

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2017

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

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2017

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

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

DECEMBER 31, 2017

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	--	1,281,805,946	18,156,034	196,589,823

See Note 19 of the Consolidated Financial Statements.

SPC POWER CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2017

Items	Amount
Unappropriated Retained Earnings, Beginning	₱2,137,483,625
Adjustments	
Deferred income tax assets that reduced the amount of provision for income tax	(6,536,579)
Unappropriated Retained Earnings, as Adjusted, Beginning	2,130,947,046
Net Income Based on the Face of Audited Financial Statements	1,807,227,712
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	919,544
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred income tax assets that increased the amount of provision for income tax	254,551
Add: Non-actual Losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
Interest expense - asset retirement obligation	848,503
Net Income Actual/Realized	1,806,902,120
Add (Less)	
Dividend declarations during the period	(1,197,241,440)
Appropriations of Retained Earnings during the period	(500,000,000)
Reversals of appropriations	400,000,000
Effects of prior period adjustments	—
Treasury shares	(131,008,174)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱2,509,599,552



SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

EFFECTIVE AS OF DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	See footnote ¹		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4	See footnote ¹		
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote ¹		
	Amendment to PFRS 7: Disclosures, Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted		
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote ¹		
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote ¹		
	PFRS 9, Financial Instruments (2014 or final version)	See footnote ¹		
	Amendments to PFRS 9, Prepayments Features with Negative Compensation	See footnote ¹		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014–2016 Cycle)	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	See footnote ¹		
PFRS 16	Leases	See footnote ¹		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements of Comparative Information	✓		
	Amendment to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 16: Classification of Acceptable Methods of Depreciation and Amortization			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Amendments to PAS 19: Discount Rate Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel Services	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measuring an Associate or Joint Venture at Fair Value	See footnote ¹		
	Amendment to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	Effective date deferred		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Segment Information	✓		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Classification of Acceptable Methods of Depreciation and Amortization			✓

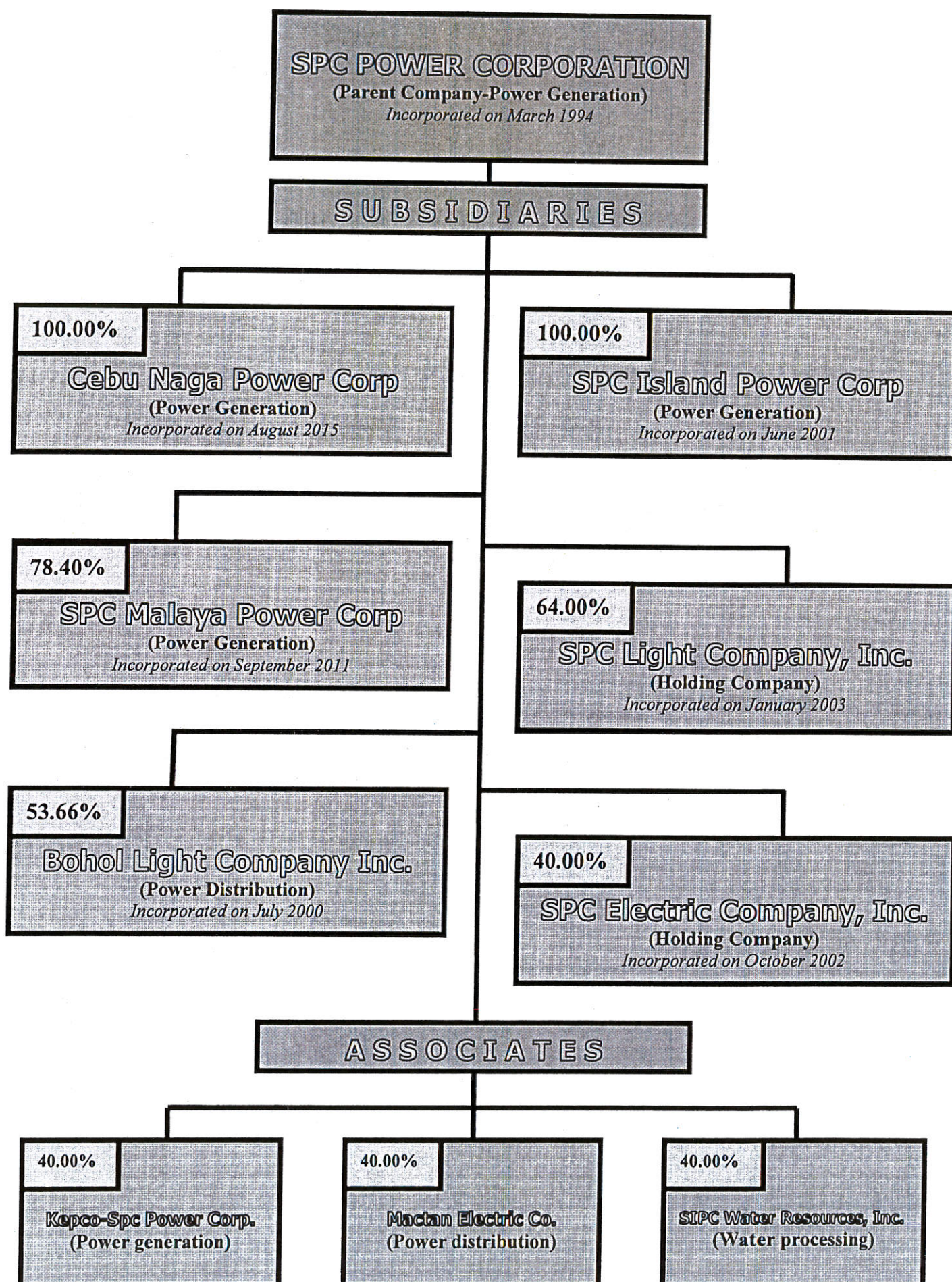
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property	See footnote ¹		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate	See footnote ¹		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration	See footnote ¹		
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote ¹		
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

¹ Effective Subsequent to December 31, 2017

SPC POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP DECEMBER 31, 2017



for
AUDITED FINANCIAL STATEMENTS

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N	/	A	
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COMPANY INFORMATION		
Company's Email Address www.spcpowergroup.com	Company's Telephone Number (032) 232 0377	Mobile Number N/A
No. of Stockholders 782	Annual Meeting (Month / Day) 05/28	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jaime M. Balisacan	jmbalisacan@spcpower.com	(032) 232 0377	(0917) 323 1469

CONTACT PERSON's ADDRESS	
7 th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business park, Cebu City	

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.





SPC Power Corporation

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of **SPC POWER CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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



ALFREDO L. HENARES

Chairman of the Board/Treasurer



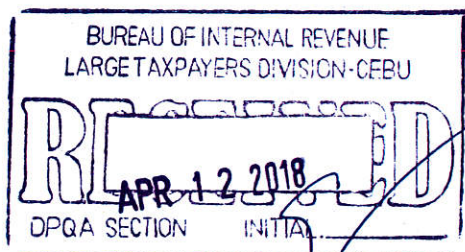
DENNIS T. VILLAREAL

Chief Executive Officer/President



JAIME M. BALISACAN

Vice President - Finance



Signed this 3rd day of April 2018.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SPC Power Corporation (Parent Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the parent company financial statements, including a summary of significant accounting policies.

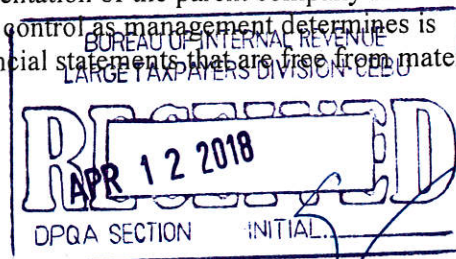
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

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

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

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

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

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



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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 28 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SPC Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

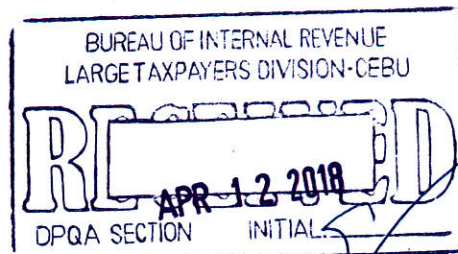
The engagement partner on the audit resulting in this independent auditor's report is Jhoanna Feliza C. Go.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001988-103-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 6621266, January 9, 2018, Makati City

April 3, 2018



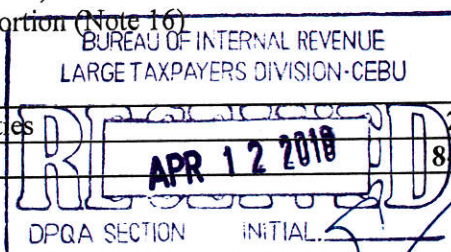
SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱1,047,835,364	₱619,171,908
Trade and other receivables (Note 6)	108,107,798	67,849,896
Dividends receivable (Note 5)	—	39,451,242
Due from related parties (Note 5)	2,757,502	452,783,534
Due from National Power Corporation (NPC)/Power Sector Assets and Liabilities Management Corporation (PSALM) (Note 7)	1,175,128	1,175,128
Materials and supplies (Note 8)	318,524,302	62,876,895
Prepayments and other current assets (Note 9)	120,537,316	47,168,490
Total Current Assets	1,598,937,410	1,290,477,093
Noncurrent Assets		
Investments in associates (Note 10)	2,852,465,368	2,852,465,368
Investments in subsidiaries (Note 11)	341,177,829	341,177,829
Property, plant and equipment (Note 12)	414,037,013	275,039,512
Deferred income tax assets (Note 22)	6,791,130	6,536,579
Other noncurrent assets (Note 13)	1,155,343,338	1,162,413,219
Total Noncurrent Assets	4,769,814,678	4,637,632,507
TOTAL ASSETS	₱6,368,752,088	₱5,928,109,600

LIABILITIES AND EQUITY

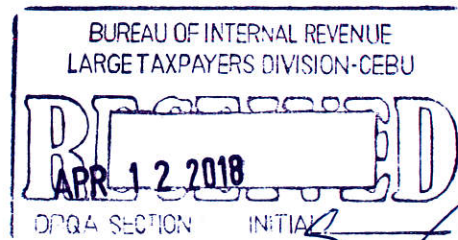
Current Liabilities		
Trade and other payables (Note 14)	₱291,606,080	₱90,762,692
Due to related parties (Note 5)	1,972,940	1,350,353
Income tax payable	16,845,610	9,015,244
Current portion of long-term debt (Note 16)	—	144,444,447
Due to NPC/PSALM (Note 7)	511,650,588	303,442,871
Dividends payable (Note 17)	—	3,259,265
Total Current Liabilities	822,075,218	552,274,872
Noncurrent Liabilities		
Asset retirement obligation (Note 15)	22,637,104	21,788,601
Long-term debt - net of current portion (Note 16)	—	431,784,068
Pension liability (Note 23)	2,544,936	1,120,852
Due to PSALM (Notes 7 and 25)	—	8,713,104
Total Noncurrent Liabilities	25,182,040	463,406,625
Total Liabilities	847,257,258	1,015,681,497

(Forward)



	December 31	
	2017	2016
Equity		
Capital stock - ₱1 par value (Note 17)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 17):		
Appropriated for future expansion projects	1,350,000,000	1,250,000,000
Unappropriated	2,647,469,896	2,137,483,625
Other comprehensive income:		
Remeasurement of employee benefits (Note 23)	(919,544)	—
Net unrealized valuation losses on available-for-sale investment	(350,000)	(350,000)
Treasury stock at cost - 72,940,097 shares (Note 17)	(131,008,174)	(131,008,174)
Total Equity	5,521,494,830	4,912,428,103
TOTAL LIABILITIES AND EQUITY	₱6,368,752,088	₱5,928,109,600

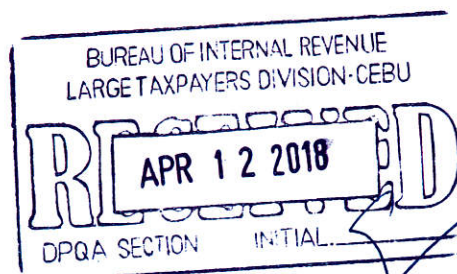
See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Operating fees (Note 26)	P-	P390,224,047	P243,615,181
COST OF SERVICES			
Plant operations (Notes 18 and 26)	-	(205,312,835)	(264,596,892)
GROSS MARGIN (LOSS)	-	184,911,212	(20,981,711)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 19)	(126,444,744)	(168,985,391)	(147,829,783)
OTHER INCOME (CHARGES)			
Dividend income (Notes 5, 10 and 11)	1,754,761,385	719,569,025	1,047,605,950
Service income (Note 5)	100,006,366	54,549,214	14,546,366
Interest expense (Notes 15 and 16)	(20,052,142)	(27,388,251)	(34,988,259)
Interest income (Note 4)	10,617,555	16,852,593	7,187,625
Others - net (Notes 3, 5 and 26)	129,457,050	6,898,525	40,097,271
	1,974,790,214	770,481,106	1,074,448,953
INCOME BEFORE INCOME TAX	1,848,345,470	786,406,927	905,637,459
PROVISION FOR INCOME TAX (Note 22)	41,117,758	44,316,078	8,714,436
NET INCOME	1,807,227,712	742,090,849	896,923,023
OTHER COMPREHENSIVE INCOME (Note 23)	(919,544)	-	-
TOTAL COMPREHENSIVE INCOME	P1,806,308,168	P742,090,849	P896,923,023
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	P1.21	P0.50	P0.60

See accompanying Notes to Parent Company Financial Statements.

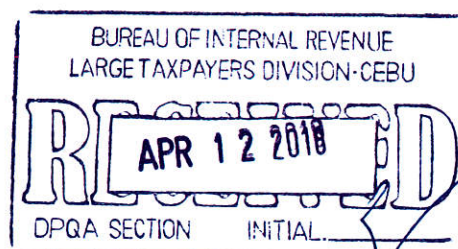


SPC POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 and 2015

	Capital Stock (Note 17)	Additional Paid-in Capital	Treasury Stock at Cost (Note 17)	Remeasurement of Employee Benefits (Note 23)	Retained Earnings (Note 17)		Net Unrealized Valuation Losses on AFS Investment	Total
					Appropriated	Unappropriated		
Balances at January 1, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱-	₱1,250,000,000	₱2,137,483,625	(₱350,000)	₱4,912,428,103
Total comprehensive income	-	-	-	(919,544)	-	1,807,227,712	-	1,806,308,168
Appropriation (Note 17)	-	-	-	-	500,000,000	(500,000,000)	-	-
Reversal of appropriation (Note 17)	-	-	-	-	(400,000,000)	400,000,000	-	-
Cash dividends (Note 17)	-	-	-	-	-	(1,197,241,441)	-	(1,197,241,441)
Balances at December 31, 2017	₱1,569,491,900	₱86,810,752	(₱131,008,174)	(₱919,544)	₱1,350,000,000	₱2,647,469,896	(₱350,000)	₱5,521,494,830
Balances at January 1, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱-	₱1,250,000,000	₱2,273,419,718	(₱350,000)	₱5,048,364,196
Total comprehensive income	-	-	-	-	-	742,090,849	-	742,090,849
Appropriation (Note 17)	-	-	-	-	850,000,000	(850,000,000)	-	-
Reversal of appropriation (Note 17)	-	-	-	-	(850,000,000)	850,000,000	-	-
Cash dividends (Note 17)	-	-	-	-	-	(878,026,942)	-	(878,026,942)
Balances at December 31, 2016	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱-	₱1,250,000,000	₱2,137,483,625	(₱350,000)	₱4,912,428,103
Balances at January 1, 2015	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱-	₱850,000,000	₱1,926,151,875	(₱350,000)	₱4,301,096,353
Total comprehensive income	-	-	-	-	-	896,923,023	-	896,923,023
Appropriation (Note 17)	-	-	-	-	400,000,000	(400,000,000)	-	-
Cash dividends (Note 17)	-	-	-	-	-	(149,655,180)	-	(149,655,180)
Balances at December 31, 2015	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱-	₱1,250,000,000	₱2,273,419,718	(₱350,000)	₱5,048,364,196

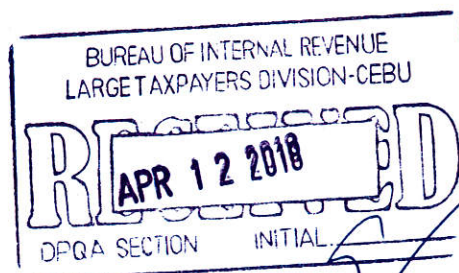
See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

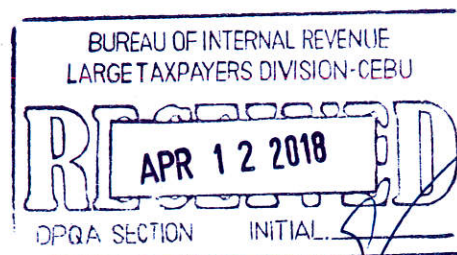
	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,848,345,470	₱786,406,927	₱905,637,459
Adjustments to reconcile income before income tax to net cash flows:			
Dividend income (Notes 5, 10 and 11)	(1,754,761,385)	(719,569,025)	(1,047,605,950)
Interest expense (Notes 15 and 16)	20,052,142	27,388,251	34,988,259
Interest income (Note 4)	(10,617,555)	(16,852,593)	(7,187,625)
Depreciation and amortization (Notes 12 and 21)	1,910,328	1,730,507	81,031,284
Provisions (Notes 6, 12 and 19)	1,400,000	6,900,000	—
Net changes in pension liability	504,540	—	—
Decrease in asset retirement obligation	—	—	(7,450,092)
Others - net (Notes 3 and 25)	765,331	8,729,847	(29,836,558)
Operating income (loss) before working capital changes	107,598,871	94,733,914	(70,423,223)
Decrease (increase) in:			
Trade and other receivables	(41,657,902)	122,776,243	(154,949,068)
Due from related parties	450,026,032	(214,086)	10,542,090
Due from National Power Corporation/Power Sector Assets and Liabilities Management Corporation	—	914,264	296,527
Materials and supplies	(255,647,407)	(57,447,345)	138,240,779
Prepayments and other current assets	(73,368,826)	(43,627,804)	4,114,341
Increase (decrease) in:			
Trade and other payables	204,905,878	9,322,942	15,326,203
Due to National Power Corporation/Power Sector Assets and Liabilities Management Corporation	199,494,613	144,760,508	—
Due to related parties	622,587	1,248,359	(7,402,053)
Net cash generated from (used in) operations	591,973,846	272,466,995	(64,254,404)
Income taxes paid	(33,541,943)	(41,931,032)	(5,276,048)
Interest paid	(21,716,866)	(28,505,563)	(32,658,069)
Interest received	10,617,555	16,852,593	7,187,625
Net cash flows from (used in) operating activities	547,332,592	218,882,993	(95,000,896)

(Forward)



	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Notes 5, 10 and 11)	₱1,794,212,627	₱557,577,264	₱734,136,556
Additions to property, plant and equipment (Note 12)	(140,178,285)	(236,907,121)	(32,019,749)
Increase in other noncurrent assets	6,340,337	3,043,679	(61,836,096)
Proceeds from disposal of property and equipment	267,857	309,223	—
Investment in an associate (Note 10)	—	(79,999,870)	—
Investment in a subsidiary (Note 11)	—	—	(249,995)
Net cash flows from investing activities	1,660,642,536	244,023,175	640,030,716
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 17)	(1,200,500,706)	(874,767,677)	(149,655,180)
Payments of long-term debt	(577,777,778)	(103,911,053)	(30,640,624)
Payment of short-term debt (Note 16)	—	—	(180,000,000)
Cash flows used in financing activities	(1,778,278,484)	(978,678,730)	(360,295,804)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	429,696,644	(515,772,562)	184,734,016
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,033,188)	380,436	(186,714)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	619,171,908	1,134,564,034	950,016,732
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,047,835,364	₱619,171,908	₱1,134,564,034

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

SPC Power Corporation (the Parent Company), formerly Salcon Power Corporation, was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994 for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and-manage scheme as defined in the ROMM Agreement.

Under the ROMM Agreement, the Parent Company, at its own cost, rehabilitated, operated, maintained and managed the NPPC over the cooperation period of 15 years (Cooperation Period: up to May 29, 2009 for the Land-Based Gas Turbines (LBGTs), and up to March 25, 2012 for the Cebu Thermal Power Plant (CTPP) 1, CTPP 2 and Cebu Diesel Power Plants 1 (CDPP 1), as amended).

In resolutions dated September 28, 2001, the Board of Directors (BOD) and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management and operation of power generating plants, electricity distribution and related facilities in accordance with existing laws.

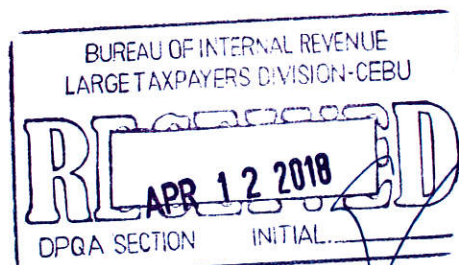
On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE) (see Note 17).

In 2014, the Parent Company participated in the bidding for the acquisition of NPPC (see Note 26).

On September 9, 2016, the Parent Company's BOD further amended the Parent Company's Articles of Incorporation in order to engage in the business of selling, brokering, marketing, or aggregating electricity to the end users. The amendments were subsequently approved and confirmed by written consent of the stockholders representing at least 2/3 of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

The registered office address of the Parent Company is 7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City.

The financial statements of the Parent Company were authorized for issue by the BOD on April 3, 2018.



2. Summary of Significant Accounting Policies

Basis of Preparation

The Parent Company's financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments which have been measured at fair value, and are presented in Philippine Peso, the Parent Company's functional currency. All amounts are rounded to the nearest Peso except as otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at SEC Building, V. Rama Avenue, Englis, Guadalupe, Cebu City.

Statement of Compliance

The Parent Company's financial statements are presented in accordance with the PFRSs.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2017. These new and revised standards and interpretations did not have any significant impact on Parent Company's financial statements.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Parent Company's financial statements.

- Amendments to PAS 7, *Statement of Cash Flows*, Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Parent Company has provided the required information in Note 27 to the financial statements. As allowed under the transition provisions of the standard, the Parent Company did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.



The Parent Company applied the amendments retrospectively. However, their application has no effect on the Parent Company's financial position and performance as the Parent Company has no deductible temporary differences or assets that are in the scope of the amendments.

New Standards and Interpretation Issued and Effective after December 31, 2017

The Parent Company will adopt the pronouncements enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the future adoption of the said pronouncements will have a significant impact on its financial statements.

Effective January 1, 2018

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

These amendments will not be applicable to the Parent Company since it has no share-based payment arrangements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Parent Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

The Parent Company has performed an assessment of the population of financial instruments impacted by the classification and measurement requirements of PFRS 9 and is in the process of developing impairment methodologies to support the calculation of expected credit losses (ECL) for qualified credit exposures.



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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Parent Company since it is not engaged in the insurance business.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Parent Company plans to adopt the new standard on the required effective date using the full retrospective method.

The Parent Company is currently assessing the impact of adopting this standard.

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

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

The Parent Company is currently assessing the impact of adopting these amendments.



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

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not applicable to the Parent Company since it does not own any investment property.

- 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 a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective Beginning on or After January 1, 2019

- Amendments to PFRS 9, Prepayment Features with Negative Compensation

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal company that is classified) as held for sale.

The amendments are not expected to have any impact on the Parent Company's financial position and results of operation.



- PFRS 16, *Leases*

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

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Parent Company is currently assessing the impact of adopting this standard.

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

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Parent Company is currently assessing the impact of adopting these amendments.

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

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

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities



- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Parent Company is currently assessing the impact of adopting this interpretation.

Deferred Effectivity

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

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

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

These amendments are not expected to have any significant impact on the Parent Company's financial statements.

Cash and Cash Equivalents

Cash consists of 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 acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date - the date on which the Parent Company commits to purchase or sell the asset.

Initial Recognition of Financial Instruments. The Parent Company recognizes a financial asset or financial liability in the parent company statement of financial position 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.



All financial instruments, including loans and receivables, are initially measured at fair value. Except for financial assets and liabilities valued at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and Available-for-sale (AFS) financial assets. Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

As of December 31, 2017 and 2016, the Parent Company has no financial assets and liabilities at FVPL and HTM investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading, designated as AFS investments or designated at FVPL. This accounting policy relates to the Parent Company's cash and cash equivalents, trade and other receivables, dividends receivable, due from NPC/PSALM, due from related parties and noncurrent receivable included as part of "Other noncurrent assets" in the parent company statements of financial position (see Notes 4, 5, 6, 7 and 13).

Receivables are recognized initially at fair value, which normally pertain to the billable amount. After initial measurement, loans and receivables are measured at amortized cost using the effective interest method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The losses arising from impairment of receivables are recognized in profit or loss. Any effect of restatement of foreign currency-denominated assets is recognized in "Others - net" in the parent company statement of comprehensive income.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated in this category or are not classified in any of the three preceding categories. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized as other comprehensive income and as other equity reserve until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in the other comprehensive income and as other equity reserve is included in the parent company statement of comprehensive income under finance costs. AFS financial assets are classified as noncurrent unless the intention is to dispose such assets within 12 months from the reporting date.

As of December 31, 2017 and 2016, included under this category is the Parent Company's investment in proprietary golf shares presented under "Other noncurrent assets" in the parent company statements of financial position (see Note 13).



Other Financial Liabilities. Issued financial instruments or their components, which are not designated as liabilities at FVPL, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Any effect of restatement of foreign currency-denominated liabilities is recognized in "Others - net" in the parent company statement of comprehensive income.

This accounting policy applies primarily to the Parent Company's trade and other payables, dividends payable, due to NPC/PSALM, due to related parties, and long-term debt that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable) (see Notes 5, 7, 14, 16 and 17).

Determination of Fair Value. The fair value for financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using: (i) recent arm's-length market transactions; (ii) reference to the current market value of another instrument, which is substantially the same; (iii) discounted cash flow analysis, and (iv) option pricing models.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist and other relevant valuation models.

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Parent Company assesses at each reporting date whether there is any objective evidence that a financial asset or a 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 assets (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be readily estimated. Evidence of impairment may include indications that a 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.

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

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, 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 Parent Company's statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in the parent company statement of changes in equity.



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 where:

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Materials and Supplies

Materials and supplies, which consist of spare parts, fuel and consumables used in the operation, repairs and maintenance of the property, plant and equipment, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. NRV is the current replacement cost in the ordinary course of business.

Value-added Tax (VAT)

Revenue, expenses, and assets are recognized net of the amount of 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 statement of financial position. 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 statement of financial position to the extent of the recoverable amount.

Investments in Associates and Subsidiaries

The Parent Company's investments in its associates and subsidiaries are accounted for at cost less any impairment loss, in accordance with PAS 27, *Separate Financial Statements*. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. A subsidiary is an entity that is controlled by the Parent Company.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any allowance for impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long term construction projects when the recognition criteria are met. Cost also includes asset retirement obligation specifically for property, plant and equipment installed/constructed on the leased properties.



Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The carrying amount of the replaced part, regardless of whether the replaced part had been depreciated separately, is derecognized if an entity recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of property, plant and equipment commences once the assets are available for use and is computed on a straight-line basis over the estimated useful lives of the assets or lease term, whichever is shorter, as follows:

Buildings, plant machinery and equipment	1-15 years
Motor vehicles	2-12 years
Furniture and office equipment	2-12 years
Partitions and air conditioners	2-12 years

The remaining useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of consumption of future economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged to current operations.

Construction in progress represents assets under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and available for operational use.

Asset Retirement Obligation (ARO)

The Parent Company has a contractual obligation under the Land Lease Agreement (LLA) (see Note 25) with PSALM (the Lessor) pursuant to the acquisition of the LBGTs to dismantle and remove all movable and immovable improvements which have been directed to be removed by the Lessor, to clean and free the leased premises from all environmental waste, hazardous substances and hazardous materials, including those resulting from any dismantling, to repair any damage caused to the leased premises, and to restore the leased premises to the condition it was found at the acquisition date to the full satisfaction of the Lessor, subject to ordinary wear and tear, within 180 days from the termination of the lease agreement or expiration of the lease term.

The ARO recognized represents the best estimate of the expenditures required to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term. Such cost estimates are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. The Parent Company recognized the fair value of the liability for these obligations and capitalizes the present value of these costs as part of the property, plant and equipment account, which are depreciated on a straight-line basis over the



remaining useful lives of the related property, plant and equipment. Each year, the ARO is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized under "Interest expense" in the parent company statement of comprehensive income.

While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in future years. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with the following under the cost model of accounting for the related asset subject to (a) changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period, (b) the amount deducted from the cost of the asset shall not exceed its carrying amount, the excess shall be recognized immediately in the parent company statement of comprehensive income, and (c) if the adjustment results in an addition to the cost of an asset, the Parent Company shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Parent Company shall test the asset and account for any impairment loss in accordance with PAS 36.

The adjusted depreciable amount of the asset, after adjustment for changes in ARO, is depreciated over its useful life. Once the related asset has reached the end of its useful life, all subsequent changes in the ARO shall be recognized in profit or loss as they occur.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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



Equity

Capital Stock. Capital stock is recognized at par value for all issued shares.

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

Treasury Shares. These are own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes or duties. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Parent Company has concluded that it is acting as a principal in all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Operating Fees. Operating fees include (i) fees received from National Grid Corporation of the Philippines for rendering ancillary services effective September 25, 2015; and (ii) energy fees for electricity sold to the Wholesale Electricity Spot Market (WESM) effective September 25, 2014. These revenues are recognized upon actual delivery of energy and/or service to the customers.

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

Dividend Income. Dividend income from investments in associates and subsidiaries is recognized when the Parent Company's right to receive payment is established.

Other Income. Other income is recognized as earned. Other income consists mainly of incidental income derived from operating and preserving the NPPC after November 28, 2016 and service income not directly related to generation and distribution of electricity.

Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset, specifically major capital projects; otherwise they are recognized as an expense.

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.



Pension Expense

The Parent Company has a funded, noncontributory defined pension plan covering all regular and permanent employees. The cost of providing benefits is determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

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, 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.

Defined benefit costs comprise the following:

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

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

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 is recognized as expense or income in the parent company statement of comprehensive income.

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

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

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets on 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 fulfilment is dependent on a specific asset; or,
- d. there is a substantial change to the asset.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments on noncancellable leases are directly charged against current operations on a straight-line basis over the lease term. Operating lease payments on cancellable leases are directly charged against current operations based on the terms of the lease.

Income Tax

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

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized except:

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

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



Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Related Party Transactions

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

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign Currency-Denominated Transactions

The Parent Company's financial statements are presented in Philippine Peso, the Parent Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange ruling at the reporting date. All differences are directly charged against or credited to current operations.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings per Share

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividend and stock splits declared during the year.

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

Segment Reporting

For management purposes, the Parent Company is organized into business units based on their services and has only one single operating segment as of December 31, 2017 and 2016. No operating segments have been aggregated to form the Parent Company's single operating segment. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or

