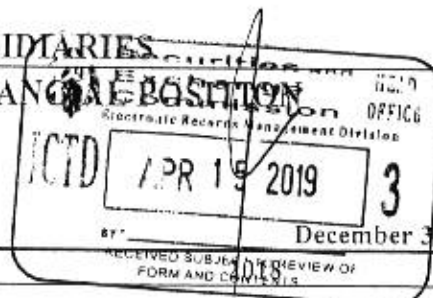


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



2017

ASSETS

Current Assets

Cash and cash equivalents (Note 4)	P2,937,042,859	P1,445,250,136
Trade and other receivables (Notes 6 and 30)	435,464,297	457,907,251
Due from related parties (Note 5)	16,810,651	1,845,907
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)	350,071,594	605,212,040
Prepayments and other current assets (Notes 9 and 31)	94,295,423	167,670,855
Total Current Assets	3,834,859,952	2,679,061,317

Noncurrent Assets Held for Sale (Note 11)	18,213,000	-
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Noncurrent Assets

Investments in associates (Note 10)	6,036,937,436	6,181,806,538
Property, plant and equipment (Note 11)	781,201,721	778,345,602
Deferred income tax assets - net (Note 26)	27,349,369	32,495,775
Net pension asset (Note 18)	1,407,927	-
Other noncurrent assets (Notes 12, 30 and 31)	244,615,594	1,200,379,776
Total Noncurrent Assets	7,091,512,047	8,193,027,691

TOTAL ASSETS	P10,944,584,999	P10,872,089,008
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LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables (Notes 14 and 30)	P489,984,581	P712,737,725
Due to related parties (Note 5)	586,700	563,995
Income tax payable	31,951,991	48,630,922
Due to NPC/PSALM (Notes 7 and 31)	-	511,650,588
Dividends payable (Note 19)	849,987	-
Total Current Liabilities	523,373,259	1,273,583,230

Liabilities Directly Associated with Noncurrent Assets

Held for Sale (Notes 11 and 17)	2,234,000	-
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Noncurrent Liabilities

Customers' deposits (Note 16)	132,093,513	117,045,681
Asset retirement obligation (ARO) (Note 17)	60,975,535	97,198,403
Net pension liabilities (Note 18)	18,472,143	20,107,378
Other noncurrent liability (Note 30)	182,765,769	-
Total Noncurrent Liabilities	394,306,960	234,351,462
Total Liabilities	919,914,219	1,507,934,692

(Forward)



	December 31	
	2018	2017
Equity Attributable to Equity Holders of the Parent		
Capital stock - P1 par value (Note 19)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	P1,569,491,900	P1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 19):		
Appropriated for future expansion projects	1,500,000,000	1,350,000,000
Unappropriated	6,841,355,868	6,338,490,394
Other comprehensive income:		
Remeasurement of employee benefits	5,779,181	1,567,084
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 12)	4,850,000	-
Net unrealized valuation losses on available-for-sale (AFS) investment (Note 12)	-	(350,000)
Share in remeasurement of employee benefits of associates	898,119	(83,388)
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)
Equity attributable to equity holders of the Parent	9,878,177,646	9,214,918,568
Equity attributable to Non-controlling Interests (Note 19)	146,493,134	149,235,748
Total Equity	10,024,670,780	9,364,154,316
TOTAL LIABILITIES AND EQUITY	P10,944,584,999	P10,872,089,008

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2018	2017	2016
REVENUE			
Operating fees (Notes 24 and 31)	₱2,385,914,511	₱2,350,121,191	₱2,920,729,250
COST OF SERVICES			
Plant operations (Notes 20 and 31)	1,809,497,489	1,735,571,233	1,977,409,256
GROSS MARGIN	576,417,022	614,549,958	943,319,994
GENERAL AND ADMINISTRATIVE EXPENSES (Note 21)	239,467,901	188,783,786	227,512,358
OTHER INCOME (CHARGES)			
Equity in net earnings of associates (Note 10)	1,265,412,079	1,137,429,320	1,175,524,975
Service income (Note 5)	120,007,156	100,006,366	54,549,214
Interest income (Note 4)	48,968,128	21,170,288	25,624,126
Changes in asset retirement obligation (Note 17)	39,119,121	21,111,756	-
Interest expense (Notes 15, 16, 17 and 32)	(5,334,167)	(25,389,266)	(32,734,405)
Others - net (Note 31)	263,704,449	151,758,299	31,590,308
	1,731,876,766	1,406,086,763	1,254,554,218
INCOME BEFORE INCOME TAX	2,068,825,887	1,831,852,935	1,970,361,854
PROVISION FOR INCOME TAX (Note 26)	174,619,916	157,728,524	182,963,520
NET INCOME	1,894,205,971	1,674,124,411	1,787,398,334
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Share in remeasurement of employee benefits of associates, net of tax effect (Note 10)	981,507	(278,202)	747,080
Remeasurement of employee benefits, net of tax effect (Note 18)	4,212,097	3,528,860	-
Unrealized valuation gain on financial asset at FVOCI (Note 12)	1,500,000	-	-
	6,693,604	3,250,658	747,080
TOTAL COMPREHENSIVE INCOME	₱1,900,899,575	₱1,677,375,069	₱1,788,145,414
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent	₱1,854,292,292	₱1,643,265,605	₱1,733,661,950
Non-controlling interests	39,913,679	30,858,806	53,736,384
	₱1,894,205,971	₱1,674,124,411	₱1,787,398,334
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent	₱1,860,985,896	₱1,644,454,872	₱1,734,409,030
Non-controlling interests	39,913,679	32,920,197	53,736,384
	₱1,900,899,575	₱1,677,375,069	₱1,788,145,414
EARNINGS PER SHARE (Note 28)			
Basic/Diluted, for income for the year attributable to equity holders of the Parent	₱1.24	₱1.10	₱1.16

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 and 2016

	Equity Attributable to Equity Holders of the Parent									
	Other Comprehensive Income (Note 10)									
	Capital Stock (Note 19)	Additional Paid-in Capital	Retained Earnings (Note 19)	Remeasurement of Employee Benefits (Note 18)	Net Unrealized Valuation Gains on Financial Assets at FVOCI (Note 12)	Unrealized Valuation Losses on AFS Investment (Note 12)	Share in Remeasurement of Employee Benefits of Associates (Note 10)	Treasury Stock at Cost	Non-controlling Interest	Total
Balances at January 1, 2016	₱1,569,491,900	₱86,810,752	₱1,250,000,000	₱99,615	₱-	(₱350,000)	(₱552,266)	(₱131,008,174)	₱129,574,665	₱8,040,897,723
Total comprehensive income	-	-	₱5,136,831,231	-	-	-	747,080	-	53,736,384	1,788,145,414
Appropriation (Note 19)	-	-	850,000,000	-	-	-	-	-	-	-
Reversal of appropriation (Note 19)	-	-	(850,000,000)	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	(850,000,000)	-	-	-	-	-	-	-
Balances at January 1, 2017	1,569,491,900	86,810,752	1,250,000,000	99,615	-	-	-	-	(35,029,598)	(913,056,550)
Total comprehensive income	-	-	5,992,466,229	99,615	-	(350,000)	194,814	(131,008,174)	148,281,451	8,915,986,587
Appropriation (Note 19)	-	-	1,643,265,605	1,467,469	-	-	(278,202)	-	32,920,197	1,677,375,069
Reversal of appropriation (Note 19)	-	-	(500,000,000)	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	(400,000,000)	-	-	-	-	-	-	-
Balances at January 1, 2018, as previously reported	1,569,491,900	86,810,752	1,350,000,000	1,567,084	-	-	-	-	(31,965,900)	(1,279,207,340)
Effect of adoption of PFRS 9 (Notes 2 and 19)	-	-	6,338,490,394	-	-	(350,000)	(83,388)	(131,008,174)	149,235,748	9,364,154,316
Balances at January 1, 2018, as restated	1,569,491,900	86,810,752	1,350,000,000	-	3,350,000	350,000	-	-	(485,376)	(1,805,669)
Total comprehensive income	-	-	6,334,305,018	1,567,084	3,350,000	-	(81,388)	(131,008,174)	147,915,455	9,362,348,647
Appropriation (Note 19)	-	-	1,854,292,292	4,212,097	1,500,000	-	981,507	-	39,913,679	1,900,899,575
Reversal of appropriation (Note 19)	-	-	(1,500,000,000)	-	-	-	-	-	-	-
Cash dividends (Note 19)	-	-	(1,350,000,000)	-	-	-	-	-	-	-
Balances at December 31, 2018	₱1,569,491,900	₱86,810,752	₱1,500,000,000	₱5,779,181	₱4,850,000	₱-	₱898,119	(₱131,008,174)	₱146,493,134	₱10,024,670,780

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P2,068,825,887	P1,831,852,935	P1,970,361,854
Adjustments to reconcile income before income tax to net cash flows:			
Equity in net earnings of associates (Note 10)	(1,265,412,079)	(1,137,429,320)	(1,175,524,975)
Depreciation and amortization (Note 23)	90,524,252	79,683,184	80,384,113
Interest expense (Notes 15, 16 and 17)	5,334,167	25,389,266	32,734,405
Interest income (Note 4)	(48,968,128)	(21,170,288)	(25,624,126)
Net changes in pension	1,168,935	14,204,005	1,357,039
Changes in asset retirement obligation (Note 17)	(39,119,121)	(21,111,756)	—
Provision for impairment on property, plant and equipment (Note 11)	14,266,880	—	—
Others - net (Notes 31 and 32)	(3,339,850)	(2,160,537)	3,631,513
Operating income before working capital changes	823,280,943	769,257,489	887,319,823
Decrease (increase) in:			
Trade and other receivables	54,084,165	(118,805,528)	199,949,084
Due from related parties	(14,964,744)	(264,441)	(174,655)
Due from NPC/PSALM	—	—	914,264
Materials and supplies	258,747,216	(334,015,353)	13,884,166
Prepayments and other current assets	73,375,432	(83,159,676)	(42,522,126)
Increase (decrease) in:			
Trade and other payables	(259,379,180)	373,919,295	(46,379,194)
Due to NPC/PSALM	(511,650,588)	199,494,613	144,730,655
Due to related parties	22,705	(125,961)	626,686
Customers' deposits	14,843,918	16,205,502	9,968,620
Net cash generated from operations	438,359,867	822,505,940	1,168,317,323
Income taxes paid	(186,152,441)	(143,523,908)	(184,772,412)
Interest paid	(172,441)	(22,161,906)	(27,285,764)
Interest received	49,058,548	21,105,861	25,543,927
Net cash flows from operating activities	301,093,533	677,925,987	981,803,074

(Forward)



	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment (Note 11)	(P128,548,734)	(P190,946,208)	(P318,343,855)
Proceeds from disposal of property, plant and equipment	1,593,750	267,857	-
Cash dividends received (Note 10)	1,409,823,865	1,028,339,061	213,359,876
Additional investments in associates (Note 9)	-	-	(79,999,870)
Collection of noncurrent receivable (Note 30)	1,143,240,000	-	-
Decrease in other noncurrent assets	(62,298)	6,077,814	3,428,315
Net cash flows from (used in) investing activities	2,426,046,583	843,738,524	(181,555,534)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 19)	(1,237,727,455)	(1,251,235,515)	(891,029,665)
Payments of long-term debt (Note 15)	-	(577,777,778)	(103,911,053)
Cash flows used in financing activities	(1,237,727,455)	(1,829,013,293)	(994,940,718)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,489,412,661	(307,348,782)	(194,693,178)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,380,062	3,101,274	3,730,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,445,250,136	1,749,497,644	1,940,459,937
CASH AND CASH EQUIVALENTS AT END OF YEAR	P2,937,042,859	P1,445,250,136	P1,749,497,644

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED 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 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 19).

On September 9, 2016, the Parent Company's Board of Directors 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 two-thirds of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

The consolidated financial statements comprise the financial statements of the Parent Company and the following wholly owned and majority owned subsidiaries:

	Nature of Business	% of Ownership		
		Direct	Indirect	Total
SPC Island Power Corporation	Power generation	100.00%	—	100.00%
Cebu Naga Power Corporation	Power generation	100.00%	—	100.00%
SPC Malaya Power Corporation	Power generation	40.00%	38.40%	78.40%
SPC Light Company, Inc.	Holding company	40.00%	24.00%	64.00%
Bohol Light Company, Inc.	Power distribution	39.90%	13.76%	53.66%
SPC Electric Company, Inc.	Holding company	40.00%	—	40.00%



SPC Island Power Corporation (SIPC). SIPC, a wholly owned subsidiary, was incorporated and registered with the SEC on June 26, 2001. It operates the 146.5 MW Panay Diesel Power Plant (PDPP) (located in Dingle, Iloilo) and the 22 MW Bohol Diesel Power Plant (BDPP) (located in Tagbilaran City, Bohol) which were acquired on March 25, 2009 through the assignment of the Parent Company's rights and obligations to SIPC. It has also been operating the Olango Diesel Power Plant (ODPP) (located in the Island of Olango, Lapu-Lapu City) which supplies all the generated electricity to Mactan Electric Company, Inc. (MECO), an associate. SIPC will continue to operate the ODPP in 2019 or until the new operator that won in the bidding conducted by MECO in 2018 is qualified by the Energy Regulatory Commission (ERC).

Cebu Naga Power Corporation (CNPC). CNPC was incorporated on August 12, 2015 to undertake the development, ownership, construction, operation and management of the a new 2x150 MW CFBC coal-fired power plant that replaces the old CTPP 1 and CTPP 2 in the NPPC, Colon, City of Naga, Cebu. As of December 31, 2018, the construction of the new power plant had been aborted due to the adverse Supreme Court decision that led to the return of the NPPC to PSALM on July 31, 2018 (see Note 31). CNPC remains not to have commercial operations.

SPC Malaya Power Corporation (SMPC). SMPC was incorporated in the Republic of the Philippines and registered with the SEC on September 22, 2011. SMPC won the bidding processes for the Operation and Maintenance Service Contract (OMSC) of the 650 MW Malaya Thermal Power Plant (MTPP) located in Pililila, Rizal and accordingly operated the MTPP from October 25, 2011 to October 25, 2014. However, SMPC either did not win or did not participate in the subsequent biddings of the OMSC after October 25, 2014 for certain reasons. As of December 31, 2018, SMPC remains not to have commercial operations.

Bohol Light Company, Inc. (BLCI). BLCI was incorporated on July 21, 2000 to engage in the business of supply and distribution of electricity, subject to applicable laws, rules and regulations. On July 10, 2003, the National Electrification Commission (NEC) granted BLCI's franchise to operate electric, light and power services for a period of 25 years retroactive from October 20, 2000 to October 19, 2025 in the area presently comprised by Tagbilaran City, Bohol.

SPC Electric Company, Inc. (SECI) and SPC Light Company, Inc. (SLCI). SECI and SLCI were incorporated on October 17, 2002 and January 15, 2003, respectively, primarily to design, construct, install, commission, rehabilitate, maintain, manage, operate and invest in power generation/distribution plants and related facilities. The Parent Company has the power to govern the financial and operating policies of SECI by virtue of an agreement, making it eligible for consolidation in accordance with PFRS 10. As of December 31, 2018, SECI and SLCI remains not to have commercial operations.

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

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") were authorized for issue by the Board of Directors (BOD) of the Parent Company on April 4, 2019.



2. **Basis of Preparation, Statement of Compliance, Principles of Consolidation, Changes in Accounting Policies and Disclosures, and Summary of Significant Accounting Policies**

Basis of Preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the functional currency of the companies in the Group. All amounts are rounded to the nearest Peso except as otherwise indicated.

Statement of Compliance

The Group's consolidated financial statements are presented in accordance with the Philippine Financial Reporting Standards (PFRSs).

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and subsidiaries mentioned in Note 1. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are fully consolidated from the date control is transferred to the Parent Company and cease to be consolidated from the date control is transferred out of the Parent Company. Control is established when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intercompany balances, income and expenses and profits and losses resulting from intercompany transactions are eliminated in full.

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Parent Company and is presented in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the cumulative translation differences, recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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, 2018. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.



• 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 comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group has adopted this new standard without restating comparative information.

As of January 1, 2018, the Group has reviewed and assessed all of its existing financial instruments. The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018, and prior period's closing impairment allowance measured in accordance with PAS 39 to the opening impairment allowance determined in accordance with PFRS 9 as of January 1, 2018:

Financial Assets	Original Measurement Category Under PAS 39	Original Carrying Amount under PAS 39	Reclassification	Remeasurement	New Measurement Category Under PFRS 9	New Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	P1,443,250,136	P1,443,250,136	-	Financial assets at amortized cost	P1,443,250,136
Investment in proprietary club shares	AFS investments	1,300,000	1,300,000	3,700,000	Financial assets at FVOCI	5,000,000
Trade and other receivables:						
NPC	Loans and receivables	1,497,011	1,497,011	-	Financial assets at amortized cost	1,497,011
Receivable from customers	Loans and receivables	405,974,878	405,974,878	4,066,846	Financial assets at amortized cost	401,908,032
Others	Loans and receivables	50,433,362	50,433,362	-	Financial assets at amortized cost	50,433,362
Due from NPC/PSALM	Loans and receivables	1,175,128	1,175,128	-	Financial assets at amortized cost	1,175,128
Due from related parties	Loans and receivables	1,845,907	1,845,907	-	Financial assets at amortized cost	1,845,907
Noncurrent receivable (included in "Other Noncurrent Assets")	Loans and receivables	1,143,240,000	1,143,240,000	-	Financial assets at amortized cost	1,143,240,000

The effects of adoption of PFRS 9 on the consolidated financial statements are as follows:

	As of January 1, 2018
Increase (decrease) in consolidated statement of financial position:	
Trade and other receivables (see Note 16)	(P4,066,846)
AFS investment (see Note 12)	(1,300,000)
Financial asset at FVOCI (see Note 12)	5,000,000
Investments in associates (see Note 10)	(1,438,823)
Total Assets	(P1,805,669)
Net unrealized gain on financial asset at FVOCI (see Note 12)	P3,700,000
Retained earnings (see Note 19)	(4,185,376)
Non-controlling interests (see Note 19)	(1,320,293)
Total Liabilities and Equity	(P1,805,669)



The net unrealized valuation losses on AFS investment amounting to P350,000 as of January 1, 2018 has been correspondingly reclassified to net unrealized valuation gains on financial asset at FVOCI.

As of December 31, 2018 and 2017, the Group does not hold financial liabilities designated as at fair value through profit or loss.

▪ *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and,
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

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

The adoption of PFRS 15 has no impact to the consolidated statements of financial position, consolidated statements of comprehensive income and consolidated statements of cash flows.

▪ *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.

These amendments are not applicable to the Group since it has no share-based payment arrangements.



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

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

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

- 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.

These amendments are not applicable to the Group since none of the entities within the Group is a venture capital organization or an investment entity, nor does the Group have investment entity associates or joint ventures.

- 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 Group 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 nonmonetary asset or nonmonetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Group's current practice is in line with the clarifications issued, the Group does not have any effect on its consolidated financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2018

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

Effective Beginning On or After January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- *PFRS 16, Leases*

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



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

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

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

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

In 2018, the Group performed a preliminary impact assessment of PFRS 16. Based on the initial assessment, the Group does not expect a significant impact to the consolidated financial statements.

- *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 Group 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; and
- How an entity considers changes in facts and circumstances.

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



The Group is currently assessing the impact of adopting this interpretation and expects that it will have no effect on its consolidated financial statements.

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

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

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

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

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. The Group does not expect any effect on its consolidated financial statements since the Group's current practice is in line with these amendments.

- Annual Improvements to PFRSs 2015–2017 Cycle

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.



These amendments are currently not applicable to the Group but may apply to future transactions.

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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group.

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

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

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

The Group does not expect any effect on its consolidated financial statements once it is adopted since the Group's current practice is in line with these amendments.

Effective Beginning on or After January 1, 2020

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

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

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

These amendments will apply to future business combinations of the Group.



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

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

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

Effective Beginning on or After January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. The new standard has no impact on the consolidated financial statements of the Group because it is not engaged in the insurance business.

Deferred Effectivity

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

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



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board 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.

Summary of Significant Accounting Policies

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 (3) 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 Prior to the Adoption of PFRS 9

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 Group commits to purchase or sell the asset.

Initial Recognition of Financial Instruments. The Group recognizes a financial asset or financial liability in the consolidated 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 Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, loans and receivables and AFS investments. 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, the Group has no financial assets and financial 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 Group's cash and cash equivalents, trade and other receivables, due from NPC/PSALM and due from related parties and noncurrent receivable included as part of "Other noncurrent assets" in the consolidated statement of financial position as of December 31, 2017 (see Notes 4, 5, 6, 7, 12 and 29).

Receivables are recognized initially at fair value, which normally pertains 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 the consolidated statement of comprehensive income. Any effect of restatement of foreign-currency-denominated assets is recognized in "Others - net" in the consolidated 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 unrealised gains or losses being recognized as other comprehensive income and as other equity reserve until the investment is derecognised 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 consolidated statement of comprehensive income and as other equity reserve 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, included under this category is the Group's investment in proprietary club shares presented under "Other noncurrent assets" in the consolidated statement of financial position (see Note 12).

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 Group 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 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 consolidated statement of comprehensive income.



This accounting policy applies primarily to the Group's trade and other payables, dividends payable, due to NPC/PSALM, long-term debt, customers' deposits and due to related parties that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable) (see Notes 5, 7, 14, 15, 16 and 19).

Financial Instruments - Classification and Measurement (upon adoption of PFRS 9)

Classification and Measurement upon the Adoption of PFRS 9

Classification of Financial Assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVPL;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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



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

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

As at December 31, 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, due from NPC/PSALM, due from related parties and PSALM deferred adjustments included as part of "Other noncurrent assets" in the consolidated statement of financial position (see Notes 4, 5, 6, 7, 12, 29 and 30).

Financial Assets at FVPL. Financial assets at FVPL are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of income.

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

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

As at December 31, 2018, the Group does not have equity instruments at FVPL.

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



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

Dividends are recognized in profit or loss only when:

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

As at December 31, 2018, the Group's financial assets at FVOCI includes proprietary golf club shares recorded as part of "Other Noncurrent Assets" (see Notes 12 and 29).

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

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

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

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

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

The Group's financial liabilities include trade and other payables, dividends payable, due to NPC/PSALM, due to related parties, customers' deposits and other noncurrent liability (see Notes 14, 5, 7, 19, 29 and 30).

Impairment of Financial Assets Prior to the Adoption of PFRS 9

The Group 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 Group 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 were thus 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 consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

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 consolidated 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 consolidated statement of changes in equity.

Impairment of Financial Assets upon the Adoption of PFRS 9

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

The Group recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.



ECLs are measured in a way that reflects the following:

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

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

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

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

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

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

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

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



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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, the Group 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 Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) 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.

Fair Value Measurement

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

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

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

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



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

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

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

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

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

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

Materials and Supplies

Materials and supplies, which consist of spare parts, fuel and consumables used in the operation, repairs and maintenance of the power generation and distribution utility plants, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the 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.

Noncurrent Assets Held for Sale

The Group classifies noncurrent assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense, if any. Liabilities directly associated with noncurrent assets held for sale are classified and presented separately.



The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, an investment in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Parent Company are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Property, Plant and Equipment

Property, plant and equipment, except land held by a subsidiary, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any allowance for impairment losses. Land held by a subsidiary is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes 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 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 the remaining years of Cooperation Period (for applicable assets) or lease term, whichever is shorter, as follows:

Category	No. of Years
Distribution lines, poles and fixtures	25
Power transformers, switches and devices	15-25
Plant machinery and equipment	2-15
Motor vehicles	2-12
Structures	3-25
Furniture and office equipment	2-12

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.

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

When 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 against 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.

Other Noncurrent Assets

Franchise. Included as part of "Other noncurrent assets" in the consolidated statement of financial position, franchise is stated initially at cost. After initial recognition, franchise is valued at cost less accumulated amortization and any allowance for impairment losses. Costs incurred to acquire the franchise to operate the Bohol Provincial Electric System are amortized over 25 years, which is equivalent to the franchise period granted to BLCI and assessed for impairment whenever there is an indication that the franchise may be impaired. The amortization period and the amortization method for the franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on the franchise is recognized under "Plant and operations" in the consolidated statement of comprehensive income.



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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Goodwill is tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Asset Retirement Obligation (ARO)

The Group has a contractual obligation under the Land Lease Agreement (LLA) (see Notes 17 and 30) with PSALM (the Lessor) pursuant to the business acquisition of the LBGTs in 2010 by the Parent Company and the Panay and Bohol Diesel Power Plants in 2009 by SIPC, 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 Group recognized the fair value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the property, plant and equipment accounts, 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 consolidated 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 consolidated statement of comprehensive income, and (c) if the adjustment results in an addition to the cost of an asset, the Group 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 Group shall test the asset, and shall 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 the consolidated statement of comprehensive income as they occur.

Impairment of Nonfinancial Assets Except Goodwill

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. 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. Considerations 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 Stock. Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Retained Earnings. 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

Prior to the adoption of PFRS 15, revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, sales taxes or duty.

Upon adoption of PFRS 15, revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer. The following specific recognition criteria must also be met before revenue is recognized:

Operating Fees

- Revenue consists of: (i) fees received for ancillary services provided by the Parent Company and SIPC (see Note 25), (ii) fees received for electricity generated and sold by SIPC and the Parent Company to the Wholesale Electricity Spot Market (see Note 25), and (iii) energy fees received by SIPC for sale of electricity under various contracts with distribution utilities (see Note 25).

Under PAS 18, revenue from power generation is recognized in the period actual capacity is generated.

Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power. For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Some contracts with customers provide unspecified quantity of energy, includes provisional Energy Regulatory Commission (ERC) rates that give rise to variable consideration. Under PFRS 15, the variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of constraint on variable consideration resulted in the same revenue recognition under PAS 18.

- Revenue of BLCI from the distribution of power is recognized upon supply of power to the customers under PAS 18. Under PFRS 15, revenue from power distribution also qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time and based on amounts billed.



Other Income. Other income is recognized as earned when the related services or performance obligations are rendered or satisfied under PAS 18 and PFRS 15. In 2018 and 2017, this account consists mainly of incidental income derived from operating and preserving the NPPC after November 28, 2016 (see Notes 3 and 31) and service income not directly related to generation and distribution of electricity. The account also includes VAT income and net gains/proceeds from disposal of assets, scraps and used oil.

Interest Income

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

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of comprehensive income 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.

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 and 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 non-cancellable 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.

Pension Expense

The Group has a defined benefit pension plan which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit method.



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.

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

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability; 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 consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 profit or loss.

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

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 Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income 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 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.

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

Related Party Transactions

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

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 consolidated financial statements are presented in Philippine Peso, the functional currency of the companies in the Group. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that 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

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments. Such business segments are the bases upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 27 to the consolidated financial statements.

Contingencies

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

Events After the Reporting Period

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



3. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements, prepared in compliance with PFRSs, require the Group to make judgments and estimates that affect amounts reported in the Group's consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Group believes that the following represent a summary of these significant accounting judgments and estimates and related impact and associated risks in the Group's consolidated financial statements.

Judgments

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

Revenue Recognition upon Adoption of PFRS 15. The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's revenue from power generation and power distribution are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power.

Significant judgments in revenue recognition under PFRS 15 are as follows:

- *Identifying Performance Obligations.* The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.



- *Identifying Methods for Measuring Progress of Revenue Recognized Over Time.* The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

- For power generation and ancillary services:
 - For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
 - For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.
- For power distribution, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.
- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as i) highly susceptibility to factors outside the Group's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., provisional ERC rates).

- *Allocation of Variable Consideration.* Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution and ancillary services revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.



Assessment of Classification of Noncurrent Assets Held for Sale. On May 28, 2018, the BOD announced its decision to sell the LBGT and was consequently classified as a disposal group held for sale. As of December 31, 2018, the Group is actively searching for potential buyers of the disposal group. The Group considered the disposal group to meet the criteria to be classified as held for sale as of December 31, 2018 for the following reasons:

- The disposal group is available for immediate sale and can be sold to the buyer in its current condition.
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- There is an active plan to locate potential buyers.

Determining the Classification and Valuation of Assets and Liabilities and Measurement of Revenues, Costs and Expenses Related to the Acquisition of the 153.1 MW Naga Power Plant Complex (NPPC). The legal developments as discussed in Note 31 required the Group to exercise judgment relating to the classification and valuation of assets and liabilities, and measurement of revenues, costs and expenses in relation to the NPPC acquisition. Since the Supreme Court (SC) decisions did not specifically rule how the nullified transaction will be treated and settled between the Parent Company and PSALM, management, in consultation with external legal counsels, exercised its due judgment on how these decisions will be implemented. The Group assessed that it is appropriate to recognize a receivable as of December 31, 2017 and 2016 and exercised judgments regarding the amount of claim to be recognized and the expected timing of when that claim will be collected. Thus, the Parent Company derecognized in 2015, the NPPC from property, plant and equipment and the prepaid rent, and recognized a noncurrent receivable from PSALM of ₱1,143.2 million, which is equivalent to the purchase price of the NPPC and land lease rental paid by the Parent Company to PSALM in 2014.

After the Entry of Judgment on November 28, 2016, the date when the SC decisions became final and executory, the Parent Company, in exercising its legal right of retention, continued operating the NPPC as the best way to preserve it pending turnover of the NPPC and settlement of possible claims and counterclaims between the Parent Company and PSALM. The Group assessed that the income from NPPC is a necessary consequence of its operation as the best way to preserve it in preparation for the eventual turn-over to PSALM. The income from the operation of the NPPC (net of directly related costs and expenses) amounted to ₱76.1 million and ₱121.5 million in 2018 and 2017, respectively, and were recognized as part of "Other income" in the 2018 and 2017 consolidated statements of comprehensive income. The income in 2016 from the operation of NPPC after November 28, 2016 was not material.

Pursuant to the Memorandum of Agreement (MOA) subsequently made and entered into between PSALM and the Parent Company dated July 9, 2018 to implement the SC decision, a Joint Certificate of Turnover was signed by the parties on July 13, 2018 for the return of the NPPC to PSALM, return of the bid/purchase price of NPPC to Parent Company and settlement of fuel payable as provided in the MOA.



Assessment of Control Over SECI. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that the Group has the ability to control the operating and financial activities of SECI by virtue of an agreement. The other stockholder (an individual stockholder owning 60% of the outstanding capital stock of SECI and also a major stockholder of the Parent Company) delegates and entrusts all the decisions in the operational and finance functions of SECI to the Parent Company who owns 40% of the outstanding capital stock of SECI.

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or other comprehensive income (OCI) of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in BLCI is material to the Group. Information about this subsidiary with material NCI is disclosed in Note 19.

Legal Contingencies. The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results of litigation. No provision for probable losses arising from legal contingencies was recognized as of December 31, 2018 and 2017.

Estimates and Assumptions

Estimating Allowance for Impairment Losses (prior to adoption of PFRS 9). The Group's maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectability of receivables. The Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet its financial obligations. Also included in the assessment are the due from NPC/PSALM, due from related parties and noncurrent receivable (included under "Other noncurrent assets"). Factors, such as the Group's length of relationship with the customers or other parties and the customers' or other parties' current credit status, are considered to ascertain the amount of reserves that will be recorded in the trade and other receivables, due from NPC/PSALM, due from related parties and noncurrent receivable (included under "Other noncurrent assets") in the consolidated statements of financial position. These reserves are re-evaluated and adjusted as additional information is received.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective assessment of allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted.

Allowance for doubtful accounts amounted to P23.0 million as of December 31, 2017 (see Note 6). These receivables, net of allowance for doubtful accounts, amounted to P1,604.2 million as of December 31, 2017 (see Notes 5, 6, 7 and 12).



Estimating Expected Credit Losses on Trade and Other Receivables, Due from NPC/PSALM and Due from Related Parties using Simplified Approach (upon adoption of PFRS 9). The Group uses the provision matrix to calculate ECLs for these receivables. The Group calculates provision rates based on days past due for a group of various customer or debtor segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Group's allowance for expected credit losses of trade and other receivables, due from NPC/PSALM, due from related parties and noncurrent receivable from customers arising from PSALM's cost recovery adjustments (see Note 30) will increase the Group's recorded expenses and decrease current and noncurrent assets. As of December 31, 2018, allowance for expected credit losses amounted to ₱36.3 million (see Notes 5, 6 and 7). These receivables, net of allowance for expected credit losses, amounted to ₱435.5 million as of December 31, 2018 (see Note 6).

Estimating Allowance for Materials and Supplies Losses. The Group provides allowance for losses related to materials and supplies whenever the value of these materials and supplies becomes lower than cost due to damage, physical deterioration or obsolescence. The amounts and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease current assets.



Allowance for losses amounted to nil and P85.5 million as of December 31, 2018 and 2017, respectively (see Note 8). The carrying value of the materials and supplies, net of allowance for losses, amounted to P350.1 million and P605.2 million as of December 31, 2018 and 2017, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment. The Group estimates the useful lives of property, plant and equipment, except land held by a subsidiary and construction in progress, based on the period over which the assets are expected to be available for use or lease term, whichever is shorter. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances.

The Group recognized depreciation expense amounting to P89.0 million, P78.3 million and P78.8 million in 2018, 2017 and 2016, respectively (see Note 23). As of December 31, 2018 and 2017, the aggregate net book values of property, plant and equipment subjected to depreciation amounted to P662.9 million and P341.6 million, respectively (see Note 11).

Estimating Impairment of Property, Plant and Equipment. Property, plant and equipment are reviewed and tested whenever there is an indication of impairment and are reassessed at least each reporting date. Factors such as significant underperformance of an asset relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets, or significant negative industry or economic trends are considered by the Group in assessing whether there is an indication that an asset's carrying amount may exceed its recoverable amount.

The Group recognized impairment loss amounting to P14.3 million, nil and P5.7 million in 2018, 2017 and 2016, respectively (see Note 21). As of December 31, 2018 and 2017, the aggregate net book values of property, plant and equipment amounted to P781.2 million and P778.3 million, respectively (see Note 11).

Estimating Impairment of Nonfinancial Assets other than Property, Plant and Equipment. The Group assesses whether there are any indicators of impairment at each reporting date. These nonfinancial assets (prepayments and other current assets, investments in associates, and other noncurrent assets, excluding noncurrent receivable from PSALM) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverable amount of investments in associates are based on fair value less cost to sell. Fair value less cost to sell is determined to be the amount obtainable from the sale of the underlying net assets of the associate. For the other nonfinancial assets, the recoverable amounts are assessed if there are changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in those assets.



Based on management's assessment, there are no indicators of impairment on these nonfinancial assets. Thus, no impairment loss was recognized in 2018, 2017 and 2016. The carrying amounts of these nonfinancial assets as of December 31 are as follows (see Notes 10, 12 and 13):

	2018	2017
Investments in associates	P6,036,937,436	P6,181,806,538
Prepayments and other current assets	94,295,423	167,670,855
Other noncurrent assets (excluding noncurrent receivable from PSALM and financial asset at FVOCI/AFS)	55,349,825	55,839,776

Estimating Asset Retirement Obligation (ARO). The Group has a contractual obligation under the Land Lease Agreement (LLA) with PSALM to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term (see Notes 17 and 30). These estimated costs of dismantlement and restoration assume third party estimates. The Group projected the estimate using inflation rates ranging from 1.30% to 5.20% and 2.54% to 3.83% in 2018 and 2017, respectively, and discount rates of 7.61% and 5.11% in 2018 and 2017, respectively.

The amount and timing of recorded expenses for any period would differ if different assumptions are used. An increase in computed ARO would increase the recorded asset, depreciation and increase noncurrent liabilities.

As of December 31, 2018 and 2017, the ARO has a carrying value of P61.0 million and P97.2 million, respectively (see Note 17). Reversal of ARO amounted to P39.1 million, P21.1 million and nil in 2018, 2017 and 2016, respectively (see Note 17).

Information relating to the Group's ARO is disclosed in Note 17 of the consolidated financial statements.

Estimating Realizability of Deferred Income Tax Assets. The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets 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. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group. The Parent Company and SIPC elected to avail of the Optional Standard Deduction (OSD) starting 2010 and plan to avail of such in certain number of years thereafter. BLCI likewise started to avail of OSD starting 2016 and also plan to avail of such in certain number of years thereafter. Thus, the related deferred income tax assets were measured on this basis. The Group has deferred income tax assets amounting to P27.3 million and P32.5 million as of December 31, 2018 and 2017, respectively (see Note 26).

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. In estimating the value in use, the Group estimated annual growth at 4% to 7% in energy sold and 5% to 7% escalation of operating expenses for the first five years. The Group assumed a zero growth rate beyond five years. The interest rate used to discount the net cash flows from operations is the weighted average cost of capital (WACC) of 13.0% and 14.97% for BLCI as of December 31, 2018 and 2017, respectively. Carrying amount of goodwill related to the investment in BLCI amounted to P32.5 million as of December 31, 2018 and 2017 (see Note 13).



Determining Fair Value of Financial Assets and Financial Liabilities. PFRSs require that certain financial assets and liabilities be carried at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of change in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income and consolidated statements of changes in equity.

Fair value of financial assets as of December 31, 2018 and 2017 amounted to ₱3,560.1 million and ₱3,050.7 million, respectively (see Note 29). Fair value of financial liabilities as of December 31, 2018 and 2017 amounted to ₱684.2 million and ₱1,251.9 million, respectively (see Note 29).

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱8,311,260	₱327,460
Cash in banks	926,259,184	1,125,555,085
Short-term investments	2,002,472,415	319,367,591
	₱2,937,042,859	₱1,445,250,136

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months or less depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Total interest income amounted to ₱49.0 million, ₱21.2 million and ₱25.6 million in 2018, 2017 and 2016, respectively.

5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. The Group, in the normal course of business, has significant transactions with related parties which principally consist of the following:

Associates/Stockholders

- Rendering of management and other services by the Parent Company to MECO, an associate, amounting to ₱120.0 million, ₱100.0 million and ₱54.5 million in 2018, 2017 and 2016, respectively, are recorded as "Service income" in the consolidated statements of comprehensive income.
- Management, operation and maintenance services rendered by SIPC on ODPP arising from the assignment of rights and obligations by the Parent Company to SIPC under the "Operations, Maintenance and Management Services Agreement" with MECO until 2026 or until a new operator that won in the bidding conducted by MECO in 2018 is qualified by the ERC, whichever is earlier. Revenue recorded under "Operating fees" amounted to ₱41.3 million, ₱51.7 million and ₱33.4 million in 2018, 2017 and 2016, respectively. Outstanding receivables from MECO on these transactions amounted to ₱3.7 million and ₱4.7 million as of December 31, 2018 and 2017, respectively, and are included as part of "Trade and other receivables" in the consolidated statements of financial position (see Note 6).



- Purchase of power by BLCI from KEPCO SPC Power Corporation (KSPC), an associate, under the Power Sales Contract between BLCI and KSPC amounting to P353.5 million, P274.9 million and P263.7 million in 2018, 2017 and 2016, respectively (see Note 25). Outstanding amount due to KSPC on this transaction amounted to P57.6 million and P45.9 million as of December 31, 2018 and 2017, respectively, and is included as part of "Trade and other payables" in the consolidated statements of financial position (see Note 14).
- Extension of short-term, noninterest-bearing advances by the Parent Company to KSPC for the development of the 2x100 MW Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-fired Power Plant in Naga, Cebu. Outstanding amount due from KSPC amounted to P0.7 million as of December 31, 2018 and 2017.
- Dividends received from KSPC amounting to P1,329.8 million, P968.3 million and P133.4 million in 2018, 2017 and 2016, respectively; and from MECO amounting to P80.0 million, P60.0 million and P80.0 million in 2018, 2017 and 2016, respectively (see Note 10).

Affiliates Under Common Ownership

- Sale of electricity to Bohol Water Utilities, Inc. (BWUI) at the same rates charged to BLCI's consumers amounted to P21.5 million, P18.4 million and P17.4 million in 2018, 2017 and 2016, respectively. Outstanding receivable from BWUI related to this transaction amounting to P1.9 million and P1.7 million as of December 31, 2018 and 2017, respectively, is included as part of "Trade and other receivables" in the consolidated statements of financial position (see Note 6).

The results of these transactions are presented in the appropriate accounts in the consolidated financial statements. The amounts due from/due to related parties, trade and other receivables, and trade and other payables follow:

Category	Amount/Volume	2018		
		Outstanding Balance - Receivable (Payable)	Terms	Conditions
Associates				
Sales:				
MECO	P41,252,611	P3,681,281	30-day; Noninterest-bearing	Unsecured, No impairment
Technical services rendered to:				
MECO	120,907,156	-	60-day; Noninterest-bearing	Unsecured
Purchase of power from				
KSPC	353,529,527	(57,604,568)	Interest-bearing; 91-day T-bill plus 3% per annum	Unsecured
Advances to:				
KSPC	-	719,579	Due and demandable	Unsecured, No impairment
MECO	-	1,950	60-day; Noninterest-bearing	Unsecured, No impairment
Dividend income (see Note 10):				
KSPC	1,329,823,954	-	Due and demandable	Unsecured
MECO	79,999,911	-	Due and demandable	Unsecured
(Forward)				



2018				
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Affiliates (Companies Under Common Ownership)				
Sales:				
BWUI	P21,529,792	P1,937,141	10 days from receipt	Unsecured, No impairment
Lease of office space from:				
SPEC Properties, Inc. (SPEC)	3,319,206	(1,106,402)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
SII Properties Development Corporation (SPDC)	691,317	(230,439)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
BWUI	303,704	(698,116)	10% escalation every two years	Unsecured
Collection charges:				
BWUI	231,147	19,362	P1.53 per receipt	Unsecured, No impairment
Advances to (from):				
BWUI	22,011,437	15,257,372	60-day; Noninterest-bearing	Unsecured, No impairment
SPDC	268,304	(89,658)	60-day; Noninterest-bearing	Unsecured
	81,464	164,325	60-day; Noninterest-bearing	Unsecured, No impairment
SPEC	67,231	133,623	60-day; Noninterest-bearing	Unsecured, No impairment
Salcon International, Inc. (SII)	47,673	98,621	60-day; Noninterest-bearing	Unsecured, No impairment
Salcon Philippines, Inc. (SPI)	41,350	87,520	60-day; Noninterest-bearing	Unsecured, No impairment
SIPC Water Resources, Inc. (SWRI)	17,862	176,026	60-day; Noninterest-bearing	Unsecured, No impairment
WPHC	17,362	80,866	60-day; Noninterest-bearing	Unsecured, No impairment
KV Holdings, Inc.	4,923	4,923	60-day; Noninterest-bearing	Unsecured, No impairment
Kepco Philippines Corp.	-	(497,043)	60-day; Noninterest-bearing	Unsecured
Pure and Pam, Inc.	-	75,000	60-day; Noninterest-bearing	Unsecured, No impairment
Officers and employees	5,105,534	4,853,571	60-day; Noninterest-bearing	Unsecured, No impairment
2017				
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Associates				
Sales:				
MECO	P51,716,786	P4,743,031	30-day; Noninterest-bearing	Unsecured, No impairment
Management services rendered to:				
MECO	100,006,366	-	60-day; Noninterest-bearing	Unsecured
Purchase of power from:				
KSPC	274,902,375	(45,911,977)	Interest-bearing; 91-day T-bill plus 3% per annum	Unsecured

(Forward)



2017				
Category	Amount/Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Advances to KSPC	P=	P719,579	60-day; Noninterest-bearing	Unsecured, No impairment
Dividend income (see Note 10):				
KSPC	968,339,126	-	Due and demandable	Unsecured
MECO	59,999,933	-	Due and demandable	Unsecured
Affiliates (Companies Under Common Ownership)				
Sales:				
BWUI	18,410,999	1,660,524	10 days from receipt	Unsecured, No impairment
Lease of office space from:				
SPEC	3,192,902	(553,201)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
SPDC	671,177	(111,863)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
BWUI	303,704	(24,296)	10% escalation every two years	Unsecured
Collection charges:				
BWUI	230,056	20,015	P1.53 per receipt	Unsecured, No impairment
Advances to (from):				
BWUI	671,441	559,625	60-day; Noninterest-bearing	Unsecured, No impairment
SPDC	434,027	(66,951)	60-day; Noninterest-bearing	Unsecured
	82,861	82,861	60-day; Noninterest-bearing	Unsecured, No impairment
SPEC	66,391	66,391	60-day; Noninterest-bearing	Unsecured, No impairment
SII	50,949	50,949	60-day; Noninterest-bearing	Unsecured, No impairment
SPI	46,170	46,170	60-day; Noninterest-bearing	Unsecured, No impairment
SWRI	11,738	158,164	60-day; Noninterest-bearing	Unsecured, No impairment
WPHC	11,238	63,504	60-day; Noninterest-bearing	Unsecured, No impairment
KV Holdings, Inc.	3,649	3,649	60-day; Noninterest-bearing	Unsecured, No impairment
Keppco Philippines Corp.	-	(497,043)	60-day; Noninterest-bearing	Unsecured, No impairment
Pure and Pam, Inc.	-	75,000	60-day; Noninterest-bearing	Unsecured, No impairment
Officers and employees	5,231,290	10,336,824	60-day; Noninterest-bearing	Unsecured, No impairment

Compensation and Benefits of Key Management Personnel

The Group considers all senior officers as key management personnel. The compensation of key management personnel follows:

	2018	2017	2016
Short-term benefits	P34,979,375	P33,160,217	P34,681,821
Pension expense	450,572	638,281	401,174
	P35,429,947	P33,798,498	P35,082,995



6. Trade and Other Receivables

This account consists of:

	2018	2017
Receivable from customers (net of allowance for impairment loss of P36.3 million and P23.0 million as of 2018 and 2017, respectively) (see Note 5)	P357,596,696	P405,974,878
NPC/PSALM	1,015,262	1,497,011
Others (see Note 30)	76,852,339	50,435,362
	P435,464,297	P457,907,251

Receivable from customers arises from generation and sale of energy, distribution of purchased energy, and from provision of ancillary services.

Receivables from NPC/PSALM and customers are noninterest-bearing and are generally on a term of 1–30 days and 30–90 days, respectively.

Others mainly consist of advances to suppliers and contractors for refund in relation to services that will no longer be availed by the Parent Company, officers and employees, insurance claims, accrued interest receivables from short-term investments and PSALM deferred adjustments (see Note 30).

Allowance for impairment losses pertains to trade receivables that are individually determined to be impaired at reporting date. These relate to debtors who are either in significant financial difficulties, have defaulted on payments or whose accounts are under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

Additional allowance for impairment loss amounting to P9.2 million and P7.0 million were provided in 2018 and 2017, respectively (see Note 21).

The following table shows the movement in the allowance for impairment:

	2018	2017
At January 1	P22,995,285	P16,040,588
PFRS 9 transition adjustments (see Note 2)	4,066,846	–
Provision (see Note 21)	9,209,102	6,954,697
Recovery of accounts written off	37,892	–
At December 31	P36,309,125	P22,995,285

7. Due from/Due to NPC/PSALM

This account consists of:

	Due from NPC/PSALM		Due to NPC/PSALM	
	2018	2017	2018	2017
Cost of fuel purchases and others (see Note 31)	P–	P–	P–	P511,650,588
Others	1,175,128	1,175,128	–	–
	P1,175,128	P1,175,128	P–	P511,650,588



Cost of fuel purchases and other adjustments substantially pertains to the cost of fuel used in the operation of the NPPC. Based on management's assessment of the timing when these are to be settled, cost of fuel purchases and other adjustments amounting to P511.7 million as of December 31, 2017 are presented as current liabilities (see Note 31).

Others mainly consist of amounts reimbursable by PSALM for other services rendered under OMSC.

8. Materials and Supplies

This account consists of:

	2018	2017
On hand - at NRV (net of allowance for inventory losses of nil and P85.5 million as of 2018 and 2017, respectively)	P334,177,686	P597,236,778
In transit - at cost	15,893,908	7,975,262
At lower of cost and NRV	P350,071,594	P605,212,040

Materials and supplies include fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of the power generation and utility plants, property and equipment.

The cost of materials and supplies recognized as part of "Others - net" amounted to P135.6 million and P325.7 million in 2018 and 2017, respectively (see Notes 3 and 31) and "Cost of services" amounted to P583.9 million, P697.8 million and P916.7 million in 2018, 2017 and 2016, respectively, in the consolidated statements of comprehensive income (see Note 20).

9. Prepayments and Other Current Assets

This account consists of:

	2018	2017
Input VAT	P68,140,270	P84,883,754
Deferred input VAT	3,671,753	6,820,047
Deferred charges	6,192,626	8,645,102
Prepaid insurance	4,152,209	2,521,722
Prepaid rent (see Note 30)	2,764,772	3,229,772
Prepaid income tax	427,996	462,469
Others (see Note 31)	8,945,797	61,107,989
	P94,295,423	P167,670,855

As of December 31, 2017, others mainly consist of deferred input VAT of fuel owned by PSALM used in the operations of NPPC but still to be invoiced to the Parent Company. Payment was received in 2018 upon the turnover of NPPC (see Note 31).



10. Investments in Associates

This account consists of:

	2018	2017
Acquisition cost:	P2,852,565,368	P2,852,565,368
Accumulated equity in net earnings and other comprehensive income:		
At January 1	3,329,241,170	3,220,429,113
Share in PFRS 9 transition adjustments (see Note 2)	(1,438,823)	-
Equity in net earnings for the year	1,265,412,079	1,137,429,320
Share in remeasurement of employee benefits of associates, net of tax provision of P287,681 in 2018 and tax benefit of P82,216 in 2017	981,507	(278,202)
Dividends income	(1,409,823,865)	(1,028,339,061)
At December 31	3,184,372,068	3,329,241,170
	P6,036,937,436	P6,181,806,538

The Group's associates, corresponding equity ownerships, and acquisition costs follow:

	Principal Activity	% of Ownership	
KSPC	Power generation	40.0	P2,472,464,616
MECO	Power distribution	40.0	380,000,752
SWRI	Water processing	40.0	100,000
			P2,852,565,368

KSPC

KSPC was registered with the SEC on June 22, 2005 primarily to build, operate, maintain, own and manage the 2x100 MW CFBC boiler coal-fired base load power plant in Naga, Cebu, Philippines.

Summarized financial information pertaining to KSPC as of and for the years ended December 31 follows:

	2018	2017
Current assets	P3,438,166,969	P3,026,153,666
Noncurrent assets	11,186,531,786	11,862,369,837
Current liabilities	895,386,982	688,867,772
Noncurrent liabilities	730,253,027	714,506,077
Equity	12,999,058,746	13,485,149,654
Revenue	8,812,187,718	8,317,177,602
Gross profit	3,559,735,642	3,708,509,781
Net income	2,841,290,406	2,563,051,257
Other comprehensive income (loss)	775,628	(215,914)
Total comprehensive income	2,842,066,034	2,562,835,343
Group's share in net income	1,136,516,162	1,025,220,503
Carrying amount of the investment	5,200,386,379	5,394,822,743
Dividends received from KSPC	1,329,823,954	968,339,128

KSPC declared and paid cash dividends to the Parent Company amounting to P1,329.8 million, P968.3 million and P133.4 million in 2018, 2017 and 2016, respectively (see Note 5).



This account consists of:

2018											2017										
Cost	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land Held by Subsidiaries	Construction in Progress	Total	Cost	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land Held by Subsidiaries	Construction in Progress	Total		
At January 1	\$192,405,724	\$145,430,753	\$615,688,853	\$35,720,035	\$63,309,280	\$37,337,314	\$58,951,290	\$377,830,344	\$1,526,673,603	At January 1	\$183,551,183	\$141,427,929	\$617,552,050	\$31,053,481	\$62,169,387	\$17,411,523	\$33,870,952	\$248,571,098	\$1,355,557,803		
Additions	11,933,207	6,909,156	36,243,488	1,140,017	1,063,955	2,184,675	3,309,201	65,764,735	128,548,734	Additions (see Notes 17 and 30)	8,354,541	4,002,874	5,348,214	5,884,821	1,139,693	381,783	25,080,318	140,253,994	190,946,208		
Transfers	-	-	387,585,973	-	-	-	-	-	-	Transfers/adjustments	-	-	1,661,633	-	-	-	-	(10,944,748)	(9,283,115)		
Transfer to noncurrent assets held for sale	-	-	(68,716,152)	-	-	-	-	-	-	Disposals	-	-	(8,873,044)	(1,218,267)	-	(455,982)	-	-	(10,547,293)		
Disposals	-	-	(27,272,244)	(3,767,188)	-	-	-	(387,585,973)	(88,716,152)	At December 31	192,405,724	145,430,753	615,688,853	35,720,035	63,309,280	37,337,314	58,951,290	377,830,344	1,526,673,603		
At December 31	204,339,231	152,339,909	943,029,918	35,097,864	64,373,235	31,811,157	62,260,491	56,009,106	1,547,260,892	At January 1	103,758,082	94,737,416	388,294,289	26,848,304	32,670,864	34,245,149	-	-	680,554,404		
Accumulated Depreciation and Impairment	111,965,780	103,230,152	433,851,315	27,674,087	36,448,581	35,188,086	-	-	748,328,001	Depreciation (see Note 23)	8,207,698	8,482,736	54,409,770	2,044,048	3,777,717	1,396,490	-	-	78,318,459		
Depreciation (see Note 23)	8,665,413	7,239,962	66,669,800	769,523	3,988,899	1,638,406	-	-	88,971,003	Other adjustments	-	-	(8,873,044)	(1,218,265)	-	(455,553)	-	-	(10,544,862)		
Other adjustments	-	-	3,606,770	-	-	-	-	-	5,606,770	Transfer to noncurrent assets held for sale	-	-	35,188,086	27,674,087	36,448,581	35,188,086	-	-	(10,544,862)		
Transfer to noncurrent assets held for sale	-	-	(30,503,157)	-	-	-	-	-	(50,503,152)	Disposals	-	-	(27,183,795)	(3,762,188)	-	(7,665,349)	-	-	748,328,001		
Disposals	-	-	(27,183,795)	(3,762,188)	-	(7,665,349)	-	-	(38,611,337)	At December 31	120,631,193	110,460,114	426,420,938	24,681,422	40,437,480	29,161,143	62,260,491	56,009,106	751,792,290		
At December 31	120,631,193	110,460,114	426,420,938	24,681,422	40,437,480	29,161,143	62,260,491	56,009,106	751,792,290	Net Book Value Before Impairment	83,708,038	41,879,795	516,608,980	8,416,442	23,935,755	2,649,994	-	-	14,266,880		
Net Book Value Before Impairment	83,708,038	41,879,795	516,608,980	8,416,442	23,935,755	2,649,994	-	-	795,468,801	Impairment (see Note 21)	-	-	14,266,880	-	-	-	-	-	-		
Impairment (see Note 21)	-	-	14,266,880	-	-	-	-	-	-	Net Book Value	\$83,708,038	\$41,879,795	\$502,342,100	\$8,416,442	\$23,935,755	\$2,649,994	\$62,260,491	\$56,009,106	\$781,201,721		
Net Book Value	\$83,708,038	\$41,879,795	\$502,342,100	\$8,416,442	\$23,935,755	\$2,649,994	\$62,260,491	\$56,009,106	\$781,201,721												
Cost										Cost											
At January 1	\$183,551,183	\$141,427,929	\$617,552,050	\$31,053,481	\$62,169,387	\$17,411,523	\$33,870,952	\$248,571,098	\$1,355,557,803	At January 1	\$183,551,183	\$141,427,929	\$617,552,050	\$31,053,481	\$62,169,387	\$17,411,523	\$33,870,952	\$248,571,098	\$1,355,557,803		
Additions (see Notes 17 and 30)	8,354,541	4,002,874	5,348,214	5,884,821	1,139,693	381,783	25,080,318	140,253,994	190,946,208	Additions (see Notes 17 and 30)	8,354,541	4,002,874	5,348,214	5,884,821	1,139,693	381,783	25,080,318	140,253,994	190,946,208		
Transfers/adjustments	-	-	1,661,633	-	-	-	-	(10,944,748)	(9,283,115)	Transfers/adjustments	-	-	1,661,633	-	-	-	-	(10,944,748)	(9,283,115)		
Disposals	-	-	(8,873,044)	(1,218,267)	-	(455,982)	-	-	(10,547,293)	Disposals	-	-	(8,873,044)	(1,218,267)	-	(455,982)	-	-	(10,547,293)		
At December 31	192,405,724	145,430,753	615,688,853	35,720,035	63,309,280	37,337,314	58,951,290	377,830,344	1,526,673,603	At December 31	192,405,724	145,430,753	615,688,853	35,720,035	63,309,280	37,337,314	58,951,290	377,830,344	1,526,673,603		
At January 1	103,758,082	94,737,416	388,294,289	26,848,304	32,670,864	34,245,149	-	-	680,554,404	At January 1	103,758,082	94,737,416	388,294,289	26,848,304	32,670,864	34,245,149	-	-	680,554,404		
Depreciation (see Note 23)	8,207,698	8,482,736	54,409,770	2,044,048	3,777,717	1,396,490	-	-	78,318,459	Depreciation (see Note 23)	8,207,698	8,482,736	54,409,770	2,044,048	3,777,717	1,396,490	-	-	78,318,459		
Other adjustments	-	-	(8,873,044)	(1,218,265)	-	(455,553)	-	-	(10,544,862)	Other adjustments	-	-	(8,873,044)	(1,218,265)	-	(455,553)	-	-	(10,544,862)		
Transfer to noncurrent assets held for sale	-	-	35,188,086	27,674,087	36,448,581	35,188,086	-	-	748,328,001	Transfer to noncurrent assets held for sale	-	-	35,188,086	27,674,087	36,448,581	35,188,086	-	-	748,328,001		
Disposals	-	-	(27,183,795)	(3,762,188)	-	(7,665,349)	-	-	(38,611,337)	Disposals	-	-	(27,183,795)	(3,762,188)	-	(7,665,349)	-	-	(38,611,337)		
At December 31	120,631,193	110,460,114	426,420,938	24,681,422	40,437,480	29,161,143	62,260,491	56,009,106	751,792,290	At December 31	120,631,193	110,460,114	426,420,938	24,681,422	40,437,480	29,161,143	62,260,491	56,009,106	751,792,290		
Net Book Value Before Impairment	83,708,038	41,879,795	516,608,980	8,416,442	23,935,755	2,649,994	-	-	14,266,880	Net Book Value Before Impairment	83,708,038	41,879,795	516,608,980	8,416,442	23,935,755	2,649,994	-	-	14,266,880		
Impairment (see Note 21)	-	-	14,266,880	-	-	-	-	-	-	Impairment (see Note 21)	-	-	14,266,880	-	-	-	-	-	-		
Net Book Value	\$83,708,038	\$41,879,795	\$502,342,100	\$8,416,442	\$23,935,755	\$2,649,994	\$62,260,491	\$56,009,106	\$781,201,721	Net Book Value	\$83,708,038	\$41,879,795	\$502,342,100	\$8,416,442	\$23,935,755	\$2,649,994	\$62,260,491	\$56,009,106	\$781,201,721		