includes within debt interest bearing loans and borrowings. Capital includes equity attributable to the equity holders of the parent less (add) the net unrealized gain (loss) reserve and cumulative translation adjustments.

The Group's current ratio and debt-to-equity ratio as at March 31, 2019 and December 31, 2018 follow:

#### Current Ratio

	<b>March 31, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Current assets	<b>₱ 9,527,261,265</b>	₱8,903,613,756
Current liabilities	<b>6,974,700,455</b>	6,280,065,267
	<b>1.37:1</b>	1.42:1

#### Debt-to-Equity Ratio

	<b>March 31, 2019 (Unaudited)</b>	<b>December 31, 2018 (Audited)</b>
Long-term debt	<b>₱22,550,735,406</b>	₱22,781,653,909
Short-term loans	<b>64,823,526</b>	95,163,413
Interest payable	<b>630,045,322</b>	301,601,399
Loans payable	<b>1,478,860,771</b>	354,895,860
Total debt	<b>24,724,465,025</b>	23,533,314,581
Equity attributable to equity holders of the parent	<b>11,485,527,680</b>	11,494,843,770
Other reserves	<b>(2,518,570,606)</b>	(2,518,570,606)
Adjusted equity	<b>8,966,957,074</b>	₱8,976,273,164
	<b>2.76:1</b>	2.62:1

## 15. Financial and Non-financial Instruments

The Group held the following financial and non-financial instruments that are carried at fair value or where fair value is required to be disclosed:

As at March 31, 2019

	Carrying Value	Fair value			
		Total	Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value					
-Equity instruments designated as FVOCI	₱2,358,327,598	₱2,358,327,598	₱48,048,830	₱88,110,000	₱2,222,168,768
Non-financial Assets					
Investment in real estate	181,102,370	433,927,000	-	-	433,927,000
	₱2,539,429,968	₱2,792,254,598	₱48,048,890	₱88,10,000	₱2,656,095,768
Financial Liabilities					
Long-term debts	₱22,781,653,909	₱21,345,790,304	₱-	₱-	₱21,345,790,304

As at December 31, 2018

	Carrying Value	Fair value			
		Total	Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value					
-Equity instruments designated as FVOCI	₱2,358,327,598	₱2,358,327,598	₱48,048,830	₱88,110,000	₱2,222,168,768
Non-financial Assets					
Investment in real estate	181,102,370	433,927,000	-	-	433,927,000
	₱2,539,429,968	₱2,792,254,598	₱48,048,890	₱88,10,000	₱2,656,095,768
Financial Liabilities					
Long-term debts	₱22,781,653,909	₱21,345,790,304	₱-	₱-	₱21,345,790,304

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

During the three-month periods ended March 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES  
ACCOUNTS RECEIVABLES  
AS OF MARCH 31, 2019

Attachment A

Type of Accounts Receivable:	TOTAL	1month	2-3months	4-6months	7months to 1year	1-2years	3-5years	5years and above	Past due Accounts
<b>a) Accounts Receivable – Trade</b>									
1 Power	1,469,520,971	410,921,327	434,712,565	84,847,879	123,431,181	415,608,019	5,012,537	63,514,854	
2 Real Estate	86,745,174	5,267,976	4,445,519	2,491,529	2,016,149	3,996,509	1,881,659	1,204,762	
3 Rental	6,083,694	110,300	555,726	504,212	728,956	1,098,080		31,749,577	
4 Plywood Hardflex, agri & indl	31,749,577								
Subtotal	1,594,059,416	416,299,602	439,713,810	87,843,620	126,176,286	420,702,609	6,894,296	96,469,193	
Less: Allow. For Doubtful Accounts	78,164,463	-	-	-	-	-	-	78,164,463	
Net Trade Receivables	1,515,934,953	416,299,602	439,713,810	87,843,620	126,176,286	420,702,609	6,894,296	18,304,730	-
<b>b) Accounts Receivable – Others</b>									
1 Advances affiliates/project developer/joint venture	1,083,631,550	451,361	11,971,783	396,404,095	2,155,643	8,184,550	1,478,230	672,985,889	
2 Advances contractors and suppliers	3,455,743		2,344,485	51,875		314,598	744,785	53,003	
3 Retention receivable	44,455,481		802,222	1,003,207	14,848,435	1,744,128	44,455,481		
4 Advances officers & employees	20,218,056	1,762,861	2,613,368	5,062,957	611,073	1,186,460	4,200	11,795,768	
5 Miscellaneous and other receivables	21,269,626								
Total Accounts Receivable – Others	1,173,030,456	2,214,222	17,731,857	392,522,134	17,615,151	11,429,737	46,682,696	684,334,660	-
Less: Allow. For Doubtful Accounts	5,271,357							5,271,357	
<b>ACCOUNTS RECEIVABLE-NET (a + b)</b>	<b>1,617,759,099</b>	<b>2,214,222</b>	<b>17,731,857</b>	<b>392,522,134</b>	<b>17,615,151</b>	<b>11,429,737</b>	<b>46,682,696</b>	<b>679,563,303</b>	<b>-</b>
	<b>2,683,694,092</b>	<b>418,513,824</b>	<b>457,445,667</b>	<b>480,365,754</b>	<b>143,791,437</b>	<b>432,132,345</b>	<b>53,576,992</b>	<b>697,868,033</b>	<b>-</b>

Accounts Receivable Description	Nature/Description	Collection Period
<b>1. Trade receivable</b>		
a) Power	Receivable arising from sale of power to NPC	30 days
b) Lots	Sale of residential lots	3 to 10 years
c) Rental	Office, parking & warehouse rental	30 days
d) Plywood Hardflex, agri & indl	Sale of acowood, fiber cement board, Agri & Industrial products	38,58 & 130 days
<b>2. Non-Trade receivable</b>		
a) Advances Officers & Employees	Cash advances for business expenses	30 days
b) Advances Operators/Contractors	Advances made to operators/contractors	30 days
c) Retention Receivable	Retention receivable on the divestment of investment	Pending delivery of condition in the deed
d) Others	Advances to various and other entities for business/investment development and routine inter-company transactions.	30 days – 2 years

ALSONS CONSOLIDATED RESOURCES, INC AND SUBSIDIARIES  
Supplementary Schedules  
As of March 31, 2019

Attachment B

Title of Issue and Type of Obligation	Loans Payable in the Balance Sheet	Current Portion of Long-Term Debt in the Balance Sheet	Interest Rates	Term	Maturity	Non-Current Portion of Long-Term Debt in the Balance Sheet
<b>Parent Company</b>						
Development Bank of the Phils.		11,300,000	Fixed 7.243%	Maturity Date / Annually	3. Dec. 2020	2,808,005,389
Land Bank of the Philippines		7,000,000	Fixed 7.243% and 7.92%	Maturity Date / Annually	3. Dec. 2020 and 3. Dec. 2022	1,915,964,963
Robinsons Bank Corporation		700,000	Fixed 7.243%	Maturity Date	3. Dec. 2020	781,477,391
Social Security System			Fixed 7.92%	Annually	3. Dec. 2020	401,143,627
SSS Provident Fund					3. Dec. 2022	54,079,122
<b>PERAA</b>						
Franciscan Missionaries of Mary - Lumen Christi Catec	20,104,167		6.25%	61	14. May. 2019	
Siella Maris College	3,275,000		6.00%	61	14. May. 2019	
St. Augustine's School, Inc.	5,254,981		6.00%	60	16. Apr. 2019	
Missionary Sisters of Immaculate Heart of Mary	4,888,364		6.00%	56	30. Apr. 2019	
ICM Employees Retirement Plan	9,902,017		6.00%	56	30. Apr. 2019	
St. Augustine's School, Inc.	1,547,506		6.00%	61	27. May. 2019	
Missionary Sisters of Immaculate Heart of Mary	2,273,513		6.00%	106	30. Apr. 2019	
Siella Maris College	5,282,989		6.00%	91	13. May. 2019	
Pagasa Human Development Foundation Inc	5,282,967		6.00%	91	13. May. 2019	
Missionary Sisters of Immaculate Heart of Mary	7,775,295		6.00%	91	13. May. 2019	
St. Louis School, Inc.	1,147,931		6.00%	78	30. Apr. 2019	
Commercial Papers	3,371,763		6.00%	78	30. Apr. 2019	
Commercial Papers	95,155,326		6.38%	360	21. Oct. 2019	
Commercial Papers	515,069,945		6.75%	90	27. Jun. 2019	
Commercial Papers	165,529,008		6.88%	180	25. Sep. 2019	
<b>Sarangani Energy Corp.</b>						
Banco de Oro		516,784,609	Fixed 8.06%	Semi-Annual	19. Oct. 2026	8,767,721,306
RCBC		101,482,962	Fixed 8.06%	Semi-Annual	19. Oct. 2026	1,727,987,595
UCPB		101,211,828	Fixed 8.06%	Semi-Annual	19. Oct. 2026	1,712,309,677
Asia United Bank		151,817,742	Fixed 8.06%	Semi-Annual	19. Oct. 2026	2,568,464,517
Philippine Business Bank		49,676,267	Fixed 8.06%	Semi-Annual	19. Oct. 2026	802,399,386
China Bank Savings		10,148,296	Fixed 8.06%	Semi-Annual	19. Oct. 2026	172,798,759
Robinson Savings Bank		10,148,296	Fixed 8.06%	Semi-Annual	19. Oct. 2026	172,798,759
Debt issue cost		(39,059,118)				(255,625,969)
<b>Mapalad Power Corporation</b>						
Development Bank of the Phils.	158,000,000		6.8000%	90days	15. May. 2019	
Development Bank of the Phils.	100,000,000		7.0000%	90days	17. Apr. 2019	
<b>Western Mindanao Power Corp.</b>						
Development Bank of the Phils.	190,000,000		7.1000%	90days	4. Apr. 2019	
Union Bank of the Philippines	60,000,000		6.8500%	90days	27. May. 2019	
China Banking Corporation	55,000,000		7.0000%	90days	27. May. 2019	
			7.5000%	90days	27. May. 2019	
<b>TOTAL</b>	<b>P1,478,860,771</b>	<b>P921,210,882</b>				<b>P21,629,524,524</b>

**Alsons Consolidated Resources, Inc. and Subsidiaries**
**Attachment C**

## Schedule of Financial Soundness

Financial KPI	Definition	Three Months Ended March 31	
		2019	2018
<b>Liquidity</b>			
Current Ratio / Liquidity Ratio	Current Assets	1.37:1	1.42:1
	Current Liabilities		
<b>Solvency</b>			
Debt to Equity Ratio/Solvency Ratio	Long-term debt (net of unamortized transaction costs)+Loans Payable	2.68:1	2.28:1
	(Capital Stock+RE)		
<b>Interest Rate Coverage Ratio</b>			
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes	1.41:1	1.67:1
	Interest Expense		
<b>Profitability Ratio</b>			
Return on Equity	Net Income	0.7%	0.7%
	Total Average Stockholders' Equity		
<b>Asset-to-Equity Ratio</b>			
Asset-to-Equity Ratio	Total Assets	3.03:1	2.72:1
	Total Equity		