



SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

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

1. For the quarterly period ended 31 March 2018
2. SEC Identification Number 59366
3. BIR Tax Identification Number - 001-748-412
4. Exact name of registrant as specified in its charter: ALSONS CONSOLIDATED RESOURCES, INC.
5. Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Alsons Bldg., 2286 Pasong Tamo Extension,  
Makati City 1231  
Address of principal office Postal Code
8. (632) 982-3000  
Registrant's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC  

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
<u>Common Stock P 1.00 par value</u>	<u>6,291,500,000 Shares</u>
11. Are any or all of these securities listed on the Philippine Stock Exchange ?  
Yes  No
- If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange Common Stock
12. Check whether the registrant:
  - (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes  No
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes  No

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## PART I -- FINANCIAL INFORMATION

### ***Item 1. Financial Statements***

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

Interim Financial Statements as of March 31, 2018 and for the Three-Month Periods Ended March 31, 2018 and 2017 (with Comparative Audited Consolidated Balance Sheet as of December 31, 2017).

### **Key Performance Indicators**

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the Three months ended March 31, 2018 and 2017. (Amounts in million pesos, except ratios)

Financial KPI	Definition	March 31	
		2018	2017
<b>Profitability</b>			
<b>REVENUES</b>		₱1,678	₱1,648
<b>EBITDA</b>		623	606
EBITDA Margin	<u>EBITDA</u> Net Sales	37%	37%
Return on Equity	<u>Net Income</u> Total Average Stockholders' Equity	0.7%	0.8%
<b>NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>		(20)	35
<b>Efficiency</b>			
Operating Expense Ratio	<u>Operating Expenses</u> Gross Operating Income	22%	21%
<b>Liquidity</b>			
Net Debt Coverage	<u>Cash Flow from Operating Activities</u> Net Financial Debt	3%	9%
<b>CURRENT RATIO</b>	<u>Current Assets</u> Current Liabilities	1.42:1	1.92:1
<b>DEBT-TO-EQUITY RATIO</b>		2.28:1	2.0:1
Asset-to-equity Ratio	<u>Total Assets</u> Total Equity	2.72:1	2.87:1
Interest Rate Coverage Ratio	<u>Earnings Before Interest and Taxes</u> Interest Expense	1.67:1	1.34:1

### **Profitability**

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company remain stable at 37%. SEC 1 operations continue to generate income for the Group. Return on equity (ROE) decreased slightly to 0.7% from 0.8% in 2017 due to higher equity

reserves earned when the Company divested portion of its investment in ATEC in the last quarter of 2017.

### Efficiency

For the three-month period ended March 31, 2018, the Company's three diesel plants continue to supply needed back-up power to Mindanao. With the ongoing construction of Sarangani Energy Corporation's Section 2, the operating expense ratio increased slightly to 22% from 21% in the previous year. The operating efficiency of all the power plants continues to operate in accordance with the operating plans and budgets.

ACR's cash flows from operations this year decreased from ₱922 million to ₱563 million due mainly to the timing of payments of trade and other current liabilities during the period. The additional loan drawdown for the construction of SEC 2 contributed to the decrease in net debt coverage from 9% in 2017 to 3% this year while current ratio decreased to 1.42:1 from last year's 1.92:1 resulting from lower cash and cash equivalents during the period.

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

1. **REVENUES.** Revenue is the amount of money that the company subsidiaries receive arising from their business activities and is presented in the top line of the statements of income. The present revenue drivers of the Company are i) Energy and power and ii) Real estate. Revenue growth is one of the most important factors management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making a sound investment decision.
2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
3. **NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT.** Net income attributable to shareholders is one more step down from net income on the income statement. The net income of a company is just all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.
4. **DEBT-TO-EQUITY RATIO.** This measures the company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **CURRENT RATIO.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.

## Alsons Consolidated Resources, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As at March 31, 2018 and for the Three-Month Periods Ended  
March 31, 2018 and 2017  
*(With Comparative Audited Consolidated Balance Sheet as at  
December 31, 2017)*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31, 2018**  
**(With Comparative Audited Figures as at December 31, 2017)**

	<b>March 31, 2018</b> <b>(Unaudited)</b>	<b>December 31, 2017</b> <b>(Audited)</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱3,156,916,100	₱4,383,802,048
Short-term cash investments (Note 4)	272,187,100	258,319,976
Trade and other receivables (Note 5)	2,654,587,686	2,509,001,577
Real estate inventories (Note 6)	638,560,688	638,560,688
Spare parts and supplies - at cost	652,814,498	687,330,947
Prepaid expenses and other current assets (Note 10)	616,335,085	780,007,296
<b>Total Current Assets</b>	<b>7,991,401,157</b>	<b>9,257,022,532</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of installment receivables	6,319,792	6,319,792
Investments in real estate (Note 6)	181,162,425	181,102,370
Investments in associates (Note 6)	2,176,644,762	2,176,644,762
Property, plant and equipment (Note 7)	23,727,974,574	22,729,706,881
Available-for-sale (AFS) financial assets (Note 8)	2,353,233,021	2,353,233,021
Goodwill (Note 9)	806,687,320	806,687,320
Net retirement assets	24,698,735	29,607,129
Deferred financing cost	157,956,627	157,956,627
Deferred income tax assets – net	11,990,865	35,454,305
Other noncurrent assets	523,406,455	506,424,762
<b>Total Noncurrent Assets</b>	<b>29,970,074,576</b>	<b>28,979,690,672</b>
<b>TOTAL ASSETS</b>	<b>₱37,961,475,733</b>	<b>₱38,236,713,204</b>

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts payable and other current liabilities (Note 11)	₱3,669,115,631	₱3,726,252,547
Loans payable	998,011,257	975,708,681
Income tax payable	48,678,040	19,367,867
Current portion of long-term debt	904,552,337	869,013,234
<b>Total Current Liabilities</b>	<b>5,620,357,265</b>	<b>5,590,342,329</b>

**Noncurrent Liabilities**

Long-term debt - net of current portion	17,493,789,212	17,840,908,713
Deferred income tax liabilities - net	675,623,566	739,187,192
Retirement benefits liabilities	32,294,101	30,900,051
Asset retirement obligation	206,629,340	205,731,535
<b>Total Noncurrent Liabilities</b>	<b>18,408,336,219</b>	<b>18,816,727,491</b>
<b>Total Liabilities</b>	<b>24,028,693,484</b>	<b>24,407,069,820</b>

(Forward)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<b>Equity (Note 12)</b>		
Capital stock	₱6,326,883,335	₱6,326,883,33
Other equity reserves	2,494,305,135	2,494,305,135
Retained earnings:		
Unappropriated	868,122,323	887,872,315
Appropriated	1,300,000,000	1,300,000,000
Attributable to equity holders of the parent	10,989,310,793	11,009,060,783
Non-controlling interests	2,943,471,456	2,820,582,601
<b>Total Equity</b>	<b>13,932,782,249</b>	<b>13,829,643,384</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱37,961,475,733</b>	<b>₱38,236,713,204</b>

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

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

	Three Months Ended March 31	
	2018 Unaudited	2017 Unaudited
<b>REVENUE</b>		
Energy fees	₱1,674,613,320	₱1,644,552,188
Rental income and others	3,010,377	3,030,469
	<b>1,677,623,697</b>	<b>1,647,582,657</b>
<b>INCOME (EXPENSES)</b>		
Cost of goods and services	(1,177,103,194)	(1,184,980,123)
General and administrative expenses	(91,775,394)	(79,754,100)
Finance income (charges) - net	(254,773,976)	(270,196,817)
Other income - net	2,329,062	3,381,217
	<b>(1,521,323,502)</b>	<b>(1,531,549,823)</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>156,300,195</b>	<b>116,032,834</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 12)</b>		
Current	37,251,604	36,932,920
Deferred	15,909,728	(2,426,121)
	<b>53,161,332</b>	<b>34,506,799</b>
<b>NET INCOME</b>	<b>₱103,138,863</b>	<b>₱81,526,035</b>
<b>Attributable to:</b>		
Owners of the parent (Note 12)	(₱19,749,992)	₱34,558,845
Non-controlling interest	122,888,855	46,967,191
	<b>₱103,138,863</b>	<b>₱81,526,035</b>
Basic/diluted earnings per share attributable to owners of the parent	(₱0.00)	₱0.005

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

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

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
<b>NET INCOME FOR THE PERIOD</b>	<b>₱103,138,863</b>	<b>₱81,526,035</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Gain (loss) on valuation of AFS financial assets	-	2,527,883
Translation adjustment	-	-
	-	2,527,883
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱103,138,863</b>	<b>₱84,053,918</b>
<b>Attributable to:</b>		
Owners of the parent	(₱19,749,992)	₱37,086,728
Non-controlling interests	122,888,855	46,967,190
	₱103,138,863	₱84,053,918

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

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017**

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

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

	<b>Three Months Ended March 31</b>	
	<b>2018</b> (Unaudited)	<b>2017</b> (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱156,300,195	₱116,032,834
Adjustments for:		
Depreciation and amortization	212,182,193	219,004,028
Interest income	(8,772,531)	(16,284,364)
Finance charges	246,001,444	286,481,181
Retirement cost	1,394,050	15,357,671
Operating income before working capital changes	607,105,351	620,591,350
Decrease (increase) in:		
Trade and other receivables	(145,586,109)	156,772,767
Prepaid expenses and other current assets	163,672,211	(77,417,013)
Spare parts and supplies	34,516,449	(51,790,698)
Increase (decrease) in:		
Accounts payable and other current liabilities	(57,136,916)	310,862,927
Customers' deposits	-	-
Net cash flows from operations	602,570,986	959,019,333
Increase (decrease) in income tax payable	(37,251,604)	(36,932,920)
Net cash flows from (used in) operating activities	<b>565,319,382</b>	<b>922,086,413</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Other noncurrent assets	(16,981,693)	(6,964,232)
Due from related parties	6,039,296	(8,459,488)
Short-term cash investments	(13,867,124)	3,135,433
Investments in real estate	-	-
Additions to property, plant and equipment (Note 7)	(1,257,104,360)	(498,771,331)
Interest received	8,772,531	16,284,364
Increase in other noncurrent liabilities	-	-
Computer software	-	-
Proceeds from disposal of property and equipment	-	-
Net cash flows from (used in) investing activities	<b>(1,273,141,350)</b>	<b>(494,775,254)</b>

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

	<b>Three Months Ended March 31</b>	
	<b>2018</b> <b>(Unaudited)</b>	<b>2017</b> <b>(Unaudited)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of long-term debts	₱1,500,000,000	₱-
Payments of:		
Payment of debts	(1,806,881,788)	(175,797,468)
Interest	(212,182,193)	(286,481,181)
Net cash flows used in financing activities	<b>(519,063,981)</b>	<b>(462,278,649)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,226,885,948)</b>	<b>(34,967,490)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>4,383,802,048</b>	<b>2,050,586,516</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	<b>₱3,156,916,100</b>	<b>₱2,015,619,026</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL**  
**STATEMENTS**

**1. General Information**

**Corporate Information**

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

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

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

Subsidiaries	Nature of business	Percentage of Ownership			
		2018		2017	
		Direct	Indirect	Direct	Indirect
Conal Holdings Corporation (CHC)	Investment holding	100.00	—	100.00	—
Alsing Power Holdings, Inc. (APHI)	Investment holding	20.00	80.00	20.00	80.00
Western Mindanao Power Corporation (WMPC)	Power generation	—	55.00	—	55.00
Southern Philippines Power Corporation (SPPC)	Power generation	—	55.00	—	55.00
Alto Power Management Corporation (APMC)	Management services	—	60.00	—	60.00
APMC International Limited (AIL)	Management services	—	100.00	—	100.00
Mapalad Power Corporation (MPC)	Power generation	—	100.00	—	100.00
FGen Northern Power Corp. (FGNPC)	Power generation	—	60.00	—	60.00
Alsons Renewable Energy Corporation (AREC)	Investment holding	80.00	—	80.00	—
Siguil Hydro Power Corporation (Siguil)	Power generation	—	80.00	—	80.00
Kalaong Power Corporation (Kalaong)	Power generation	—	80.00	—	80.00
Alsons Thermal Energy Corporation (ATEC)	Power generation	50.00*	—	100.00	—
Sarangani Energy Corporation (Sarangani)	Power generation	—	37.50	—	75.00
ACES Technical Services Corporation (ACES)	Management services	—	50.00	—	100.00
San Ramon Power, Inc. (SRPI)	Power generation	—	50.00	—	100.00
Alsons Power International Limited (APIL)	Power generation	100.00	—	100.00	—
Alsons Land Corporation (ALC)	Real estate	99.55	—	99.55	—
MADE (Markets Developers), Inc.	Distribution	80.44	—	80.44	—
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	Real estate	100.00	—	100.00	—
Alsons Power Supply Corporation (APSC)	Customer Service	100.00	—	100.00	—

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

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

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

## Power and Energy

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

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

On July 7, 2015, CHC subscribed and paid 60% of FGNPC's outstanding common shares amounting to P0.04 million. Investment of non-controlling interest amounted to P0.02 million in 2015.

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

### *ATEC and Subsidiaries*

ATEC. On November 23, 2015, ACR organized ATEC primarily to develop and invest in energy projects, including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to P1 million.

On October 13, 2016, ACR and ATEC executed an assignment of share agreement wherein the Parent Company assigned and transferred its ownership interests in ACES to ATEC for a total consideration of P20 million. Accordingly, ACES became wholly owned subsidiary of ATEC.

On May 24, 2017, ACR and ATEC executed an assignment of share agreement wherein ACR assigned and transferred its ownership interests in SRPI to ATEC amounting to P1.2 million for a total consideration of P0.3 million, net of subscriptions payable amounting to P0.9 million. Accordingly, SRPI became a wholly owned subsidiary of ATEC. Subsequently, on May 31, 2017, ACR and ATEC executed a deed of assignment of advances wherein ACR assigned to ATEC its advances to SRPI totaling to P231 million.

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to Global Business Power Corporation (GBPC) for a total consideration amounting to P2,378 million, inclusive of retention receivable amounting to P100 million to be received upon issuance by the Bureau of Internal Revenue (BIR) of the Certificate of Authorizing Registration. The retention receivable was received in January 2018. The Parent Company recognized a gain amounting to P709 million, net of transaction costs totaling to P169 million. Subsequently, on

December 1, 2017, the Parent Company, GBPC and ATEC executed a deed of assignment of advances wherein the Parent Company assigned and transferred to GBPC its right to collect 50% of its advances to ATEC amounting to ₱1,880 million.

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

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

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

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

On February 6, 2017, ATEC's BOD authorized the conversion its advances to Sarangani amounting to ₱3,375 million into equity by way of subscription to the increase in authorized capital stock of Sarangani. The Philippine SEC approved Sarangani's increase in authorized capital stock on March 20, 2017. Also, TTC subscribed to additional common shares amounting to ₱1,125 million which was settled through cash infusion. As at March 31, 2018, Sarangani is 75% owned by ATEC.

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

#### *AREC and Subsidiaries*

*Sigil and Kalaong.* ACR organized and incorporated Sigil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Sigil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Sigil's 17MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. As at March 31, 2018, Sigil and Kalaong have not yet started commercial operations.

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

On July 10, 2015, ACR and AREC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in Sigil and Kalaong to AREC. Accordingly, Sigil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest

to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% in 2014 to 80%.

*SRPI.* ACR organized and incorporated SRPI on July 22, 2011 as a wholly owned subsidiary. SRPI was incorporated primarily to acquire, construct, commission, operate and maintain power generating plants and related facilities for the generation of electricity. SRPI has obtained its Environmental Compliance Certificate (ECC) on March 20, 2012 for the planned 105MW coal fired power plant to be located in Zamboanga Ecozone. SRPI's expected construction of the power plant that was previously forecasted to commence in the later part of 2013, has been deferred at a later time. The total project cost is estimated at ₱13 billion. As at March 31, 2018, SRPI has not yet started the construction of the power plant.

**Property Development**

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

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

**Other Investments**

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

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

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

**Basis of Preparation**

The unaudited interim condensed consolidated financial statements of the Group as at March 31, 2018 and for the three-month periods ended March 31, 2018 and 2017 have been prepared in accordance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2017.

### Basis of Consolidation

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

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

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

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

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

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

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

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

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

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

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

### Material Partly-Owned Subsidiaries

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

Name of Subsidiary	Place of Incorporation and Operation	Principal Activity	Proportion Ownership Interest and Voting Rights Held by Non-controlling Interests	
			2018	2017
SPPC	Philippines	Power generation	45.0%	45.0%
WMPC	Philippines	Power generation	45.0%	45.0%
Sarangani	Philippines	Power generation	62.5%	62.5%

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

#### New Standards Effective Starting January 1, 2017

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these standards and amendments did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

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

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

The amendments do not have any impact on the Group's financial position and results of operation. As required by the amendments to PFRS 12, the Group continues to apply the disclosure requirements of PFRS 12,

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

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

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

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

#### Standards Issued but not yet Effective

The following are the new and revised standards and interpretations that will become effective subsequent to December 31, 2017. The Group does not expect the adoption of these new and

amended PFRSs, PAs and Philippine Interpretations to have any significant impact on its financial statements.

Effective beginning on or after January 1, 2018

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

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

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

The amendments are not applicable to 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group is currently assessing the impact of PFRS 9 and plans to adopt the new standard on the required effective date.

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

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or

services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

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

The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

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

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

The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have any significant impact on the consolidated financial statements.

- 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.

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

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

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the

transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine 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.

The adoption of the interpretation is not expected to have any significant impact on the consolidated financial statements.

*Effective beginning on or after January 1, 2019*

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

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

These amendments are not expected to have any significant impact on the 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. The Group is currently assessing the impact of adopting PFRS 16.

- 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.

These amendments are not expected to have any significant impact on the consolidated financial statements.

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

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

The interpretation specifically addresses the following:

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

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

The Group is currently assessing the impact of adopting this interpretation.

#### *Deferred effectiveness*

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

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

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

These amendments are not expected to have any significant impact on the consolidated financial statements.

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to December 31, 2017 on Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

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

##### Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheets based on current or noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent.

A liability is current when it is:

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

The Group classifies all other liabilities as noncurrent.

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

##### Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

#### Cash and Cash Equivalents

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

#### Short-term Cash Investments

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

#### Financial Instruments

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

#### Date of recognition

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

#### Initial recognition of financial instrument

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

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

#### **“Day 1” difference**

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

#### **Categories of Financial Instruments**

The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets and held-to-maturity (HTM) investments. Financial liabilities are further classified as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no HTM investments as at March 31, 2018 and December 31, 2017.

#### **Financial assets and liabilities at FVPL**

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets designated upon initial recognition as at FVPL and derivative instruments. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments or a financial guarantee contract. Financial assets and liabilities may be designated by management at initial recognition as at FVPL when any of the following criteria is met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group has no financial assets and liabilities at FVPL as at March 31, 2018 and December 31, 2017.

#### *Loans and receivables*

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Included in this category are the Group's cash and cash equivalents, short-term cash investments, trade and other receivables, and refundable deposits (included as part of "Other noncurrent assets" account).

#### *AFS financial assets*

AFS financial assets are nonderivative financial assets that are designated as such or are not classified as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the consolidated statement of comprehensive income until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is recognized in the consolidated statement of income.

When the AFS financial asset is disposed of, the cumulative unrealized gain or loss previously recognized in equity is recognized as "Realized gain (loss) on AFS financial assets" in the consolidated statement of income. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in first-out basis. Dividends earned on holding AFS financial assets are recognized in the consolidated statement of income as "Dividend income" when the right to the payment has been established. The losses arising from impairment of such investments are recognized as "Impairment loss on AFS financial assets" in the consolidated statement of income.

Included in this category are the Group's investments in quoted and unquoted equity securities.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or designated as FVPL upon inception of the liability and contain contractual obligations to deliver cash or another financial asset to the holder or to settle 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

These include liabilities arising from operations (e.g., accounts payable and accrued liabilities, excluding withholding taxes and other taxes payable to government agencies) and loans and borrowings. All loans and borrowings are initially recognized at fair value less debt issue costs associated with the borrowings.

After initial recognition, interest-bearing loans and borrowings 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 debt issue costs that are an integral part of the effective interest method. Gains and losses are recognized in consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are shown as a contra account against long-term debts and are amortized over the terms of the related borrowings using the effective interest method.

The portion of the debt issue costs attributable to the undrawn portion is deferred and is being amortized over the commitment period on a straight-line basis. However, if it is probable at inception that the facility will be utilized, the debt issue cost will be amortized over the term of the related borrowings using the effective interest method. Debt issue costs pertaining to current portion of the long-term debts are classified as current liabilities; otherwise, these are classified as noncurrent liabilities.

Included in this category are the Group's accounts payable and other current liabilities (excluding statutory payables), loans payable and long-term debts.

#### Derivative Financial Instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- a. its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a nonfinancial variable that the variable is not specific to a party to the contract (sometimes called the "underlying");
- b. it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and,
- c. it is settled at a future date.

Derivative instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured at fair value. Changes in fair value of derivative instruments not accounted for as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### *Embedded derivatives*

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not measured at fair value with changes in fair value reported in the consolidated statement of income. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is

significant by considering the extent to which the expected future cash flows associated with the embedded, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

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

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

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

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

#### Derecognition of Financial Assets and Liabilities

##### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

##### *Financial liability*

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

#### Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may

include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Loans and receivables*

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

#### *AFS financial assets*

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

#### Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is

not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

#### Spare Parts and Supplies

Spare parts and supplies are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average cost method. NRV is the current replacement cost.

When the circumstances that previously caused the spare parts and supplies to be written down below cost no longer exist, or when there is clear evidences of an increase in NRV because of changed economic circumstances, the amount of write-down is reversed. The reversal cannot be greater than the amount of the original write-down.

#### Real Estate Inventories

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

#### Investments in Real Estate

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

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

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

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

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

#### Investments in Associates

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

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

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

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

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

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

When the Group's interest in an investment in associate is reduced to zero, additional losses are provided only to the extent that the Group has incurred obligations or made payments on behalf of the associate to satisfy obligations of the investee that the Group has guaranteed or otherwise committed.

If the associate subsequently reports profits, the Group resumes recognizing its share of the profits if it equals the share of net losses not recognized.

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

#### Property, Plant and Equipment

Property, plant and equipment (except land) is stated at cost, net of accumulated depreciation and amortization and accumulated impairment losses, if any. Such cost includes the cost of replacing the part of the property, plant and equipment and borrowing costs for long-term construction

projects if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land is carried at cost less any impairment losses.

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

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

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

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

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

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

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

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

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

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

#### **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method.

##### *Initial measurement*

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department or business development offices are expensed and included as part of "General and administrative expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with the changes in fair value recognized either in the consolidated statement of income. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with appropriate PFRSs. Contingent consideration that is classified as equity is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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

had been recognized from that date. Goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

*Subsequent measurement*

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

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

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

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

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

Computer Software

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

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

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

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists and when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable

amount is the higher of an asset's cash-generating unit's fair value less cost to sell or its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators. Any impairment loss is recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates after application of the equity method.

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

#### Capital Stock

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

#### Redeemable Preferred Shares

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

#### Retained Earnings

Retained earnings include accumulated profits attributable to the equity holders of the Parent Company reduced by dividends declared. Retained earnings may also include effect of changes in

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

**Revenue Recognition**

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

***Energy fees***

Revenues from the long-term ECA with NPC under the Build-Operate-Own (BOO) arrangement consist of fixed capacity, operation and maintenance fee, infrastructure fee and variable energy fee. Revenue from variable energy fee is recognized upon delivery of power to NPC. Billings to NPC are denominated both in US dollar and Philippine peso in accordance with the ECA. Revenue from PSAs consist of fixed capital recovery fee, fixed and variable operation and maintenance fee, actual fuel cost and other variable energy fees. Revenues from fixed capital recovery fee and fixed operation and maintenance fee are recognized on a monthly basis in accordance with the terms of the PSAs. Revenue from actual fuel cost, and variable operations and maintenance and other energy fees are recognized upon delivery of power to customers.

***Sale of real estate***

Revenue from sales of real estate and cost from real estate projects is accounted for using the full accrual method. Under this method, revenue is recognized in full when the collectability of the contract price is reasonably assured and the Group is not obliged to perform significant performance obligations. When a sale of real estate does not meet the requirements for income recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized and the receivable from the buyer is not recorded. The real estate inventory continues to be reported in the Group's consolidated balance sheet as part of real estate inventories and the deposit as part of liabilities as "Customers' deposits".

Any excess collections over the recognized receivables are included in the "Accounts payable and other current liabilities" account in the consolidated balance sheet.

***Rental income***

Revenue is recognized on a straight-line method over the term of the lease agreements.

***Management fees***

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

***Interest income***

Income is recognized as the interest accrues using the effective interest rate.

**Costs and Expenses**

Costs and expenses are recognized in the consolidated statement of income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in the consolidated statement of

income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated balance sheet as an asset.

#### Retirement Benefits

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

Defined benefit costs comprise the following:

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

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

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

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

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

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

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

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

#### Leases

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

A reassessment is made after inception of the lease only if one of the following applies:

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

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

#### *Group as lessee*

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

#### *Group as lessor*

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

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

#### Foreign Currency-denominated Transactions and Translations

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

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are

capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Borrowing costs not qualified for capitalization are expensed as incurred.

#### Taxes

##### *Current income tax*

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

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

##### *Deferred income tax*

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) [excess MCIT] and net operating loss carryover (NOLCO). Deferred income tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of excess MCIT and NOLCO can be utilized,

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

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

*Value-added tax*

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

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

*Input VAT income*

Input VAT income represents the excess of the allowable input tax sales of goods and service to the Philippine government, through NPC, of SPPC and WMPC over the actual input tax from purchases.

Provisions

*General*

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provisions due to the passage of time is recognized as an interest expense.

*Decommissioning liability*

The decommissioning liability arose from the Group's obligation, under its ECC, to decommission or dismantle its power plant complex at the end of their operating lives. A corresponding asset is recognized as part of property, plant and equipment. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability.

The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an interest expense. The estimated future costs of decommissioning are reviewed annually and adjusted prospectively. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the power plant complex. The amount deducted from the cost of the power plant complex, shall not exceed its carrying amount. If the decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognized immediately in the consolidated statement of income.

#### *Contingencies*

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

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

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

#### *Business Segments*

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

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

#### *Segment assets and liabilities*

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

#### *Inter-segment transactions*

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

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

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

disclosed in the notes to consolidated financial statements when material

### 3. Segment Information

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

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

	Three-Month Period Ended March 31, 2018					
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
Revenues						
External customer	₱1,674,613,320	₱3,010,377	₱-	₱1,677,623,697	₱-	₱1,677,623,697
Inter-segment	46,519,787	1,274,493	-	47,794,280	(47,794,280)	-
Total revenues	1,721,133,107	4,284,870	-	1,725,417,977	(47,794,280)	1,677,623,697
Finance income	3,684,166	6,473	11,354,157	15,044,796	-	15,044,796
Finance charges	(177,624,910)	-	(166,198,390)	(343,823,300)	74,004,529	(269,818,772)
Provision for income tax	32,148,040	42,016	-	32,190,056	20,971,276	53,161,332
Net income (loss)	224,465,094	(2,625,391)	(161,672,714)	60,166,989	42,971,875	103,138,864
	Three-Month Period Ended March 31, 2017					
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
Revenues						
External customer	₱1,644,552,188	₱3,030,469	₱-	₱1,647,582,657	₱-	₱1,647,582,657
Inter-segment	22,370,275	1,274,493	-	23,644,768	(23,644,768)	-
Total revenues	1,666,922,422	4,304,962	-	1,671,227,384	(23,644,768)	1,647,582,657
Finance income	8,676,359	34,240	7,573,765	16,284,364	-	16,284,364
Finance charges	(198,004,316)	-	(153,276,108)	(351,280,424)	64,799,244	(286,481,181)
Provision for income tax	34,431,371	75,428	-	34,506,799	-	34,506,799
Net income (loss)	176,042,642	1,050,289	(156,395,295)	20,697,637	60,828,398	81,526,035

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

	March 31, 2017 (Unaudited)	December 31, 2017 (Audited)
Cash on hand	₱281,500	₱281,500
Cash in banks	1,925,864,542	1,747,876,494
Cash equivalents	1,230,770,058	2,635,644,054
	<b>₱3,156,916,100</b>	<b>₱4,383,802,048</b>

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

Short-term cash investments amounting to ₱103 million and ₱258 million as at March 31, 2018 and December 31, 2017, respectively, consist of money market placements with maturities of more than three months but less than one year with interest ranging from 3.00% to 4.10%.

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## 5. Trade and Other Receivables

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
<u>Trade:</u>		
Power	₱1,324,751,161	₱1,024,845,511
Real estate	92,828,868	92,828,868
Product distribution and others	31,749,577	31,749,577
Due from related parties	1,215,181,560	1,221,220,856
Retention receivable	46,364,378	143,009,378
Others	33,467,754	85,102,999
	2,744,343,298	2,598,757,189
<u>Less noncurrent portion of installment receivables</u>	<u>6,319,792</u>	<u>6,319,792</u>
	2,738,023,506	2,592,437,397
<u>Less allowance for impairment losses</u>	<u>83,435,820</u>	<u>83,435,820</u>
	<b>₱2,654,587,686</b>	<b>₱2,509,001,577</b>

### Power

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

As at March 31, 2018, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

The allowance for impairment loss of ₱33 million as at March 31, 2018 and December 31, 2017, respectively, is management's best estimate of impairment loss on the long-outstanding receivables from NPC.

### Real Estate

These pertain to receivables from venturers and customers from the sale of residential and commercial lots and units. Real estate receivables are generally noninterest-bearing and have terms of less than one year, except for installment receivables amounting to ₱59 million as at March 31, 2018 and December 31, 2017, respectively, which are collectible in monthly installment over a period of two to 10 years and bear interest rates ranging from 18% to 21% computed on the outstanding balance of the principal. Title on the lots sold is passed on to the buyer only upon full settlement of the contract price. The noncurrent portion of the installment receivables amounted to ₱6 million as at March 31, 2018 and December 31, 2017, respectively. Real estate receivables include the Group's share on the sale of the developed residential and commercial lots and golf shares in the Eagle Ridge Golf and Residential Estates jointly developed with Sta. Lucia Realty and Development, Inc. (SLRDI).

#### Product Distribution and Others

These pertain to receivables from the supply of goods and merchandise to customers. Product distribution and other receivables are noninterest-bearing and generally have a term of less than one year. Outstanding receivables amounting to ₱32 million were fully provided with allowance for impairment losses as at March 31, 2018 and December 31, 2017.

#### Retention Receivable

Retention receivables pertain to the outstanding balances from GBPC and Aboitiz Land, Inc. (Aboitiz) for the sale of investment in ATEC (see Note 1) and Lima Land Inc. (LLI), which will be collected upon issuance by BIR of the Certificate Authorizing Registration and accomplishment of certain milestones, respectively. In January 2018, the retention receivable from GBP was fully collected.

#### Due from Related Parties and Other Receivables

Related Party Transactions - The movement in this account from December 31, 2017 to March 31, 2018 represents only 0.02% of the total balance as of March 31, 2018.

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

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

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

Related Party	Advances during the Year	Due from related parties	Terms	Conditions
Major Shareholder	2018	(6,039,296)	1,068,422,441	30 days, Party
	2017	379,538,203	1,074,461,737	noninterest secured, no impairment bearing
Subsidiaries of major stockholders	2018	-	43,255,460	30 days, Party
	2017	66,929,442	43,255,460	noninterest secured, no impairment bearing
Affiliates	2018	-	103,503,659	30 days, Party
	2017	77,336,929	103,503,659	noninterest secured, no impairment bearing
Total	2018	-	1,215,181,560	
	2017	523,804,574	1,221,220,856	

*Key Management Personnel* – compensation of key management personnel are as follows:

	2018	2017
Salaries and wages	22,401,574	20,276,771
Retirement benefits	2,023,106	1,445,076
	24,424,680	21,721,847

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

The Parent Company has various advances to third parties that were nonmoving since prior years. These advances have been specifically identified to be potentially uncollectible and thus, provided with allowance amounting to ₱5 million as at March 31, 2018 and December 31, 2017.

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

##### Real Estate Inventories

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Eagle Ridge Project (General Trias, Cavite) - at cost	₱617,729,517	₱617,729,517
Campo Verde Project (Lipa and Malvar, Batangas) - at NRV	20,831,171	20,831,171
	<b>₱638,560,688</b>	<b>₱638,560,688</b>

##### Investments in Real Estate

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ALC Property (Pasong Tamo, Makati)	₱134,064,457	₱134,004,402
Batangas Project (Lipa and Malvar, Batangas)	42,412,032	42,412,032
Laguna Project (Cabuyao, Laguna)	4,685,936	4,685,936
	<b>₱181,162,425</b>	<b>₱181,102,370</b>

##### Lanang Property

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

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

**7. Property, Plant and Equipment**

Balances as at March 31, 2018

	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	₱19,168,223,164	₱4,652,843,686	₱552,089,119	₱726,585,794	₱32,524,818,989
Additions	-	-	-	-	1,257,104,360
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	(46,654,474)
<b>Balances at end of year</b>	<b>19,168,223,164</b>	<b>4,652,843,686</b>	<b>552,089,119</b>	<b>726,585,794</b>	<b>33,735,268,875</b>
Accumulated depreciation and amortization					
Balances at beginning of year	(5,824,223,254)	(3,521,523,708)	(174,247,978)	(275,117,168)	(9,795,112,108)
Depreciation and amortization for the year	(201,755,053)	(7,416,393)	(356,655)	(2,654,092)	(212,182,193)
Disposals	-	-	-	-	-
<b>Balances at end of year</b>	<b>(6,025,978,307)</b>	<b>(3,528,940,101)</b>	<b>(174,604,633)</b>	<b>(277,771,260)</b>	<b>(10,007,294,301)</b>
<b>Net Book Value</b>	<b>₱13,142,244,857</b>	<b>₱1,123,903,585</b>	<b>₱377,484,486</b>	<b>₱448,814,534</b>	<b>₱8,635,527,112</b>
					<b>₱23,727,974,574</b>

Balances as at December 31, 2017

	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment and Others	Land, Buildings and Household Improvements	Machinery and Other Equipment	Construction in Progress	Total
<b>Cost</b>					
Balances at beginning of year	₱9,236,072,678	₱4,642,574,138	₱552,089,119	₱429,137,089	₱2,943,872,212
Additions	13,617,299	37,377,886	-	306,776,469	4,537,345,838
Disposals	(127,686,197)	(37,029,778)	-	(9,327,764)	(174,043,739)
Reclassifications	46,219,384	9,921,440	-	-	(56,140,824)
Balances at end of year	19,168,223,164	4,652,843,686	552,089,119	726,585,794	7,425,077,226
Accumulated depreciation and amortization					
Balances at beginning of year	(5,343,903,735)	(3,403,870,151)	(127,901,661)	(219,192,390)	- (9,094,867,937)
Depreciation and amortization for the year	(608,005,716)	(154,683,335)	(46,346,317)	(64,964,556)	- (876,999,924)
Disposals	127,686,197	37,029,778	-	9,039,778	- 173,755,753
Balances at end of year	(5,824,223,254)	(3,521,523,708)	174,247,978	(275,117,168)	- (9,795,112,108)
<b>Net Book Value</b>	₱13,343,999,910	₱1,131,319,978	₱377,841,141	₱451,468,626	₱7,425,077,226
					₱22,729,706,881

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

The property, plant and equipment are mortgaged as collateral for long-term debts of the Group. The Group has fully depreciated property, plant and equipment still used in the operations with cost and corresponding accumulated depreciation of ₱2,107 million as at March 31, 2018 and December 31, 2017.

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## 8. Available-for-sale (AFS) financial assets

The re-measurement movement from December 31, 2017 to March 31, 2018 amounting to 1,606,494 represents only 0.06% of the total Available-for-Sale Financial Assets.

AFS financial assets primary consists of investment in quoted and unquoted equity securities as follows:

	March 31, 2018	December 31, 2017
Acquisition costs	₱2,222,168,768	₱2,222,168,768
Unquoted		
Quoted	174,384,498	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value	(43,320,245)	(43,320,245)
	₱2,353,233,021	₱2,353,233,021

In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to ₱208 million. The Parent Company's remaining 9% in ACRMC amounting to ₱22 million is recognized as AFS investment. ACRMC is still in pre-exploration stage.

On December 16, 2015, the Parent Company subscribed to ₱22 million redeemable preferred shares of Aldevinco, a shareholder, through conversion of its advances to Aldevinco amounting to ₱2.2 billion. The redeemable preferred shares have a par value of ₱100 per share with cumulative dividend of 4% per annum and non-participating. The Parent Company accounts for this investment in redeemable preferred shares as part of AFS financial assets,

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## 9. Goodwill

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

In 2016, the power plants of SPPC and WMPC were fully contracted. However, the actual dispatch capacities were significantly lower than what was originally forecasted. Accordingly, the Group revised the assumed dispatchable capacity which significantly reduced the cash flow projections. As a result, the Group recognized impairment loss on goodwill amounting to ₱245 million in 2016. As at March 31, 2018 and December 31, 2017, the carrying amount of goodwill amounted to ₱807 million

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

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

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

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

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

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Deposit in interest reserve accounts	<b>₱294,449,377</b>	₱476,457,032
Creditable withholding tax	<b>214,294,701</b>	217,044,797
Prepayments	<b>82,463,173</b>	66,645,719
Input VAT	<b>25,127,834</b>	19,859,748
	<b>₱616,335,085</b>	<b>₱780,007,296</b>

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## 11. Accounts Payable and Other Current Liabilities

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Accounts payable	₱2,750,534,990	₱2,753,977,462
Accrued expenses	586,260,131	594,946,348
Payable to customers	25,686,113	28,256,745
Output tax and withholding tax payable	121,516,280	123,010,115
Advances from customers	27,441,600	27,441,600
Other current liabilities	157,676,517	226,061,877
	<b>₱3,669,115,631</b>	<b>₱3,726,252,547</b>

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

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

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

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## 12. Equity

### Capital Stock

	March 31, 2018		December 31, 2017	
	No. of shares	Amount	No. of shares	Amount
<b>Authorized</b>				
Common stock - ₱1 par value	11,945,000,000	₱11,945,000,000	11,945,000,000	₱11,945,000,000
Preferred stock - ₱0.01 par value	5,500,000,000	55,000,000	5,500,000,000	55,000,000
		<b>₱12,000,000,000</b>		<b>₱12,000,000,000</b>
<b>Common Shares</b>				
Issued and outstanding	6,291,500,000	₱6,291,500,000	6,291,500,000	₱6,291,500,000
<b>Preferred Shares</b>				
Subscribed	5,500,000,000	55,000,000	5,500,000,000	55,000,000
Subscriptions receivable		(19,616,665)		(19,616,665)
		<b>₱ 6,326,883,335</b>		<b>₱ 6,326,883,335</b>

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

The redeemable preferred shares have the following features:

- Redeemable preferred shares may only be issued or transferred to Filipino citizens or corporations or associations at least 60% of capital of such corporations or associations is owned by Filipino citizens.

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

All common and preferred shares have full voting rights.

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

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

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

#### Retained Earnings

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

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

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

On March 28, 2014, the BOD approved an additional appropriation of ₱850 million of the Parent

Company's retained earnings as at December 31, 2013 for its equity contribution to the following projects:

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

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

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

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

The Parent Company declared the following cash dividends:

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

Dividends on preferred shares amounting to ₱4 million in 2017, 2016 and 2015 were applied against the Parent Company's subscriptions receivable from Alcorp.

The share of non-controlling interests on the dividends declared by subsidiaries amounted to ₱0 and ₱225 million in 2018 and 2017, respectively.

The retained earnings is further restricted for dividend declaration to the extent of undistributed earnings of subsidiaries amounting to ₱1,041 million and ₱1,203 million as at March 31, 2017 and December 31, 2017, respectively.

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

	Three-Month Period Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
Net income attributable to equity holders of the parent	(₱19,749,992)	₱34,558,845
Dividends on preferred shares	-	(4,400,000)
Net income attributable to equity holders of the parent after dividends on preferred shares	(19,749,992)	30,158,845
Divided by the average number of common shares outstanding during the year	6,291,500,000	6,291,500,000
Basic/Diluted EPS	(₱0.003)	₱0.005

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### 13. Loans Payable

#### *Parent Company*

In 2017, the Parent Company availed of unsecured short-term loans from local banks totaling to ₱830 million. These loans are subject to annual interest rates ranging from 3.25% to 4.00% per annum and are payable on various dates within one year. Upon maturity in 2017, these loans were renewed by the Parent Company. As at March 31, 2018 and December 31, 2017, outstanding short-term loans amounted to ₱445 million and ₱476 million, respectively.

#### *MPC*

In 2017, MPC availed of a short-term, unsecured bank loan from Unionbank of the Philippines amounting to ₱100 million. The loan bears 3.875% interest rate. The said loan is still outstanding as at December 31, 2017.

In 2015, MPC availed of bank loans from Development Bank of the Philippines and Philippine National Bank amounting to ₱200 million and ₱100 million, respectively. The loans bears interest rates ranging from 4.0% to 4.8%. In 2016, MPC fully settled these bank loans.

#### *WMPC*

On April 20, 2017, WMPC availed of a bank loan from China Banking Corporation amounting to ₱100 million with interest rate of 4%. The loan was settled on December 18, 2017. On July 21, 2017, WMPC availed of a bank loan from Unionbank of the Philippines amounting to ₱50 million with interest rate of 3.875%. The said loan is outstanding as at December 31, 2017.

On November 9, 2016, WMPC availed of a bank loan from Development Bank of the Philippines amounting to ₱150 million with interest rate of 3.5%. The loan was settled on February 7, 2017

#### *SPPC*

On April 20, 2017, SPPC availed of a bank loan from China Banking Corporation amounting to ₱100 million with interest rate of 4%. The loan was settled on December 19, 2017.

On July 21, 2017, SPPC availed of a bank loan from Unionbank of the Philippines amounting to ₱50 million with interest rate of 3.875%. The said loan is still outstanding as at March 31, 2018 and December 31, 2017.

On December 5, 2016, SPPC availed of a bank loan from Development Bank of the Philippines amounting to ₱150 million with interest rate of 3.5%. The loan was settled on March 3, 2017.

#### *Sarangani*

On December 12, 2017, Sarangani availed of loan from local bank to be used as working capital amounting to ₱300 million with nominal interest rate of 4.50%. The short-term debt was settled on February 28, 2018.

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### 14. Financial Risk Management Objectives and Policies

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

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

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

#### Credit Risk

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

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

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

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

#### Liquidity Risk

Liquidity risk arises from the possibility that the Group encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

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

	March 31, 2018				
	On Demand	≤ 1 Year	>1-3 Years	> 3 Years	Total
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	₱3,547,599,351	₱-	₱-	₱-	₱3,547,599,351
Loans payable	-	998,011,257	-	-	998,011,257
Long-term debt	-	904,552,337	8,715,673,314	8,778,115,898	18,398,341,549
	<b>₱3,547,599,351</b>	<b>₱1,902,563,594</b>	<b>₱8,715,673,314</b>	<b>₱8,778,115,898</b>	<b>₱22,943,952,157</b>
<b>Financial Assets</b>					
Cash and cash equivalents	₱ 3,156,916,100	₱-	₱-	₱-	₱2,015,619,026
Short-term cash investments	-	272,187,100	-	-	272,187,100
Trade receivables	1,417,729,321	25,185,656	6,414,629	-	1,449,329,606
AFS financial assets	2,353,233,021	-	-	-	2,343,630,303
	<b>₱6,927,878,442</b>	<b>₱297,372,756</b>	<b>₱6,414,629</b>	<b>₱-</b>	<b>₱6,080,766,035</b>

\* Excluding statutory payables and other payable to government agencies

	March 31, 2017				
	On Demand	≤ 1 Year	>1-3 Years	> 3 Years	Total
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	₱1,788,721,878	₱94,207,214	₱-	₱-	₱1,882,929,092
Loans payable	-	551,479,118	-	-	551,479,118
Long-term debt	-	612,614,191	8,715,673,314	7,502,677,781	16,830,965,286
	<b>₱1,788,721,878</b>	<b>₱1,258,300,523</b>	<b>₱8,715,673,314</b>	<b>₱7,502,677,781</b>	<b>₱19,265,373,496</b>
<b>Financial Assets</b>					
Cash and cash equivalents	₱2,015,619,026	₱-	₱-	₱-	₱2,015,619,026
Short-term cash investments	-	55,036,967	-	-	55,036,967
Trade receivables	977,682,177	25,185,656	6,414,629	-	1,009,282,462
AFS financial assets	2,343,630,303	-	-	-	2,343,630,303
	<b>₱5,336,931,506</b>	<b>₱80,222,623</b>	<b>₱6,414,629</b>	<b>₱-</b>	<b>₱5,423,568,758</b>

\* Excluding statutory payables and other payable to government agencies

#### Equity Price Risk

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

#### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value.

The Group considers its total equity and debt reflected in the unaudited interim condensed consolidated balance sheet as its capital. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and raise additional. No changes were made in the objectives, policies or processes as at March 31, 2018 and December 31, 2017, respectively.

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

The Group's current ratio and debt-to-equity ratio as at March 31, 2018 and December 31, 2017 follow:

#### Current Ratio

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Current assets	₱7,991,401,157	₱6,083,801,756
Current liabilities	5,620,357,265	2,901,131,943
	<b>1.42:1</b>	<b>2.09:1</b>

Debt-to-Equity Ratio

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Long-term debt	₱18,398,341,549	₱18,709,921,947
Loans payable	998,011,257	975,708,681
Total debt	19,396,352,806	19,685,630,628
Equity attributable to equity holders of the parent	10,989,310,793	11,009,060,783
Other reserves	(2,494,305,135)	(2,494,305,135)
Adjusted equity	8,495,005,658	₱8,514,755,648
	<b>2.28:1</b>	<b>2.31:1</b>

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**15. Financial and Non-financial Instruments**

The Group uses the following hierarchy for determining and disclosing the fair value of financial and non-financial instruments by valuation technique:

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

During the three-month periods ended March 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

### **RESULTS OF OPERATIONS**

The three months financial results showed ₱1,678 million revenues, slightly higher than the ₱1,648 million revenues in 2017. SEC 1 operations continue to generate revenues for ACR while the existing diesel plants that are currently operating as merchants and with some of their bilateral contracts were no longer renewed. The Company is currently looking into opportunities where some of its diesel engines are best utilized.

Cost of goods sold and services was slightly lower in 2018 at ₱1,177 million from last year's ₱1,185 million due mainly to the lower fuel costs as a result of lower energy delivered this year. Gross profit improved this year by 8% from ₱463 million in 2017 to 501 million this year and gross profit rate from 28% to 29%.

General and administrative expenses increased by 15% from ₱79.8 million to ₱91.8 million this year. The continued expansion of SEC increased the administrative costs when some of the corporate re-organization was implemented last year.

Net finance charges this year was at ₱255 million compared to last year's ₱270 million. The partial pre-payment of long-term debt of the Parent this year and settlement of short-term loans before the end of last year caused the decline in finance charges.

Due to lower costs and finance charges this year, net income improved to ₱103 million from last year's ₱82 million. However, Parent net income was a loss at ₱20 Million against the ₱35 million income earned in the same period last year. The earnings attributable to the parent from SEC is now reduced into half due to the partial divestment of ATEC last year. This divestment however allowed ACR's partnership with GBP wherein the Company believes that this endeavor will greatly benefit power consumers particularly in light of the planned interconnection of the Mindanao and Visayas grids. The partnership will also give ACR the opportunity to pursue with greater strength its energy-based projects, particularly its renewable power generating plants in Mindanao and Western Visayas. This will also allow ACR to accelerate its foray and entry in other energy-related enterprises in Southern Philippines, including the smaller islands with promising growth in power demands.

### **REVIEW OF FINANCIAL POSITION**

ACR and Subsidiaries continue to post strong balance sheets with total assets of ₱37,961 million, from ₱38,237 million at the end of 2017.

Current assets decreased from ₱9,257 million to ₱7,991 million brought about by the lower cash and cash equivalents during the period. The decline in cash was due to the partial pre-payment of long-term debt in March this year amounting to ₱1.4 billion.

On the other hand, non-current assets increased 3% from ₱28,980 million to ₱29,970 million. This is due largely to the increase in property, plant and equipment resulting from the on-going construction of phase 2 of SEC power plant during the period.

Total liabilities amounted to ₱24,029 million, lower than the ₱24,407 million reported at the end of 2017. The decrease in long-term due to partial pre-payment made by the parent resulted to the decrease in total liabilities.

As of March 31, 2018, ACR's current ratio decreased from 1.92:1 to 1.42:1 and its debt to equity ratio also increased to 2.28:1 from 2.01:1 last year.

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

i. Causes of the material changes (5% or more) in balances of relevant accounts as of March 31, 2018 compared to December 31, 2017 are as follows:

a) **Cash and Cash Equivalents** – Decreased 28%

The decrease is mainly due to the partial re-payment of a long term debt by the parent company to minimize finance charges.

b) **Short-term Cash Investments** – Increased 5%

The increase is due mainly to the additional placements made during the period.

c) **Trade and other receivables** – Increased 6%

The increase is due mainly to the timing of collection of trade receivables during the period.

d) **Spare Parts and Supplies** – Decreased 5%

The decrease is due mainly to the spare parts billed-up of Sarangani Energy during the period as well as usage of the SPPC, MPC and WMPC for their regular maintenance.

e) **Prepaid Expenses and Other Current Assets** – Decreased 21%

The decrease was due to the timing of payments of creditable withholding and valued added taxes.

f) **Accounts Payable and Accrued Expenses** – Decreased 2%

The timing of payments of trade payables led to the decrease in this account during the period.

g) **Income Tax Payable** – Increased 151%

Timing of payments of income tax payable led to the increase in this account during the period.

h) **Noncontrolling Interest** – Increased 4%

The share on noncontrolling interest in consolidated net income during the period caused the increase in this account.

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

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

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

## **PART II – OTHER INFORMATION**

### **Other Required Disclosures**

1. The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2017.
2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD&A, there were no other issuances, repurchases and repayments of debt and equity securities.
5. There were no material events subsequent to June 30, 2016 up to the date of this report that needs disclosure herein.
6. There were no changes in the composition of the Company during the interim period such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
7. There were no changes in contingent liabilities or contingent assets since December 31, 2016.
8. There are no material contingencies and other material events or transactions affecting the current interim period.
9. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.
10. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact to the Company.
11. There is no significant element of income or loss that did not arise from the Company's continuing operations.
12. There are no known seasonal or cyclical aspects that had a material effect on the financial condition or results of operations for the interim period.
13. There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources for such expenditures.
14. Any seasonal aspects that had a material effect on the financial condition or results of operations.

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

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

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

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

### SIGNATURES

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

**ALSONS CONSOLIDATED RESOURCES, INC.**

Issuer

By:

Registrant :

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

Date:

5/11/18

Date:

5/11/18

  
ROBERT F. YENKO  
Chief Financial Officer

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES  
ACCOUNTS RECEIVABLES  
AS OF MARCH 31, 2018

Attachment A

Type of Accounts Receivable:	TOTAL	1month	2-3months	4-6months	7months to 1year	1-2years	3-5years	5years and above	Past due Accounts
<b>a) Accounts Receivable – Trade</b>									
1 Power	1,324,751,161	788,421,420	206,483,168	97,777,066	197,375,535	34,693,973	7,140,534	63,990,751	
2 Real Estate	87,270,946	171,291	442,359	1,928,927	1,946,077	12,551,007	1,802,112	1,056,613	
3 Rental	5,557,922	497,327	244,841	330,140	585,558	1,041,331			31,749,577
4 Plywood Hardiflex, agri & Ind'l	31,749,577								
<b>Subtotal</b>	<b>1,449,329,606</b>	<b>789,050,038</b>	<b>207,170,368</b>	<b>99,136,133</b>	<b>199,307,170</b>	<b>48,286,311</b>	<b>8,942,646</b>	<b>-</b>	<b>-</b>
<b>Less: Allow. For Doubtful Accounts</b>	<b>78,164,463</b>	<b>789,090,038</b>	<b>207,170,368</b>	<b>99,136,133</b>	<b>199,307,170</b>	<b>48,286,311</b>	<b>8,942,646</b>	<b>-</b>	<b>-</b>
<b>Net: Trade Receivables</b>	<b>1,371,165,143</b>								<b>18,632,479</b>
<b>b) Accounts Receivable – Others</b>									
1 Advances affiliates/project developer/joint venture	1,215,181,560	20,967,402	30,060,190	156,339,200	20,154,074	20,095,390	56,751,716	910,789,589	
2 Advances contractors and suppliers	21,636,050	110,000	2,321,793	4,495,611	14,708,646				
3 Accrued interest									
4 Advances officers & employees	4,200,685	142,918	39,533	747,210	1,026,488	2,187,333	57,203	604,499	
5 Miscellaneous and other receivables	47,675,605		2,577,498			4,141,156	40,352,452		
<b>Total Accounts Receivable – Others</b>	<b>1,288,693,900</b>	<b>21,220,320</b>	<b>35,019,015</b>	<b>161,582,021</b>	<b>35,889,208</b>	<b>26,427,877</b>	<b>97,161,372</b>	<b>911,394,088</b>	<b>-</b>
<b>Less: Allow. For Doubtful Accounts</b>	<b>5,271,357</b>	<b>21,220,320</b>	<b>35,019,015</b>	<b>161,582,021</b>	<b>35,889,208</b>	<b>26,427,877</b>	<b>97,161,372</b>	<b>5,271,357</b>	<b>-</b>
<b>ACCOUNTS RECEIVABLE- NET (a + b)</b>	<b>2,654,587,686</b>	<b>810,310,358</b>	<b>242,189,383</b>	<b>260,718,153</b>	<b>235,796,378</b>	<b>74,714,187</b>	<b>105,104,018</b>	<b>924,755,209</b>	<b>-</b>

Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
<b>1. Trade receivable</b>		
a) Power	Receivable arising from sale of power to NFC	30 days
b) Lots	Sale of residential lots	3 to 10 years
c) Rental	Office, parking & warehouse rental	30 days
d) Plywood Hardiflex, agri & Ind'l	Sale of ecowood, fiber cement board, Agri & Industrial products	38,58 & 130 days
<b>2. Non-Trade receivable</b>		
a) Advances Officers & Employees	Cash advances for business expenses	30 days
b) Advances Operators/Contractors	Advances made to operators/contractors	30 days
c) Accrued Interest	Interest on temporary investments	30 – 30 days
d) Others	Advances to various and other entities for business/investment development and routine inter-company transactions.	30 days – 2 years

ALSONS CONSOLIDATED RESOURCES, INC AND SUBSIDIARIES  
Supplemental Schedules  
As of March 31, 2018

## Attachment B

Title of Issue and Type of Obligation	Loans Payable in the Balance Sheet	Current Portion of the Long-Term Debt in the Balance Sheet	Interest Rates	Term	Maturity	Non-Current Portion of Long-Term Debt in the Balance Sheet
Parent Company						
Development Bank of the Phils.		11,300,000	Fixed 7.243%		3. Dec. 2020	2,789,744,228
Land Bank of the Philippines		7,000,000	Fixed 7.243% and 7.92%		3. Dec. 2020 and 3. Dec. 2022	1,303,431,476
Roberts Bank Corporation		7,000,000	Fixed 7.243% and 7.92%		3. Dec. 2020 and 3. Dec. 2022	776,349,725
Social Security System						398,534,889
SSS Provident Fund		700,000	Fixed 7.92%		3. Dec. 2022	53,722,879
Easystribo Inc.						
SBL Markina Shoe Exchange Corp.	20,331,939.04					
Missionary Sisters of Immaculate Heart	10,415,969.03					
Pag-asa Human Development Foundation Inc.	6,182,958.23					
St. Louis School Inc.	6,011,586.64					
SBL Markina Shoe Exchange Corp.	3,238,788.19					
Metropolitan Bank and Trust Company	20,574,158.31					
Metropolitan Bank and Trust Company	57,000,000.00					
Stella Maris College	7,103,907.46					
Metropolitan Bank and Trust Company	15,800,000.00					
Metropolitan Bank and Trust Company	24,000,000.00					
Metropolitan Bank and Trust Company	65,800,000.00					
St. Therese's College-QC	15,184,034.38					
Missionary Sisters of Immaculate Heart	11,534,980.72					
St. Augustine's School Inc.	4,670,509.03					
Jardillon Victoria &/or Brito, Dinh, Majar, &or	5,223,115.13					
Jardillon, Sebastian	20,892,460.47					
Marketrach Corporation	17,758,561.39					
Shoepeal Inc.	14,227,347.01					
Missionary Sisters of Immaculate Heart	40,800,000.00					
Metropolitan Bank and Trust Company	5,046,875.00					
Stella Maris College	2,197,260.62					
St. Augustine's School Inc.	3,028,125.00					
Multinational Foundation Inc.	80,000,000.00					
Metropolitan Bank and Trust Company						
Sarrangani Energy Corp.						
Banco de Oro		371,707,743	Fixed 8.06%		6,281,487,251	
RCBC		72,883,871	Fixed 8.06%		1,235,282,745	
UCPB		72,883,871	Fixed 8.06%		1,228,847,850	
Asia United Bank		109,325,806	Fixed 8.06%		1,843,271,776	
Philippine Business Bank		36,441,935	Fixed 8.06%		592,356,637	
China Bank Savings		7,286,387	Fixed 8.06%		123,528,275	
Robinson Savings Bank		7,286,387	Fixed 8.06%		123,528,275	
RCBC		300,000,000	Fixed 5.50%		25, May. 2018	
Mapalad Power Corporation						
Banco de Oro		207,732,337	Fixed 6.25%		15, Aug. 2019	143,721,006
Western Mindanao Power Corp.						
Development Bank of the Phils.						
Development Bank of the Phils.	101,156,925					
Southern Philippines Power Corp.	50,580,802					
Development Bank of the Phils.						
TOTAL	101,156,925					
			3.9375% (inclusive of GRT))		8. Jun. 2018	
			3.9375% (inclusive of GRT))		16, May, 2018	
			3.9375% (inclusive of GRT))			
						Php17,493,759.212

**Alsons Consolidated Resources, Inc. and Subsidiaries**  
**Schedule of Financial Soundness**

**Attachment C**

Financial KPI	Definition	Three Months Ended March 31	
		2018	2017
<b>Liquidity</b>	Current Assets	1.42:1	1.92:2
	Current Liabilities		
<b>Solvency</b>	Long-term debt (net of unamortized transaction costs)+Loans Payable	2.28:1	2.0:1
	(Capital Stock-Non-controlling interest+RE)		
<b>Interest Rate Coverage Ratio</b>	Earnings Before Interest and Taxes	1.67:1	1.34:1
	Interest Expense		
<b>Profitability Ratio</b>	Net Income	0.01%	0.08%
	Total Average Stockholders' Equity		
<b>Asset-to-Equity Ratio</b>	Total Assets	2.72:1	2.87:1
	Total Equity		