ALSONS CONSOLIDATED RESOURCES, INC.
Php 2,500,000,000 Commercial Paper Program

First Tranche:
Php 1,500,000,000 Commercial Paper
90, 180, 360 days Tenor
Issue Price: Discount to face value

Alsons Consolidated Resources, Inc. ("ACR", the "Company" or the "Issuer") is authorized by the Securities and Exchange Commission to issue up to Php 1,500,000,000 worth of commercial papers, as part of a Php2, 500,000,000 shelf registration. The Php2,500,000,000 shelf registration will be issued in one or more tranches (the "CP Program") with Php 1,500,000,000 Commercial Paper to be issued for the First Tranche of the CP Program. The First Tranche will have the following tenors: 90 days, 180 days, and 360 days for Series A, B and C, respectively. Series A, B and C of the First Tranche will carry Discount Rates of 4.86%, 5.54% and 6.38% respectively, calculated on a true-discount basis. (See "Terms and Description of the CPs – Discount Rate"). The minimum denomination on the initial issuance for Series A, B and C will be Php5,000,000, Php5,000,000 and Php500,000, respectively.

The Commercial Papers ("CPs") shall be offered to the public at discount to face value and in tranches through the Underwriter and the Selling Agents as may be named below subject to certain conditions in the Issue Management and Underwriting Agreement executed between the Issuer and the Issue Manager/Underwriter. The CPs are intended to be listed at the Philippine Dealing & Exchange Corp. (PDEx) for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants. The Issuer has been assigned a credit rating of PRS A plus (Corp.) by the Philippine Ratings Services Corporation ("PhilRatings" or "PRS") on May 18, 2018. A credit rating is not a recommendation to buy, sell, or hold the securities and may be subject to revision, suspension, or withdrawal at any time by PhilRatings.

Sole Issue Manager, Lead Arranger and Underwriter

Multinational Investment Bancorporation

September 25, 2018

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

ALSONS CONSOLIDATED RESOURCES, INC.
ALSONS BUILDING, 2286 DON CHINO ROCES AVENUE
MAKATI CITY 1231, PHILIPPINES
+632 982 3000

ACR is offering the CPs in the aggregate face value of up to ₱2,500,000,000.00 to be issued in tranches. The First Tranche of the CP Program, with an aggregate face value of up to ₱ 1,500,000,000.00 (the "CPs" or the "Offer") shall be issued on **October 26, 2018** (the "Issue Date"). The succeeding tranche/s of the CP Program are proposed to be issued under a shelf registration within three (3) years from the date of the effectivity of the RS.

The First Tranche will have the following tenors: 90 days, 180 days, and 360 days for Series A, B and C, respectively. Series A, B and C of the First Tranche will carry Discount Rates of 4.86%, 5.54% and 6.38%, respectively, calculated on a true-discount basis. (See "Terms and Description of the CPs – Discount Rate").

Below is an illustration of the computation of the Offer Price for an Issuance:

Offer Price Computation [1]

	Series A	**Series B**	**Series C**
Tenor (in Days)	90	180	360
Discount Rate	4.86%	5.54%	6.38%
Cost Breakdown			
Face Value	5,000,000.00	5,000,000.00	500,000.00
Discount	(60,020.75)	(134,766.96)	(29,986.84)
Tax on Discount	12,004.15	26,953.39	5,997.37
Cost	4,951,983.40	4,892,186.44	476,010.53
Offer Price	99.039668%	97.843729%	95.202106%

After the close of the Offer and within three (3) years following the issuance of the CPs, the Company may, at its sole discretion, offer any or all of the remaining balance of the face value of the CPs covered by such registration statement, in one or more subsequent series under Rule 8.1.2 of the Implementing Rules and Regulations of the Securities Regulation Code. Such shelf registration provides the Company with the ability to take advantage of opportunities in a volatile debt capital market, as these occur, and to issue CPs depending on its financing needs. Subsequent issuances are subject to a rating by PRS.

The CPs will be unsecured obligations of the Company and will rank *pari passu* without any preference amongst themselves and at least *pari passu* with other unsecured and unsubordinated obligations of the Company, present and future, other than obligations preferred by law. The CPs will be effectively subordinated in right of payment to all secured debt of the Company to the extent of the value of the

[1] *This is a sample computation only*

assets securing such debt and all debt that is evidenced by a public instrument under Article 2244(14) of the Civil Code of the Philippines.

The Company expects the net Offer proceeds of the First Tranche to amount to approximately **Php1,383,735,546.11**. Such proceeds will be used by the Company to settle its short-term obligations and partially fund various hydroelectric power project developments. See *"Use of Proceeds"* on page40. The Sole Issue Manager, Arranger and Underwriter will receive 0.50% per annum of the face value of the CPs issued. Such amount shall be inclusive of the underwriting and selling agency fees, if applicable, and shall be deductible from the net proceeds of the Offering.

The Company was incorporated 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.

ACR's core businesses, conducted through its various subsidiaries and associates, are grouped into main categories consisting of Energy and Power, Property Development, and Other Investments.

ACR's investment in the Energy and Power business is through four holding firms, namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation, and Alsons Thermal Energy Corporation.

The Company is also engaged in property development through its subsidiaries, Alsons Land Corporation and Kamanga Agro-Industrial Economic Development Corporation.

Declaration of dividends is subject to approval by the Board of Directors. Management continuously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends from 20% of the previous year's un-appropriated retained earnings. See "Dividends" on page 91.

Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board, having made all reasonable inquiries, accepts full responsibility for the information contained in this Prospectus and confirms that this Prospectus contains all material information with regard to the Company, its business and operations and the CPs, which as of the date of this Prospectus is material in the context of the Offer; that, to the best of its knowledge and belief as of the date hereof, the information contained in this Prospectus are true and correct and is not misleading in any material respect; that the opinions and intentions expressed herein are honestly held; and, that there are no other facts, the omission of which makes this Prospectus, as a whole or in part, misleading in any material respect. The delivery of this Prospectus shall not, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Multinational Investment Bancorporation, the Sole Issue Manager, Arranger and Underwriter, warrants that it has, to the best of its ability, exercised the level of due diligence required under existing regulations in ascertaining that all material information contained in this Prospectus are true and correct, and that to

the best of its knowledge, no material information was omitted, which was necessary in order to make the statements contained in this Prospectus not misleading.
Market data and certain industry information used throughout this Prospectus were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified and neither the Company nor the Sole Issue Manager, Arranger and Underwriter makes any representation as to the accuracy and completeness of such information.

In making an investment decision, applicants are advised to carefully consider all the information contained in this Prospectus, including the following key points characterizing potential risks in an investment in the CPs:

Risks relating to the Company and its business

- Risk relating to Foreign Exchange Rate Fluctuations
- Risk relating to the changes in market interest rates
- Risk relating to the Company's liquidity
- Risk relating to counterparty's creditworthiness
- Risks relating to the cost and completion of projects
- Risk relating to the possible malfunctions and failures in operations
- Risk relating to insufficient funds to finance projects
- Risk relating to the delay or failure in the operations of the Power plants
- Risk relating to the successful implementation of business plans and strategies
- Risk relating to the reputation of Directors and Officers of the Company
- Risk relating to foreign ownership limitations
- Risk relating to regulatory compliance
- Risk relating to market competition
- Risk relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law
- Risk relating to the listing of the CPs in the PDEx
- Risk relating to the collateralization of assets for loans obtained
- Risk relating to involvement in certain regulatory matters which may result in contingent liabilities
- Risk relating to acts of terrorism
- Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds
- Risk relating to the factors considered by PhilRatings in its credit rating report

General Risks

- Risk relating to political or social instability
- Risk relating to a possible slowdown in the Philippine economy
- Risk relating to natural catastrophes and calamities

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than the major securities markets

- Price Risk – the CPs' market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" beginning on page 23 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectation and projections about future events and financial trends affecting its business and operations. Words including, but not limited to "believe", "may", "will", "estimates", "continues", "anticipates", "intends", "expects" and similar words are intended to identify forward-looking statements. In light of the risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances in this Prospectus may or may not occur. The Company's actual results could differ significantly from those anticipated in the Company's forward-looking statements.

The contents of this Prospectus are not to be considered as legal, business or tax advice. Each prospective purchaser of the CPs receiving a copy of this Prospectus acknowledges that he has not relied on the Sole Issue Manager, Arranger and Underwriter or Selling Agents in his investigation of the accuracy of such information or his investment decision. Prospective purchasers should consult their own counsel, accountants or other advisors as to legal, tax, business, financial and related aspects of a purchase of the CPs.

The CPs are offered solely on the basis of the information contained and the representations made in this Prospectus. No dealer, salesman or other person has been authorized by the Company or by the Sole Issue Manager, Arranger and Underwriter to issue any advertisement or to give any information or make any representation in connection with the Offer other than those contained in this Prospectus and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Sole Issue Manager, Arranger and Underwriter.

The laws of certain jurisdictions may restrict the distribution of this Prospectus and the offer and sale of the CPs. Persons into whose possession this Prospectus or any of the CPs come must inform themselves about, and observe any such restrictions. Neither the Company, the Issue Manager/Underwriter and the Selling Agents, nor any of its or their respective representatives are making any representation to any prospective purchaser of the CPs of the legality of any investment in the CPs by such prospective purchaser under applicable legal investment or similar laws or regulations.

The Company is organized under the laws of the Republic of the Philippines. Its principal office is located at Alsons Building, 2286 Chino Roces Avenue, Makati City 1231, Philippines, with telephone number +632 982 3000. Any inquiry regarding this Prospectus should be forwarded to the Company or to Multinational Investment Bancorporation.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED THEREIN IS TRUE AND CURRENT.

ALSONS CONSOLIDATED RESOURCES, INC.

By:

TIRSO G. SANTILLAN, JR.	**ROBERT F. YENKO**
Executive Vice President	Chief Financial Officer

SUBSCRIBED AND SWORN to before me this SEP 26 2018 th day of ________ 2018 in CITY OF MAKATI, METRO MANILA, Philippines, affiants exhibiting to me their respective N17-72-000977 / N01-16-031117, issued respectively on 02-12-2018 / 10-12-2016 in LTO, Q.C.

Doc. No 346;
Page No 71;
Book No IV;
Series of 2018.

ANGEL M. ESGUERRA, III
NOTARY PUBLIC
ROLL NO. 34787
MAKATI CITY, PHILIPPINES

ANGEL M. ESGUERRA, III
Commission No. M-184
Notary Public for Makati City
Until December 31, 2019
Roll No. 34787; 06-01-1987
Lifetime IBP No. 00259; 06-01-1995; Pasay Chapter
PTR No. 6614781; 01-04-2018; Makati City
Alsons Bldg., 2286 Chino Roces Extension, Makati City

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DEFINITION OF TERMS

ACES..............................	Aces Technical Services Corporation
ACR................................	Alsons Consolidated Resources, Inc.
Alsing............................	Alsing Power Holdings, Inc. one of the four holding firms of Alsons under its Energy and Power business
ADIC or ALDEVINCO............	Alsons Development and Investment Corporation
Alsons............................	Alsons Consolidated Resources, Inc.
AREC.............................	Alsons Renewable Energy Corporation, one of the four holding firms of Alsons under its Energy and Power business
ATEC.............................	Alsons Thermal Energy Corporation, one of the four holding firms of Alsons under its Energy and Power business
Banking Day................	A day (except Saturdays, Sundays and holidays) on which banks in the Philippines are open for business
BIR.................................	Bureau of Internal Revenue
BOO...............................	"Build-Operate-Own" agreement
BSP...............................	Bangko Sentral ng Pilipinas, the central bank of the Philippines
Company.....................	Alsons Consolidated Resources, Inc.
Conal or CHC	Conal Holdings Corporation, one of the four holding firms of Alsons under its Energy and Power business
Corporation Code...............................	Batas Pambansa Blg. 68, otherwise known as "The Corporation Code of the Philippines"
CPs.................................	The Commercial Papers which are evidence of indebtedness registered with the SEC with maturity of three hundred and sixty five (365) days or less
CP Holder.....................	A purchaser of the CPs
CP Program	The Php2,500,000,000 shelf registration which will be issued in one or more tranches
CSP................................	Competitive Selection Process

DENR..............................	Philippine Department of Environment and Natural Resources
Directors........................	The members of the Board of Directors of the Company
Eagle Ridge	The Eagle Ridge Golf & Residential Estate
ECA................................	Energy Conversion Agreement
EPC................................	Engineering, Procurement and Construction is a form of arrangement where the EPC Contractor is responsible for all the activities from design, procurement, construction to handover to the Owner
ERC................................	Energy Regulatory Commission
First Tranche..................	The first issuance of the Commercial Paper
Government..................	The Government of the Republic of the Philippines
GRT.................................	Gross receipts tax
Issue Date.......................	A date at which the CPs or a portion thereof shall be issued by the Issuer, which date shall be set by the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter. For the avoidance of doubt, an Issue Date shall at any time be a date which is within the validity of the SEC Permit to Sell.
Issuer	Alsons Consolidated Resources, Inc.
Kalaong..........................	Kalaong Hydro Power Corporation
Listing Date....................	The date at which the CP shall be listed with PDEx
MPC................................	Mapalad Power Corporation
NEA.................................	National Electrification Administration
NPC.................................	National Power Corporation
Non-QIB	Not a Qualified Institutional Buyer
O & M..............................	Operation and Maintenance
Offer...............................	Up to Php 1,500,000,000 Commercial Papers
Offer Price.......................	Discount to face value

Offtake Agreement / Power Supply Agreement/ Power Sales Agreement / PSA................................	A contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer)
₱ or Php or P....................	Philippine Pesos, the lawful currency of the Republic of the Philippines
PDEx..................................	Philippine Dealing & Exchange Corp.
PDST-R2.............................	PDS benchmark reference rates as reported in the website of the PDS Group (http://www.pds.com.ph/)
PDTC..................................	The Philippine Depository and Trust Corporation
PEZA..................................	Philippine Economic Zone Authority
PFRS..................................	Philippine Financial Reporting Standards
Philratings.........................	Philippine Ratings Services Corporation
Prospectus.........................	This Prospectus together with all its annexes, appendices and amendments, if any
QIB.....................................	Qualified Institutional Buyer
Sarangani..........................	Sarangani Energy Corporation
SEC......................................	The Philippine Securities and Exchange Commission
Siguil.................................	Siguil Hydro Power Corporation
Subsequent Issuance........	Issuances subsequent to the Initial Issuance
Sole Issue Manager and Arranger..................	Multinational Investment Bancorporation
SPPC................................	Southern Philippines Power Corporation
SRC..................................	Republic Act No. 8799, otherwise known as "The Securities Regulation Code"
SRPI.................................	San Ramon Power, Inc.
TDF	Term Deposit Facility. The TDF is a key liquidity absorption facility, commonly used by Central Banks for liquidity management. Due to the BSP's inability to issue its own debt instruments, the TDF will be tasked

	to withdraw a large part of the structural liquidity from the financial system to bring market rates closer to the BSP policy rate.
TTC..................................	Toyota Tsusho Corporation
Underwriter and Issue Manager	Multinational Investment Bancorporation
Underwriting Agreement........................	The agreement entered into by and between the Company and the Underwriter, indicating the terms and conditions of the Offer and providing that the Offer shall be fully underwritten by the Underwriter
VAT....................................	Value Added Tax
WMPC...............................	Western Mindanao Power Corporation

EXECUTIVE SUMMARY

The following summary does not purport to be complete and is taken from and qualified in its entirety by the more detailed information including the Company's financial statements and notes relating thereto, appearing elsewhere in this Prospectus. For a discussion of certain matters that should be considered in evaluating any investment in the CPs, see the section entitled "Risk Factors" beginning on page 23 of this Prospectus.

OVERVIEW OF THE COMPANY

The Company was incorporated 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 Alcantara Group owns 79.97% of the outstanding common shares of ACR through Alsons Corporation (41.21%), Alsons Power Holdings Corporation (19.87%) and Alsons Development and Investment Corporation (18.89%).

ACR's core businesses, conducted through its various subsidiaries and associates, are grouped into main categories consisting of Energy and Power, Property Development, and Other Investments.

ACR's investment in the Energy and Power business is through four holding firms, namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation, and Alsons Thermal Energy Corporation.

The Company has four operating power generation subsidiaries, namely, Western Mindanao Power Corporation ("WMPC"), Southern Philippines Power Corporation ("SPPC"), Mapalad Power Corporation ("MPC"), and Sarangani Energy Corporation ("Sarangani"), all of which are located in Mindanao. ACR, through its subsidiaries, is also conducting feasibility studies on renewable energy projects. The 105 MW Phase 1 of Sarangani's 210 MW coal-fired power project started commercial operations last April 29, 2016. Sarangani's Phase 2 began construction in 2017 and is scheduled to be completed in 2019. The 105MW Coal-Fired Power Plant of San Ramon Power, Inc., in Zamboanga City, is currently under development. ACR also has a majority-owned subsidiary, Alto Power Management Corporation, which handles the operations and maintenance of power plant projects outside of the country.

The Company is also engaged in property development through its subsidiaries, Alsons Land Corporation and Kamanga Agro-Industrial Economic Development Corporation.

COMPETITIVE STRENGTHS

The Company believes that its strengths lie in the following:

- In-depth knowledge of the Mindanao region
- Experienced management team
- Proven track record in developing and operating greenfield power projects
- Enhanced competitiveness and sustainable growth
- Focused strategies

Additional information on the Company's Competitive Strengths may be found in the *"The Company"* beginning on page53.

BUSINESS STRATEGY

ACR's expansion strategy is driven by the needs of the Mindanao grid and is supported by long-term offtake agreements. The Company will position its diesel plants to perform roles that are not effectively and efficiently served by coal fired power plants. In addition, ACR will develop its pipeline of hydro power projects to round up its generation mix with renewable sources.

ACR's expansion will:

- Allow it to provide a complete power solution to the Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types
- Enhance competiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source.

RISKS OF INVESTING

Before making an investment decision, investors should carefully consider the risks associated with an investment in the CPs. These risks include:

Risks relating to the Company and its business

- Risk relating to Foreign Exchange Rate Fluctuations
- Risk relating to the changes in market interest rates
- Risk relating to the Company's liquidity
- Risk relating to counterparty's creditworthiness
- Risks relating to the cost and completion of projects
- Risk relating to the possible malfunctions and failures in operations
- Risk relating to insufficient funds to finance projects
- Risk relating to the delay or failure in the operations of the Power plants
- Risk relating to the successful implementation of business plans and strategies
- Risk relating to the reputation of Directors and Officers of the Company
- Risk relating to foreign ownership limitations
- Risk relating to regulatory compliance
- Risk relating to market competition
- Risk relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law
- Risk relating to the listing of the CPs in the PDEx
- Risk relating to the collateralization of assets for loans obtained
- Risk relating to involvement in certain regulatory matters which may result in contingent liabilities
- Risk relating to acts of terrorism
- Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds
- Risk relating to the factors considered by PhilRatings in its credit rating report

General Risks

- Risk relating to political or social instability
- Risk relating to a possible slowdown in the Philippine economy
- Risk relating to natural catastrophes and calamities

Risks Relating to the Commercial Papers

- Liquidity Risk – the Philippine securities markets are substantially smaller, less liquid and more concentrated than major securities markets
- Price Risk – the CPs market value moves (either up or down) depending on the change in interest rates
- Retention of Ratings Risk – there is no assurance that the rating of the CPs will be retained throughout the life of the CPs

For a more detailed discussion on the risks in investing, see section on "*Risk Factors*" beginning on page 23 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the CPs.

CORPORATE INFORMATION

The Company's principal office is located at Alsons Building, 2286 Chino Roces Avenue, Makati City 1231, Philippines with telephone number +632 982 3000.

SUMMARY FINANCIAL INFORMATION

The selected financial information set forth in the following table has been derived from the Company's audited consolidated financial statements for fiscal years ended December 31, 2017, 2016, and 2015 and the unaudited interim condensed consolidated financial statements as at March 31, 2018. These should be read in conjunction with the financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition" and other financial information included herein.

The Company's financial statements were prepared by SyCip Gorres Velayo & Co. (SGV) a member practice of Ernst & Young Global, in accordance with PFRS. The summary financial information set out below does not purport to project the results of operations or financial condition of the Company for any future period or date.

Income Statement

INCOME STATEMENT DATA (in Php millions)				
Consolidated Income Statement	**Mar 2018**	**2017**	**2016**	**2015**
Revenues	1,678	6,519	7,107	5,022
Cost and Expenses	1,521	5,145	5,215	3,506
Other Income/ (Charges)	2	(1,092)	(978)	(384)
Income/ (Loss) Before Tax and Other Items	**156**	**281**	**913**	**1,131**
Provision for (Benefit From) Income Tax	53	178	277	440
Net Income	**103**	**103**	**636**	**691**

Consolidated Financial Position

CONSOLIDATED FINANCIAL POSITION DATA (in Php millions)				
	Mar 2018	**2017**	**2016**	**2015**
ASSETS				
Current Assets	7,991	9,257	6,084	7,903
Noncurrent Assets	29,970	28,980	24,726	22,263
Total Assets	***37,961***	***38,237***	***30,810***	***30,166***
LIABILITIES AND EQUITY				
Current Liabilities	5,620	5,590	2,910	2,025
Noncurrent Liabilities	18,408	18,817	17,188	17,541
Total Liabilities	***24,029***	***24,407***	***20,098***	***19,566***
Total Equity	***13,933***	***13,830***	***10,712***	***10,600***
Total Liabilities and Equity	***37,961***	***38,237***	***30,810***	***30,166***

THE OFFER

The following do not purport to be a complete listing of all the rights, obligations and privileges of the CPs. Some rights, obligations or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective note holders are enjoined to perform their own independent investigation and analysis of the Issuer and the Commercial Papers. Each prospective note holder must rely on its own appraisal of the Issuer and the proposed financing and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to participate in the proposed financing and must not rely solely on any statement or the significance, adequacy or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective note holder's independent evaluation and analysis.

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Prospectus. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the CP. Accordingly, any decision by a prospective investor to invest in the CPs should be based on a consideration of this Prospectus as a whole, which provides the material rights, obligations and privileges of a CP Holder. Should there be any inconsistency between the summary below and the final documentation, the final documentation shall prevail.

The following are the terms and conditions of the First Tranche:

Issuer	:	Alsons Consolidated Resources Inc.
Instrument	:	Negotiable Commercial Papers registered with the SEC
Issue Size	:	Up to ₱ 1,500,000,000.00 to be issued in one lump sum or multiple issuances at the determination of the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter.
Sole Issue Manager, and Arranger, and Underwriter	:	Multinational Investment Bancorporation
Use of Proceeds	:	Payment of Short-Term Obligations and Partial Funding of various hydroelectric power project developments
Issue or Offer Price	:	Discount to face value of the CPs
Initial Issuance	:	The initial issuance of the First Tranche
Issue Date	:	In one or more dates to be set by the Issuer in consultation with the Sole Issue Manager, and Arranger and Underwriter on a "when and as needed" basis. The target issue date for the Initial Issuance of the First Tranche is 4th quarter 2018. For the avoidance of doubt, an Issue Date shall at any time be any date which is within the validity of the SEC Permit to Sell.

Tenor/Term of the Initial Issuance	:	Up to three hundred sixty (360) days; provided portions of the issuance of the CPs may, as determined by the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter, have the following tenor/term. The day count convention is Actual/360. Series A: 90 days Series B: 180 days Series C: 360 days
Tenor for Subsequent Issuance/s	:	A minimum of ninety (90) days
Denomination on Initial Issuance	:	For Series A and B: Minimum of Pesos: Five Million (P5,000,000) face value and increments of Pesos: One Hundred Thousand (P100,000) For Series C: Minimum of Pesos: Five Hundred Thousand (P500,000) face value and increments of Pesos: One Hundred Thousand (P100,000)
Minimum Denomination for Secondary Trading	:	Minimum of Pesos: One Hundred Thousand (Php 100,000) face value and increments of Pesos: Ten Thousand (Php 10,000)
Discount Rate for Initial Issuance	:	The sum of the Base Rate and the Credit Spread determined prior to the Issue Date (the "Rate Setting Date") The following are the discount rates for the Initial Issuance based on the benchmark rate plus a credit spread Series A: 4.86% Series B: 5.54% Series C: 6.38%
Discount Rate of Subsequent Issuance/s	:	The discount rate of the subsequent issuance/s shall be set by the Issuer in consultation with the Issue Manager and Arranger
Base Rate	:	The base rate is the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor; or b) the rate of the closest tenor of the Term Deposit Facility of the BSP The PDST-R2 Reference for each series is as follows: Series A: PDST-R2 3Mos Series B: PDST-R2 6Mos Series C: PDST-R2 12Mos

Credit Spread	:	The Credit Spread for the Initial Issuance of each series is as follows: Series A: up to 200 bps Series B: up to 200 bps Series C: up to 200 bps
Discount Rate Computation	:	The Interest/Discount Rate will be calculated on a true-discount basis
Manner of Purchase	:	The CPs will be available for sale from the Sole Underwriter and Selling Agents, if any, subject to minimum purchase amount and denomination.
Acceptance / Rejection of the Application	:	The Issuer and the Sole Issue Manager, Arranger and Underwriter reserve the right to accept or reject any application for CPs. In case of over-subscription, the Issuer and the Sole Issue Manager, Arranger and Underwriter reserve the right to allocate the CPs available to the investors in a manner they deem appropriate.
Delivery of CP	:	Delivery of the CPs will be made upon full payment of the Offer Price to the Sole Underwriter and/or Selling Agents
Principal Repayment	:	The principal amount of the CPs will be repaid in full at the Principal Repayment Date.
Principal Repayment Date	:	The date of maturity of a CP as stated in the CP certificate, at which the Issuer shall effect payment in full of the CP. If such Principal Repayment is due on a day that is not a Banking Day, the Principal Repayment Date shall be made on the immediately succeeding Banking Day. No additional interest will be paid in such case.
Status	:	The CPs will constitute direct, unconditional, unsubordinated, general and unsecured obligations of the Issuer ranking at least *pari passu* in all respects and without preference or priority (except for any statutory preference or priority applicable in the winding-up of the Issuer) with all other outstanding unsecured and unsubordinated obligations (contingent or otherwise, present and future) of the Issuer.
Form	:	The CPs shall be issued scripless and will be maintained in electronic form with the Registrar.
Taxation on the Discount	:	Generally, the Discount on the CPs shall be subject to a 20% final withholding tax. A CP Holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit the

		following: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities. The Issuer reserves the right to withhold the required tax on the discount of a CP Holder otherwise representing itself to be a tax-exempt institution in the event that such CP Holder fails to comply with or submit the foregoing documentary requirements.
Documentary Stamps on Original Issuance	:	The cost of the documentary stamps on the original issuance of the CPs shall be for the account of the Issuer.
Registrar and Paying Agent	:	PDTC
Secondary Trading	:	The CPs are intended to be listed at the PDEx for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants.
Liabilities	:	The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC and applicable laws of the Philippines as well as in the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP.
Credit Rating	:	In its credit rating report dated May 2018, Philratings assigned an issuer credit rating of PRS A plus (corp.) for Alsons Consolidated Resources, Inc. based on the following considerations: - Positive growth prospects for Mindanao which will bring an increasing demand for power - Ability to establish joint ventures with strong partners for particular projects - Expansion plans which will further enhance over all operations *Other Factors considered:* - Volatile profitability and declining coverage ratios in the last three years

		- Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and - ACR had a debt restructuring in 2010 and 2014, and currently has no available bank lines, as reported. All restructured debt, however, have already been fully settled in 2015. In addition, most of its obligations are secured. The assigned rating is based on the financial statements of the Company as of December 2017, and is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as they are outstanding.
Facility Agent	:	AB Capital and Investment Corporation – Trust Department The Facility Agent has no direct relations with the Issuer.
Security	:	Negative pledge on the Company's existing and future assets, except (i) to secure statutory obligations, (ii) to enable the Company to continue to enter into its usual transactions in the ordinary course of business, (iii) those imposed by law or arising out of pledges or deposits under workmen's compensation laws or other social security or retirement benefits or similar legislation, and (iv) those created for the purpose of paying current taxes, assessments or other governmental charges which are not delinquent or remain payable without any penalty, or the validity of which is contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof.
Cross Default	:	The Company shall be considered to be in default in case the Company fails to pay or defaults in the payment of any installment of the principal or interest relative to, or fails to comply with or to perform, any other material obligation, or commits a breach or violation of any of the material terms, conditions or stipulations, of any agreement, contract or document with any persons to which the Company is a party or privy, whether executed prior to or after the date hereof, or under which the Company has agreed to act as guarantor, surety or accommodation party, which, under the terms of such agreement, contract, document, guaranty or suretyship, including any agreement similar or analogous thereto, shall constitute a material default thereunder after allowing for all applicable grace periods. No default will occur under this clause if the aggregate amount the Company fails to pay is less than Php 35 million (or its equivalent in any other currency or currencies)".

Other Terms and Conditions	:	1. The CPs will not be convertible to any other security or equity of the Issuer. 2. The Issuer will not set up any sinking fund for the redemption of the CPs. 3. Substitution of the CP with another type of security will not be permitted. 4. Other terms and conditions as may be agreed upon among the Issuer, the Sole Issue Manager, Arranger and Underwriter.

RISK FACTORS

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance.

There is an extra risk of losing money when securities are issued by smaller companies. There may be a big difference between the buying price and the selling price of these securities.

Investors deal in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

The risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. Investors should undertake independent research and study on the trading of these securities before commencing any trading activity. Investors may request publicly-available information on the CPs and the Company from the SEC and PDEx.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood, any aspect of the securities to invest in or the nature of risks involved in trading of securities, especially high risk securities.

RISK FACTORS

An investment in the CPs described in this Prospectus involves a certain degree of risk. A prospective purchaser of the CPs should carefully consider the following factors, in addition to the other information contained in this Prospectus, in deciding whether to invest in the CPs. This Prospectus contains forward-looking statements that involve risks and uncertainties. ACR adopts what it considers conservative financial and operational controls and policies to manage its business risks. The Company's actual results may differ significantly from the results discussed in this Prospectus. Factors that might cause such differences, thereby making the offering speculative or risky, may be summarized into those that pertain to the business and operations of ACR in particular, and those that pertain to the over-all political, economic, and business environment, in general. These risk factors and the manner by which these risks shall be managed are presented below. The risk factors discussed in this section are of equal importance and are only separated into categories for easy reference.

Investors should carefully consider all the information contained in this Prospectus including the risk factors described below, before deciding to invest in the CPs. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risk factors.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

The following discussion is not intended to be a comprehensive description of all applicable risk considerations, and is not in any way meant to disclose all risk considerations or other significant aspects of participation in the CPs. Prospective participants are encouraged to make their own independent legal, financial, and business examination of the Company.

Through prudent management and cautious invesment decisions, ACR constantly strive to minimize risks that can weaken its financial position. However, certain risks are inherent to specific industries and are not within the direct control of the Company.

Some of the risks that the Company and its subsidiaries may be exposed to are the following:

1. **Risk relating to Foreign Exchange Rate Fluctuations**

   The Company's exposure is primarily associated with fluctuations in the value of the Peso against the U.S Dollar and other foreign currency. Purchases of spare parts, and insurance policies of MPC, SPPC and WMPC, and the fuel supply agreement, operations and maintenance agreement, the equipment supply contracts, and insurance policies of Sarangani, are denominated in U.S. Dollars.

   Risk Mitigation:

   The Company keeps a portion of its short-term investments in foreign currency to serve as a hedge in foreign exchange fluctuations.

2. **Risk relating to the changes in market interest rates / Interest Rate risks**

   The Company's interest rate risks management policy centers on reducing overall interest expense and minimizing other costs of borrowing. Changes in market interest rates would have material impact on the Company's interest-bearing obligations, specifically on those with floating interest rates.

   Risk Mitigation:

   ACR and its subsidiaries manage their interest rate risks by averaging its debt portfolio and by optimizing the mix of fixed and variable interest rates. Other measures are employed to avert risk include pre-payment of debts and re-financing of loans as the opportunities arise. Moreover, utilization of existing credit facilities has been kept to a minimum.

3. **Risk relating to the Company's liquidity / Liquidity risks**

   Liquidity risk arises from the possibility that the Company encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. In addition, the Company may be unable to refinance its outstanding debt, and any future financing arrangements entered into by the Company may be less favorable than the current ones.

   Risk Mitigation:

   The Company and its subsidiaries carefully manage their liquidity position to be able to finance their working capital, debt service, and capital expenditure requirements. Sufficient levels of cash and short-term money market placements are maintained to meet maturing obligations. Management regularly monitors and forecasts its cash commitments, matches debt payments with cash generated from the assets being financed, and negotiates with creditors on possible re-financing of existing loans to avail of better terms and conditions.

4. **Risk relating to counterparty's creditworthiness / Credit risks**

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or a customer contract, leading to non-collection of earned revenues and financial losses. 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.

Risk Mitigation:

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, it is the policy of the Group to ensure that all terms specified in the ECA and PSAs with its customers, including the credit terms of the billings, are complied with.

The power companies' receivables are largely from the distribution utilities, each of whom have provided security in the form of escrowed cash equivalent to, or standby irrevocable letters of credit worth at least, one month's Energy fees.

Trade receivables include SPPC's long-outstanding receivables from NPC. 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 22, 2018, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

The risk of non-collection of the receivables is very minimal, if any, and is now just a matter of collection from the government. This is recorded under the receivables, and will not be converted into cash unless collected.

For the Company's customers, eight (8) of the distribution utilities being serviced have a rating of AAA from the National Electrification Administration, while one (1) has a rating of AA.

Based on NEA's official website, the electric cooperatives are rated based on two criteria namely the Key Performance Standards ("KPS") (80%) and Electric Cooperatives Classification (20%). The KPS covers the electric cooperative's financial, institutional, technical and reportorial performance while the EC Classification covers financially-driven standards and parameters including accounts payables to the National Grid Corporation of the Philippines (NGCP). Based on the two criteria, the corresponding ratings were assigned to the scores garnered by the cooperatives, as follows: 95-100 = AAA; 90-94 = AA; 85-89 = A; 75-84 = B; 50-74 = C; and 49 and below = D.[2]

Presented below is a summary of the NEA ratings:

Customer	**Location**	**NEA Rating**
ANECO	Agusan del Norte	AAA
ASELCO	Agusan del Sur	AAA
CEPALCO	Cagayan De Oro	N/A
CLPC	Cotabato	N/A
COTELCO	Cotabato	AAA
DANECO	Davao del Norte	C
DASURECO	Davao del Sur	AAA
DLPC	Davao City	N/A
ILPI	Iligan City	N/A
MORESCO 2	Misamis Oriental	AAA
SOCOTECO 1	South Cotabato	AAA
SOCOTECO 2	South Cotabato	AAA
ZAMCELCO	Zamboanga City	C
ZAMSURECO 1	Zamboanga del Sur	AAA
ZANECO	Zamboanga del Norte	AA

CEPALCO, ILPI, DLPC and CLPC do not have NEA ratings as they are privately-owned.

DANECO and ZAMCELCO has a rating of C from NEA. The credit risk for these, and all the other power plants, is mitigated by a standard provision in the PSAs that each customer provides security in the form of escrowed cash equivalent to, or standby irrevocable letters of credit worth at least, one month's Energy fees. This mitigates the credit risk which the Company is exposed to.

5. Risks relating to the cost and completion of projects

Possibility of cost overrun may happen due to change orders. In addition, the Company may encounter slippage in the project schedule. If any of these happen, the Company may not be able to achieve its financial targets, which are linked to the successful completion of its future and ongoing projects. Currently, only Sarangani Phase 2 is under construction, while the other power plants are fully operational.

[2] http://www.nea.gov.ph/news/302-nea-rates-54-power-coops-aaa

Risk Mitigation:
The Company is confident that project schedule slippage would be minimized during the construction of the second phase of Sarangani Energy Corporation since the agreed subcontractors are reputable local companies with good track record. Also, experiences in the Phase 1 of Sarangani, including deficiencies in project management and scheduling, were thoroughly discussed and will be addressed by the Phase 2 contractor.

Since possibility of cost overrun may happen due to change in orders, the project team should ensure adherence to provisions and scope of work specified in the EPC Contract. Thorough review of terms of reference should be undertaken by the project team to minimize change orders. If there is a change in order, there will be disruptions in the construction. However, since EPC contractors have conducted 3D model and walk through during the pre-construction phase, they can easily detect and resolve construction issues, thus minimizing delays.

6. Risk relating to the possible malfunctions and failures in operations

The Company's financial performance is highly dependent on the successful operation of its power plants, which are subject to several operational risks such as plant safety, fire, explosion, mechanical failure, electrical failure and instrumentation and control Failure.

Effects and Risk Mitigation:

- Fire and Explosion :
  ACR's power plant are exposed to the risk of fire especially its conveying system, transformers and steam turbines. Since fire would disrupt the normal operations of the Company and damage the Company's properties, ACR may encounter financial losses resulting from incidents of fire.

  To mitigate this risk, the Company ensures that power plant areas have adequate fire detection and sprinkler system installed. Also, vacuum trucks are used to prevent accumulation of inputs in the conveyor areas. Sufficient spare parts are also maintained to make sure that faulty parts are replaced on time and prevent risk of malfunction, which could result in incidents of fire.

  Another risk that the machines and equipment of the power plants are exposed to, particularly the boiler and switchgear, is the risk of explosion. Boiler explosion could happen if too much fuel is fed to the boiler, which then gasifies and can cause an explosion. To mitigate this, the Company has a boiler protection system which will trip the plant before such condition forms. Switchgear explosion could happen if there is short circuit in the switchgear. One of the functions of switchgear is protection, which is interruption of short-circuit and overload fault currents while maintaining service to unaffected circuits. Switchgear also provides isolation of circuits from power supplies and a regular thermographic survey is done to all switchgears. Also, all of ACR's power plants are adequately insured to cover the risk of fire.

- Plant safety:
  Power plants are much safer than they once were however this does not imply that the plant employees will not encounter hazards. With the Company's proper operation and maintenance procedures this reduces accidents and mitigates their effects. Furthermore, the power plants are strategically located in order to avoid any disturbances and ensure efficient work flow. For

example, Sarangani Phase 2 construction is currently ongoing and is adjacent to the operating Plant (Phase 1). Since the construction may pose as a disturbance to the existing operations, ACR manages this risk by proper segregation of components for Sarangani Phase 2. Also, permitting system on common facilities were jointly developed by Project Team and O&M.

- Mechanical Failure:
  One of the main causes of disruption in daily operations in a power plant is mechanical failure of plant and equipment. Some of the causes of mechanical failure are the boiler, turbine, major pump or valve, fans, coal conveying system, and raw water supply system and the potential consequences of these failures can be crucial. However, with the expert engineering assistance, solution and design system, monitoring system for early indication of possible failure, and daily inspections of the equipment this lessens the risk.

  The boiler and cooling water (CW) chemical dosing systems have redundant dosing pumps thus contracts of chemical supply are in place to always have adequate inventory at site. Moreover, the water/steam system has online analysers for monitoring the quality 24/7 and a water laboratory with a 365 day coverage. For example, when the lower part of Sarangani Phase 1 boiler was experiencing tube erosion, causing two boiler tube leaks/forced outages, the EPC contractor and the boiler supplier have addressed the issue, and a long term solution/design was installed. This will allow the boiler normal operation from annual scheduled outage to the next scheduled outage.

  As for turbine failures, these are considered a very rare occurrence on steam turbines. The turbine/generator has an online vibration monitoring system and has its own protection system. During scheduled outages, inspection of steam turbine (ST) blades will be done.

  Delays in the operations could also happen when there are mechanical failures and no adequate spare parts. To mitigate this, the Company ensures that its supplies and spares are adequate at all times by setting a certain period when the inventory is restocked. The inventory is always monitored and buffers are set in order to give allowance to unexpected requirements.

- Electrical Failure:
  The objective of electric systems is to guarantee uninterrupted operation of a facility's lighting, process, and environmental systems. Electrical failures may interrupt the Company's processes, and hinder its ability to efficiently run its operations. In the case of ACR's power plants, the areas which are highly exposed to risk of electrical failure include fan motors, feed water, condensate and cooling water pumps, electrostatic precipitator (ESP) and switchgear. To mitigate these types of risk the Company has maintenance and conditioning monitoring program for early detection of any electrical fault. If problems arises on ESP transformers / electrical systems, the Company has ESP vendor to inspect the site and rectify the problems.

  A sample of a mitigant on electric failure risk would be Sarangani's 6kV, 480V and 220V switchgear. The company makes sure that they are mostly situated at the Main Control Room (MCR) switchgear rooms which are well ventilated, dust free and protected by FM200 system. Furthermore, Sarangani also conducts regular thermographic inspections of all switchgear systems for early detection of any hot spots and lost connections. During the scheduled annual outages, maintenance will be done, as per Original Equipment Manufacturer (OEM) recommendations and at the same time Sarangani is planning to purchase spare switchgear equipment over the next 3 years.

- Instrumentation and Control Failure:

  The plant areas which are highly exposed to risk of instrumentation and control failure which include the Distributed Control System (DCS) and Programmable Logic Controller (PLC) system. This failure could also disrupt the normal operations of the Company, and ACR mitigates this risk by ensuring that adequate spares for any part of the DCS are available and a dedicated DCS engineer to monitor the system's performance on a daily basis.

  Instrument failures and malfunction is the most common cause of plant disturbance where a single instrument failure can cause equipment, system or plant trip. To prevent this the company has planned maintenance and calibration program for all the instruments and control valves.

Presented below are the insurance providers of the power plants:

Diesel Power Plants

Type	WMPC	SPPC	MPC
Industrial All Risk	1. Charter Ping An Insurance 2. UCPB General Insurance 3. New India Assurance Co., LTD	1. Charter Ping An Insurance 2. FPG Insurance 3. Asia Insurance 4. Pioneer Insurance 5. New India Assurance 6. UCPB General Insurance	1. Charter Ping An Insurance 2. Asia Insurance 3. UCPB General Insurance
Public Liability	1. QBE Seaboard Insurance Phils., Inc.	1. QBE Seaboard Insurance Phils., Inc.	1. QBE Seaboard Insurance Phils., Inc.
Fuel Stocks	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd	1. Charter Ping An Insurance 2. New India Assurance Co., Ltd
Sabotage and Terrorism	1. Charter Ping An Insurance	1. Charter Ping An Insurance	1. Charter Ping An Insurance

Coal Power Plants

Type	Provider
a.) Sarangani Phase 1	
i. Political Violence and BI	Charter Ping-An Insurance Corporation
ii. Comprehensive General Liability	Charter Ping-An Insurance Corporation
iii. Industrial All Risk	Malayan Insurance Co. Inc., UCPB General Insurance Co., Inc. and Charter Ping-An Insurance Corporation
iv. Terminal Operators Liability	Charter Ping-An Insurance Corporation
v. Marine Open Policy	Charter Ping-An Insurance Corporation
vi. Fire	Charter Ping-An Insurance Corporation
b.) Sarangani Phase 2	
i. Construction/Erection All Risk with Delayed Start-up (DSU)	Malayan Insurance Co. Inc., UCPB General Insurance Co., Inc. and Charter Ping-An Insurance Corporation
ii. Marine Cargo Insurance with DSU	UCPB Gen
iii. Sabotage and Terrorism (Political Violence) with DSU	Charter Ping An
iv. Construction Comprehensive General Liability	Charter Ping An

7. Risk relating to insufficient funds to finance projects

Negative or low revenue and net income and the inability to collect revenues in a timely manner may affect the Company's ability to finance its ongoing projects.

Risk Mitigation:
This is mitigated by the Company's efforts to generate and collect revenues more efficiently. The Company also ensures that their operational risks are minimized to keep their production steady.

In addition, ACR's shareholders have enough funds and bank lines to fund possible shortages to finance the projects.

8. Risk relating to the delay or failure in the operations of the Power plants

Any delays and failures in the operation of the power plants may impact the Company's financial performance as it may disrupt operations and may therefore entail loss in revenues.

Risk Mitigation:

To mitigate such risk, the Company ensures adherence to its business plans and strategies, which are further discussed in the succeeding risk item. Also, if there's any disruption in any of the power plants, the other power plants can support its operations. This prevents delay and failure in operations, and therefore, minimizes exposure to such risk.

9. Risk relating to the successful implementation of business plans and strategies

The Company may be exposed to various operational and financial risks that could hinder the implementation of its business plans and strategies. The inability to achieve its business plans and stategies may result in a delay in the operations of the Company.

Risk Mitigation:

Focused Strategy

ACR's expansion plans and growth aspirations are founded on a set of focused strategies that will enable it to manage the risks and challenges associated with the power generation business.

As in the past, the Company's expansion strategy is firmly anchored on the needs of the Mindanao Grid and is supported by offtake agreements to ensure the long-term sustainability of its business. Furthermore, ACR's power plants are strategically positioned to serve the key load centers of Sarangani, Zamboanga and Iligan.

ACR anticipates a surplus of baseload capacity and has managed this risk by virtually fully contracting its capacity. Any uncontracted capacity will be sold to the Mindanao WESM once it starts operating. By being adequately contracted, ACR will be less affected by the impending oversupply in the Mindanao grid.

ACR's diesel plants will also be positioned to perform roles that are not effectively and efficiently served by coal fired power plants such as service intermediate and peaking capacities, as well as provide ancillary services.

To round up its strategy, ACR has also embarked on a renewable energy expansion program that would involve the construction of several hydropower projects.

Development of greenfield power projects

ACR's growth story hinges on the successful construction and operation of greenfield power projects. The development of greenfield power projects involves substantial risks that could result in delays, cost overruns, or construction not being up to original plans or specifications. Such risks include the inability to secure adequate financing, inability to negotiate acceptable offtake agreements, as well as unforeseen engineering and environmental problems, among others.

Any such delays, cost overruns, or construction deviations from original plans could have a material adverse effect on the business, financial condition, results of operation and future growth prospects of ACR.

Aside from its own developed expertise and proven success in developing greenfield power projects, project risks are mitigated by the presence of committed project sponsors and partners, project contracts that have been crafted in accordance with international project finance standards, strong project management support from owner's engineer, power supply agreements and experienced O&M service providers.

10. Risk relating to the reputation of Directors and Officers of the Company

Any reputational damage involving ACR's Directors and Officers may affect the Company's performance. Reputational issues may result in loss of customers' and creditors' confidence, and since the Company's ability to continue operating efficiently depends on its relationship with its customers and creditors, such issues could result in financial losses.

Risk Mitigation:

Any reputational damage involving ACR's Directors and Officers may affect the Company's performance. This is mitigated by the fact that the founders have been in the business for several years with unblemished record, and that the independent directors and officers are selected through a stringent vetting process.

11. Risk relating to foreign ownership limitations

The Company may be exposed to risk on foreign ownership limitations, which is set at 40% as the Company owns land directly and uses natural resources indirectly via its subsidiaries. This means that foreigners cannot own more than 40% of the Company. Should the Company hit the limit, it could no longer accept additional foreign investments. ACR's current foreign ownership is at 1.21%, a relatively small percentage compared to the 40% limit.

Risk Mitigation:

ACR's foreign ownership is currently at 1.21%. The Company is constantly monitoring the ownership of ACR shares, and it has no prospects of increasing foreign ownership.

12. Risk relating to regulatory compliance

The Company's business and financial condition may be adversely affected by amendments in the Electric Power Industry Reform Act, and its Implementing Rules and Regulations. Continued compliance with, and any amendments in, regulatory, safety, health and environmental laws and regulations may have an adverse impact on the Company's operating costs.

In addition, licenses, permits, and operating agreements necessary for the Company's operations may not be acquired, sustained, renewed or extended.

ACR's operating subsidiaries are required to comply with environmental regulations. The failure of these subsidiaries to comply with the relevant environmental regulations could result in administrative, civil and criminal proceedings initiated by the Government, as well as civil proceedings by environmental groups and other individuals, which could result in substantial fines and penalties against the Company, as well as orders that could limit or halt its operations.

There can be no assurance that the Company will not become involved in litigation or other proceedings, or be held responsible in any such future litigation or proceedings relating to safety, health and environmental matters in the future, and the costs of which could be material and could materially and adversely affect the Company's cash flow, results of operations and financial condition.

Risk Mitigation:

To mitigate regulatory risks, ACR exerts proactive effort to make sure all existing and upcoming changes in regulations are met. The Company ensures their continued compliance with, and any amendments in, regulatory, safety, health and environmental laws and regulations, regardless of the operating costs entailed by it.

Environmental, health and safety policies are an integral part of ACR's power generation plants. The existing diesel power plants conduct regular monitoring of waste water, source emission, ambient air, noise, aquatic biota, ground and surface water, community health, hazardous waste, resource usage and conservation, solid waste generation and disposal and legal requirements compliance. Notable is that WMPC is a recipient of recognitions and awards for being one of the safest workplaces in the region. The power plant is monitored and verified by the Multi-Partite Monitoring Team which is composed of the stakeholders including DENR, DOST, relevant local government units, NGOs and members of academia.

For the Sarangani Energy Corporation coal plants, technology mitigates most pollutants, except carbon emission. To mitigate the effects of carbon emission, ACR instituted a carbon sink program, where ACR has committed to plant 1.8 million seedlings over 3,750 hectares of land. To date, ACR has planted 1.17 million seedlings covering 2,600 hectares of land. ACR is the only power generation company that has an extensive forest-based carbon mitigation program.

13. Risk relating to market competition

The Company is confronted by increased competition in the power industry, including those resulting from legislative, regulatory, and industry restructuring efforts.

The Government has sought to implement measures designed to enhance the competitive landscape of the power market, particularly for the unregulated sectors of the industry. These measures include the privatization of NPC-owned and controlled power generation assets, the establishment of the WESM and the Retail Competition and Open Access (RCOA). With increased competition, ACR could also come under pressure to review or renegotiate the terms of offtake agreements with customers, which may adversely affect ACR's financial performance and results of operations. To the extent that distribution utilities or industrial off-takers decide to purchase power from other generation companies instead of purchasing from ACR, the ability of ACR to generate the required revenues would be adversely affected.

Risk Mitigation:

The Company is confronted by increased competition in the power industry, which this could result in an uncertain revenue stream and a possible reduction in market share. To combat such risk, ACR focused on strong marketing and finding a niche in the market.

ACR ensured that its power capacities are contracted under long-term power supply agreements with various customers in the Mindanao Grid. This insulates ACR from the effects of a potential oversupply situation. Furthermore, ACR's strategy of locating its plants within the service areas of their major electric distribution company customers also improves their competitiveness as this could result in lower transmission costs for the distribution utilities.

The Company believes that its experience in developing, building, financing, and operating generating plants, its familiarity with the region, and the location of its current and future generation facilities are strong competitive advantages that mitigate threats from increased competition.

14. Risk relating to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law

On December 19, 2017, Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect on January 1, 2018, making the new tax law enacted as at balance sheet date. Although the TRAIN changes existing law and includes several provisions that will generally affect business on a prospective basis, management assessed that the same will not have any significant impact on the financial statement balances as at balance sheet date.

ACR				
	Prior to TRAIN	With the TRAIN		Impact to ACR
Documentary Stamp	4.90%	7.30%		2.30%
The impact of DST would be an additional cost of 2.3% on new loan availments.				
MPC & WMPC & SPPC				
Excise tax on Fuel & Oil	Prior to TRAIN	2018	2019	2020
Diesel/ Bunker fuel	0.00%	2.50%	4.50%	6.00%
Lubricating Oil	4.50%	8.00%	9.00%	10.00%
Gasoline	4.35%	7.00%	9.00%	10.00%
As for the diesel companies, impact of TRAIN law resulted to an increase in fuel cost. The excise tax is part of the pass-on cost to the customers. Therefore, there should be no material impact to the Company.				
Sarangani Energy Corp.				
Excise tax on Coal		2018	2019	2020
Effects on actual fuel cost Additional cost per Kwh		0.04%	0.07%	0.11%
The excise tax is part of the pass-on cost to the customers. Therefore, there should be no material impact to the Company. DST on Project loan drawdown has no effect as DST was already paid during registration of OLSA.				

15. Risk relating to the listing of the CPs to the PDEx

To ensure the liquidity and transparency in the pricing of the CPs, the security will be listed in the PDEx. However, even if the CPs are listed in the PDEx, trading in securities such as the CPs may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the CPs may be easily disposed of at prices and volumes and at instances best deemed appropriate by their holders.

The lack of liquidity and transparency in pricing is a major concern for investors. Hence, this is mitigated by the fact that there is an assigned market maker for the commercial papers.

Should the listing of CPs be disapproved, there may be an issue on liquidity and transparency in pricing which may affect investors' confidence in the security. To address this, all the requirements of PDEx for the listing are already being processed and complied with to ensure a smooth listing process.

16. Risk relating to the collateralization of assets for loans obtained

The CHC power plants, and the rest of the estate owned by MPC, were used as collateral for the rehabilitation of the CHC power plants. Also, Sarangani's real estate and coal-fired power plant are mortgaged to its various lender banks. If the power plants fail to settle their maturing obligations, the same would constitute a default, and depending on the terms of their respective agreements, the lenders have a claim on the mortgaged assets. As the project loans obtained are non-recourse, the lenders could have claims only on the collateralized assets.

This risk is mitigated by the Company by ensuring timely settlement of its maturing obligations.

17. Risk relating to involvement in certain regulatory matters which may result in contingent liabilities

The Group is currently involved in certain regulatory matters of which estimate of the probable costs for its resolution has been developed in consultation with the Group's advisors handling the defense on these matters and is based on the analysis of potential results.

Such potential results are not reflected in the consolidated financial statements as management believes that it is not probable that the contingent liabilities will affect the Group's operations and consolidated financial statements. Despite the possible immaterial effect on the Group's operations and performance, the Company mitigates this risk by ensuring that the said regulatory matters are addressed and that all requirements, if any, are provided on time.

18. Risk relating to acts of terrorism

The Company's business and financial condition may be adversely affected by acts of terrorism as these may cause destruction of properties or hindrances and delays in the usual business operations. These effects may likewise result to financial losses arising from lost income or damaged properties.

To mitigate this risk, the Group ensures that the power plants are well insured, as they have tapped Charter Ping An Insurance for their insurance for Sabotage and Terrorism. In addition to the insurance coverage, the Company also makes sure that they have trained security personnel deployed in the vicinities of the respective power plants.

19. Risk relating to the mismatch between the short-term nature of the CPs and the long-term payback period of the hydro power plants that will be funded by the proceeds

Since the hydro power plants are still in various stages of development, they may be exposed to certain delays which may affect their expected timelines. As these power plants are not expected to be operational before the maturity of the CPs, they will not be able to contribute to the income of ACR yet.

However, ACR has income from its current operating plants, which will be used to settle the CPs as they mature. ACR expects a steady flow of income as Sarangani Phase 1 is fully contracted for the next 25 years.

The table below represents ACR's revenue from its power and energy business segment.

Php in '000	2017	2016	2015
Power and Energy	6,892,921	7,191,249	5,002,696

20. Risk relating to the factors considered by PhilRatings in its credit rating report

In its credit rating report, PhilRatings considered, among other things, the following factors:

- Volatile profitability and declining coverage ratios in the last three years
- Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and

Volatile profitability and declining coverage ratios
A volatile profitability and declining coverage ratios, on the surface, may seem to be a negative thing especially for investors looking at the performance of the Company and analyzing whether they will be participating in the issuance. However, these factors considered by PhilRatings are brought about by the shift in the business model of ACR. Prior to 2017, ACR's business model primarily focused on its Energy Conversion Agreements with the NPC. However, it shifted to a merchant business model wherein the company bids for contracts in an open market scenario. Being in a merchant business model exposes the Company to a more volatile financials, but this is being mitigated by the Company's continued efforts to improve its financial ratios by maintaining its operating power plants while also looking for viable future plans.

Oversupply of Energy for the Diesel Plants
The Company may have a hard time securing PSAs for its Diesel plants in an environment where there is an oversupply of energy. This may translate negatively in the financials of ACR if the issue is unaddressed. However, ACR is well aware of this challenge, and hence, it has in its pipeline several projects using other sources of energy, such as Renewable Energy. By diversifying its sources of energy, ACR lessens dependency to its Diesel plants, and hence mitigates the impacts of an oversupply.

RISKS RELATING TO THE PHILIPPINES

A slowdown in the Philippine economy could adversely affect the Company.
Results of operations of the Company have generally been influenced, and will continue to be influenced by the performance of the Philippine economy. Consequently, the Company's income and results of operations depend, to a significant extent, on the performance of the Philippine economy.

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine Peso and debt restructuring, and has been significantly affected by economic volatilities in the Asia-Pacific region. The Company cannot assure prospective investors that one or more of these factors will not negatively impact Philippine consumers' purchasing power, which could materially and adversely affect the Company's financial condition and results of operations.

In addition, global financial, credit and currency markets have, since the second half of 2007, experienced, and may continue to experience, significant dislocations and liquidity disruptions. There is significant uncertainty as to the potential for a continued downturn in the U.S. and the global economy, which would be likely to cause economic conditions in the Philippines to deteriorate.

A slowdown in the Philippine economy may adversely affect consumer sentiment and lead to a reduction in demand for the Company's products. There is also no assurance that current or future Government administrations will adopt economic policies conducive to sustaining economic growth.

Political or social instability could adversely affect the financial results of the Company.

The Philippines has experienced political and military instability. In the past decade, political instability has been observed headlined by impeachment proceedings against former presidents Joseph Estrada and Gloria Macapagal-Arroyo, and public and military protests arising from alleged misconduct by previous administrations. There is no assurance that acts of election-related violence will not occur in the future and such events have the potential to negatively impact the Philippine economy. An unstable political environment, whether due to the imposition of emergency executive rule, martial law or widespread popular demonstrations or rioting, could negatively affect the general economic conditions and operating environment in the Philippines, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Martial Law in Mindanao

On May 23, 2017, President Duterte's declaration of martial law in Mindanao was due to the involvement of elements linked to the Islamic State of Iraq and Syria (ISIS) group in the Marawi conflict and that the whole of Mindanao was put under military rule to allow the government to best respond to the possibility of the terrorists seeking sanctuary or sowing terror in other parts of the South. According to Finance Secretary Carlos Dominguez III, the economy was not threatened by the imposition of martial law and the military is in full control of the government installations and major infrastructures on the island. The martial law will ensure that these facilities are protected so that business transactions will be unaffected.

The declaration of martial law is not disruptive to the normal course on the Company's power operation and property development. With respect to the power facilities, all of the four power plants continue to operate as scheduled and projects that are under development such as the on-going construction of the second 105 MW Sarangani Energy Corporation are proceeding according to schedule and are contract to completion.

The Company fully supports the decision of President Duterte to institute all legal measures allowed within the frame work of the constitution in order to ensure the safety and security of the island.

Effects of the Marawi Conflict
In the areas in Mindanao the power plants operate, there has been no discernible adverse impact of the Marawi conflict. The demand for electricity continues to grow albeit at different rates across the island. Most places track the average for the island of between 1.5% to 3% but in some place like Gen. Santos City, demand grew by around 14% between 2016 and 2018. The current oversupply of power that Mindanao is enjoying could serve as an incentive to investors to locate in the island. Over the long-term, power rates in Mindanao is seen to remain the cheapest in the country, another reason why it could be an attractive destination for new investments.

The occurrence of natural catastrophes may materially disrupt the Company's operations.
The Philippines has experienced a number of major natural catastrophes over the years, including droughts, typhoons, volcanic eruptions and earthquakes, which may materially disrupt and adversely affect the business operations of the Company. While the Company maintains a comprehensive business insurance against natural catastrophes, there can be no assurance that it will be adequately compensated for all damages and economic losses resulting from natural catastrophes.

RISKS MITIGATION RELATED TO THE COUNTRY

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies, as well as its strong corporate governance structure and its seasoned management team. The Company continuously monitors and studies its existing and probable exposure to various risk in order to be able to mitigate these risks more proactively.

RISKS RELATING TO THE COMMERCIAL PAPERS
Liquidity Risk
The Philippine securities markets are substantially smaller, less liquid and more concentrated than the major securities markets. The Company cannot guarantee that the market for the CPs will always be active or liquid. Even if the CPs are listed in the PDEx, trading in securities such as the CPs may be subject to extreme volatility at times, in response to fluctuating interest rates, developments in local and international capital markets and the overall market for debt securities among other factors. There is no assurance that the CPs may be easily disposed of at prices and volumes and at instances best deemed appropriate by their holders.

Price Risk
The CP's market value may move (either up or down) depending on the change in interest rates in the market. The CPs when sold in the secondary market may be worth more if interest rates drop. Conversely, if the prevailing interest rates rise, the CPs may be worth less when sold in the secondary market. In such instance, an investor faces possible loss if he decides to sell.

Retention of Ratings Risk
There is no assurance that the rating of the Issuer will be retained throughout the life of the CPs. The rating is not a recommendation to buy, sell, or hold securities and may be subject to revision, suspension, or withdrawal at any time by the assigning rating organization.

RISK MITIGATION RELATED TO THE COMMERCIAL PAPER

In general, the Company believes that the risk factors discussed herein are mitigated by its competitive strengths and business strategies.

USE OF PROCEEDS

The Company's net proceed from the Offer is expected to be approximately **Php 1,383,735,546.11** after deducting the applicable fees and expenses.

Expenses related to the Offer, all of which will be for the account of the Company, are broken down as follows:

Estimated Net Proceeds from the CP Issuance

Sample Computation	
Face Value of the Offer	**₱ 1,500,000,000.00**
Discount (indicative based on 6.38% and 360 days assuming true discount computation)	**(89,960,518.89)**
Gross Proceeds	**1,410,039,481.11**
Less:	
SEC Filing and Legal Research Fees	(946,875.00)
Documentary Stamp Tax (maximum assuming P1.5b issued for one year)	(11,250,000.00)
Underwriting and Selling Fees (maximum)	(7,500,000.00)
Issue Management Fee	(2,500,000.00)
Estimated Legal Fees	(2,700,000.00)
Philratings credit rating report fees	(994,560.00)
PDTC Registry fees*	(200,000.00)
PDEx listing maintenance fees*	(37,500.00)
Facility agency fees	(125,000.00)
Estimated Costs of Printing and Publication	(50,000.00)
Total expenses	**(26,303,935.00)**
Net Proceeds	**1,383,735,546.11**

* PDTC and PDEx fees are estimates

In the event that the actual expenses relating to the Offer differ from the above estimates, the actual net proceeds to the Company from the Offer may be higher or lower than the expected net proceeds set forth above. Any increase or decrease in the net proceeds to the Company shall be addressed by making a corresponding increase or decrease, as the case may be, to the Company's provision for working capital requirements.

The Company intends to use the proceeds from the Offer to settle its maturing short-term obligations in the 4th quarter of 2018 and to partially fund its various hydro power project development.

i. Payout of short-term obligations

Presented below is a list of some of the Company's short-term loans maturing in the fourth quarter of 2018.

Maturing Short-Term Obligations of ACR

Lender	Principal	Maturity Date	Tenor	Maturity Value
QIB Funder	20,966,058.52	11/12/2018	60	21,191,298.05
NON-QIB Funder	24,447,627.99	11/12/2018	91	24,694,820.67
TOTAL	**45,413,686.51**			**45,886,118.72**

Short term loans are availed to partially finance various project costs that are currently being developed. Once these projects under development are implemented, these project costs will be consolidated and funded from longer term funding.

ii. Partial funding of various hydro power project developments

The Company has several hydropower plants in various stages of study and development. The Company plans to use the remaining balance of the CP proceeds to partially fund the different stages of project development.

Presented below are the company's pipelines of hydroelectric power projects in various stages of development that needs to be completed and secured before the Company will proceed to constructing the projects:

Power Plant	Installed Capacity (in MW)	Estimated Project Cost (in billions)	Stages of development	Location	CP allocation*	Disbursement period
Siguil	15.1	4.25	EPC Contract Signed	Sarangani Province	109,659,789.13	in a span of one (1) year from issue date
Bago	42.85	9.29	Advance	Negros region	954,040,165.43	
Sindangan	28	5.96	Advance	Zamboanga Del Norte	274,149,472.82	
Kalaong	13.4	3.77	Under development	Sarangani Province		
Sumlog	16	4.5	Under development	Davao Oriental		
Andanan	8	2.25	Under development	Agusan Del Sur		
Hubo	13	3.66	Under development	Surigao Del Sur		
Tago	9	2.53	Under development	Surigao Del Sur		
Total	**145.35**	**36.21**			**1,337,849,427.39**	

*The CP allocation above represents the Company's best estimate of the use of proceeds at this time. While the CP proceeds have not been deployed, the Company intends to invest the funds from the Issuance in short-term marketable securities until the disbursement schedule is finalized.

Since the hydro power projects will be owned by ACR through Alsons Renewable Energy Corp., funds would have to flow from ACR to AREC. The cash flows will be booked as cash advances from related party. In addition, the funds would go through from AREC to the corresponding project companies and will be booked as cash advances.

The company will arrange Project Financing to complete the funding requirement of each hydroelectric power project identified for implementation.

Summary:

Proceeds from the CP Issuance	PHP 1,383,735,546.11
Breakdown:	
Payout of short-term loans	45,886,118.72
Partial funding of various hydro project developments	1,337,849,427.39

ACR's primary source of income is dividends declared by its operating subsidiaries. ACR and its subsidiaries follow a dividend policy of annually declaring dividends from 20% of the previous year's unappropriated retained earnings. For a more detailed discussion on the Dividends.

No portion of the proceeds will be used to acquire major assets or finance the acquisition of other business nor will the proceeds be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, and money loaned or advanced or otherwise.

The Sole Issue Manager, Arranger and Underwriter shall not receive any amount from the proceeds other than the underwriting, issue management and selling fees.

The foregoing discussion represents a best estimate of the use of proceeds of the Offer based on the Company's current plans and anticipated expenditures. In the event that there is any change in the Company's disbursement plan, including force majeure, the Company will carefully evaluate the situation and may reallocate the proceeds and/or hold such funds on short term deposit whichever is better for the Company's and its shareholders' interest taken as whole. In such event, the Company will issue an announcement if there is any material change in the above proposed use of proceeds.

In the event of any significant deviation, material adjustment or reallocation in the planned use of proceeds, the Company will secure the approval of its Board of Directors for such deviation, adjustment or reallocation and promptly make the appropriate disclosures to the SEC and the PDex.

DETERMINATION OF THE OFFER PRICE

The CPs shall be issued at a discount to face value.

Below is an illustration of the computation of the Offer Price for an Issuance:

Offer Price Computation

	Series A	Series B	Series C
Tenor (in Days)	90	180	360
Discount Rate	4.86%	5.54%	6.38%
Cost Breakdown			
Face Value	5,000,000.00	5,000,000.00	500,000.00
Discount	(60,020.75)	(134,766.96)	(29,986.84)
Tax on Discount	12,004.15	26,953.39	5,997.37
Cost	4,951,983.40	4,892,186.44	476,010.53
Offer Price	99.039668%	97.843729%	95.202106%

The discounts are computed based on the discount rate formula, which sets the base rate as the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor (ending September 24, 2018); or b) the weighted average accepted yield of the 28-day tenor of the Term Deposit Facility of the BSP as of September 19, 2018.

PLAN OF DISTRIBUTION

The Company plans to issue the CPs in one lump sum or several tranches, through the designated issue manager, underwriter and selling agents. The First Tranche shall be issued in the 4th quarter of 2018 for such amount as shall be determined by the Issuer in consultation with the Underwriter.

ISSUE MANAGER/UNDERWRITER AND UNDERWRITING OBLIGATION

The Company has engaged Multinational Investment Bancorporation as its Underwriter pursuant to an Underwriting Agreement (the "Underwriting Agreement"). The Underwriter has agreed to act as the Underwriter for the Offer and as such, distribute and sell the CPs at the Offer Price, and has committed to underwrite the CPs on a best-effort basis, in either case subject to the satisfaction of certain conditions and in consideration for certain fees and expenses. Any unsold portion would be sold at a future date, since the issuance is under a shelf-registration.

The Underwriter is duly licensed by the SEC to engage in distribution of securities to the public. The Underwriter may, from time to time, engage in transactions with and perform services in the ordinary course of business with the Company and its related companies.

Multinational Investment Bancorporation is the oldest existing independent investment house in the Philippines. It provides a full range of investment banking services that include debt and equity underwriting, loan syndication and financial advisory services for mergers and acquisitions, corporate reorganization and financial restructuring.

The Underwriter has no direct relations with the Company in terms of ownership. The Underwriter has no right to designate or nominate any member of the Board of the Company.

SALE AND DISTRIBUTION

The distribution and sale of the CPs shall be undertaken by the Underwriter and Selling Agents, as applicable, who shall sell and distribute the CPs to third party buyers/investors. Nothing herein shall limit the rights of the Underwriter and each Selling Agent as applicable, from purchasing the CPs for its own account. There are no persons to whom the CPs are allocated or designated. The CPs shall be offered to the public at large and without preference.

Unless otherwise terminated, the engagement of the Sole Issue Manager, Arranger and Underwriter and Selling Agents shall subsist so long as the SEC Permit to Sell remains valid.

FEES AND COMMISSIONS

The Company will pay the Underwriter a fee of 0.50% per annum on the aggregate face value of the CPs issued, which is inclusive of the underwriting and the selling agency fees, as applicable. The fees shall be deductible from the net proceeds of the Offer for a particular tranche on a relevant Issue Date.

The Company will also pay the Issue Manager a flat fee of Pesos: Two Million Five Hundred Thousand (Php 2,500,000.00). As the Issue Manager for the offer, MIB has agreed to perform services which include conducting due diligence on the Company, evaluating the marketability of the Offering, assisting in the preparation of the prospectus and other required documents, coordinating the activities of all third parties appointed for the Offering, arranging and managing necessary marketing activities and such other services as may be mutually agreed between ACR and MIB.

OFFER PERIOD

The Offer Period shall commence upon or immediately after approval by the SEC of, and will end on or before the expiry of the license to sell for, the CPs.

DESCRIPTION OF THE SECURITIES TO BE REGISTERED

Instrument	:	Negotiable Commercial Papers registered with the Securities and Exchange Commission
CP Program Size	:	Up to ₱2,500,000,000.00 face value to be issued in tranches, at the determination of the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter.
First Tranche	:	Up to ₱ 1,500,000,000.00 face value
Issue or Offer Price	:	Discount to face value of the CPs
Discount Rate for Initial Issuance	:	The sum of the Base Rate and the Credit Spread determined prior to each Issue Date (the "Rate Setting Date") The following are the discount rates for the Initial Issuance based on the benchmark rate plus a credit spread Series A: 4.86% Series B: 5.54% Series C: 6.38%
Discount Rate of Subsequent Issuance/s	:	The discount rate of the subsequent issuance/s shall be set by the Issuer in consultation with the Issue Manager and Arranger
Base Rate	:	The base rate is the higher of a) the three-day average PDST-R2 Reference Rate of the corresponding tenor or b) the rate of the closest tenor of the Term Deposit Facility of the BSP The PDST-R2 Reference Rate for each series is as follows: Series A: PDST-R2 3Mos Series B: PDST-R2 6Mos Series C: PDST-R2 12Mos
Credit Spread	:	The Credit Spread for the Initial Issuance of each series is as follows Series A: up to 200 bps Series B: up to 200 bps Series C: up to 200 bps
Tenor/Term of the Initial Issuance	:	Up to three hundred sixty (360) days; provided portions of the issuance of the CPs may, as determined by the Issuer in consultation with the Sole Issue Manager, Arranger and Underwriter, have the following tenor/term. The day count convention is Actual/360.

		Series A: 90 days Series B: 180 days Series C: 360 days
Tenor for Subsequent Issuance/s	:	A minimum of ninety (90) days
Manner of Purchase	:	The CPs will be available for sale from the Sole Underwriter and Selling Agents as applicable, subject to minimum purchase amount and denomination.
Delivery of CP	:	Delivery of the CPs will be made upon full payment of the Offer Price to the Sole Underwriter and/or Selling Agents as applicable.
Principal Repayment	:	The principal amount of the CPs will be repaid in full at the Principal Repayment Date
Principal Repayment Date	:	The date of maturity of a CP as stated in the CP certificate, at which the Issuer shall effect payment in full of the CPs. If such Principal Repayment is due on a day that is not a Banking Day, the Principal Repayment Date shall be made on the immediately succeeding Banking Day. No additional interest will be paid in such case.
Taxation on the Discount	:	Generally, the Discount on the CPs shall be subject to a 20% final withholding tax. A CP Holder who is exempt from or is not subject to the aforesaid withholding tax shall be required to submit the following: (i) certified true copy of the tax exemption certificate issued by the Bureau of Internal Revenue; (ii) a duly notarized undertaking, in the prescribed form, declaring and warranting its tax exempt status, undertaking to immediately notify the Issuer of any suspension or revocation of the tax exemption certificates and agreeing to indemnify and hold the Issuer free and harmless against any claims, actions, suits, and liabilities resulting from the non-withholding of the required tax; and (iii) such other documentary requirements as may be required under the applicable regulations of the relevant taxing or other authorities. The Issuer reserves the right to withhold the required tax on the discount of a CP Holder otherwise representing itself to be a tax-exempt institution in the event that such CP Holder fails to comply with or submit the foregoing documentary requirements.
Documentary Stamps on Original Issuance	:	The cost of the documentary stamps on the original issuance of the CPs shall be for the account of the Issuer.

Secondary Trading	:	The CPs are intended to be listed at the PDEx for secondary trading of the CPs and upon such listing, all secondary trading may be coursed through eligible PDEx Trading Participants
Liabilities	:	The Company as the CP issuer is liable and responsible for any and all obligations arising from the sale of the CP as provided under pertinent sections of the Negotiable Instruments Law, the SRC and applicable laws of the Philippines as well as in the Underwriting Agreement and related agreements. In addition, the Issuer is responsible for complying with all reportorial requirements of the SEC in connection with the issuance of the CP.
Credit Rating	:	In its credit rating report dated May 2018, Philratings assigned an issuer credit rating of PRS A plus (corp.) for Alsons Consolidated Resources, Inc. based on the following considerations: - Positive growth prospects for Mindanao which will bring an increasing demand for power - Ability to establish joint ventures with strong partners for particular projects - Expansion plans which will further enhance over all operations *Other Factors considered:* - Volatile profitability and declining coverage ratios in the last three years - Mindanao currently has an oversupply of energy resulting in challenges in contracting capacities compared to previous years for its diesel plants; and - ACR had a debt restructuring in 2010 and 2014, and currently has no available bank lines, as reported. All restructured debt, however, have already been fully settled in 2015. In addition, most of its obligations are secured. The assigned rating is based on the financial statements of the Company as of December 2017, and is subject to regular annual reviews, or more frequently as market developments may dictate, for as long as they are outstanding.

INTEREST OF NAMED EXPERTS AND COUNSEL

The validity of the CPs and tax matters pertaining thereto were passed upon by Martinez Vergara Gonzales & Serrano Law (MVGS), the third party transaction counsel. MVGS has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company in accordance with the standards on independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

The Philippine Depository & Trust Corporation, the Registrar and Paying Agent, has no direct and indirect interest in the Company.

The financial statements of the Company for the periods ended December 31, 2017, 2016 and 2015 appearing in this Prospectus have been audited by SyCip Gorres Velayo & Co., independent auditor, as set forth in their report thereon appearing elsewhere herein. The partner-in-charge for the periods ended December 31, 2017, 2016 and 2015 is Mr. Martin C. Guantes, CPA.

Castillo Laman Tan Pantaleon & San Jose (CLTPSJ) Law Firm is the legal counsel for the Company. CLTPSJ has no shareholdings or any interest, direct or indirect, in the Company, or any right, whether legally enforceable or not to nominate persons or to subscribe to the securities of the Company.

Subido Pagente Certeza Mendoza & Binay (SPCMB) Law Firm is the legal counsel for the Underwriter. SPCMB has no shareholdings or any interest, direct or indirect, in the Company.

There is no arrangement that experts shall receive a direct or indirect interest in the Company or was a promoter, underwriter, voting trustee, director, officer, or employee of Company.

INDUSTRY OVERVIEW

The information and data contained in this section have been taken from sources in the public domain. The Company does not have any knowledge that the information herein is inaccurate in any material respect. Neither the Company nor the Sole Issue Manager, Arranger and Underwriter nor any of their respective affiliates or advisors has independently verified the information included in this section.

OPERATING ENVIRONMENT[3]

Mindanao is the second biggest island of the country.

Mindanao has a high potential for agro-industrial development. It is endowed with eight major river basins, namely: Agusan, Tagoloan, Cagayan de Oro, Tagum, Libuganon, Davao, Buayan-Malungon, Agus and the Mindanao River – all of which could supply water for irrigation and other related needs.

One-third of the Mindanao land area is devoted to agriculture. Mindanao supplies over 40 percent of the country's food requirements and contributes more than 30 percent to national food trade. It is also the country's major producer of rubber, pineapple, banana and coffee.

Mindanao can also be developed into a top tourist destination given the cultural diversity of its people and its resource-rich environment. Its tourism industry represents about 17 percent of the national tourist traffic.

Mindanao is endowed with rich mineral resources. The CARAGA and Davao regions contribute the most to the national output with more than eight percent each. Eastern Mindanao, North Central Mindanao, Zamboanga Peninsula, and Southeastern Mindanao are considered high-interest mining areas, with rich deposits of gold, copper, iron, chromium, nickel, cobalt and manganese.

Mindanao also has vast potential for renewable energy sources. Substantial volumes of agricultural residues are a potential source of biomass energy; Siargao Island and Davao Oriental are ideal sites for ocean energy generation; while Surigao is a potential site for wind power.

Power Situation[4]

Energy is crucial to the continued growth of industries in Mindanao.

Electricity sales and consumption grew by 4.0% from 11,345,457 MWh in 2016 to 11,804,037 MWh in 2017. This growth is fueled by the substantial increase of industrial electricity consumption in Mindanao, specifically in Northern Mindanao, Davao, and SOCCSKSARGEN regions. The industrial sector contributed 1.4% of the 4.0% overall growth rate of electricity consumption in Mindanao in 2017.

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[3] Source: National Economic Development Authority's Mindanao Strategic Development Framework 2010 - 2020

[4] DOE - EPIMB 2017 Power Demand Supply Highlights

Existing Installed, Dependable and Available Capacity, January- December 2017 (in MW)

Fuel Type	Installed		Dependable		Available	
	MW	Percent Share (%)	MW	Percent Share (%)	MW	Percent Share (%)
Coal	1,370	38.49	1,220	39.58	1,088	45.84
Oil Based	906	25.45	811	26.30	494	20.82
Natural Gas	0	0.00	0	0.00	0	0.00
Renewable Energy	1,283	36.06	1,052	34.12	791	33.34
Geothermal	*108*	*3.05*	*100*	*3.24*	*99*	*4.17*
Hydro	*1,080*	*30.35*	*899*	*29.17*	*692*	*29.15*
Biomass	*36*	*1.01*	*10*	*0.32*	*0*	*0.00*
Solar	*59*	*1.65*	*43*	*1.38*	*0*	*0.01*
Wind	*0*	*0.00*	*0*	*0.00*	*0*	*0.00*
2017 Total	**3,559**	**100.00**	**3,083**	**100.00**	**2,373**	**100.00**
2016 Total	**3,162**		**2,684**		**1,642**	

Source: DOE Power Demand and Supply Highlights January-December 2017

Newly Operational Capacities, January-December 2017

Power Plant Facility Name	Capacity (MW)		Owner/ Operator
	Installed	Dependable	
COAL	**300**	**270**	
FDC Misamis U3	135	120	FDC Utilities, Inc.
MPC Balingasag U1	55	50	Minergy Power Corporation
MPC Balingasag U2	55	50	
MPC Balingasag U3	55	50	
DIESEL	**37**	**35**	
NAC DPP	11	8	Nickel Asia Corporation (NAC)
PACERM-1	11	11	PACERM-1 Energy Corporation
ZAMCELCO DPP	16	16	ZAMCELCO
TOTAL	**337**	**305**	

Source: DOE Power Demand and Supply Highlights January-December 2017

Summary of Committed and Indicative Power Projects, as of 31 December 2017

Fuel Type	Committed			Indicative		
	No. of Proponents	Capacity (MW)	% Share	No. of Proponents	Capacity (MW)	% Share
Coal	2	700	52.50	4	1,138	57.50
Oil Based	4	30	2.20	4	45	2.30
Natural Gas	0	0	0.00	0	0	0.00
Renewable Energy	22	603	45.20	21	797	40.30
Geothermal	*0*	*0*	*0.00*	*1*	*30*	*1.50*
Hydro	*19*	*591*	*44.30*	*5*	*268*	*13.50*
Biomass	*3*	*12*	*0.90*	*6*	*89*	*4.50*

Solar	0	0	0.00	9	410	20.70
Wind	0	0	0.00	0	0	0.00
Total	**28**	**1,332**	**100.00**	**29**	**1,981**	**100.00**

Source: DOE Power Demand and Supply Highlights January-December 2017

2017 POWER STATISTICS[5]

Based on the 2017 Power Statistics by the Department of Energy, which was released on 30 April 2018, the installed generating capacity per grid in MW is as follows:

	LUZON	VISAYAS	MINDANAO
Coal	**5,625**	**1,054**	**1,370**
Oil Based	**2,518**	**730**	**906**
Natural Gas	**3,446**	**1**	**0**
Renewable Energy	**4,156**	**1,640**	**1,284**
Geothermal	*843*	*965*	*108*
Hydro	*2,527*	*20*	*1,080*
Biomass	*87*	*101*	*36*
Solar	*362*	*465*	*59*
Wind	*337*	*90*	*0*
TOTAL	**15,743**	**3,425**	**3,559**

The dependable generating capacity in MW is as follows:

	LUZON	VISAYAS	MINDANAO
Coal	**5,404**	**1,050**	**1,220**
Oil Based	**1,977**	**499**	**811**
Natural Gas	**3,291**	**0**	**0**
Renewable Energy	**3,758**	**1,454**	**1,052**
Geothermal	*782*	*870*	*100*
Hydro	*2,351*	*18*	*899*
Biomass	*66*	*84*	*10*
Solar	*265*	*392*	*43*
Wind	*293*	*90*	*0*
TOTAL	**14,430**	**3,002**	**3,083**

[5] https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/02_2017_power_statistics_as_of_30_april_2018_capacity_per_plant_type2.pdf

Significant Events [6]

Following are the significant incidents that affected the Philippine Power System in 2017 – a) Forced Outages of Power Generation Plants, b) Transmission and Distribution System Interruptions, c) Fuel restrictions, d) Earthquakes, e) Typhoons and f) Marawi Siege (Mindanao). These occurrences resulted to tight supply conditions, several automatic load dropping incidents, issuance of yellow and red alert grid status, and power interruptions, among others. A total of 429 significant forced outages of power generation plants were recorded in 2017. Meanwhile, 3 major earthquakes and 7 typhoons hit the country in 2017 that caused significant damages to power generation, transmission, and distribution facilities and infrastructure.

- On 04 May 2017 (1250H), Zamboanga Peninsula was on total blackout due to the tripping of the Baloi-Aurora 138 kV Line. Agus 5 alert grid status, and power interruptions, among others. A total of 429atiotage due to a line to line fault. System was restored on the same day at 1700H.

- On 14 May 2017 (2122H), Zamboanga Peninsula was on partial blackout due to the tripping of Agus 5 -Aurora 138 kV Line. Agus 5 alert grid status, and p

- On 25 May 2017 (1750H), Agus 2-Agus 1 138kV Tie Line tripped which resulted to the isolation of both Agus 1 HEP and Agus 1 Substation rendering Marawi City without power.

- On 1 October 2017, South Eastern Mindanao Area (SEMA) was on partial system blackout due to the tripping of Davao and Agus 1 kV Lines 1 and 2 and Kibawe – Tacurong line at 2204H. At 2230H, Red Alert Status was declared for the Mindanao Grid.

- On 23 May 2017, the Marawi Siege started which resulted to the multiple and partial blackout of the franchise area of LASURECO.

[6] https://www.doe.gov.ph/sites/default/files/pdf/electric_power/2017-power-demand-and-supply-highlights.pdf

THE COMPANY

Company Overview

ACR is a Philippines-based investment holding company. The Company is engaged in the business of exploration of oil, petroleum and other mineral products. The Company's business, conducted through its subsidiaries and associates, is grouped into various categories, such as Energy and Power, Property Development and Other Investments. ACR's investment in Energy and Power business is through four holding firms namely, Conal Holdings Corporation, Alsing Power Holdings, Inc., Alsons Renewable Energy Corporation and Alsons Thermal Energy Corporation. ACR is engaged in the Property Development business through its subsidiary, Alsons Land Corporation (ALC). ALC is engaged in an approximately 72-hole golf course development with a residential component called the Eagle Ridge Golf and Residential Estate. ACR, through ACR Mining Corporation (ACR Mining), is engaged in the acquisition of interest in Manat Mining Claims[7].

History

ACR was incorporated 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. (Tegre) in March 1995.

In 1994, the Alcantara Group, through Alsons Power Holdings Corporation (APHC), acquired a 55.80% interest in Tegre through a swap of APHC's 50.78% stake in Northern Mindanao Power Corporation (NPMC). The Securities and Exchange Commission formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from P1 billion to P3 billion.

The corporate name was changed to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. The Company's primary purpose was subsequently changed to that of an investment holding company, and oil exploration was relegated to a secondary purpose.

On October 10, 1996, the Company completed its reorganization through a series of stock swaps. As a result of this reorganization, some of the Alcantara Group's established businesses became majority or minority owned subsidiaries of ACR and the Company's authorized capital was further increased from P3 billion to P12 billion.

ACR's core businesses, conducted through its various subsidiaries and associates, can be grouped into the following main categories: a) Energy and Power, b) Property Development, and c) Other Investments. A description of the general nature and scope of these businesses is presented below:

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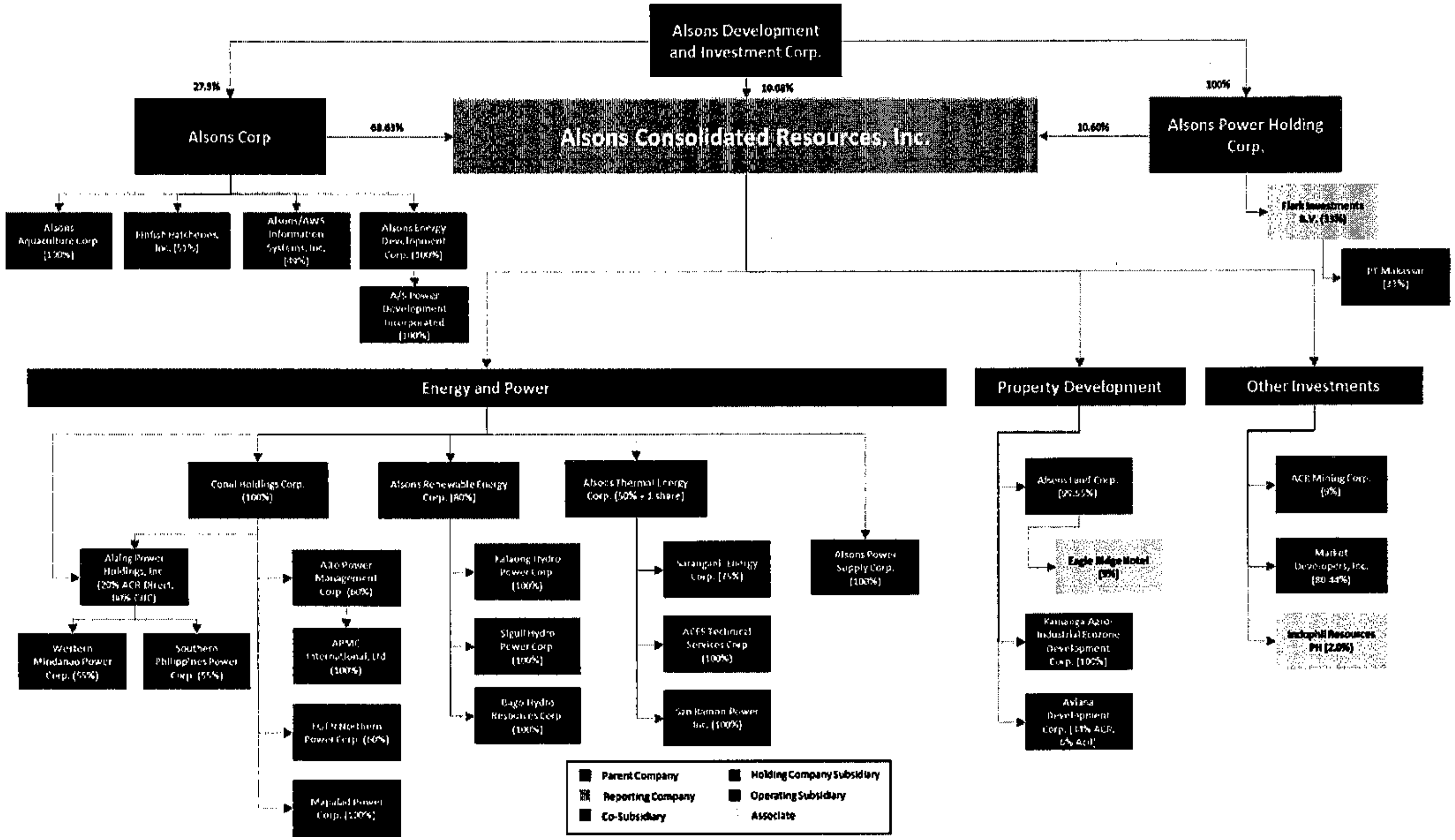
[7] http://markets.ft.com/data/equities/tearsheet/profile?s=ACR:PHS

Corporate Structure



Business Segments

Energy and Power

ACR's investment in the Energy and Power business is through four holding firms namely, Conal Holdings Corporation (Conal or CHC) and Alsing Power Holdings, Inc. (Alsing), Alsons Renewable Energy Corporation (AREC) and Alsons Thermal Energy Corporation (ATEC).

The four holding firms:

1. Conal owns all of ACR's diesel plants operating power generation businesses, namely: (1) Alsing Power Holdings, Inc. at 80%, (2) Alto Power Management Corporation at 60%, and (3) Mapalad Power Corporation at 100%.

2. Alsing, in turn, owns 55% of: (a) Western Mindanao Power Corporation; and (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing.

3. AREC, which was organized on October 2, 2014 is currently in the process of developing Siguil Hydro Power Corporation ("Siguil") and Kalaong Hydro Power Corporation ("Kalaong"), both in the renewable energy and holds 100% of these entities.

4. ATEC was organized on December 3, 2015 wherein ACR transferred its direct interest in Sarangani Energy Corporation (Sarangani) on October 13, 2016.

ACR also formed Aces Technical Services Corporation (ACES), a wholly-owned subsidiary, on July 7, 2011 which will serve as the operations and maintenance Company of Sarangani and San Ramon Power Inc. (SRPI). On October 12, 2016, ACR transferred its ownership in ACES and SRPI on May 24, 2017 into ATEC, respectively.

On June 3, 2017, the Company has signed an agreement with Global Business Power Corporation (GBP) for a 50% less one share stake in ATEC. The Philippine Competition Commission (PCC) approved the transaction on September 25, 2017 and the Deed of Absolute was signed on November 27, 2017. The partnership combines ACR's distinct knowledge of the Mindanao power market, development thru long years of experience as the island's first independent power producer and with GBP's track record as the leading power producer in the Visayas. 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.

ACR also has a wholly owned subsidiary, Alsons Power International Limited (APIL), which handles the development of the power plants of ACR outside the country.

The four (4) operating power generation subsidiaries, WMPC, SPPC, MPC, and Sarangani Energy Corporation are all located in Mindanao.

The four operating power plants:

1. WMPC operates a 100-megawatt (MW) diesel-fired electricity generating facility in Zamboanga City as a merchant plant after its 18-year "Build-Operate-Own" (BOO) agreement with National Power Corporation (NPC) expired in December 2015.

2. SPPC operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City, also as a merchant plant after its 18 years BOO arrangement with NPC expired on April 28, 2016.

3. MPC rehabilitated and started operating 98 MW of the 103MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government on February 27, 2013. MPC currently operates as a merchant plant and serves various electric cooperatives in Mindanao.

4. Sarangani's 210MW coal-fired power plant is Maasim, Sarangani Province, of which its first section of 105MW began commercial operations in April 29, 2016. The ground breaking of Phase 2 or Section 2 was done in January 2017 and attended by President Duterte. Section 2's expected completion date is the first quarter of 2019.

On December 10, 2012, ACR entered into a Shareholders Agreement with Toyota Tsusho Corporation (TTC) of Japan, wherein TTC agreed to subscribe to 25% of the total equity of Sarangani. This represents TTC's financial investment in Sarangani Energy Corporation.

The construction for Sarangani Phase 1 and Sarangani Phase 2 was undertaken by Daelim Industrial Co., Ltd. of Korea and Daelim Phils., Inc., respectively. Japan Gas Corporation (JGC) is the EPC contractor for Sarangani Phase 2 construction.

In addition, ACR is also beginning site development and clearing works for SRPI's 105MW coal-fired power plant project in Zamboanga City. The plant will supply power to Zamboanga City and other parts of Zamboanga Peninsula.

WMPC and SPPC were financed by term loans and these term loans have already been paid in full. MPC is financed by BDO loans (68%) and equity (32%). Both Sarangani Phase I and Sarangani Phase II are financed by syndicated loans from local banks (70%) and equity (30%).

The Mindanao Grid, where the four power plants of ACR's Energy and Power business operate, is dominated by power generated by the Agus Hydroelectric System. However, when the water of Lake Lanao is at a critical level, the Agus System cannot service the full demand of the Mindanao Grid. The MPC, SPPC and WMPC plants are therefore called for dispatch necessary to address this deficit. As the demand for power in Mindanao is expected to grow rapidly over the next few years, these power plants will play an important role in providing adequate and stable power for Mindanao.

Property Development

ACR is also engaged in the Property Development business through its subsidiary, Alsons Land Corporation (ALC). Established on November 25, 1994, ALC was primarily involved in a 72-hole golf course development with a residential component called the "Eagle Ridge Golf & Residential Estate" in General Trias, Cavite.

The Eagle Ridge Golf & Residential Estate (Eagle Ridge) is a joint venture between ALC and Sta. Lucia Realty Development, Inc., which covers a 700-hectare land in General Trias, Cavite. It is divided into four residential enclaves, each having a golf course named after its four golf designers – AOKI, NORMAN, FALDO, DYE.

Aside from the Residential Area, Eagle Ridge also has its commercial community to cater to the needs of its residents. This houses the following – Town Center, Golf Villas, School, Hotel and Townhouses. The project's inventory of 4,071 residential lots, 274 commercial lots and 6,000 shares are divided into three categories namely; Joint Venture, ALC and SLRDI Reserved.

To maximize the use of its remaining land holdings, ALC is also engaged in the development of other types of housing products. Re-packaging its properties to better suit emerging market niches in the property sector, ALC launched "Campo Verde", a joint venture project with Sunfields Realty Development, Inc. The 11--hectare property is a medium cost housing subdivision within the Technopark launched in 2005 located in Batangas, and an hour away from Makati via the South Luzon Expressway and the Southern Tagalog Arterial Road Tollway.

Campo Verde offers three (3) distinct Spanish themed homes that are ideal for young to growing families. The model house choices ranges from: Casa Condesa with a lot area of 90sqm and floor area of 36 sqm; Casa Duquesa with a lot size of 100sqmand floor area of 50sqm; and, Casa Reina with120sqm lot and a floor area of 80sqm. Its sports and recreation area interweaves ball courts, play parks, swimming pool and a clubhouse with the lush, sprawling greenery.

Campo Verde's Spanish-Themed Homes

Unit	**No. of Units**	**Typical Lot Area**	**Floor Area**
Casa Duduesa	197 units	100 sq. m.	50 sq. m.
Casa Reina	171 units	120 sq. m.	80 sq. m.
Casa Condessa	293 units	90 sq. m.	36 sq. m.
Total No. of Units	661 Units		

Eagle Ridge and Campo Verde

	Eagle Ridge Golf and Residential	Campo Verde
Benefit / Purpose	Commercial and residential	For medium cost housing subdivision
Units Sold	3895	661
Units Available	492	0
Percentage of Completion	100%	100%
Land Area	700ha	115,440sqm

Through subsidiary Kamanga Agro-Industrial Economic Development Corporation, ACR is also developing the Kamanga Agro-Industrial Economic Zone, where the power plant of Sarangani is located in the Municipality of Maasim, Province of Sarangani, and was accredited in the Philippine Economic Zone Authority (PEZA) as an agricultural and light-industry zone. Enterprises will be encouraged to set up their businesses in, or relocate to, this "Ecozone" to enjoy incentives prescribed by law through the PEZA. The purpose of Kamanga-Agro Industrial Economic Zone is for Sarangani Energy Corporation as well as future expansion.

To further boost ACR's presence in Mindanao, it has also investment in Aviana Development Corporation that is presently developing the Azuela Cove. It is a joint venture project of Ayala Land Inc. (ALI) and the Alcantara Group (AG) in Lanang, Davao City. The 25-hectare wood factory is set to be transformed into a master planned, mixed-use community that will include residential low to mid-rise towers, commercial lots, offices, an event venue and a waterside cove with some retail components.

The sustainable estate is set to be Davao's prime waterside community, encapsulating a life of fluidity and ease within a vibrant locality and a buoyant economy South of the country; a paramount destination for the best in home, business and lifestyle in Mindanao.

Other Investments

In 2007, ACR infused capital in ACR Mining amounting to P195 million to support the latter's acquisition of the 75% interest of Alsons Development and Investment Corporation (ADIC or ALDEVINCO), one of its major stockholders, in the Joint Venture with Southern Exploration Corporation (SECO) to explore and develop the Manat Mining Claims situated in the provinces of Davao del Norte and Compostela Valley.

ACR Mining was formerly known as ACR Management Corporation. Its initial activity involved the acquisition of ADIC's interest in a mining claim, referred to as the Manat Mining Claims. Covered by Mineral Production Sharing Agreement (MPSA) Serial no. 094-97-XL for 25 years up to year 2022, the mining claim has a total area of 1,547.32 hectares. It is located in the Municipality of Nabunturan, province of Compostela Valley and in the Municipality of Maco, Province of Davao del Norte. Previous exploration work at the project area Magas. Detailed work on the Magas Vien Zone (MVZ) so far revealed an estimate inferred resource of 2.7 million tons containing: 2.8 g/t gold, 26 g/t silver, 0.09% copper, 0.85% lead, and 1.58% zinc. On May 24, 2015, the Board of Directors approved and declared ACR Mining as property dividend of record date of June 5, 2015. The SEC approved the Certificate of Filing the Notice of property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

ACR has divested 91% of ACRMC and retained 9% as portfolio investment. ACRMC Management plans to continue the pre-exploration phase of the Manat Mining Project, although it should be noted that the mining industry is affected by adverse consequences of political uncertainties. A continuous lookout on the stand of the upcoming administration on this activity will be conducted and assurance our stakeholders to be done ensuring that a responsible mining will be pursued.

To further expand its interest in the energy sector, the Company is presently considering several investment opportunities also in Mindanao.

Business Segments Contribution to Revenues

As presented in the table below, the recurring income of ACR comes from power plant operations. Its investments in property development contributes only less than 1% of its total Revenues and is considered only a portfolio investment. The Group conducts majority of its business activities in 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 Investment.

The revenue below represents amounts before eliminations.

Php in '000	2017	2016	2015
Power and Energy	6,892,921	7,191,249	5,002,696
Property Development	29,930	26,699	23,635
Other investments	399,415	674,749	534,538

Income from foreign sources amounting to nil in 2017, P7million in 2016, and P25 million in 2015, respectively. These fees represent technical advisory services related to the operation and maintenance of a power plant in Indonesia.

Wholly-Owned Powerplant

The table below shows the revenue and net income figures of MPC, a wholly-owned subsidiary of ACR

in PHP thousands	2017		2016		2015	
	Revenue	Net Income	Revenue	Net Income	Revenue	Net Income
MPC	735,380	15,652	1,774,020	75,489	2,866,681	95,586

Material Partly-Owned Subsidiaries

The tables below show details of materially part-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 Interest		
			2017	2016	2015
SPPC	Philippines	Power generation	45.0%	45.0%	45.0%
WMPC	Philippines	Power generation	45.0%	45.0%	45.0%
Sarangani	Philippines	Power generation	62.5%	25.0%	25.0%

The summarized financial information in respect of the subsidiaries that have material non-controlling interest is set out below. The summarized financial information below represents amounts before intra-group eliminations.

	2017		2016		2015	
Php in '000	Revenue and other income	Net income	Revenue and other income	Net income	Revenue and other income	Net income
SPPC	552,471	96,354	711,504	212,627	742,145	365,410
WMPC	1,454,871	70,699	1,652,261	86,163	1,485,698	774,278
Sarangani	3,433,433	390,253	3,503,115	893,236	17,717	11,131

Power Plants

Overview of the Power Plants

The four (4) operating power generation subsidiaries, WMPC, SPPC, MPC, and Sarangani Energy Corporation are all located in Mindanao.

WMPC operates a 100-megawatt (MW) diesel-fired electricity generating facility in Zamboanga City as a merchant plant after its 18-year "Build-Operate-Own" (BOO) agreement with National Power Corporation (NPC) expired in December 2015.

SPPC operates a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City, also as a merchant plant after its 18 years BOO arrangement with NPC expired on April 28, 2016.

MPC rehabilitated and started operating 98 MW of the 103MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II, which Conal acquired from the Iligan City Government on February 27, 2013. MPC currently operates as a merchant plant and serves various electric cooperatives in Mindanao.

Sarangani's 210MW coal-fired power plant is Maasim, Sarangani Province, of which its first section of 105MW began commercial operations in April 29, 2016. The ground breaking of Phase 2 or Section 2 was done in January 2017 and its expected completion date is the first quarter of 2019.

Sarangani Phase 1 has PSAs for a tenor of 25 years with South Cotobato II Electric Cooperative (SOCOTECO2), Inc. to supply its 70 MW requirement, Agusan del Norte Electric Cooperative, Inc. (ANECO) for 10 MW, Agusan del Sur Electric Cooperative, Inc. (ASELCO) with 10 MW and Davao del Norte Electric Cooperative, Inc. (DANECO) with 15 MW.

For Sarangani Phase II, it already has established PSAs for 90% of its capacity for a tenor of 25 years with the following: Iligan Light and Power Inc. (ILPI), Cagayan Electric Power and Light Company, Inc. (CEPALCO), Davao del Sur Electric Cooperative, Inc. (DASURECO), South Cotobato I Electric Cooperative (SOCOTECO1), North Cotobato Electric Cooperative, Inc. (COTELCO), Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSUFECO1), Zamboanga del Norte Electric Cooperative, Inc. (ZANECO) and Misamis Oriental II Electric Cooperative, Inc. (MORESCO2).

SRPI, Kalaong Hydro Power Corp, Siguil Hydro Power Corp., Bago Hydro Resources Corp. and Sindangan Hydro Power Corp. are still under-development.

Presented below are tables summarizing relevant information about the Power Plants.

Part I: Details of the Power Plants

<u>Operating Power Plants</u>	Ownership	Status	Location	Type	Expected Life
Western Mindanao Power Corp.	-55% owned by Alsing Power Holding -Conal Holdings Corporation owns 80% of Alsing Power Holdings, Inc. (20% owned directly by ACR) -Conal Holding Corp. is 100% owned by ACR	started its commercial operation in 1997	9-hectare property in Sitio Malasugat, Sangali, Zamboanga City	Diesel	40 years
Southern Philippines Power Corp.	-55% owned by Alsing Power Holding -Conal Holdings Corporation owns Alsing Power Holdings, Inc. at 80% ; (20% owned directly by ACR) -Conal Holding Corp. is 100% owned by ACR	started its commercial operation in 1998	16-hectare property located in Alabel, Sarangani Province	Diesel	20 years from 2017
Mapalad Power Corporation	-Conal Holdings Corporation owns 100% of Mapalad Power Corporation -Conal Holding Corp. is 100% owned by ACR	started its commercial operation in 2013	8-hectare property in the Municipality of Lugait, Misamis Oriental, and in the City of Iligan	Diesel	20 years from 2013

Sarangani Energy Corp. **Sarangani Phase I** **Sarangani Phase II**	-75% owned by Alsons Thermal -ACR owns 50%+ 1 share of Alsons Thermal	Sarangani Phase 1(105 MW) began commercial operations on April 29, 2016 -Sarangani Phase 2 ground breaking of Phase 2 or Section 2 was done in January 2017 -SARANGANI Phase 2 is scheduled for the first quarter of 2019.	58-hectare Kamanga Agro-Industrial Economic Zone in Maasim, Sarangani	Coal	Expected Life 35 years from operation
<u>Future Projects</u>					
Siguil Hydro Power Corporation ("Siguil")	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2021	Maasim, Sarangani Province	Hydro	35 years
Bago Hydro Resources Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2022	Negros Region	Hydro	35 years
Sindangan Hydro Power Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development, target commercial operation date by 2022	Zamboanga Del Norte	Hydro	35 years
Kalaong Hydro Power Corporation	100% owned by Alsons Renewable Energy Corp (AREC) -AREC is 80% owned by ACR	under development	5 Hectares Maitum, Sarangani Province	Hydro	35 years

San Ramon Power Inc.	-100% owned by Alsons Thermal Energy Corp. -ACR owns 50%+ 1 share of Alsons Thermal	expected to be in operation by 2022	Sitio San Ramon, Barangay Talisayan, Zamboanga City	Coal	25 years

Part II: Details of the Power Plants

Operating Power Plants	Capacity	Total Project Cost	Financing	Major Permits/Licenses	Issuance	Validity
Western Mindanao Power Corp.	100 MW	completed	Financed by term loans and already been paid in full	Merchant *(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*((see annex for the permits and licenses))*
Southern Philippines Power Corp.	55 MW	completed	Financed by term loans and already been paid in full	Merchant *(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*
Mapalad Power Corporation	103 MW	completed	Financed by BDO loans (68%) and equity (32%)	Merchant *(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*

Sarangani Energy Corp. **Sarangani Phase I** **Sarangani Phase II**	105MW (Phase 1) 105 MW (Phase 2) (Total of 210MW for both)	Completed (Phase 1) Ongoing construction (phase 2) – Php15 Billion (estimated cost)	Both Sarangani Phase I and Sarangani Phase II are financed by syndicated loans from local banks (70%) and equity (30%)	Merchant *(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*
Future Projects						
Siguil Hydro Power Corporation ("Siguil")	15.1 MW	Php 4.25 Billion (estimated cost)	**Planned:** -partial funding from ACR Commercial Paper + project financing	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*
Bago Hydro Resources Corporation	42.85 MW	under development, and is targeted to be operational by 2022	**Planned:** -partial funding from ACR Commercial Paper + project financing	*Licenses and permits are currently being processed*	*Licenses and permits are currently being processed*	*Licenses and permits are currently being processed*
Sindangan Hydro Power Corporation	28	under development, and is targeted to be operational by 2022	**Planned:** -partial funding from ACR Commercial Paper + project financing	*Licenses and permits are currently being processed*	*Licenses and permits are currently being processed*	*Licenses and permits are currently being processed*
Kalaong Hydro Power Corporation	21 MW	No information yet	N/A	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*

San Ramon Power Inc.	105 MW	Php 13.5 Billion (estimated cost)	N/A	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*	*(see annex for the permits and licenses)*

Status of publicly-announced new product or service

1. The second phase of 105MW of the 210MW Sarangani power plant is in advance stage of construction. Bulk of Sarangani's P9-billion capital expenditure in 2018 has been set aside for the construction of Sarangani Phase 2.

The President of the Philippines personally inaugurated the plant's first phase and also attended the ground-breaking for its second phase on January 25, 2017.

ACR and the National Grid Corp. of the Philippines (NGCP) has agreed to connect Sarangani power plant to the General Santos substation. This is in preparation for the expected commencement of its commercial operations in 2019.

Upon completion of its second phase, SEC's 210MW plan will help provide a sustainable and lasting solution to the power shortage in Mindanao.

2. The 105MW SRPI power plant in Zamboanga City received its environmental compliance certificate from the Department of Environment and Natural Resources in March 2012. The company has begun site preparation and clearing works. The expected construction of the plant that was previously forecast to commence in the later part of 2013 has been deferred to a later time. The total project cost is estimated at P13.5 billion. The company is still in the process of negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant will service Zamboanga city and other nearby areas.

3. ACR has initially invested P20 Billion in investment for the infrastructure, amenities and products for a Davao property which it is jointly developing with the Ayala group. The project, named Azuela Cove, is a 27-hectare development located in Lanang, Davao City, is expected to break ground this year. The project is a 60% - 40% partnership between ACR and the Ayala group.

Pre-construction procedure

Currently, Sarangani Energy Corporation Phase 2 is the only power plant under construction. As such, several steps were undertaken prior to the construction, in order to identify an opportunity, validate its feasibility, prepare functional designs, conduct several related studies, secure permits and licenses, and enter into PSAs and fuel supply contracts. These steps are shown in the diagram below:

SCOPING:

1. Identification of Opportunity
2. Initial Market Analysis
3. Initial Functional Design of the Power Plant
4. Initial Functional Design of interconnection System

PRE-FEASIBILITY

1. Site Idenitification
2. Project Validation
3. Market Analysis
4. Power Plant Configuration
5. Interconnection System Design
6. Initial Financial Calculations
7. Debt and Capital equity planning
8. Pre-financing
9. Profit analysis

FEASIBILITY:

1. Technical Studies
2. Full Feasibility Study
3. Permitting
4. LGU Endorsements
5. Secure PSAs
6. Financial Projections
7. Land Agreements
8. O&M Agreements
9. Fuel Supply Contract/s
9. EPC Tendering for Power Plant and Interconnection
10. Financing (Debt and/or Equity)

Life of Power Plant

Start of Commercial Operations:

- SARANGANI Phase 1 went into commercial operation on April 29, 2016.
- SARANGANI Phase 2 is scheduled for the first quarter of 2019.
- MPC started its commercial operation in 2013.
- WMPC started its commercial operation in 1997.
- SPPC started its commercial operation in 1998.

Expected Life:

- **SARANGANI** -The design life of both units, as per the respective EPC contracts, is 35 years.
- **WMPC** - the expected life is 40 years from start of commercial operations
- **MPC** – the expected life is 20 yrs. from 2013, based on running hours
- **SPPC:** The expected life is 20 years from 2017, based on running hours.

After the expected life of the power plants, the Company conducts a plant study in order to extend the life of the power plants, especially if the plants are still required to be operational. This study takes into account the condition of equipment and facilities, the running and operating conditions over the previous designed life of the plant, licensing conditions, among other considerations. The purpose of the study is to produce a recommendation on whether it is viable to refurbish equipment and continue the plants' operations. The company sticks to their set scheduled maintenance regime and refurbish and replace equipment, as determined by inspections, condition monitoring and obsoleteness. These enhancements will then extend the useful life of a power plant.

Process Flow

From the four (4) operating power plant, only Sarangani is a coal-fired power plant. WMPC, MPC and SPPC are all diesel power plants.

Operating Power Plants	Type of Power Plant
SARANGANI	Coal-Fired Power Plant
WMPC	Diesel Power Plant
SPPC	Diesel Power Plant
MPC	Diesel Power Plant

Coal Fired Thermal Power Plant[8]:

Coal is burnt in the boiler furnace to produce heat. Carbon in the coal and oxygen in the air combines to produce carbon dioxide and heat. The heat from combustion of the coal boils water in the boiler to produce steam. The steam is then piped to a turbine. The high pressure steam impinges and expands across a number of sets of blades in the turbine. The impulse and the thrust created rotate the turbine. The steam is then condensed and pumped back into the boiler to repeat the cycle. After, rotation of the turbine rotates the generator rotor to produce electricity based of Faraday's Principle of electromagnetic induction.

Diesel-Fired Power Plant[9]

A diesel engine is a type of internal combustion engine. An internal combustion engine transforms the chemical energy in fuel to mechanical rotational energy. To release the chemical energy in diesel effectively, an atomized form of the fuel is made to contact with high temperature and high pressure air. In diesel engines, this energy is effectively transferred as mechanical rotational energy. The operation of a diesel engine is all about producing high temperature and high pressure air continuously.

Piston, connecting rod, crank and cylinder form a mechanism called slider-crank mechanism. Here the linear motion of the piston is transformed to a rotary motion at the crank.

During the motion of the piston, the top most point it can reach is called Top dead centre (TDC) and the bottom most position the piston can reach is called as Bottom dead centre (BDC). In an IC engine, this mechanism is properly supported in an engine block. Cylinder head, valves and fuel injector are fitted above the engine block.

When the piston moves downwards, inlet valves open and fresh air from outside is sucked in, or, in other words, the engine breathes. This stroke is called as suction stroke.

During the return stroke, inlet and exhaust valves are closed and the air inside the cylinder gets compressed. During the compression stroke, the piston does work on the air. So the temperature and pressure of the air will rise to a level which is higher than the self-ignition value of the diesel.

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[8] http://www.brighthubengineering.com/power-plants/18082-coal-fired-thermal-power-plant-the-basic-steps-and-facts/

[9] http://www.learnengineering.org/2014/10/Diesel-engine-Working.html

An atomized form of diesel is injected into this compressed air. The fuel gets evaporated and undergoes an uncontrolled spontaneous explosion. As a result, the pressure and temperature rise to high level values.

The high energy fluid pushes the piston downwards. The hot air does work on the piston and energy in the fluid is converted to the mechanical energy of the piston. This is the only stroke where the piston absorbs power from the fluid.

Due to inertia of the system, the piston moves upwards again. This time the exhaust valves open and the exhaust is rejected. Again the suction stroke happens.

This cycle, which has a total 4 strokes, is repeated over and over for continuous power production.

Distribution of Power to Customers (Distribution Utilities)

Power is generated in the power plants, following the process flow explained above. After which, power is transmitted through the grid to the Distribution Utilities, who will transmit the power to the end users.

Sources and Availability of Raw Materials and Supplies

SPPC has fuel supply agreement with Pilipinas Shell Petroleum for the supply of an estimated 2 to 4 million liters of fuel per month until September 1, 2019. Wartsila Corporation of Finland supplies the engine parts and major maintenance services needed by the plant.

MPC and WMPC signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4-8M liters of fuel per month for each plant. The agreement is valid until August 16, 2019 for MPC and December 13, 2018 for WMPC. Similar to WMPC and SPPC, MPC also has agreements with Pilipinas Shell Petroleum Corporation and valid until December 31, 2018 for the supply of its lubricating oils.

Sarangani has a fuel supply and transport agreement with Toyota Tsusho Corporation for low sulfur coal or sub-bituminous coal, which is sourced from Kalimantan, Indonesia with net calorific value of 3,630 to 5,450 Kcal per kilograms with price based on GlobalCoal New Castle Index. The agreement is valid for 10 years from April 2016 until 2026.

Presented below is a summary of the supplies of Raw Materials of the Diesel Power Plants.

POWER PLANTS	FUEL OIL	LUBRICATING OIL	ENGINE PARTS
SPPC	SHELL	SHELL	*purchase orders only*
MPC	PHOENIX	SHELL	*purchase orders only* Wartsila Corporation of Finland
WMPC	PHOENIX	SHELL	Wartsila Corporation of Finland

For SPPC and MPC's supplies of engine parts, these are bought by issuing purchase orders only, and thus, no long term contracts with any supplier.

MPC	
Name of supplier	**Type of raw material**
Phoenix Petroleum Phils. Inc.	HFO Bunker Fuel
Pilipinas Shell	Lube Oil
WMPC	
Name of supplier	Type of raw material
Phoenix Petroleum Philippines Inc.	Fuel
Wartsila Phils. Inc.	Spare parts
Pilipinas Shell Petroleum Corp.	Lube oil, Argina X40
SPPC	
Name of supplier	Type of raw material
Pilipinas Shell Petroleum Corporation	Fuel
Pilipinas Shell Petroleum Corporation	Lube Oil

For Sarangani Energy Corporation, below is a summary of their suppliers

Name of supplier	Type of raw material
Toyota Tsusho	Coal
Pilipinas Shell Petroleum Corporation	Fuel Oil
Petron	Fuel
Mcmai Cebu Trading Corp	Chemicals

Since coal and diesel are freely traded commodities, the Company is not highly dependent on its suppliers, as it may opt to get supply from the market.

Customers

The Company's sales and growth is not dependent on a single customer as the power plants have secured, or are securing Power Supply Agreements (PSAs) with various distribution utilities.

A PSA is a contract between two parties, one which generates electricity (the seller) and one which is looking to purchase electricity (the buyer). The agreement defines all of the commercial terms for the sale of electricity between the two parties, including when the project will begin commercial operation, schedule for delivery of electricity, penalties for under delivery, payment terms, and termination.

Presented below is a summary of the current PSAs of the power plants.

1. Mapalad Power Corporation

MPC	Location	Capacity	Years	Start Date	End Date
Cagayan Electric Power and Light Company (CEPALCO)	Cagayan De Oro	30	10 option after 3	24-Jun-16	23-Jun-26
Surigao del Sur I Electric Cooperative, Inc. (SURSECO I)	Bislig, Surigao Sur	4	10 option after 3	26-Dec-16	25-Dec-26

2. Western Mindanao Power Corporation

WMPC	Location	Capacity	Years	Start Date	End Date
Zamboanga City Electric Cooperative Inc. (ZAMCELCO)	Zamboanga City	50	10	Dec 13, 2015	Dec 12, 2025
Cagayan Electric Power and Light Company (CEPALCO)	Cagayan De Oro	30	10 option after 3	Dec 13, 2015	Dec 12, 2025
North Cotabato Electric Cooperative (COTELCO)	Cotabato	5	10	Filed with ERC	

3. Southern Philippines Power Corporation

PSA contracts have expired in April 2018 however, the management team is undertaking enormous efforts to find suitable replacements for the non-renewed contracts and negotiations with other distribution utilities are being discussed.

4. Sarangani Energy Corporation

SARANGANI 1					
South Cotabato Electric Cooperative II (SOCOTECO 2)	South Cotabato	70	25	April 29, 2017	April 29, 2042
Davao Del Norte Electric Cooperative, Inc. (DANECO)	Davao del Norte	15	25	April 29, 2017	April 29, 2042
Agusan del Norte Electric Cooperative (ANECO)	Agusan del Norte	10	25	April 29, 2017	April 29, 2042
Agusan del Sur Electric Cooperative (ASELCO)	Agusan del Sur	10	25	April 29, 2017	April 29, 2042

SARANGANI 2	Location	Capacity	Years	Start Date*	End Date
Iligan Light and Power Inc. (ILPI)	Iligan City	27	25	n/a	n/a
Cagayan Electric Power and Light Company, Inc. (CEPALCO)	Cagayan De Oro	20	25	n/a	n/a
Davao del Sur Electric Cooperative (DASURECO)	Digos City	15	25	n/a	n/a
South Cotabato I Electric Cooperative (SOCOTECO I)	Koronadal	10	25	n/a	n/a
Cotabato Electric Cooperative Inc. (COTELCO)	Cotabato City	10	25	n/a	n/a
Misamis Oriental Electric Cooperative II (MORESCO 2)	Gingoog	3	25	n/a	n/a
Zamboanga del Sur I Electric Cooperative Inc. (ZAMSURECO I)	Zamboanga del Sur	5	25	n/a	n/a
Zamboanga del Norte Electric Cooperative Inc. (ZANECO)	Zamboanga del Norte	5	25	n/a	n/a

*Sarangani Phase 2 is currently under construction and has not started commercial operations.

SRPI	Location	Capacity	Years	Start Date*	End Date
Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)	San Ramon, Talisayan, Zamboanga City	85 MW	25	Issuance: March 8 , 2013	25 years from Commercial Operation Date

*SRPI is currently underdevelopment and has not started commercial operations.

Marketing Process

ACR gathers data from its prospective customers, which includes demand, supply, load profile, forecasts, suppliers, rates. The Company then simulates the technical and commercial/rate impacts of the coming in of its supply. If deemed acceptable, ACR will then proceed to the next step. ACR will supply with the proposed tariff to management and Board of Directors. Next, a series of negotiations and meetings with customer/s will be conducted. ACR undergoes a Competitive Selection Process (CSP) and finally the contract will be awarded to the winning bidder.

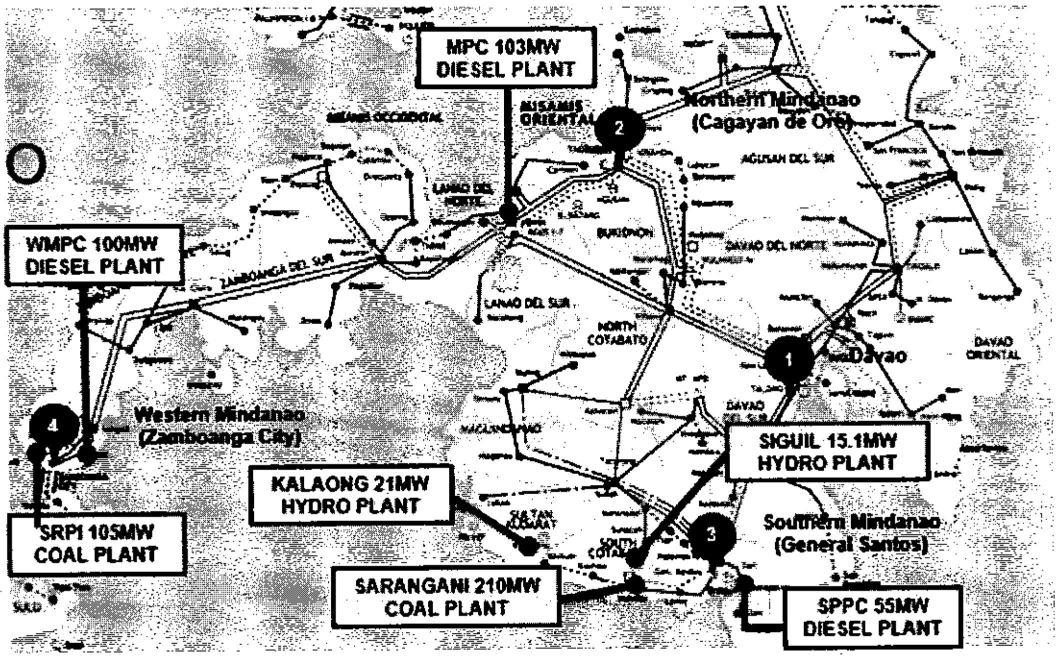
Location of the Power Plants

ACR's power plants are strategically located to cater to the power requirements of its key areas in Mindanao.

The first three power plants of ACR, namely WMPC, SPPC and MPC, are strategically located to serve key load centers in Mindanao and provide adequate generation where it is needed most. The long-term Energy Conversion Agreements of these plants assured ACR of a steady revenue stream. Today, ACR continues to operate power plants through bilateral contracts with various distribution utilities.

Mindful of the need to strategically position the baseload plants in key load centers and also recognizing the inherent advantage of expanding in areas where we are already present, the Company decided to establish the Sarangani 210MW Coal-Fired Power Plant of Sarangani Energy Corporation in Maasim, Sarangani and the Zamboanga 105MW Coal-Fired Power Plant of San Ramon Power Incorporated in Zamboanga City. These coal-fired power plants are equipped with the latest state of the art thermal power generation technology. Currently, the first phase of Sarangani Energy Corporation is operational, while the second phase is under construction. SRPI Coal Plant is under-development.

Beyond the baseload expansion of ACR, the Company is looking towards the future and investing in renewable energy projects. ACR has identified hydropower resources in Mindanao and Negros Occidental that can be implemented under the Renewable Energy Act. Currently, Siguil and Kalaong are under development, and Siguil is targeted to be operational by 2021.



Contract with National Grid Corporation of the Philippines (NGCP)

The Power Plants maintain the following agreements with the NGCP:

MPC	
Parties	Type of Agreement Contract
NGCP and MPC	Metering Service Agreement
NGCP and MPC	Transmission Service Agreement

SARANGANI	
Parties	Type of Agreement Contract
NGCP and SEC	Metering Agreement

WMPC	
Parties	Type of Agreement Contract
NGCP and WMPC	Metering Service Agreement
NGCP and WMPC	Transmission Service Agreement

SPPC	
Parties	Type of Agreement Contract
NGCP and SPPC	Metering Service Agreement
NGCP and SPPC	Transmission Service Agreement

Properties

The Company's energy and power operations are located in four different sites. WMPC's own power plant is on a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City. SPPC's operations are conducted on a 16-hectare property located in Alabel, Sarangani Province, and 15 kilometers east of the city proper of General Santos. CHC's Plants 1 and 2, which are operated by MPC, are in an 8-hectare property in the Municipality of Lugait, Misamis Oriental, and in the City of Iligan. WMPC and SPPC fully own their respective properties. The power plants in Lugait, Misamis Oriental and City of Iligan were acquired by virtue of a Deed of Sale between the City of Iligan and CHC dated February 27, 2013. The lots on which the power plants of CHC are located were acquired by MPC from ALDEVINCO by virtue of the deed of sales dated November 21, 2013. Sarangani Energy Corporation is located in the Municipality of Maasim, Sarangani Province.

The power assets were used as collateral in various loans, specifically:

1. the WMPC and SPPC power plants were used as collateral for the loans obtained for finance the construction of the said power plants.[10]

2. the CHC power plants, and the real estate owned by MPC, were used as collateral for the rehabilitation of the CHC power plants; and

3. Sarangani's real estate and coal-fired power plant are mortgage to its various lender banks.

ALC, the Company's property development company, has properties in the Province of Batangas, in the Municipality of Cabuyao in the Province of Laguna, and along Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments. The Company maintains its corporate headquarters at the Alsons Building, Makati City, which is owned by ALC.

The land development of Azuela Cove is located in Lanang Davao City.

All of these properties are in good condition.

Property, Plant and Equipment (consolidated)

(Amounts in Thousand Pesos)	December 31, 2017	December 31, 2016	December 31, 2015
Main Engine of Power Plant	19,168,223	P 19,236,073	P7,897,194
Land, Buildings and Leasehold Improvements	552,089	4,642,574	4,417,171
Plant Mechanical, Switchyard and Desulfurization Equipment	4,652,844	552,089	872, 079
Machinery and Other equipment	726,586	429,137	344,929
Construction in Progress	7,425,077	2,943,872	13,297,824
Cumulative Translation Adjustments	-	-	(2,413,269)
Total	32,524,819	27,803,745	24,415,928
Less: Accumulated Depreciation and Amortization	(9,795,112)	(9,094,868)	(8,739,796)
Net Book Value	22,729,707	P18,708,877	P15,676,132

[10]*these term loans have already been paid in full*

Investment Acquisition

On October 9, 2015, the Board of Directors approved the subscription to Non-Voting Preferred Shares in ALDEVINCO amounting to P2.2 billion. The preferred shares are entitled to receive out of the unrestricted retained earnings of the ALDEVINCO, cumulative dividends at the rate of 4% per annum of the par value of the Preferred Shares, before any dividends shall be paid to holders of the Common Shares.

On February 27, 2013, CHC acquired from the Iligan City Government, the 98 MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II valued at P387 million. MPC rehabilitated the two plants at total cost of P800 million, the capacity has now increased to 103MW.

APHC, also a company under the Alcantara Group, entered into a placement agreement (the Agreement) with Indophil Resources N.L., (IRNL or Indophil) to purchase the 207,708,334 shares in two (2) tranches. On December 26, 2011, APHC incorporated Alsons Prime Investments Corporation (APIC) as a wholly owned subsidiary primarily to hold the Indophil investment. The Agreement was concluded on February 6, 2012, with APIC owning 17.26% of Indophil's total outstanding shares.

Subsequently, on September 23, 2014, APIC offered to acquire all Indophil's issued shares not already owned by APIC under a Scheme of Agreement. Under the Scheme, APIC offered Indophil shareholders A$0.30 cash for each share that they owned. With the consent of Indophil's shareholder's of the scheme during the December 18, 2014 shareholder's meeting and the final approval by the Australia Supreme Court on January 13, 2015, payment to all shareholders on the share register as at the Record Date of January 20, 2015 except for shares already owned by APIC's affiliates, ACR and Alsons Corporation (AC), was completed on January 28, 2015. In July 2015, APIC was bought by a third party and ceased being part of the Alcantara Group. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

On December 11, 2015, the Company entered into a Deed of Assignment of Shares (share swap) agreement with APIC whereby the former assigned and transferred to the latter all its interest in exchange for ownership interest in IRPI. Accordingly, the Company reognized the investment in IRPI amounting to P1,213 million representing the carrying value of the investment at date of the share swap agreement.

The transfer of the Company's investment in IRNL to investment in IRPI has no commercial substance since the Parent Company still exercises significant influence over IRPI due to its representation in the Board of Directors and Operating Committee of the Board of IRPI. Accordingly, ACR treats its investment in IRPI as "Investment in associate" using the equity method in 2015 consolidated financial statements.

Mr. Nicasio I. Alcantara, Director of AC and Alsons Development and Investment Corporation, has been Indophil's non-executive Director since December 2011. Mr. Paul G. Dominguez on the other hand, is also a member of the Board of Directors of Alsons Development and Investment Coporation and is presently the Chairman of IRPI.

Since ACR's capital investments in the next couple of years is centred in growing its power business, the Company does not plan on plowing additional funds to increase its mining investments. Nonetheless, ACR will maintain its current share of 2% in Indophil.

Research and Development

ACR and its subsidiaries do not allocate specific amounts or a fixed percentage for research and development. All research, if any, are done by its subsidiaries and affiliates on a per project basis. The allocation for such activities may vary depending on the nature of the project.

Employees

As of June 30 2018, ACR and 50% or more directly or indirectly-owned subsidiaries have a manpower complement of 417 employees, broken down as follows: 6 executives, 24 managers, 103 supervisors and 284 associates. The Company believes that changes in manpower complement will be minimal for the next twelve months. The employees of the Company and its subsidiaries are not unionized.

Future Plans

The Company is planning to build a 15.1 MW hydropower plant in Siguil, Sarangani province with an estimated cost of P4.25 billion, and is expected to start commercial operations in the 2021. ACR is currently talking with new partners for its first hydroelectric power plant, and is keeping an open invitation to Toyota Tsusho Corp, who is also the Company's partner in the 210-MW Sarangani Energy Corporation. ACR will also be tapping up to ¥700 Million from the Japanese Government though a Joint Credit Mechanism (JCM)

On top of the hydroelectric power plant, the Company is considering putting up a solar farm as well. This solar plant would have a maximum capacity of 50 MW, and is estimated to cost around $1.2M per MW. The Company is also looking to expand operations in Indonesia, particulary in Sulawesi province, because of its proximity to Mindanao, but the plans are still in very early stages.

As the solar farm and the expansion of operations in Indonesia are still in very early stages, there are no additional information yet as of the date of the Prospectus:

Power Plant	Source of Funding	Target Date of Completion	Estimated Cost
Solar Farm	No available information yet	No available information yet	$1.2M per MW
Expansion of operations in Indonesia	No available information yet	No available information yet	No available information yet

Currently, the Company has in its pipeline the following projects:

Power Plant	Installed Capacity (in MW)	Estimated Project Cost (in billions)	Stages of development	Location
Siguil	15.1	4.25	EPC Contract Signed	Sarangani Province
Bago	42.85	9.29	Advance	Negros region
Sindangan	28	5.96	Advance	Zamboanga Del Norte

Kalaong	13.4	3.77	Under development	Sarangani Province
Sumlog	16	4.5	Under development	Davao Oriental
Andanan	8	2.25	Under development	Agusan Del Sur
Hubo	13	3.66	Under development	Surigao Del Sur
Tago	9	2.53	Under development	Surigao Del Sur

Competition

ACR's main business segment, contributing more than 99% of its Total Revenues, is the Energy and Power business from its power plant operations. Presented below are the major competitors of ACR's power plants.

Merchant plants	Owner	Rated cap. Mw	Dependable Cap, MW	Actual load MW
Therma South, Inc. 1	Aboitiz Power Corporation	150	135	242
Therma South. Inc. II	Aboitiz Power Corporation	150	0	
Therma Marine, Inc. I	Aboitiz Power Corporation	100	96	30
Therma Marine, Inc. II	Aboitiz Power Corporation	100	96	30
FDC Misamis Power Corporation (unit 1 & 2)	FDC Utilities	232	210	100
SMC Global Power Holdings Corp. 1	SMC Global Power Holdings Corp.	150	150	93

While several generation companies have either commenced construction of coal-fired power stations or announced plans to build them, Sarangani has secured its position in the market by entering into PSAs with various distribution utilities. Having secured the approval of the Energy Regulatory Commission of these PSAs, Sarangani is assured of the market for its capacity.

The diesel power plants of WMPC, SPPC, and MPC are significantly contracted. These plants remain the preferred suppliers of most distribution utilities for peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations.

For its property development segment, aside from the numerous housing developments competing in Batangas, Cavite and Laguna areas, a shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Golf and Residential Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

Competitive Strengths

The key strengths of ACR as compared to competitors are the following:

1. In-depth knowledge of the Mindanao Region
2. Experienced Management Team
3. Expertise in power plant development and operation
4. Enhanced competitiveness and sustainable growth
5. Focused Strategies

1. In-depth knowledge of the Mindanao region

The Alcantara group has been operating in Mindanao for over 60 years engaging in forestry and wood processing, property development, power generation, cement, product distribution, agriculture, aquaculture, insurance, utilities. ACR benefits from this extensive business network by being able to build established relationships and acquire in-depth local knowledge of its operating environment and principal shareholders.

2. Experienced Management Team

One of the strengths of the Company is its seasoned management team. The management team has relevant and extensive experience in the operation and management of power assets both here and abroad. They have deep understanding of the power industry and an extensive experience in the development and operation of Greenfield power projects. Through their extensive experience, they have demonstrated successes in raising and negotiating financing for the power projects, and negotiating construction, supply and the offtake agreements. They have also established strong relationships with various stakeholders.

Key Executives

Key Executives	Profiles
Tomas I. Alcantara Chairman and President	* Holds various managing and operating position in the Alcantara group * Former Undersecretary of Department of Trade and Industry * Former Managing Head of the Board of Investments * Former President of the Manila Economic & Cultural Office * MBA from Columbia University * Attended Advanced Management Program at Harvard Business School
Editha I. Alcantara Director and Treasurer	* Holds various positions or directorships in Alcantara Group, Philippine Business for the Environment, Miriam College, and Philippine Wood Producers Association * MBA from Boston College

Tirso Santillan, Jr. Executive Vice President	* Over 20 years of experience in the power industry and has been with ACR since 1995 * Overall head for the power division and overseas existing projects and new investments * Previously worked with the First Pacific Group and with Clark Development Corp. * Bachelor of Arts degree in Engineering and Masters in Business Management from Ateneo de Manila University
Robert F. Yenko Chief Financial Officer	*Vice President and Group Chief Finance Officer of the Alcantara Group since January 16, 2017. *Vice President for Finance and Administration of the Power Business Unit since February 1, 2017. *Holds a degree in BS Business Management from the Ateneo University and a Master's in Business Administration (MBA) from the University of the Philippines

Key Executives in Power Division

Key Executives in power division	**Profiles**
Joseph C. Nocos Vice President Project Development Head Power Sales and Marketing Head	* Over 24 years of experience in the power industry and has been with ACR since 1992 * Head of development for all of ACR's power plants in Mindanao and abroad, and markets power to offtakers and evaluates new investments. * Bachelor of Arts degree in Economics from Ateneo de Manila University.
Edgardo D. Sevilles Vice President for Diesel Operations	* Over 37 years of experience in the power industry and has been with ACR since 1993 * Head of ACR's diesel power projects and manages operations of existing plants * Part of the team for project development and due diligence of diesel power plants * Also served as Head of Power Barge Fleet in NPC for 19 years * Masters in Management from Asian Institute of Management and Registered Electrical Engineer

3. Expertise in power plant development and operation

ACR has been in the power generation business for 24 years, and has demonstrated success in developing, financing and operating power projects both here and abroad. ACR has also established knowledge of the market and strong longstanding relationships with power customers.

Power Plant Development & Operation

MAPALAD POWER CORPORATION	*From 1992 to 2006, developed and operated the 103MW diesel power plant (then named NMPC) in Iligan City under a BOT arrangement with NPC. * Since 2013, reacquired from the Iligan City government and has successfully rehabilitated and restored the diesel power plant to full operation.
Western Mindanao Power Corporation	* Since 1997, has been operating the 100MW diesel-fired plant in Zamboanga City under a BOO arrangement with NPC * Has historically exceeded the required level of availability as set under the ECA contract of 85%.
Southern Philippines Power Corporation	* Since 1998, has been operating the 55MW diesel-fired plant in Sarangani Province under a BOO arrangement with NPC * Has historically exceeded the required level of availability as set under the ECA contract of 85%.
ALTO Power Management Corporation	*APMC has also provided management or consultancy services to power plants in Vietnam, Pakistan and Indonesia.

Sarangani Energy Corporation

- Project Overview
  - The Sarangani Project is a two-phased coal power project with total rated net capacity of 211.5MW
  - The project is located at the 58-hectare Kamanga Agro-Industrial Economic Zone in Maasim, Sarangani
  - Notice to Proceed (NTP) for Sarangani Phase 1 was issued in January 2013 and COD was achieved in April 29, 2016
  - Limited Notice To Proceed (LNTP) for Sarangani Phase 2 was issued in July 2016 and construction is expected to be completed by 2019
  - Sarangani is 75% owned by ATEC and 25% owned by TTC

- Technical Overview

PARAMETERS	DETAILS
Gross Capacity	Sarangani Phase 1: 118.5MW Sarangani Phase 2: 118.5MW
Net Capacity	Sarangani Phase 1: 106.8MW Sarangani Phase 2: 106.5MW
Net plant heat rate	Sarangani Phase 1: 10,663.5 kJ/kwh Sarangani Phase 2: 10,435.0 kJ/kwh
Average Availability	88.1%
Coal Storage Capacity	60 days (covered / open)

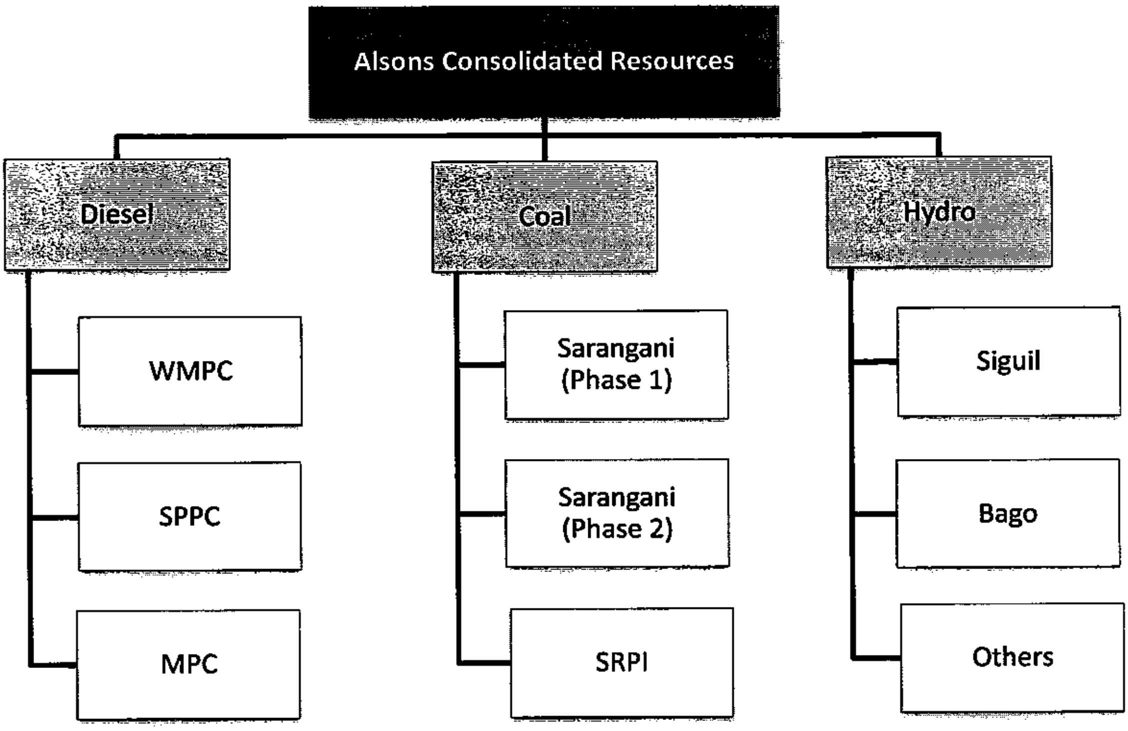
ACR's new power projects are grounded on:

- Committed project sponsors and partners – similar to its existing power plants, ACR and TTC will expand their partnership to the new coal-fired plants
- Partnership with MPIC/GBP could provide for lower cost of funding alternatives and may lead potential for further collaboration, opportunity to cooperate on project pipeline of MPIC/GBP (e.g. energy projects in Luzon, infrastructure projects in Mindanao)
- Project contracts (EPC contract, the Fuel Supply and Transportation Agreement, and the Operation & Maintenance Agreement) that have been crafted in accordance with international project finance standards
- Strong project management support from AF Consult, a Finnish engineering company with vast experience in thermal power construction and operation
- Power Supply Agreements mitigating offtake risks
    - Sarangani Phase 1 has PSAs covering 100% of capacity for a tenor of 25 years
    - Sarangani Phase 2 has PSAs covering 90% of capacity for a tenor of 25 years
    - SRPI has signed a 25-year PSA with Zamboanga City Electric Cooperative, Inc. (ZAMCELCO) for 80% of its capacity
- Experienced Operation & Maintenance (O&M) Firm
    - The Sarangani and SRPI plants' O&M will be supervised by PIC Marubeni

4. Enhanced competitiveness and sustainable growth

ACR's expansion to a balanced generation mix will allow it to:

- Provide a complete power solution to Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types
- Enhance competitiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source



5. Focused Strategies

ACR's expansion strategy is driven by the needs of the Mindanao Grid and is supported by long-term offtake agreements.

- 1990s: Intermediate, peaking, and back up
- 2000s: Baseload
- Future: Renewables

ACR will position the diesel plants to perform roles that are not effectively and efficiently served by coal fired power plants.

- Intermediate and peaking capacity
- Back up capacity
- Ancillary service

ACR to develop its pipeline of hydro power projects to round up its generation mix with renewable sources ACR's expansion will:

- Allow it to provide a complete power solution to the Mindanao grid
- Mitigate fuel-type specific risks such as volatilities in fuel costs and regulatory concerns linked to certain fuel types
- Enhance competiveness of ACR in the Mindanao Electricity Market
- Diversify revenue and cash flow source.

Business Strategy

- ACR aims to maximize returns from its existing portfolio of oil-fired assets and to capitalize on underserved and growing baseload demand through the development of advanced coal-fired power stations. Management views that growth will be driven according to the needs in relation to the Mindanao grid.

- ACR's existing plants play an important role in the Mindanao grid due to their strategic location, wherein there is great demand for electricity. ACR likewise has the operating versatility in meeting baseload and peak demand requirements in Mindanao.

- ACR highlights that its Bunker C – fired diesel plants will be essential in carrying out ACR's business strategies. It will perform/cover tasks that will not be served by its coal-fired plants. These diesel capacities will be sold to cover intermediate and peaking supply, as well as provision of back-up power and ancillary services.

Plans and Programs

ACR has four (4) operating power plants in Mindanao. Majority of its power plants are Bunker C –fired diesel and coal fuel types, with a total power capacity of about 363 MW in operation. Around 211.5 MW are still under construction and development. ACR expects its power capacities to further expand once all of its projects are completed,

While other power generation companies have recently entered Mindanao, ACR believes that its reliable and efficient service would be its primary strength to secure long-term PSAs. Sarangani Phase I which commenced commercial operation only last April 29, 2016, has already contracted its full capacity under long-term PSAs. A coal-fired power plant, Sarangani Phase I, already has PSAs for a tenor of 25 years with South Cotobato II Electric Cooperative, Inc. to supply its 70 MW requirement, Agusan del Norte Electric Cooperative, Inc. for 10 MW, Agusan del Sur Electric Cooperative, Inc. with 10 MW and Davao del Norte Electric Cooperative, Inc. with 15 MW.

For Sarangani Phase II, it already has established PSAs for 90% of its capacity for a tenor of 25 years with the following: Iligan Light and Power Inc., Cagayan Electric Power and Light Company, Inc., Davao Del Sur Electric Cooperative Inc., South Cotobato I Electric Cooperative, North Cotobato Electric Cooperative, Inc., Zamboanga del Sur I Electric Cooperative, Inc., Zamboanga del Norte Electric Cooperative, Inc. and Misamis Oriental II Electric Cooperative, Inc.

San Ramon Power Inc., ACR's third coal fired power plant will be located on a leased site in Zambo Ecozone. This plant is intended to serve the Zamboanga region. SRPI is expected to be in operation by 2019 but has already contracted and signed a 25 year PSA with ZAMCELCO for 80% of its capacity.

ACR has plans of investing in renewable energy. The Group has identified hydropower resources in Mindanao and Visayas that may be implemented under the Renewable Energy Act. ACR expects its hydro projects to start construction by mid-2018. Apart from hydro-powered projects, the group is also looking into solar-power projects in Mindanao and is also planning to participate in the retail electricity supply business.

ACR's plan is to reach a level of balanced generation mix where it can serve the complete power requirements of its customers (i.e. baseload, intermediate, peaking, back-up as well as ancillary). Apart from enhancing its market position, this strategy, will in turn diversify its revenue mix, as well as minimize potential risks that may arise.

Dividends

Alsons Consolidated Resources, Inc.

Declaration of dividends is subject to approval by the Board of Directors. Dividends on preferred shares amounting to P4 million in 2017 and 2016 were applied against the Company's susbscriptions receivable from Alsons Corporation. A summary historical dividend declarations is presented in the table below.

Historical Dividend Declarations

Year	Date of Declaration	Per Share	Amount	Date of Payment
2018	May 24, 2018	0.016	100,664,000	July 25, 2018
2018	May 24, 2018	0.02	125,830,000	July 25, 2018
2017	May 25, 2017	0.016	100,664,000	July 25, 2017
2017	May 25, 2017	0.0008	4,400,000	July 25, 2017
2016	May 27, 2016	0.016	100,664,000	July 25, 2016
2016	May 27, 2016	0.0008	4,400,000	July 25, 2016
2015	March 27, 2015	0.0005	3,145,750	March 22, 2016
2015	May 22, 2015	0.01	62,915,000	June 16, 2015
2014	May 23, 2014	0.016	100,664,000	July 24, 2014
2013	March 21, 2013	0.016	100,664,000	June 14, 2013

Dividend Policy:

Management continously endeavors to increase ACR's share value through new projects and expansion programs while at the same time provide yearly dividends to its shareholders. On June 8, 2011, the Board of Directors adopted a dividend policy of annually declaring dividends from 20% of the previous year's unappropriated retained earnings.

Lack of unappropriated retained earnings, due to certain situations such as, but not limited to, allocation of funds for capital expenditures or expansion plans, would limit the ability of the company to pay dividends in the future.

Subsidiaries

Year	Date of Declaration	Per Share	Amount	Date of Payment
WMPC				
2017	May 23, 2017	P110.72	P150,000,000	July 31, 2017
2016	March 24, 2016	$11.81	P748,672,000	July 31, 2016
SPPC				
2017	May 23, 2017	P421.94	P350,000,000	July 31, 2017
2016	March 24, 2016	$6.03	P233,960,200	July 31, 2016

ACR's subsidiaries follow the same dividend policy as the Parent Company.

There are no dividend declarations for the other subsidiaries.

Government Approvals and Permits

Effects of Existing or Probable Government Regulations on the Company's Business

Republic Act No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations provide for the significant changes in the power sector which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
ii. Creation of a Wholesale Electricity Spot Market within one year; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiaries have complied, with the applicable provisions of the EPIRA and its IRR.

Cost and Effect of Compliance with Environmental Laws

ACR engages only in projects and activities that comply with environmental laws. Its power subsidiaries follow the regulations embodied in the EPIRA. All its plants meet the exhaust emission standards set by DENR. Compliance with existing environmental laws has corresponding costs, which include expenditures for the following: (1) renewal fees for the DENR permit/license to operate; (2) exhaust emission tests and monitoring (costs covered by the environmental guarantee fund), (3) environmental monitoring fund (SPPC P500,000 and WMPC P598,000), and (4) environmental guaranty fund (SPPC P500,000 and WMPC P508,000). SPPC has spent for desulfurization facilities amounting to P11,785. The Company meets all governmental, environmental, health and safety requirements. The Company's operating units are regularly inspected and have not experienced significant governmental, environment, health or safety problems. For the past three years, the total amounts spent in complying with environmental laws by the subsidiaries are as follows: (1) P2,940,145 in 2017; (2) P2,747,044 in 2016; and, (3) P5,130,967 in 2015.

For the list of the major permits and licenses of ACR and its power plants, please see Annex of this Prospectus.

Legal Proceedings

SPPC has a long-outstanding receivable that is disputed by NPC, which SPPC and NPC arbitrated before the Energy Regulation Commission (ERC). On June 3, 2013, ERC decided in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA), which also decided in favor of SPPC. On August 17, 2015, the CA denied NPC's motion for reconsideration. On September 18, 2015, NPC elevated the case to 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 22, 2018, SPPC and NPC are still in negotiation for the settlement of the long-outstanding receivables.

In October 2014, the BIR issued a P292-million tax assessment against Conal Holdings Corporation in relation to Conal's acquisition of two diesel power plants from the Iligan City government in 2013. In the Court of Tax Appeals (CTA) decision dated July 17, 2017, CTA has ordered the cancellation of the BIR's tax assessment due to the lack of legal and factual bases. [11]

Some of the subsidiaries or affiliates of the Company are also from the time to time involved in routine litigation as well as various legal actions incidental to their respective operations as follows. However, in the opinion of the Company's management, none of these legal matters, in which its subsidiaries or affiliates are involved, will be material to the Company's financial condition and results of operations.

Bankruptcy Proceedings

The Company has not contemplated ay plan for bankruptcy, receivership, or similar proceedings. Neither is there any material reclassification, merger, consolidation, nor sale of any significant amount of assets in the ordinary course of business.

[11] http://www.bworldonline.com/content.php?section=Corporate&title=cta-junks-p292-m-tax-demand-vs-energy-firm&id=148661

Market Information

The public trading price of the Company's common shares for the last three (3) year in the Philippine Stock Exchange is presented below:

Market Price of ACR Shares

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2018	High	1.35	1.34		
	Low	1.28	1.15		
2017	High	1.59	1.94	1.48	1.43
	Low	1.23	1.37	1.35	1.34
2016	High	P1.60	P2.15	P1.68	P1.67
	Low	1.19	1.36	1.60	1.19
2015	High	2.36	2.26	1.98	P1.76
	Low	1.94	1.87	1.41	1.33

Stock Price as of September 6, 2018 was at P1.23 per share.

Stockholders

As of June 30, 2018 ACR has 6,291,500,000 common shares outstanding held by 459 stockholders. The top twenty (20) stockholders of the Company, as recorded by Prime Stock Transfer Services,Inc.,the Company's stock transfer agent, are as follows:

Top 20 Shareholders

Name	No. of Shares Held	% to Total*
ALSONS CORPORATION	2,592,524,072	41.21%
ALSONS POWER HOLDINGS CORP	1,249,999,599	19.87%
ALSONS DEVELOPMENT AND INVESTMENT CORRPORATION	1,188,524,026	18.89%
PCD NOMINEE CORPORATION (FILIPINO)	1,147,372,476	18.24%
PCD NOMINEE CORPORATION (NON-FILIPINO)	75,917,001	1.21%
FIRST INTEGRATED CAPITAL SECURITIES, INC.	6,027,574	0.10%
SEC ACCOUNT NO. 2 FAO: VARIOUS CUSTOMERS OF GUOCO	2,090,000	0.03%
ALL ASIA CAPITAL TRUST & INVESTMENT DIVISION A/C#95-001	1,830,000	0.03%
EBC SECURITIES CORPORATION	1,030,000	0.02%
CRISOSTOMO, EMILY A.	1,000,000	0.02%
CRUZ JR., FELIPE A	1,000,000	0.02%
GO, NORA T.	1,000,000	0.02%
FIRST INTEGRATED CAPITAL SECURITIES, INC. (555300)	900,000	0.01%
FIRST INTEGRATED CAPITAL SECURITIES, INC. (555200)	795,000	0.01%
ANSALDO, GODINEZ & CO., INC.	755,000	0.01%
GO, GEORGE	750,010	0.01%
AACTC FAO TRINITY INVESTMENT	680,000	0.01%
YAU, ESTEBAN	600,000	0.01%
TIA, ROY C	513,000	0.01%
S.J. ROXAS & COMPANY, INC.	507,000	0.01%

*percentages were rounded off.

Submission of Matters to a Vote of Security Holders

During the calendar year covered by this report, no business matter was submitted to a vote of security holders through solicitation of proxies or otherwise other than an election of the Directors.

Directors and Senior Management

The Board of Directors

The Company's Board of Directors is responsible for the overall management and direction of the Company. The Board meets regularly or as often as required, to review and monitor the Company's financial position and operations. Each Board member serves for a term of one year or until his successor is duly elected and qualified.

The following are the Directors and Officers of the Company and their business experience for the last five years.

Board of Directors

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President and Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director	Conrado C. Alcantara	Filipino
Independent Director	Jacinto C. Gavino, Jr.	Filipino
Independent Director	Jose Ben R. Laraya	Filipino
Director	Honorio A. Poblador III	Filipino
Director	Arturo B. Diago, Jr.	Filipino
Independent Director	Thomas G. Aquino	Filipino

Tomas I. Alcantara, 71, Filipino, became the Chairman of the Board of Directors and the President of the Company in August 2001. He holds a Bachelor of Science degree in Economics from the Ateneo de Manila University and a Master's in Business Administration (MBA) from Columbia University, and he attended the Advanced Management Program of the Harvard Business School. He is presently the Chairman of the Board of Directors and President of Alsons Development and Investment Corporation and Sarangani Agricultural Company, Inc., and other companies in the Alcantara Group (since August 2001).

Mr. Alcantara is also the Chairman of the Alsons Adtx Information Systems, Inc. (since August 2001). He is a Trustee of the European IT Service Center Foundation (since August 2002) and of the Foundation for Revenue Enhancement (August 2004). He has been a Director of Holcim Philippines, Inc. since July 2003, Philweb Corporation (May 2002) and DBP-Daiwa Capital Markets Phils., Inc. (July 1995).

Mr. Alcantara served as Undersecretary for the Industry and Investment Group of the Department of Trade and Industry, the Vice Chairman and Managing Head of the Board of Investments from July 1986 to March 1995, and the Special Envoy of the Philippine President to Asia Pacific Economic Cooperation forum in 1996. He was also the Chairman of the Board of Directors and the President of Holcim Manufacturing Corporation (formerly Alsons Cement Corporation) from May 1997 to July 2003 and has served as a Director of that company since 1997. He was a Member of the Advisory Board of Rizal Commercial Banking Corporation (RCBC) from April 1997 to June 2007. Mr. Alcantara served as a Director of Philippine Reclamation Authority (formerly Public Estate Authority) from 2003 to April 2006 and Chairman of the Manila Economic and Cultural Office from March 2001 to August 2010.

Editha I. Alcantara, 69, Filipino, has served as a Director of the Company since March 8, 1995. She holds a Business Administration degree from Maryknoll College and an MBA from Boston College. Ms. Alcantara became the President of C. Alcantara and Sons, Inc. in 1992 after serving as the Treasurer of that company. Presently, she is a Director (since 1980) and the Treasurer (since October 2000) of other companies in the Alcantara Group.

She is also a Director of the Philippine Wood Producers Association (since May 16, 1980), and has served as a Trustee for the Philippine Business for the Environment, Inc. since July 1995 and as a Trustee of Miriam College since December 1998.

Tirso G. Santillan Jr., 74, Filipino, became a Director of the Company in June 11, 1996. He has also been the Executive Vice-President since April 27, 1995. He holds a Bachelor of Arts degree in Engineering and a Master's in Business Management degree from the Ateneo de Manila University.

Presently, he heads the Power Business Unit of the Alcantara Group. He has been the Executive Vice-President of Alto Power Management Corporation since January 1996, Conal Holdings Corporation since June 1997, Southern Philippines Power Corporation and Western Mindanao Power Corporation since March 1996. He is also a Director of Sarangani Agricultural Co., Inc. since May 2002.

Additionally, he has been the Managing Partner of Private Capital of Asia Ltd. Since June 1991. Mr. Santillan worked with the First Pacific Group from February 1987 to May 1991.

Alejandro I. Alcantara, 63, Filipino, has served as a Director of the Company since July 2003. He graduated from the Ateneo de Davao with a degree in Economics. Mr. Alcantara has been a Director and the President of Aquasur Resources Corporation since 1993 and has served in the same capacity with Finfish Hatcheries, Inc. since 1995. He has also served as the Executive Vice President and General Manager of Sarangani Agricultural Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He also became a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

Ramon T. Diokno, 70, Filipino, rejoined the Company as a Director in March 18, 2009. Previously, he served the Company as a Director from June 19, 2002 to June 29, 2006 and as its Chief Financial Officer from January 16, 2001 to June 30, 2006. He holds an Economics and Accountancy degree from the De La Salle University and a Master's of Science in Management degree from the Massachusetts Institute of Technology.

Mr. Diokno is also the Chief Financial Officer of Lepanto Consolidated Mining Co and its wholly-owned subsidiaries. He is currently also a Director of Alsons Insurance Brokers Corporation.

Conrado C. Alcantara, 45, Filipino, has served as Director of the Company since November 2010. He graduated from the Boston University with a degree in Political Science and attended a Post Baccalaureate Program in Management at Harvard University. He presently serves as a Director and President of Infinicor, Inc. He also became a Director of C. Alcantara and Sons, Inc. in July 2006 and of Alsons Land Corporation in July 2009.

Jacinto C. Gavino, Jr., 68, Filipino, has served as Independent Director of the Company since May 2005. He has been a full-time Faculty of the Asian Institute of Management (AIM) since 1990 and he presently holds the Fr. James F. Donelan, SJ, Professional Chair Business Ethics. He is on the core faculty of the Washington SyCip Graduate School of Business (WSGSB). He was also the Associate Dean of the Master in Management Program from 1993 to 1995, and Associate Dean for Research from 1995 to 1999.
He is currently a Director of Productronica Holdings, Inc. (2003), Aurotech Corporation (2000), Green Chemicals Corporation (2006), RNuable Energy Corporation (2011) and Sarangani Agricultural Co., Inc. (2005). He also serves as a Trustee of Fundacion Santiago (2002) and the Center for Family Ministries at

the Loyola School of Theology (2006). He also does consultancy work for various businesses and non-profit organizations.

Professor Gavino holds a Bachelor of Science degree in Electrical Engineering from the University of the Philippines (1971), a Master in Business Administration degree from the Ateneo de Manila University (1984), and a Doctorate in Public Administration from the University of the Philippines (1993). He also taught in the Ateneo de Manila University, Maryknoll College, and the University of the Philippines.

Jose Ben R. Laraya, 78, Filipino, has served as Independent Director of the Company since March 1995. He holds a Commerce degree from De La Salle College and an MBA from the University of the Philippines. He also attended the Advanced Management Program at Harvard Business School. Currently, he serves as Chairman of the Board of Directors of Ultrex Management and Investments Corporation (1992) and Laraya Holdings, Inc. (2007). He also serves as President of Trully Natural Food Corporation (2004), and a Director of La Frutera, Inc. (1997).

Previously, he served as Vice-Chairman of the Philcom Corporation from October 1996 to February 1999, President of National Steel Corporation from September 1980 to February 1989, Dole Asia from February 1989 to June 1992, and APC Group, Inc. from September 1995 to February 1999.

Honorio A. Poblador III, 72, Filipino, has served as a Director of the Company since March 8, 1995. He holds a Political Science degree from the Ateneo de Manila University. Currently, he serves as Chairman of the Board of Directors of Asuncion Realty Corporation (since 1995), Chairman of the Board of Directors and President of Asmaco, Inc. and President of Asian Aesthetic Excellence, Inc. and Mayriad Human Resources and Services, Inc.

He is also a Director of Philippine Communications Satellite Corporation, Philippine Overseas Telecommunications Corporation, and Elnor Investment Corp. (since 1983), Philcomsat Holdings Corporation (1998), the Philodrill Corporation (1997), F&C Realty Corporation and POB Corporation (2003).

Arturo B. Diago, Jr. 66, Filipino, became a director of the Company in August 2017 after the resignation of Mr. Nicasio I. Alcantara in July 2017. Mr. Diago has been the Treasurer of Cyan Management Corporation since 1988, Teleperformance, Inc. since 1996, Lacturan Holdings, Inc. since 1997, Mantrade Development Corporation since 2003 and Canlubang Gold Corporation since 2007. Mr. Diago has been the Vice President Comptroller of MG Exeo Network since 1991. He has been Executive Vice President and Treasurer of Directories Philippines Corporation since 1989. He served as the Chief Officer for Administrative and Corporate Service of Pilipino Telephone Corporation until December 31, 2000. He held various positions in the Alcantara Group of Companies involved in manufacturing, marketing and shipping operations.

He has obtained his Master's Degree in Business Management from the Asian Institute of Management and his Bachelors of Science Degree in Commerce from the De La Salle University. He also attended the Strategic Business Economics Program of the Center from Research and Communication (now University of Asia and the Pacific).

Dr. Thomas G. Aquino, 69, Filipino, became an Independent Director of the Company in May 20, 2011. He is a Senior Fellow at the Center for Research and Communication of the University of Asia and the Pacific (UA&P). He was formerly the Senior Undersecretary of Philippine Department of Trade and

Industry. He supervised the country's foreign trade promotions, trade negotiations under World Trade Organization and the ASEAN Free Trade Agreements as well as bilateral trade talks with the country's major economic trading nations. He served as overall lead negotiator for the country's first free trade agreement, namely the Philippine-Japan Economic Partnership Agreement and was country representative to the High Level Task Force on ASEAN Economic Integration. For public service, Dr. Aquino was conferred the Presidential Service Award (or Lingkod Bayan) for extraordinary contribution of national impact on public interest, security and patrimony and was recipient of the Gawad Mabini Award with the rank of Grand Cross (or Dakilang Kamanong) for distinguished service to the country both at home and abroad by the President of the Republic of the Philippines.

Before entering public service, Dr. Aquino held important roles in the fields of economics and business in the private sector as Vice President for Business Economics and Director of the Strategic Business Economics Program of UA&P. He returned to private practice as strategy consultant to companies and economic policy adviser to government entities. He is the Chairman of NOW Corporation and Independent Director of A Brown Company, both publicly listed at the Philippine Stock Exchange. He obtained his Doctorate in Management from IESE Business School, University of Navarre (Spain) in 1980, an MS in Industrial Economics from presently the University of Asia and the Pacific in 1972 and an AB in Economics from the School of Economics, University of the Philippines in 1970.

The Executive Officers

The following Company Executive Officers do not own more than 2% of ACR:

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Chief Financial Officer	Robert F. Yenko	Filipino
Corporate Secretary	Roberto V. San Jose	Filipino
Assistant Corporate Secretary	Angel M. Esguerra III	Filipino

Robert F. Yenko, 57, Filipino, became the Company's Chief Financial Officer on January 25, 2017. He previously served as Regional Treasurer and Finance Director of Intel Singapore for 25 years. He obtained his BS Management degree from the Ateneo de Manila University in 1981, and his MBA at the University of the Philippines in 1991. He also currently serves as the Vice President for Finance and Administration of the Power Business Unit of the Alcantara Group.

During the meeting of the Board of Directors of the Company held on 25 January 2017 at Sarangani Energy Power Plant, Maasim, Sarangani Province, the Board unanimously accepted the retirement of Mr. Luis R. Ymson effective 25 January 2017, and approved the appointment of Mr. Robert F. Yenko as the new Chief Financial Officer and Corporate Compliance Officer with respect to disclosure requirements of the PSE and SEC.

Roberto V. San Jose, 76, Filipino, has been the Corporate Secretary of the Company since June 1991. He received his Bachelor of Arts degree from De La Salle University and his law degree from the University of the Philippines. He is a member of the Philippine Bar and a Consultant of the Castillo Laman Tan Pantaleon and San Jose Law Offices. In addition to serving as Corporate Secretary for the Company, he serves as

Director, Officer, and/or Corporate Secretary of the Anglo Philippine Holdings Corp., CP Equities Corporation, Atlas Resources Management Group, MAA Consultants, Inc. and several other companies. He is also the Corporate Secretary of Premiere Horizon Alliance Corporation, Marc Ventures Holdings, Inc., Solid Group Inc., United Paragon Mining Corporation, FMF Development Corporation, Beneficial Life Insurance Co., Inc., The Metropolitan Club, Inc., and other client corporations of the Castillo Laman Tan Pantaleon and San Jose law firm.

Angel M. Esguerra III, 56, Filipino, was appointed as the Assistant Corporate Secretary of the Company on August 10, 2010. He is a member of the Philippine bar and obtained his Bachelor of Arts degree in Economics and his Law degree from the University of the Philippines. Mr. Esguerra practiced with several firms then joined a trans-national energy company with power plants in the Asia-Pacific Region as internal counsel, and served as the Corporate Secretary of its Philippine subsidiaries such as Batangas Power Corp. and Subic Power Corporation. In June of 2010, he joined the Alcantara Group as head of its Legal Services department and now serves as the Corporate Secretary of the group's other companies.

Family Relationship of Directors and Officers

Mr. Tomas I. Alcantara, Mr. Alejandro I. Alcantara, and Ms. Editha I. Alcantara are siblings, while Mr. Conrado C. Alcantara is their nephew. There are no other family relationships known to the Company up to the 4^{th} civil degree.

Independent Directors

The following are the Company's Independent Directors. They are neither officers nor substantial shareholders of ACR:

1. Jacinto C. Gavino, Jr.
2. Jose Ben R. Laraya
3. Thomas G. Aquino

Significant Employee

There are no persons other than the Executive Officers that are expected by the Company to make a significant contribution to the business.

Compensation of directors and executive officers

A Director's compensation consists of a per diem of P30,000 for every meeting of the Board of Directors' and P15,000 for every meeting of the Executive Committee or Audit Committee

Sections 9 and 10 of the Amended By-Laws, which pertain to compensation and other arrangements with the Directors, read:

> " **Section 9.** Compensation of Directors. Each Director shall receive, for his services as Director such amount as may be fixed by the stockholders for each regular or special meeting of the Board actually attended by him provided, that nothing herein contained shall be construed to preclude any Director from serving the company in any other capacity and receiving such compensation therefore as may be fixed from time to time by the Board of Directors.

Section 10. Profit Sharing. The Board of Directors shall be authorized and empowered to pay or distribute to the members of the Board of Directors and the Executive Committee, and the officers of the Corporation, amounts of up to five percent (5%) of the net income before tax in each year, to be allocated at its discretion. If the income arises from the consolidation, or equity accounting of earnings or subsidiaries or affiliates, the computation of net income subject to profit sharing, shall be based on the cash or property dividends declared and actually received by the Company during the year."

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were P3,705,000 and P2,655,000 for the years 2017 and 2016, and P3,210,000 in 2015, respectively. For 2017, the Company estimates that it will pay an aggregate amount of P3,525,000 as compensation to its Directors and Executive Officers.

Summary of Compensation of Directors and Executive Officers

Name and Principal Position	Year	Salary (Php)	Bonus (Php)	Other Annual Compensation Income (php)
Tomas I. Alcantara	2018 est	-	-	P300,000
Chairman and	2017	-	-	330,000
President	2016	-	-	225,000
	2015	-	-	285,000
Editha I. Alcantara	2018 est.	-	-	330,000
Director and	2017	-	-	330,000
Treasurer	2016	-	-	240,000
	2015	-	-	255,000
Tirso G. Santillan,	2018 est	-	-	330,000
Jr.	2017	-	-	330,000
Director, EVP and	2016	-	-	300,000
COO	2015	-	-	375,000
Jose Ben R. Laraya	2018 est	-	-	330,000
Director	2017	-	-	330,000
	2016	-	-	300,000
	2015	-	-	345,000
Ramon T. Diokno	2018 est	-	-	330,000
Director	2017	-	-	330,000
	2016	-	-	285,000
	2015	-	-	300,000
All other Officers	2018 est	-	-	1,770,000
and Directors as a	2017	-	-	1,500,000
group unnamed	2016	-	-	1,305,000
	2015	-	-	1,650,000

Other Annual Compensation received from ACR represents per diems given for every attendance in meeting of the Board, Executive Committee, or Audit Committee. The disclosure on the compensation of Key Management Personnel as a Group is presented in Note 20 of the audited consolidated financial statements.

The Company and the Executive Officers are not involved in any of the following transactions:

1. Standard arrangement and any material arrangements;
2. Employment contract (between the registrant and named Executive Officers);
3. Compensatory plan or arrangement;
4. Outstanding warrants or options;
5. Adjustments or amendments on the stock warrants or options.

The members of the Compensation Committee of the Company are as follows:

1.	Tomas I. Alcantara	-	Chairman
2.	Honorio A. Poblador III	-	Member
3.	Jose Ben R. Laraya	-	Member (Independent Director)
4.	Tirso G. Santillan, Jr.	-	Member

Warrants and Options Outstanding

There are no outstanding warrants or options held by the directors or executive officers of the Company.

Pending Legal Proceedings

None of the directors and officers were involved in any bankruptcy proceedings as of December 31, 2017 and during the past five years. Neither have they been convicted by final judgment in any criminal proceedings or been subject to any order, judgment or decree of competent jurisdiction, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in action by any court of administrative bodies to have violated a securities or commodities law.

Significant employees

There are no persons other than the executive officers that are expected by the Company to make a significant contribution to the business.

Voting Trust Holders of 5% or More

No person holds five percent (5%) or more of the issued and outstanding shares of stocks of the Company under a voting trust or similar agreement.

Change in Control

There are no changes in controlling interest of the Company during the period covered by this report.

Certain Relationships and Related Transactions

During the last three (3) years, the Company was not a party to any transaction in which a Director or Executive Officer of the Company, any nominee for election as a Director, or any security holder owning more than 5% of any class of the Company's issued and outstanding shares and/or his/her immediate family member, had a material interest thereon.

In the normal conduct of business, the following are some of the Company's transactions with its affiliates and related parties disclosed in the audited financial statements under Notes 17 (Loans Payable), 18 (Long-term Debt), and 20 (Related Party):

I. On October 9, 2015, the Company subscribed to 22 million redeemable preferred shares of Aldevinco, a shareholder of the Company, through a conversion of the Company's advances to Aldevinco amounting to P2.2 billion. The redeemable preferred shares have a par value of P100 per share with cumulative dividend of 4% per annum and are non-participating. The Company accounts for its investment in these redeemable preferred shares as part of AFS investment in the Financial Statements.

II. On December 27, 2011, the Company acquired 72% of the outstanding shares of C. Alcantara and Sons, Inc. (CASI) from Aldevinco, for a total consideration of P1.226 billion, which represents the market value of Lanang Landholdings of CASI as determined by an independent third party appraiser.
In 2014, CASI obtained its Tax Clearance from the Bureau of Internal Revenue and approval of the SEC for CASI's liquidation effective March 31, 2014. As a result, ACR received the Lanang Landholdings of CASI as a liquidating dividend amounting to P1.226 billion.

III. On March 21, 2013, Aldevinco and ACIL (collectively referred to as AG) and Ayala Land, Inc. (ALI) entered into a joint venture agreement, wherein ALI would own 60% and AG would own 40% of the outstanding capital stock of a Joint Venture Corporation (JVC), Aviana Development Corporation (ADC), which shall develop the Lanang Landholdings in Davao. On September 17, 2013, ADC was incorporated, and ACR subscribed to 296 preferred shares and 32 common shares for 32.8% ownership in ADC.

There were no transactions to which the Company was a party during the past two (2) fiscal years where a Director, Executive Officer, nominee for Director, or stockholder owning more than 10% of the outstanding shares of the Company had a direct interest.

The Company retains the law firm of Castillo Laman Pantaleon and San Jose for legal services, where Atty. Roberto V. San Jose is a Consultant. During the last two fiscal years, ACR paid P469,063 and P2,228,643 in 2017 and 2016, respectively. Included in the amount paid in 2016 amounting to P1,825,442 pertains to legal advisory services on the Fixed-rate Corporate Note facility documentation and review. The Company believes that the legal fees are reasonable for the services rendered.

With the Company's issuance of the voting preferred shares, the Company's ultimate parent company is Alsons Corporation or AC, which owns 68.63% of all the common and the preferred shares. The Company's outstanding common shares, which are all listed in the Philippine Stock Exchange, are owned and controlled by the following Companies: Alsons Corporation – 41.21%; Alsons Power Holdings Corporation – 19.87%; and Alsons Development and Investment Corporation – 18.89%.

Security Ownership of Certain Record and Beneficial Owners

As of June 2018, the Company knows of no one who beneficially owns in excess of 5% of its common stock except as set forth below:

Beneficial Owners of Voting Securities

Title of Class	Name and address of Record Owner	Relationship with Issuer	Name of Beneficial Owner and Relationship with record owner	Citizenship	Number of shares held	Percentage
Common	Alsons Corporation [12] Alsons Building, 2286 Pasong Tamo Ext., Makati City	Affiliate	AC[13]	Filipino	2,592,524,072	41.21%
Common	Alsons Power Holdings Corp. [9] Alsons Bldg., 2286 Pasong Tamo Ext., Makati City	Affiliate	APHC[10]	Filipino	1,249,999,599	19.87%
Common	Alsons Development and Investment Corp [9] 329 Bonifacio St., Davao City	Affiliate	ADIC[10]	Filipino	1,188,524,026	18.89%
Common	PCD Nominee Corporation[14] (Fil) MSE Bldg., Ayala Ave., Makati City	None	Various[15]	Filipino	1,140,489,577	18.13%

[12] The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.
[13] The respective Boards of Directors of each of AC, APHC and Aldevinco has power to decide how the shares are to be voted.
[14] The PCD Nominee Corporation is not related to the Company
[15] There are no holders of more than 5% of common stock under PCD. The clients of the various PCD participants have the power to decide how the Company's shares are to be voted.

Security Ownership of Management

The table below shows the securities beneficially owned by all Directors, nominees, and Executive Officers of ACR as of June 30, 2018.

Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Ownership
Directors				
Common	Tomas I. Alcantara	1	Filipino	0.0000%
Common	Editha I. Alcantara	100,000	Filipino	0.0016%
Common	Alejandro I. Alcantara	1	Filipino	0.0000%
Common	Jacinto C. Gavino, Jr.	1	Filipino	0.0000%
Common	Ramon T. Diokno	1	Filipino	0.0000%
Common	Jose Ben R. Laraya	100	Filipino	0.0000%
Common	Conrado C. Alcantara	1	Filipino	0.0000%
Common	Honorio A. Poblador III	100	Filipino	0.0000%
Common	Thomas G. Aquino	100	Filipino	0.0000%
Common	Tirso G. Santillan, Jr.	1	Filipino	0.0000%
Common	Arturo B. Diago, Jr.	1	Filipino	0.0000%
Subtotal		**100,307**		
Officers:				
Common	Tomas I. Alcantara	-	Filipino	0.000%
Common	Editha I. Alcantara	-	Filipino	0.000%
Common	Robert F. Yenko	-	Filipino	0.000%
Common	Angel M. Esguerra III	-	Filipino	0.000%
Common	Roberto V. San Jose	500,000	Filipino	0.008%
Subtotal		500,000		
Grand Total		**600,307**		0.00%

Sales of Unregistered Securities within the last three (3) years

There are no other securities sold for cash by the Company within the last three (3) years that were not registered under the Securities Regulation Code.

Corporate Governance

In compliance with the SEC directive and in view of the ASEAN Corporate Governance Scorecard Assessment, the Company filed its Consolidated Changes in ACGR for 2016 on March 29, 2017. This is compiled and published in the Company website, in compliance with the SEC Memoranda No. 1 and 12, Series of 2014, requiring all publicly listed companies to consolidate all the ACGR updates and changes for the year and label the consolidated changes as "Consolidated Changes in ACGR for (year)".

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following management's discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements for the fiscal years ended 2017, 2016 and 2015, and the unaudited interim condensed consolidated financial statements as at March 31, 2018, including the related notes, contained in this Prospectus. This Prospectus contains forward-looking statements that are based largely on the Company's current expectations and projections about future events and trends affecting its business and operations. The Company cautions investors that its business and financial performance is subject to substantive risks and uncertainties. The Company's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set out in "Risk Factors." In evaluating the Company's business, investors should carefully consider all of the information contained in "Risk Factors."

Review of First Quarter March 2018 vs. March 2017 Operations

Key Performance Indicators

The Company's operations for the quarter ended March 31, 2018 showed stable gross income at P1,678 million compared to last year's P1,648 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios)

	Mar 2018	Mar 2017
Profitability		
Revenues	P1,678	P1,648
EBITDA	P623	P606
EBITDA Margin	37%	37%
Return on Equity	0.01%	0.08%
Net Earnings Attributable to Equity Holders	(P20)	P35
Efficiency		
Operating Expense Ratio	22%	21%
Liquidity		
Net Debt Coverage	3%	9%
Current Ratio	1.42:1	1.92:1
Debt-to-Equity Ratio	2.28:1	2.0:1
Asset-to-equity Ratio	2.72:1	2.87:1
Interest Rate Coverage Ratio	1.95	2.56

Profitability

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the company remain stable at 37%. Sarangani Phase 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 ended March 31, 2018, the Company's three diesel plants continue to supply needed back-up power to Mindanao. Operating expense ratio increased slightly to 22% from 21% in the previous year due to the ongoing construction of the Section 2 of Sarangani Energy Corporation. The operating efficiency of all the power plants continues to operate in accordance with the operating plans and budgets.

ACR's cash flows from operation this year decreased from P922 million to P563 million due mainly to timing of payments of trade and other current liabilities during the period. The additional loan drawdown for the construction of Sarangani Phase 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.

RESULTS OF OPERATIONS

The three months financial results showed P1,678 million revenues, slightly higher than P1,648 million revenues in 2017. Sarangani Phase 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 P1,177 million from last year's P1,185 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 P463 million in 2017 to 50 million this year and gross profit rate from 28% to 29%.

General and administrative expenses increased by 15% from P79.8 million to P91.8 million this year. The continued expansion of Sarangani Energy Corporation increased the administrative costs when some of the corporate re-organization was implemented last year.

Net finance charges this year was at P255 million compared to last year's P270 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 P103 million from last year's P82 million. However, Parent net income was a loss at P20 million against the P35 million income earned in the same period last year. The earnings attributable to the parent from Sarangani Energy Corporation 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 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 P37,961 million, from P38,237 million at the end of 2017.

Current assets decreased from P9,257 million to P7,991 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 P1.4 billion.

On the other hand, non-current assets increased 3% from P28,980 million to P29,970 million. This is due largely to the increase in property, plant and equipment resulting from the on-going construction of phase 2 of Sarangani power plant during the period.

Total liabilities amounted to P24,029 million, lower than the P24,407 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, while its debt to equity ratio 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.

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 value added taxes.

f. Accounts Payable and Accrued Expenses – Decreased 2%
The timing of payments of trade payables led to the decreased 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 of noncontrolling interest in consolidated net income during the period caused the increase in this account.

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 routing 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.

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.

Discussion on Available-for-sale 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 primarily consist of investments in quoted and unquoted equity securities:

	March 31, 2018	December 31, 2017
Acquisition costs:		
Unquoted	P2,222,168,768	P2,222,168,768
Quoted	174,384,498	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value:		
Balances at beginning of year	52,922,963	52,922,963
Fair value changes recognized in OCI	(9,602,718)	(9,602,718)
Balances at end of year	43,320,245	43,320,245
	P2,353,233,021	**P2,353,233,021**

In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P22 million is recognized as AFS investment. ACRMC is still in pre-exploration stage. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. The SEC approved the Certificate of Filing the Notice of property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

Changes in Accounting Policies and Disclosures

PFRS 9, Financial Instruments

This standard replaces the guidance in PAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

Amendment to PFRS 9, 'Financial instruments', on prepayment features with negative compensation. This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from PAS 39. With regards to the project loan obtained by Sarangani Energy Corporation, the Company does not expect that it will prepay the same since the loan will be paid following the amortization schedule approved by the Company and its lenders.

The standard also requires earlier recognition of impairment losses on trade receivables. It has been the practice of the Company's operating subsidiaries in providing for possible future credit losses and the collection history and practice has always been considered updated, therefore there is no need to recognize impairment losses.

Detailed analysis will be disclosed in the Company's Annual Audited Financial Statements.

ACR has already adopted PFRS 9 beginning January 1, 2018. The adoption of this standard has no material impact to the Company's Financial Statements.

PFRS 15, Revenue from Contracts with Customers

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

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

The Company adopted PFRS 15 using the modified retrospective method, effective January 1, 2018. The Group elected to apply the method to only those that were not completed at the date of initial recognition.

Sale of power and electricity
Contract with customers for the Group generally includes power distribution to various electric cooperatives. Power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the

context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, ACR has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. Specifically, on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices, the fixed escalation is recognized on a straight-line basis over the contract period.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates. Under PFRS 15, such provisions give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

The adoption of PFRS 15 has no material impact to the consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.

Financial Assets: Impact of the adoption of PFRS 9

Based on the Company's assessment of the adoption of PFRS 9, the adoption of PFRS 9 has no material impact to the Company's Financial Statements.

Review of Year 2017 vs. 2016 Operations

Key Performance Indicators

The Company's operations for the year ended December 31, 2017 showed stable gross income at P1,374 million compared to last year's P1,191 million excluding the one-time gain on recoveries of foregone revenue of P701 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios)

Financial KPI	Calendar Year	
	2017	2016
Profitability		
Revenues	P6,519	P7,107
EBITDA	P2,327	P2,698
EBITDA Margin	36%	38%
Return on Equity	1%	6%
Net Earnings Attributable to Equity Holders	(P21)	P317
Efficiency		
Operating Expense Ratio	41%	28%
Liquidity		
Net Debt Coverage	10%	13%
Debt-to-Equity Ratio	2.21 : 1	2.03 : 1
Current Ratio	1.65 : 1	2.09 : 1

Revenues and Profitability

ACR and subsidiaries posted a decline in its consolidated revenues during the year at P6,518 million, an 8% down from the P7,107 million reported in the previous year. This decline was due mainly to the one time recognition of gain on loss and damages charged to the EPC contractor of Sarangani Phase 1 and the lower energy dispatch of the diesel plants brought about by the lower contracted capacity and energy sales.

Cost of services registered 2% decline at P4,574 million from P4,679 million in 2016. The decline was due mainly to the lower energy dispatched of the 3 diesel plants namely; SPPC, WMPC and MPC. The full operations of Sarangani Phase 1 posted an increase in cost of services from P1,934 million in 2016 to P2,904 million this year.

Due to the one-time gain recognized by Sarangani in 2016, the gross profit declined by 20% from P2,422 million in 2016 to P1,935 million this year.

General and administrative expenses increased by 6% at P562 million in 2017 from P531 million in 2016. The increase is attributable to Sarangani Phase 1 expenses, which is now in full year commercial operations. Operating profit also declined 27% at P1,373 million from P1,892 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) slightly decreased from P2,698 million to P2,327 million this year. The last year income includes one-time gain due to construction penalties charged to Sarangani Phase 1 EPC contractor. The EBITDA margin is slightly lower at 35% this year versus the 38% earned in 2016.

Meanwhile, the finance charges increased by 39% from P865 million to P1,200 million. The interest expense incurred on the project loan to complete the first phase of Sarangani is now fully recognized as an expense after the project was completed and commenced operations. Last year, the interest was capitalized until April 2016 as part of project cost.

On the other hand, the Company realized a net other income of P70 million from a net other charges of P155 million in 2016. The Company realized a gain when its investment in Duta, Inc. was divested this year. The net other charges in 2016 was due to the recognized impairment loss of P245 million on goodwill which was partly negated by the income from insurance claim of SPPC during that year amounting to P70 million.

As a result of the foregoing, the consolidated net income declined 84% from last year's P636 million to P103 million. The income attributable to Parent posted a loss of P21 million this year compared to the income of P317 million in 2016 posting an earnings per share of (P0.004) from P0.050 last year.

Financial Position

As of December 31, 2017, total resources of ACR and subsidiaries remained strong at P38,237 million, increased by 24% versus the P30,810 million level reported in 2016.

Current assets increased 32% from P6,084 million to P9,257 million. The increase came largely from the cash and cash equivalents representing the proceeds of the partial divestment of investment in ATEC and a deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Parent Company. Noncurrent assets also rose by 17% representing capital expenditures incurred for the construction of the second phase of Sarangani's power plant and the additional deferred project cost incurred for SRPI during the year.

Current liabilities also increased by 103% from P2,910 million to P5,590 million, largely on account of higher current portion of long-term debt and accounts payable and accrued expenses and half of the advances of related party advances of ATEC assigned to Global Business Power Corp. Noncurrent liabilities increased by 8% due to the additional drawdown of project loan for the second phase of Sarangani power plant.

ACR's balance sheet remained strong with a current ratio at 1.65: 1 in 2017 versus the 2.09: 1 level in 2016, while its debt-to-equity ratio increased at 2.21: 1 from 2.03: 1, due to availment of additional debts.

Net cash inflows from operating activities remain stable at P2,348 million, 1.4% down from last year's P2,382 million. The additional payment of prepaid expenses resulted to the decline in cash from operations this year. Net cash used for investing activities was down by 63% from P2,809 million to P1,050 million this year due mainly to the collection of advances from related parties. Together with net cash inflows from financing activities amounting to P1,032 million, largely from loan availments, available funds totaled P1,972 million in 2017, from which P4,023 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached P4,384 million, 114% higher than the P2,051 million in the previous year.

Material Changes in Consolidated Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents, 113% Increase

   The increase in cash and cash equivalents was principally due to the proceeds of the partial divestment of investment in ATEC which was sold to Global Business Power Corp. on November 27, 2017 and remain unused during the year.

2. Short-term cash investments, 347% Increase

   Short-term cash investments increased due to the additional placements made during the year.

3. Trade and other receivables, 20% Decrease

   The decrease was due to the collection of trade receivables during the year.

4. Spare parts and supplies, 5% Increase

   The build-up consisted mainly of the purchase coal and spare parts for Sarangani during the year.

5. Prepaid expenses and other current assets, 33% Increase

   The increase is due to the higher interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year as well as the project loan availed by Sarangani Energy Corporation for the construction of Sarangani Phase 2.

6. Property, plant and equipment, 22% Increase

   The growth is due mainly to expenditures incurred for the construction of the second phase of Sarangani's power plant.

7. Deferred Tax Assets, 17% Increase

   The increase is due largely to the deferred tax impact of the accrued decommissioning liability and impairment losses.

8. Other Noncurrent Assets, 13% Increase

   The increase was due to the additional deferred project expenses for SRPI and Siguil projects.

9. Accounts payable and other current liabilities, 137% Increase

   The increase was due mainly to the assignment of the 50% ATEC's to GBP amounting to P1.8 billion and accrued interest on loans during the year.

10. Loans payable, 46% Increase

The increase was due to the availments of short-term working capital facility of SPPC and WMPC during the year.

11. Income tax payable, 67% Decrease

    The decrease was due to the lower taxable income earned during the year.

12. Current Portion of Long-Term Debt, 47% Increase
    Long-term debt net of Current Portion, 9% Increase

    The increase in long-term debt was due to the additional loan drawn down for the construction of Sarangani Phase 2 power plant. While the maturing principal of the project loan availed for Sarangani Phase 1 caused the 47% increase in current portion of long-term debt.

13. Deferred Tax Liabilities, 6% Increase

    The incline in deferred tax liabilities was due to the increase in capitalized interest of the Sarangani Phase 2 power plant which is under construction during the year.

Discussion on Available-for-sale Financial Assets

AFS Financial Assets primarily consist of investments in quoted and unquoted equity securities:

	2017	2016
Acquisition costs:		
Unquoted	P2,222,168,768	P2,222,168,768
Quoted	174,384,498	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value:		
Balances at beginning of year	52,922,963	50,979,995
Fair value changes recognized in OCI	(9,602,718)	1,942,968
Balances at end of year	43,320,245	52,922,963
	P2,353,233,021	**P2,343,630,303**

In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P22 million is recognized as AFS investment. ACRMC is still in pre-exploration stage.

Review of Year 2016 vs. 2015 Operations

Results of Operations

ACR and Subsidiaries posted a significant improvement in its consolidated revenues during the year at P7,107 million, a jump of 42% from the P5,022 million reported in the previous year. This increase was due mainly to the contribution of Sarangani, which commenced commercial operations on April 29, 2016. WMPC and SPPC are now operating as full merchant plants after their ECAs expired on December 12, 2015 and April 12, 2016, respectively.

Cost of services posted a significant increase at P4,684 million, 52% higher than the P3,072 million in 2015. The increase in cost was also due to the start of commercial operations of Sarangani posting a direct cost of P1,934 million. The full operations of SPPC and WMPC as merchant plants in 2016 also posted an increase in cost of fuel as pass-through item.

Gross profit also improved by 24%, P2,422 million from P1,950 million in 2015 due to the contribution of SEC.

General and administrative expenses increased 22% at P531 million from P434 in 2015. The increase is attributable to Sarangani expenses during the year. Operating profit also improved 25% at P1,892 million from P1,516 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) jumped 52% from P1,781 million to P2,698 million this year. This big leap is the contribution of Sarangani during the year.

Meanwhile, finance charges increased by 1.67x from P324 million to P865 million. The interest expense incurred on the project loan to complete the first phase of the Sarangani plant is now at fully recognized as an expense after the project was completed and commenced operations. Last year, the interest was capitalized as part of project cost.

On the other hand, the Company realized a net other charges of P155 million from P84 million in 2015 as the Company recognized an impairment loss of P245 million on goodwill this year. This impairment was negated by the income from insurance claim SPPC during the year amounting to P70 million. The last year's one-time realized foreign exchange loss of P218 million was incurred when the Company settled its foreign currency denominated debt.

As a result of the foregoing, the consolidated net income declined 8% from last year's P691 million to P636 million; however the income attributable to Parent recorded an improvement of 69% at P317 million from P188 million in the previous year and posting strong earning per share of P0.05 from P0.029 last year.

Also, In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P21 million is recognized as AFS investment. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. The SEC approved the Certificate of Filing the Notice of property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

Review of Financial Position

As of December 31, 2016, total resources of ACR and Subsidiaries remained strong at P30,810 million, increasing by 2% versus the P30,166 million level reported in 2015.

Current assets dropped 23%, from P7,903 million to P6,083 million. The decline came largely from the decrease in cash and cash equivalents of SEC, which were used to complete the first phase of its plant as well as lower prepaid expenses, and a deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Parent Company. In contrast, noncurrent assets rose by 11%, representing capital expenditures incurred for the completion of the first phase of SEC's power plant and the additional investment made in Aviana Development Corporation during the year.

On the other hand, Current liabilities increased by 44% from P2,025 million to P2,910 million, largely on account of higher current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities decreased by 3%, due to the recognition of the current maturing portion of the Company's long-term debt.

ACR's balance sheet remained strong with a current ratio at 2.09:1 in 2016 versus the 3.90:1 level in 2015, while its debt-to-equity ratio increased slightly at 2.25:1 from 2.08:1, due to availment of additional debts.

Net cash inflows from operating activities significantly improved at P2,382 million, 74% up from last year's P1,368 million. The lower acquisition of spare parts and extended credit terms of trade payables resulted in the improvement of cash from operations this year. Net cash used for investing activities was 97%, a jump to P2,809 million from last year's P1,902 million due mainly to capital expenditures for the completion of the construction of Sarangani plant. Together with net cash inflows from financing activities amounting to P2,827 million, largely from loan availments, available funds totaled P2,682 million in 2016, from which P 3,280 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached P2,050 million, 48% lower than P3,940 million in the previous year.

Key Performance Indicators

The Company's operations for the year ended December 31, 2016 showed continued improvement in core income at P900 million compared to the P909 million earned in 2014. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Key Performance Indicators

Financial KPI	**Calendar Year**	
	2016	**2015**
Profitability		
Revenues	₱7,107	₱5,022
EBITDA	₱2,698	₱1,781
EBITDA Margin	38%	35%
Return on Equity	6%	7%
Net Earnings Attributable to Equity Holders	₱317	₱188
Efficiency		

Operating Expense Ratio	28%	29%
Liquidity		
Net Debt Coverage	13%	10%
Current Ratio	2.09:1	3.90:1
Debt-to-Equity Ratio	2.03:1	2.08:1

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from P1,781 million to P2,694 million in 2016 due mainly to higher revenues earned during the year, as a result EBITA Margin improved to 38% from 35% in the previous year. The First Section of Sarangani power plant that began operations effective April 29, 2016, contributed to this improvement.

Return on equity (ROE)remained stable at 6% from last year's 7% while the net income attributable to the equity holders of the parent showed dramatic improvement at P317 million compared to last year's P188 million.

Efficiency

The Company's operating expense ratio decreased to 28% in 2016 from 29% in 2015. The decrease was due mainly to the higher gross income contributed by Sarangani during the year.

Liquidity

As a result of additional project loan drawdowns to complete Sarangani 1 during the year, financial debt increased by 0.44%. Consequently, net debt coverage increased to 15% from last year's 10%. Current ratio on the other hand decreased to 2.09:1 from last year's 3.90:1 due largely to the lower balance of cash and cash equivalents in 2016.

Description of Key Performance Indicators:

a. **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.

b. **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.

c. **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.

d. **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.

e. **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.

Material Changes in Balance Sheet Accounts by 5% or More
December 31, 2016 compared to December 31, 2015

1. Cash and cash equivalents, 48% Decrease

The decrease in cash and cash equivalents (2016: P2,051 million vs. 2015: P3,940 million) was principally due to the usage of the loan for the completion of the construction of Sarangani plant. Cash generated from operations during the year was P2,090 million, 53%higher than previous year's P1,368 million. The proceeds of loan presented in the financing activities amounting to P4,871 million was used to finance the construction and completion of the first phase of Sarangani's power plant.

2. Short-term cash investments, 66% Decrease

Short-term cash investments decreased (2016 P58 million vs. 2015: P173 million) due to the usage of the funds for operating activities

3. Trade and other receivables, 18% Increase

The increase was due to the higher balance of trade receivables. The trade receivable balance of Sarangani during the year amounted to P393 million vs none in 2015.

4. Spare parts and supplies, 31% Increase

The build-up consisted mainly of the purchase coal and spare parts for Sarangani during the year.

5. Prepaid expenses and other current assets, 34% Decrease

The decrease is due to the decline in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year. The last year's balance amounted to P894 million to P587 million this year.

6. Investment in Real Estate, 88% Decrease
Investment in Associate, 71% Increase

The infusion into Aviana Development Corp. (ADC) of the Lanang property of the Company in exchange for shares of stock in ADC resulted to the 88% decrease in the Investment in Real and the 71% increase in Investment in Associate.

7. Property, plant and equipment, 19% Increase

The growth is due mainly to expenditures incurred for the completion of the construction of the first phase of Sarangani Energy's power plant.

8. Goodwill, 23% Decrease

The decrease was due to the recognition of partial impairment of the goodwill amounted to P245 million during the year.

9. Deferred Tax Assets, 121% Increase

The Increase is due largely to the deferred tax impact of the accrued decommissioning liability and impairment losses.

10. Other Noncurrent Assets, 12% Increase.

The increase was due to the advance payments made for Sarangani 2 power plant projected amounting to P40 million during the year.

11. Accounts payable and other current liabilities, 8% Increase

Higher balance of trade payables of Sarangani and accrued interest on project loan caused the increase in accounts payable and other current liabilities.

12. Loans payable, 122% Increase

The increase was due the availments of short-term working capital facility of SPPC and WMPC during the year.

13. Income tax payable, 9% Decrease

The decrease was due to the lower taxable income earned during the year.

14. Current Portion of Long-term Debt, 96% Increase
Long-term debt-net of Current Portion, 3% Decrease

The variances were due to additional loan drawdown to complete the construction of Sarangani 1 Power Plant. The maturing principal within the next twelve months was reclassified to current portion long-term debt which caused the 90% increase.

15. Deferred Tax Liabilities, 17% Decrease

The decline in deferred tax liabilities was due to the reduction of capitalized interest of the Sarangani 1 Power Plant. The reduction was in the form of depreciation expense recognize during the year.

16. Retirement liabilities, 394% Increase

The increase was due mainly to additional accrual during the year due to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

Review of Year 2015 vs. 2014 Operations

Highlights of the Company's financial performance are as follows:

Revenues and Profitability

ACR and Subsidiaries posted consolidated revenues of P5,022 million in 2015, is lower than the P5,180 million reported in 2014. The 3% decline was due mainly to the lower energy fees brought about by the lower indices during the year in spite of higher energy sales volume generated by the 3 power plants of the Company.

Cost of services was reported at P3,072 million, 13% lower than the P3,548 million in 2014. The change in depreciable life of the power plants of SPPC and WMPC from original ECA period to another 10 years caused the decline in costs of services.

Gross profit improved by 20% in 2015 to P1,950 million from P1,632 million in 2014 due to lower costs.

General and administrative expenses was also lower in 2015 at P434 million from P467 million in 2014 due mainly to lower taxes and licenses. Operating profit as a result significantly improved at P1,516 million from P1,165 million reported in the previous year.

EBITDA was lower in 2015 at P1,591 million P2,088 million in the previous year due mainly to the foreign exchange loss incurred when the Company settled its US Dollar-denominated liability in 2015 at a higher Philippine Peso translation compared to the US Dollar.

Meanwhile, interest income was 8% higher in 2015 at P24 million from P22 million in 2014 due mainly to the higher cash placements during the year. Interest expense was 57% higher at P324 million in 2015 from P207 million in 2014, the interest expenses incurred for the project loan was capitalized to power plant cost of Sarangani Energy Corporation that is currently under completion during the year.

On the other hand, the Company realized a net other charges of P84 million in 2015 from an income of P109 million in 2014. The foreign exchange losses of a US Dollar-denominated debt caused the downturn in other income (charges) account.

Core income without the effect of foreign exchange however improved 23% from P741 million to P909 million and the net income attributable to the Company of P0.064 per share, was 14% higher than last year of P0.056 per share.

The non-recurring foreign exchange loss, however dampened the Company's net income to P691 million, 5% lower than last year's net income of P727 million. The earnings attributable to the equity holders of the parent were reduced to P189 million from last year's P359 million. As a result, basic earnings of P0.030 per share decreased from P0.057 per share in 2014.

Also, In May 2015, the Parent Company declared its 91% investment in ACR Mining Corporation (ACRMC) as property dividend amounting to P208 million. The Parent Company's remaining 9% interest in ACRMC amounting to P21 million is recognized as AFS investment. Pursuant to SEC Memo No. 2, Series of 2014, the Company has obtained approval of the SEC of the Property Dividend. The SEC approved the Certificate of Filing the Notice of property Dividend on August 11, 2015. The Bureau of Internal Revenue issued its Certificate Authorizing Registration on February 22, 2016.

Financial Position

As of December 31, 2015, total resources of ACR and Subsidiaries remained strong at P30,166 million, increasing by 17% versus the P25,725 million level reported in 2014.

Current assets grew by 1% from P7,843 million to P7,903 million. The increment came largely from the increase in cash and cash equivalents of Sarangani Energy Corporation as well as higher prepaid expenses, and deposit in interest reserve account on the Fixed Rate Corporate Note (FXCN) of the Company. Similarly, noncurrent assets rose by 24%, representing capital expenditures incurred for the on-going construction of the power plant.

On the other hand, current liabilities decreased by 18% in 2015, from P2,463 million to P2,025 million, largely on account of lower current portion of long-term debt and accounts payable and accrued expenses. Noncurrent liabilities escalated by 36%, as Sarangani drew from its project loan to finance its capital expenditures as well as the availment by the Company of its FXCN Facility with various noteholders. Accordingly, ACR's balance sheet remained strong with a current ratio at 3.90:1 in 2015 versus the 3.20:1 level in 2014, and continued to be underleveraged despite an increase in its debt-to-equity ratio, from 1.47:1 to 1.85:1.

Meanwhile, net cash inflows from operating activities decreased 31% from P1,977 million in 2014 to P1,368 million in 2015, as a result of higher acquisition of spare parts and supplies as well as prepaid expenses with a combined amount of P792 million during the year. Together with net cash inflows from financing activities amounting to P1,958 million, largely from loan availments, available funds totaled P3,301 million in 2015, were used for power plant project construction of Sarangani Phase 1 amounting to P1,520 during the year. The net cash balance after accounting for the above changes reached P3,940 million, 57% higher than last year's P2,512 million.

Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2015 showed continued improvement in core income at P909 million compared to the P741 million earned in 2014. KPI of the Company are as follows: (amounts in million pesos, except ratios)

Comparative KPIs (2015 vs 2014)

Financial KPI	Calendar Year	
	2015	2014
Profitability		
Revenues	P5,022	P5,180
EBITDA	P1,591	P2,088
EBITDA Margin	32%	40%
Return on Equity	7%	7%
Net Earnings Attributable to Equity Holders	P188	P359
Efficiency		
Operating Expense Ratio	27%	40%
Liquidity		
Net Debt Coverage	8%	18%
Debt-to-Equity Ratio	1.85 : 1	1.47 : 1
Current Ratio	3.90 : 1	3.20 : 1

Profitability

The EBITDA of the Company decreased from P2,088 million to P1,591 million in 2015. EBITDA Margin also decreased from 40% in 2014 to 32% in 2015 due mainly to non-recurring foreign exchange loss during the year resulting from the settlement of the Company's US Dollar-denominated debt.

Return on Equity stood at 7% for both years. Net income attributable to the equity holders of the parent decreased to P188 million from P359 million in 2014 due to the above non-recurring loss during the year. The Company's core income however, improved to P909 million from last year's P741 million.

Efficiency

The Company's operating expense ratio decreased to 27% in 2015 from 40% in 2014. Operating expenses in 2014 was higher due mainly to the higher real property taxes charged to the newly rehabilitated MPC plant, which is a non-controllable item.

Liquidity

As a result of additional project loan drawdowns during the year, financial debt increased by 27%. Consequently, net debt coverage decreased to 8% from last year's 18%. Current ratio on the other hand improved to 3.90:1 from last year's 3.20:1.

Description of Key Performance Indicators:

- **Revenues.** Revenue is the amount of money that the Company and its subsidiaries receive arising from their business activities and is presented in the top line of the consolidated 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 that 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 sound investment decisions.

- **EBITDA.** The Company computes EBITDA as earnings before extraordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.

- **Net Earnings attributable to Equity Holders of Parent.** Net income attributable to shareholders is one more step down from net income on the consolidated statements of income. The net income of a company is all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying a company's profit allocated to each outstanding share.

- **Debt-to-Equity Ratio.** This measures the Company's financial leverage calculated by dividing its total liabilities by stockholder's equity. It indicates what proportion of equity and debt the Company is using to finance its assets.

- **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.

Notes to Financial Statements

Accounting Policies and Principals
The consolidated financial statements of ACR for the years ended December 31, 2015 and 2014 are presented in accordance with Philippine Financial Reporting Standards applied on a consistent basis.

Seasonality Aspects of the Business
The operations of ACR and its subsidiaries were not affected by seasonality or cyclicality.

Material Changes in Balance Sheet Accounts by 5% or More

1. Cash and cash equivalents , 57% increase

The growth in cash and cash equivalents (2015: P3,940 million vs. 2014: P2,512 million) was principally due to receipt of the loan proceeds by Sarangani and the Company that remain unused as of the end of 2015. Cash generated from operations during the year was P1,368 million, 31% lower than previous year's P1,976 million. The proceeds of loan presented in financing activities amounting to P9,338 million was used to finance the on-going construction of the first phase of Sarangani's power plant.

2. Short-term cash investments, 402% increase

Short-term cash investments increased (2015: P173 million vs. 2014: P34 million) due to funds from operating activities.

3. Trade and other receivables, 56% decrease

The decrease was due to the conversion of a due from related party into an investment in preferred shares amounting to P2.2 billion.

4. Spare parts and supplies, 105% increase

The build-up consisted mainly of the purchase of spare parts for Sarangani during the year which is intended for its upcoming commercial operation in 2016.

5. Prepaid expenses and other current assets, 174% increase

The increase is due to the deposit in interest reserve account of the Parent as required by the Corporate Fixed Facility issued during the year.

6. Noncurrent portion of instalments receivables, 14% decrease

The decrease is due to collection of maturing accounts during the year.

7. Property, plant and equipment, 17% increase

The growth is due mainly to expenditures incurred for the construction of the first phase of Sarangani's power plant.

8. AFS financial assets, 1,904% Increase

The significant increase was due to the investment in preferred shares of Alsons Development and Investment Corporation with a cumulative dividend feature of 4% per annum.

9. Goodwill, 5% Increase

The change in the amount of goodwill was due mainly to the change in foreign exchange rate of Philippine Peso vis-à-vis the US $ from P44.72 in 2014 to P47.06 in 2015.

10. Retirement Plan assets, 36% Decrease

The decrease was mainly due to settlement of retiring employees of WMPC during the year as a result of the expiration of its ECA with NPC effective December 12, 2015.

11. Deferred Tax Assets, 55% Decrease

The decrease in payable to customers arising from the overbilling charged by Mapalad Power Corporation in the previous year caused the decrease in this account.

12. Accounts payable and other current liabilities, 8% Increase

The increase in accrued interest due to higher loan availments during the year caused the increase in accounts payable and accrued expenses accounts.

13. Loans Payable, 15% Increase

The availment of a short-term working capital facility of Mapalad Power Corporation during the year, caused the increase in this account.

14. Income tax payable, 46% Decrease

The decrease was due to the lower taxable income earned during the year.

15. Derivative liability, 100% Decrease

The embedded derivatives arising from the exchange option of APHC-ACR Loan Facility Agreement which was assigned to its Lender Bank in accordance with the Omnibus Loan and Security Agreement. The decline in derivative liability was the result of partial prepayment of the loan during the year thereby resulting to a mark-to-market gain. The salient features of this loan were discussed in Note 18 of the Notes to Consolidated Financial Statements. The derivative liability was a result of re-measurement of the options, such that a mark-to-market loss and the corresponding liability were recognized. In 2015, the loan was fully settled and the remaining balance of derivative liability was derecognized.

16. Current and Long-term debt, 33% Increase

The increment was due to the drawdown from the project loan facility of Sarangani during the year as well as the availment of a P7.2 billion FXCN Facility and the settlement of the US$100 million UBS loan of the Company.

17. Retirement liabilities, 13% Decrease

The decrease was due mainly to the re-measurement of retirement benefit obligation as conducted by independent Actuary during the year.

Members of the Audit Committee

Listed below are the members and officers of the Company's Audit Committee:

Company's Audit Committee

Office	Name
Chairman	Jose Ben R. Laraya
Member	Editha I. Alcantara
Member	Jacinto C. Gavino, Jr.
Member	Tirso G. Santillan, Jr.
Member	Ramon T. Diokno

Mr. Esperidion D. Develos, Jr. has been appointed as Chief Audit Executive and reports directly to the Audit Committee.

External Audit and Audit-Related Fees

The aggregate fees billed for 2017 and 2016 fiscal years for professional services rendered by SGV are as follows:

Fees for the years ended December 31, 2017 and 2016 were P582,200 for each year. The above fees are for the audit of the Company's annual financial statements or services normally provided in connection with statutory and regulatory filings or engagements for 2017 and 2016. The fees and services were approved by the Audit Committee in compliance with the Code of Corporate Governance.

Brief Summary for the Approval of the Auditor's fees

The Audit Committee pre-approves all audit plans, scope, and frequency before the conduct of its external audit. Moreover, pursuant to its mandate, it likewise performs interface functions with both internal and external auditors.

The External Auditor confers and discusses with the Internal Auditors of the Company the auditing process adopted and methodologies used in compliance with International Accounting Standards in the initial draft of the Financial Statements and Notes to the Financial Statements in compliance with its Internal Management handbook and such other statutory and regulatory requirements. The External Auditor, likewise, prepares an accountability statement that sufficiently identifies the officers responsible for the financial report.

The final form of the Annual Financial Statements is then presented to the Company's Audit Committee members who can properly review and further examine and perform their oversight financial management functions in such areas relative to the Company's credit, market, liquidity, operational, legal and other risks as indicated in its financial reports. The approval of the External Auditor's fees is made by the Audit Committee in view of the complexity of the services rendered and reasonableness of the fee under the engagement provided in the audit of the Company's Annual Financial Statements.

Changes in and Disagreements with Accountant on Accounting and Financial Disclosure

1. SGV has been the Company's external auditor for the last three fiscal years. SGV has not expressed any intention to resign as the Company's principal public accountant nor has it indicated any hesitance to accept re-election after the completion of their last audit.

2. In compliance with SEC Memorandum Circular No. 8 Series of 2003 on rotation of External Auditors, SGV's previous engagement partner was replaced in 2014.

3. There have been no disagreement with SGV & Co. on accounting principles or practices, financial statements disclosures, auditing scope or procedures, which disagreements, if not resolved to their satisfaction, would have caused them to make reference thereto in its respective reports on the Company's financial statements for the abovementioned years.

MATERIAL CONTRACTS & AGREEMENTS

The Company's principal contracts generally consist of Memorandum of Agreements with Government agencies and different Corporations. The Company also has existing financing agreements. Save for the contracts mentioned below, the Company is not a party to any contract of material importance and outside the usual course of business, and the Directors do not know of any such contract involving the Company.

a. Operations and Maintenance (O&M) Service Agreements

Under an Advisory Service Agreement, AIL provides PT Makassar Power (PTMP), which is an independent power producer based in Indonesia, with technical advisory services in connection with the operation and maintenance of a power plant in Indonesia for specified monthly fee of $44,600 from August 2011 to April 2012 and $46,600 from May 2012 to April 2015. On April 20, 2015, PTMP extended the Advisory Service Agreement with AIL for another year starting May 1, 2015. On April 30, 2016, AIL's contract with PTMP officially ended. Total billings to PTMP amounted to P8 million in 2016 (nil in 2017).

b. Power Supply Agreements

The power plants have entered into PSAs with various distribution utilities and electric cooperatives.

Starting December 13, 2015 and April 29, 2016, WMPC and SPPC, respectively, arranged for PSAs with the following electric cooperatives and distribution utilities:

MPC - The details of MPC's contracted capacity (in Megawatts) with electric cooperatives based on the PSAs entered as at December 31 are as follows:

	Contracted Capacity (in MW)	
Contracting Party	2017	2016
CEPALCO	30	30
ZAMCELCO	18	18
ZANECO	5	5
SURSECO I	4	-
SOCOTECO II	-	30
ANECO	-	15
	57	98

WMPC- WMPC entered into PSAs with the distribution utilities and electric cooperatives listed below.

	Contracted Capacity (in MW)
Contracting Party	2017
ZAMCELCO	50
CEPALCO	30
	80

SPPC - Starting April 2016, SPPC entered into PSAs with the following private distribution utilities

	Contracted Capacity (in MW)
Contracting Party	2017
DLPC	50
CLPC	5
	55

Sarangani

Phase 1 of the Project	Contracted Capacity (in MW)	
Contracting Party	2017	2016
SOCOTECO II	70	70
ILIGAN LIGHT AND POWER INC.	15	15
ANECO	10	10
AGUSAN DEL SUR ELECTRIC COOPERATIVE	10	10
	105	105

Phase 2 of the Project	Contracted Capacity (in MW)	
Contracting Party	2017	2016
CEPALCO	20	20
DAVAO DEL NORTE ELECTRIC COOPERATIVE IN.	15	15
DAVAO DEL SUR ELECTRIC COOPERATIVE IN.	15	15
COTABATO ELECTRIC COOPERATIVE INC.	10	10
SOUTH COTABATO I ELECTRIC COOPERATIVE INC.	10	10
ZAMBOANGA DEL SUR I ELECTRIC COOPERATIVE	5	5
ZANECO	5	5
	80	80

SRPI - ACR is also developing through a subsidiary, SRPI, a 105MW Coal-Fired Power Station Project (ZAM100) in Zamboanga City. ZAM100 will supply power to Zamboanga City and other parts of the Zamboanga Peninsula.

In March 2013, SRPI entered into a PSA with ZAMCELCO for a period of 25 years from start of the SRPI's commercial operation. Contracted capacity for the related PSA was 85 MW. On September 15, 2014, ERC approved the above PSA. SRPI has not entered into any addtional PSA in 2017 AND 2016.

c. Loan Agreements

- On December 12 2012, Sarangani obtained a financing facility consisting of as syndicated term loan in the aggregate principal amount of P9,300 million brokern down as follows: (1) Series 1 Loan in the principal amount of up to P8,600 million for the construction of the Phase 1 100-MW coal-fired power plant and its common or shared areas and facilities; and (2) Series 2 Loan in the principal amount of up to P700 million for the construction of the transmission line. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) PDST-F benchmark bid yield for five year-treasury securities plus 3.5% spread per annum, or (b) 7.5% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, to be adjusted based on the higher of (a) interpolated PDST-R2 benchmark bid yield for eight and one-half (8 ½)-year treasury securities plus 2.75% spread per annum, or (b) interest rate applicable on the initial borrowing.

- On July 15, 2013, MPC entered into a fixed interest rate long-term OLSA amounting to P900 million from a local bank. The loan is payable in 11 semi-annual principal amortizations beginning immediately at the end of August 16, 2014, the first year from loan draw down, up to August 16, 2019. Interest is computed as the sum of the spread and the applicable benchmark rate, based on outstanding facility amount, and calculated on the basis of the actual number of days elapsed in a year of 360 days. The fixed rate shall be subject to a floor rate of 6.25% per annum, excluding gross receipt tax. The interest is payable every six months reckoned from August 16, 2013.

- On November 25, 2015, ACR entered entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of P7.5 billion divided into two (2) tranches: (a) Tranche A with principal amount of P5.6 billion, subject to fixed interest rate of 7.24% and payable within five (5) years from the drawdown date and (b) Tranche B with principal amount of P1.9 billion, subject to fixed interest rate of 7.92% and payable with seven (7) years from the drawdown date. Proceeds of the loan shall be used to prepay ACR's existing long-term debt and finance the investments in power-related assets.

d. Land Lease Agreement with ZAMBOECOZONE[16]

The Zamboanga City Special Economic Zone Authority and Freeport or ZAMBOECOZONE was primarily conceived to be a critical and vital economic hub that would bring about positive change for the city and the region through jobs generation and adequate investments as mandated through Republic Act 7903.

The Act was authored by the late Congresswoman Maria Clara Lorenzo Lobregat and was enacted into law on February 23, 1995, and made operational a year later with the appointment of a Chairman and Administrator as well as the members of the Board by former President Fidel V. Ramos.

By nature of its operation, ZAMBOECOZONE is unique in being both an economic zone and Freeport, and is, in fact, the only Freeport in Visayas and Mindanao. The Authority has two development sites. The first development site consists of the First and Second Industrial Parks. These sites are ideal for information technology, call centers, processing plants, shopping centers, hotels, and retirement centers. The second development site, on the other hand, is located in the hinterlands of barangays Pamucutan and La Paz, and consists of 15, 391 hectares of logged-over forests. The said area is to be developed into agro-forestry and eco-tourism parks and projects.

[16] http://zfa.gov.ph/index.php/about-us/background.html

As of May 2018, San Ramon Power Inc. (SRPI) list number eight in ZAMBOECOZONE lists of locators. On January 27, 2013, SRPI entered into a Land Lease Agreement with ZAMBOECOZONE for a period of 31 years from the execution of the Lease Agreement. The leased properties consist of: (a) 300,000 sq.m. for the Main Power Plant Area; and (b) 37,000 sq.m. for the Port Facility Area. Payment of monthly rentail will commence on October 1, 2013 and subject to fee escalation. On January 27, 2014, SRPI received billing from ZAMBOECOZONE covering period October 1, 2013 to December 31, 2013. However, SRPI requested for the deferment of the recognition of its rental obligations to ZAMBOECOZONE for the three (3) months period ended December 31, 2013 pending resolution of the certain conditions requisite for the start of rental payments. SRPI requested for revised billing to reflect the three-month deferment of the full rental rates.

On April 2, 2014, ZAMBOECOZONE issued a revised bill to SRPI amounting to P10 million for period starting January 1, 2014 to March 2015. In response to the revised billing, SRPI wrote to ZAMBOECOZONE on October 24, 2014 communicating that while the plant site was cleared of informal settlers, the conflicting positions taken by the Department of Agrarian Reform (DAR) and the Office of Government Corporate Counsel on land use conversion have made the use of the land for industrial purposes uncertain. Despite the issue on land use conversion, SRPI tendered payment of P10 million to show good faith and willingness to continue wih the contract. Meanwhile, the payment P10 million is recorded as security deposits under "Other noncurrent assets" account as December 31, 2016. ZAMBOECOZONE has already applied for Land Use Conversion (LUC) exemption from the Department of Agrarian Reform. The pre-application has already been completed and is now just waiting for the certificate from DAR.

As at December 31, 2017, ZAMBOECOZONE has not resolved the pending issue pertaining to the land-use conversion of the land for industrial purposes, including the area for the SRPI Project Site. No major updates as of the date of the Prospectus.

SPPC's lease with SACI

SPPC has a contract for the lease of land owned by Sarangani Agricultural Co., Inc. Until May 2026. The lease contract provides for annual rental of P1.3 million.

e. Energy Conversion Agreement (ECA)

SPPC and WMPC, under separate ECAs with NPC, have constructed a 55 MW and a 100 MW bunker C-fired diesel generator power plants in General Santos City and Zamboanga City, respectively, under a BOO scheme. NPC supplies all fuel necessary to generate electricity, with all electricity generated purchased by NPC at a price calculated based on the formula provided in the ECAs. SPPC and WMPC shall, directly or indirectly, own the power plants and shall operate and manage the power plants and provide all power generated to NPC for a period of 18 years up to April 28, 2016 and December 12, 2015, respectively. Upon expiration of the 18-year cooperation period, the ECAs may be renewed upon the sole option of NPC. On April 28, 2016 and December 12, 2015, ECA with SPPC and WMPC have expired and not renewed by NPC, respectively.

The covering agreements also contain certain provisions with respect to NPC's payment to SPPC and WMPC, subject to certain conditions, of the total remaining amounts of the capacity fees until the end of the cooperation period, in the event of amendment, modification or repeal of any Philippine laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect the companies' interest in the project or the power plant/station, and/or the economic return on their investments.

The ECAs qualify as operating leases as SPPC and WMPC sell all their outputs to NPC. Energy fees earned on the ECAs amounted to P240 million in 2016 (nil in 2017).

REGULATORY & ENVIRONMENTAL MATTERS

a. Electric Power Industry Reform Act (EPIRA)

Republic Act No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations (IRR) provide for the significant changes in the power sector which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
ii. Creation of a Wholesale Electricity Spot Market within one year; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generatio and distribution companies within 5 years from the effectivity of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a capof 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effcetivity of EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity. Based on the assessment of management, the operating subsidiarieshave complied, with the applicable provisions of the EPIRA and its IRR.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole and on the Group in particular, that needs to be complied with. Based on the assessment made on the power plant's existing facilities, management believes that the operating subsidiaries comply with the applicable provisions of the Clean Air Act and the related IRR.

c. Securities and Exchange Commission

Under the SRC, the SEC has jurisdiction and supervision over all corporations, partnerships or associations that are grantees of primary franchises, license to do business or other secondary licenses. As the government agency regulating the Philippine securities market, the SEC issues regulations on the registration and regulation of securities exchanges, the securities market, securities trading, the licensing of securities brokers and dealers and reportorial requirements for publicly listed companies and the proper application of SRC provisions, as well as the Corporation Code, and certain other statutes.

GENERAL CORPORATE INFORMATION

INCORPORATION

The Company is duly organized as a corporation under the laws of the Philippines and was registered with the SEC on December 24, 1974.

ARTICLES OF INCORPORATION AND BY-LAWS

The Articles of Incorporation of the Company were approved by the SEC on December 24, 1974. The latest amended Articles were approved by the SEC on August 11, 2014.

The By-Laws of the Company were registered with the SEC on December 24, 1974 and were amended on July 16, 2004.

PRIMARY PURPOSE

To acquire by purchase, exchange, assignment, gift or otherwise, and to hold, own and use for investment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, traffic, deal in, and with, and otherwise to operate, manage, enjoy and dispose of, any and all properties of every kind and description and whatever situated, as and to the extent permitted by the law, including but not limited to, buildings, tenements, warehouses, factories, edifices and structures and other improvements, and bonds, debentures, promissory notes, shares of capital stock, or other securities or obligations, created, negotiated or issued by any corporation, association, or other entity, foreign or domestic and while the owner, holder or possessor thereof, to exercise all the rights, powers and privileges of ownership or any other interest therein, including the right to receive, collect and dispose of, any and all rentals, dividends, interests and income, derived therefrom, and the right to vote on any proprietary or other interest, on any shares of the capital stock, and upon any bonds, debentures, or other securities having voting power, owned or held; and provided that it shall not engage in the business of an open-end or close-end investment company as defined in the Investment Company Act (Republic Act No. 2629)

CORPORATE TERM

The Company is authorized to exist for a term of 50 years from the date of its incorporation. This term may be renewed through an amendment to the Articles approved by the SEC.

FISCAL YEAR

The business year of the Company begins on the first day of January and ends on the last day of December of each year.

APPROVALS

The issuance and sale of the CPs were duly authorized by the Board of Directors of the Company on October 13, 2016.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Articles of Incorporation and By-laws are available for inspection at the principal office of the Company, during normal business hours on any day on which such office is open for business. Copies may also be inspected at the office of the SEC.

PHILIPPINE TAXATION

Following is a general description of certain Philippine tax aspects of investment by prospective CP Holders. This discussion is based upon Philippine tax laws, in particular the Tax Code, its implementing regulations and rulings in effect at the date of this Prospectus. Subsequent legislative, judicial or administrative changes or interpretations may be retroactive and could affect the tax consequences to the prospective CP Holders.

The tax treatment of a prospective CP Holder may vary depending on such CP Holder's particular situation and certain prospective CP Holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a prospective CP Holder.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of investment in the CPs and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing the CPs under applicable tax laws of other jurisdictions and the specific tax consequence in light of particular situations of acquiring, owning, holding and disposing the CPs in such other jurisdictions.

EACH PROSPECTIVE CP HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH CP HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE CPs, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines but who is not a citizen of the Philippines; a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a foreign corporation engaged in trade or business within the Philippines; and a "non-resident foreign corporation" is a foreign corporation not engaged in trade or business within the Philippines. The term "foreign" when applied to a corporation means a corporation which is not domestic while the term "domestic" when applied to a corporation means a corporation created or organized in the Philippines or under its laws.

Taxation of Interest Income/Discount

The CPs will be, under current interpretation of the Tax Code, treated as, a deposit substitute instrument as such term is defined under the Tax Code. Interest income earned or yield or any other monetary benefit from the CPs realized by the CP Holders shall be taxed as described in the following sections.

Interest income/Discount earned by individuals

As a general rule, interest income earned or yield or any other monetary benefit from the CPs realized by individual citizens of the Philippines, resident aliens and non-resident aliens engaged in trade or business in the Philippines is subject to a final withholding tax at the rate of 20%.

Transfers or assignments of the CPs by the CP Holders are subject to a final tax on the interest income already earned by the transferor CP Holder which shall be borne by the CP Holder.

Interest income received by non-resident aliens not engaged in trade or business in the Philippines shall generally be subject to a final withholding tax of 25%. However, such tax rate may be reduced under an applicable tax treaty.

Interest income/Discount earned by corporations

Interest income earned or yield or any other monetary benefit derived by domestic and resident foreign corporations from the CPs shall be subject to a final withholding tax of 20% of such interest income.

On the other hand, interest income received by a non-resident foreign corporation shall be subject to 30% final withholding tax. This rate may also be reduced under an applicable tax treaty.

Interest income/Discount earned by trusts

A trust is generally taxed in the same way as an individual pursuant to the Tax Code which provides that the tax imposed upon individuals shall apply to the income of any kind of property held in trust (except qualifying employee's trust considered tax-exempt). Accordingly, since trusts are, for tax purposes, treated as an individual, interest income earned by trusts are likewise subject to the 20% final withholding tax.

Tax-exempt persons

All sums payable by the Issuer to tax-exempt persons shall be paid in full without deductions for taxes, duties, assessments, or government charges, subject to the submission to the Registrar by the CP Holder claiming the exemption of reasonable evidence of such exemption.

DOCUMENTARY STAMP TAXES

The Tax Code imposes a documentary stamp tax on all debentures, certificates of indebtedness, due bills, bonds, loan agreements, deposit substitute debt instruments at the rate of ₱1.50 on every ₱200, or fractional part thereof, of the face value of such securities; Provided, that for such debt instruments with terms of less than one (1) year, the documentary stamp tax to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to three hundred sixty-five (365) days. The Company has undertaken to pay the documentary stamp tax on the issuance of the CPs.

VALUE-ADDED TAX AND GROSS RECEIPTS TAX

At issuance, no VAT shall be imposable upon the CPs. Subsequent transfers shall similarly be free of VAT, unless the CP Holder is a dealer in securities. In that instance, the CP Holder shall be liable to pay 12% VAT on the gross income derived from the trading of the CPs.

Under Republic Act No. 9238, services rendered in the Philippines by, among others, banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies) are exempted from the coverage of the VAT. The exemption, which took effect retroactively on 1 January 2004, reverts to the application of the GRT regime on services rendered by banks, non-bank financial intermediaries, quasi-banks, finance companies, and other financial intermediaries not performing quasi-banking functions (excluding insurance companies). Rates of GRT shall be as follows:

(1) Banks and Non-Bank Financial Intermediaries Performing Quasi-Banking Functions:

   (a) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:
      Maturity period is five years or less – 5%
      Maturity period is more than five years – 1%
   (b) On dividends and equity shares in net income of subsidiaries – 0%
   (c) On royalties, rentals of real or personal property, profits from exchange and all other items treated as gross income under the Tax Code – 7%
   (d) On net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments – 7%

(2) Other Non-Bank Financial Intermediaries:

   (a) On interest, commission, discounts and all other items treated as gross income under the Tax Code – 5%
   (b) On interest, commission and discounts from lending activities as well as income from financial leasing, on the basis of the remaining maturities of instruments from which such receipts are derived:
      Maturity period is five years or less – 5%
      Maturity period is more than five years – 1%

ESTATE AND DONOR'S TAX

The transfer of the CPs by a decedent to his heirs, whether or not such decedent was residing in the Philippines, will be subject to an estate tax which is levied on the net estate of the deceased at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.

CP Holders, whether or not citizens or residents of the Philippines, will be subject to donor's tax upon the donation of the CPs to strangers at a flat rate of 30% of the net gifts. A "stranger" is defined as any person who is not a brother, sister (whether by whole- or half-blood), spouse, ancestor and lineal descendant or relative by consanguinity in the collateral line within the fourth degree of relationship. A donation to a non-stranger will be subject to a donor's tax at progressive rates ranging from 2% to 15% if the net gifts made during the calendar year exceed ₱100,000.

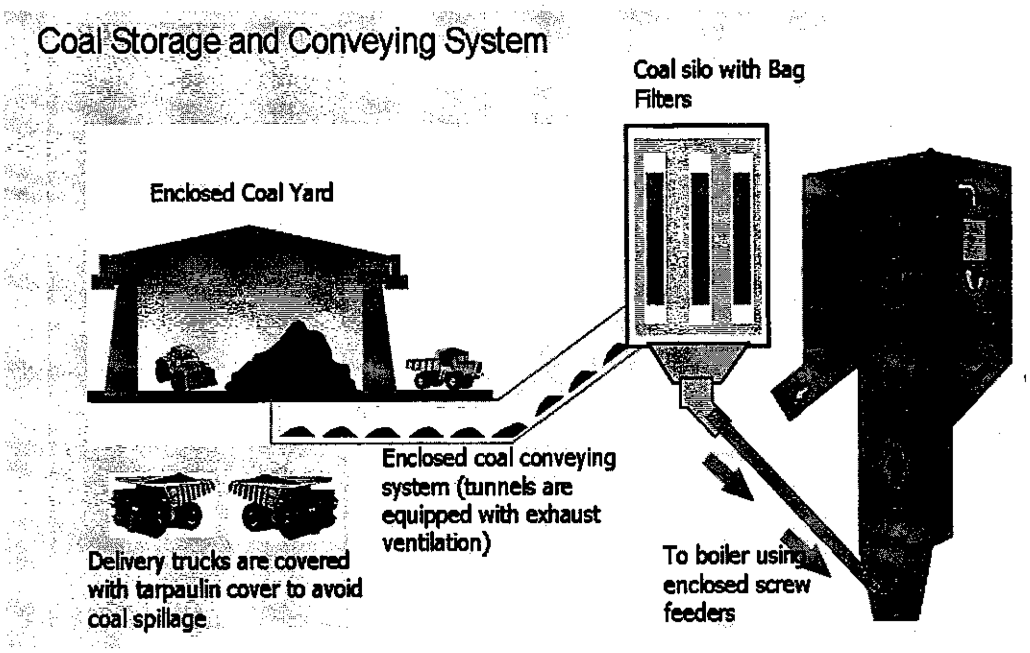
The estate tax, as well as the donor's tax in respect of the CPs, shall not be collected if: (a) the deceased at the time of his death or donation was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

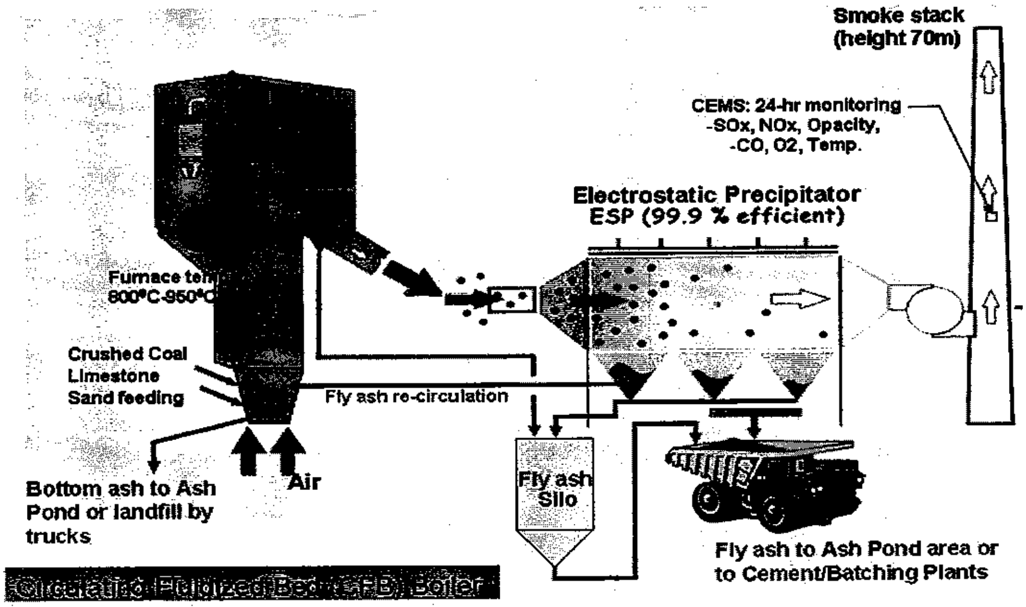
TAXATION OUTSIDE THE PHILIPPINES

The tax treatment of non-resident CP Holders in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not discuss the tax considerations on such non-resident holders under laws other than those of the Philippines.

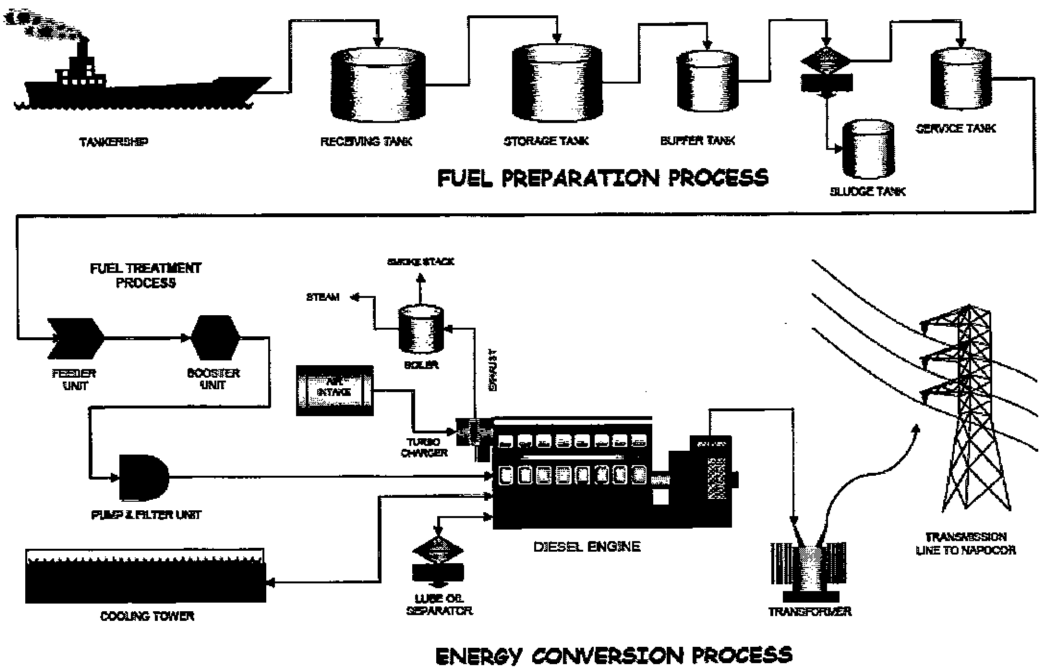
ANNEX 1: PROCESS FLOW

I: Process of a Coal-Fire Thermal Power Plant





II: Process of a Coal-Fire Thermal Power Plant



ANNEX 2: LIST OF PERMITS AND LICENSES

III: List of regulatory permits and licenses of ACR and its subsidiaries.

I. Alsons Consolidated Resources, Inc.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Amended Articles of Incorporation	August 11, 2014	Securities and Exchange Commission	Valid	
Business Permit	January 29, 2018	City of Makati	December 31, 2018	
Barangay Clearance	January 12, 2018	Barangay Magallanes	December 2018	
Community Tax Certificate	January 27, 2018	City of Makati	December 2018	
Sanitary Permit	January 29, 2018	City of Makati (Environmental Health & Sanitation)	December 31, 2018	

II. Mapalad Power Corporation

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	July 13, 2010	Securities and Exchange Commission	Valid	
Certificate of Registration (BIR Form No. 2303)	April 10, 2013	Bureau of Internal Revenue	Valid	
SSS Registration	March 2013	Social Security System	Valid	
PHIC Registration	April 4, 2013	Philippine Health Insurance Commission	Valid	
HDMF Registration	April 4, 2013	Home Development Mutual Fund	Valid	
Tax Assessment Record 2018	January 10, 2018	Local Government of [Iligan City]	2018	
201 Business Permit	February 1, 2018	Local Government of [Iligan City]	December 31, 2018	
2018 City Environment Management Office (CEMO) Certification	January 18, 2018	Department of Energy and Natural Resources	December 31, 2018	
2018 Corporate Community Tax Certificate (BIR Form 0017)	January 11, 2018	Local Government of [Iligan City]	Annual (2018)	

2018 Barangay Clearance	January 11, 2018	Office of the Barangay Captain of [Barangay Dalipuga, Iligan City]	6 months validity	Subject for renewal
Sanitary Permit	February 9, 2018	Local Government of [Iligan City]	December 31, 2018	
BIR Annual Registration (BIR Form No. 0605)	January 10, 2018	Bureau of Internal Revenue, Revenue District Office No. [RDO 101]	Annual	
BIR Certification 2018 (2018-101-023)	January 11, 2018	Bureau of Internal Revenue	6 months validity	Subject for renewal
2018 PhilHealth Clearance	January 11, 2018	Philippine Health Insurance Commission	Annual	
2018 HDMF Clearance	January 11, 2018	Home Development Mutual Fund	December 31, 2018	
Environmental Compliance Certificate	July 3, 2013	Department of Energy and Natural Resources	Valid	
CR – Chemical Control Order on Polychlorinated Biphenyls	April 3, 2013	Department of Energy and Natural Resources	Valid	
Discharge Permit	March 25, 2015	Department of Energy and Natural Resources	March 24, 2020	
Certificate of Compliance (CoC)	March 10, 2014	Energy Regulatory Commission	5 years validity (2019)	
Hazardous Waste Generator Registration Certificate	March 23, 2016	Department of Energy and Natural Resources	Valid	
Permit to Operate Air Pollution Source and Control Installations	March 24, 2014	Department of Energy and Natural Resources	March 29, 2019	

III. Southern Philippines Power Corp.

	Date of Issuance	Governing Regulatory Body	Validity/ Due Date	Status
Mayor's Permit	January 9, 2018	LGU-Alabel	December 31, 2018	
Community Tax Certificate	January 8, 2018	LGU-Alabel	December 31, 2018	
Barangay Clearance	January 8, 2017	LGU-Alabel	December 31, 2018	
Sanitary Permit to Operate	January 9, 2017	LGU-Alabel	December 31, 2018	
Fire Inspection Safety Certificate	February 2, 2018	BFP-Alabel	February 2, 2019	

Annual Building, Electrical and Mechanical Inspection Fees	September 28, 2017	LGU-Alabel	August 2018	Subject for renewal
Certificate of Compliance	August 5, 2013	Energy Regulatory Commission	August 5, 2018	Subject for renewal
Certificate of Incorporation	March 15, 1996	Securities and Exchange Commission	Valid	
Environmental Compliance Certificate (DG Nos. 1 to 5)	August 25, 1997	Department of Environment and Natural Resources	Valid	
Environmental Compliance Certificate (DG No. 6)	April 6, 2004	Department of Environment and Natural Resources	Valid	
Permit to Operate Air Pollution Source and Control Installation	August 25, 2015	Department of Environment and Natural Resources	August 31, 2020	
Wastewater Discharge Permit	August 25, 2015	Department of Environment and Natural Resources	August 31, 2020	
Annual Baseload Fee	July 26, 2017	Department of Environment and Natural Resources	Valid	For renewal every August-
Compressed Work Schedule	March 6, 2018	Department of Labor and Employment	Valid until the end of every quarter	Quarterly renewal
Permit to Operate Internal Combustion ICE-XII-11-04; ICE-XII-12-04; ICE-XII-26-04; ICE-XII-02-04; ICE-XII-03-04; ICE-XII-04-04; ICE-XII-02-05; ICE-XII-06-04	September 28, 2017	Department of Labor and Employment	1 year validity	
Certificate of Electrical Inspection XII-06-01&02	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Crane and Hoist Equipment CHDL-XII-01-14; CHDL-XII-02-14	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Steam Boiler DL-XII-03-04; DL-XII-05-04; DL-XII-05-04	September 28, 2017	Department of Labor and Employment	1 year validity	
Permit to Operate Pressure Vessel PVDL-XII-06-04; PVDL-XII-05-	September 28, 2017	Department of Labor and Employment	1 year validity	

04; PVDL-XII-04-04; PVDL-XII-03-04; PVDL-XII-02-04; PVDL-XII-01-04				
Power Piping Line Operation Permit PPLDL-XII-03-14; PPLDL-XII-02-14; PPLDL-XII-01-14	September 28, 2017	Department of Labor and Employment	1 year validity	
Vehicle Registration PL:TJO751	January 1, 2018	Department of Transportation	Valid	
Vehicle Registration PL:MA13092	February 5, 2018	Department of Transportation	Valid	
Vehicle Registration PL:NZI243	February 28, 2018	Department of Transportation	Valid	
Vehicle Registration PL:AOA9943	February 21, 2018	Department of Transportation	Valid	
Vehicle Registration PL:MAX537	July 4, 2018	Department of Transportation	Valid	
Vehicle Registration PL:ACA7108	July 12, 2017	Department of Transportation	Valid	
Vehicle Registration PL:NQI910	October 8, 2017	Department of Transportation	Valid	
Vehicle Registration PL:AEA4060	October 9, 2017	Department of Transportation	Valid	
Ratio Station License P-LL-00268-2016; 00269-2015; 00270-2015	January 19, 2018	National Telecommunications Commission	January 20, 2019	
Network Radio Station License 3FX/FB—0015664 to 001566-16	May 25, 2017	National Telecommunications Commission	May 31, 2018	For renewal in May
Network Radio Station License 8P-LL-01894 to 01901-16	July 11, 2017	National Telecommunications Commission	July 12, 2018	For renewal in July
Network Radio Station License 11P-LL-002188 to 002198-16	August 16, 2017	Telecommunications Commission	August 6, 2018	Subject for renewal
Radio Station License 2P-LL-02406 to 02407-16	September 14, 2017	Telecommunications Commission	September 15, 2018	Subject for renewal
Water Permit SP-CV1001419	May 28 2017	National Water Resource Board	Valid, yearly renewal	
First Class Operator's Certificate (RRA)	April 13, 2015	National Telecommunications Commission	Valid until January 30, 2019	

First Class Operator's Certificate (HES)	July 24, 2015	National Telecommunications Commission	Valid until November 18, 2018	
Radio Land Mobile Operator's Certificate	August 16, 2017	National Telecommunications Commission	Valid until August 2, 2021	
BIR 0605	January 05, 2018	Bureau of Internal Revenue	December 2018	

IV. Western Mindanao Power Corp.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	March 15, 1996	Securities and Exchange Commission	50 Years	
Certificate of Registration (BIR Form No. 2303)	January 17, 2000	Bureau of Internal Revenue	Valid	
VAT Annual Registration Fee	January 5, 2017	Bureau of Internal Revenue	Valid	
2018 Mayor's Permit	January 20, 2018	City Government of Zamboanga	December 31, 2018	
Environmental Compliance Certificate	November 8, 1996	Department of Environment and Natural Resources	Valid	
Community Tax Certificate	January 09, 2018	City Government of Zamboanga	December 31, 2018	
Fire Safety Inspection Certificate	January 18, 2018	Bureau of Fire Protection	December 31, 2018	
Sanitary Permit	January 08, 2018	City of Zamboanga (Office of the City Health Officer)	December 31, 2018	
Barangay Business Clearance	January 04, 2018	City of Zamboanga	December 31, 2018	
Wastewater Discharge Permit	January 3, 2017	Department of Environment and Natural Resources	Valid from December 12, 2016 to December 11, 2021	
Permit to Operate Air Pollution Installation	January 3, 2017	Department of Environment and Natural Resources	Valid from December 9, 2016 to December 8, 2021	

Radio Station LicenseP-II-00001-16	January 18, 2018	National Telecommunications Commission	January 17, 2019	
Vehicle Registration NOP442	February 7, 2018	Department of Transportation LTO	Valid	
Vehicle Registration 3562SB	February 8, 2018	Department of Transportation LTO	Valid	

V. Sarangani Energy Corp.

	Date of Issuance	Governing Regulatory Body	Validity	Status
Certificate of Incorporation	October 15, 2010 (photocopy only available on site)	Securities and Exchange Commission	Valid	
Special Use Agreement in Protected Area for Jetty	June 1, 2014	Department of Environment and Natural Resources	Valid until May 31, 2019	
Wastewater Discharge Permit	April 25, 2013	Department of Environment and Natural Resources	Valid from April 19, 2017 to May 7, 2018	Subject for renewal
Permit to Operate (1 unit 280 KW Doosan Brand Diesel Engine Standby Fire Pump Hydrant)	November 16, 2015	Department of Environment and Natural Resources	Valid from November 16, 2015 to November 14, 2020	
Permit to Operate (1 unit 105 MW Foster Wheeler North American Corporation Brand Circulating Fluidized Bed (CFB) Coal-fired Coiler Provided w/ Electrostatic Precipitator (ESP); Four (4) units 2.5 MW Cummins brand Diesel Engine Generator Set individually provided with Muffler/Silencer)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	
Permit to Operate (1 unit 671 KW Cummins Brand Diesel Engine Standby Generator Set)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	

Permit to Operate (1 unit 60 KVA Cummins Brand Diesel Engine Standby Generator Set provided with Muffler/Silencer)	March 01, 2015	Department of Environment and Natural Resources	Valid from February 11, 2015 to February 10, 2020	
Special Land Use Permit (Water Extraction Facility)	March 29, 2016	Department of Environment and Natural Resources	Valid from April 1, 2016 to April 1, 2017	Conversion of SLUP to FLAG is on process
Radio Station License 2FX-LL-0001 TO 0001-15	Dec. 18, 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 21, 2018	
Radio Station License 2FX-LL-0105 to 0106-16	July 20, 2017	National Telecommunications Commission	July 20, 2017 to July 14 2018	Subject for renewal
Radio Station License 3P-LL-4898 to 4900-17	Dec. 15, 2017	National Telecommunications Commission	Dec. 14, 2017 to Dec. 13, 2018	
Radio Station License 14_4P-LL-4894 to 4897-17	Dec. 15, 2017	National Telecommunications Commission	Dec. 14, 2017 to Dec. 13, 2018	
Radio Station License -LL-002036 to 002052-16	Dec. 11 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 29, 2018	
Radio Station License -17P-LL-002072 to 002088-16	Dec. 11 2017	National Telecommunications Commission	Dec. 18, 2017 to Dec. 29, 2018	
Radio Station License LL-001890-13	July 20, 2017	NTC	July 20, 2017 to September 25, 2018	Subject for renewal
Radio Station License -LL-001891-13	July 20, 2017	NTC	July 20, 2017 to September 25, 2018	Subject for renewal
Radio Station License -LL-001892-14	July 20, 2017	NTC	July 20, 2017 to July 11, 2018	Subject for renewal
Radio Station License -LL-001893-14	July 20, 2017	NTC	July 20, 2017 to July 11, 2018	Subject for renewal
CUE - Transformer Area	July 05, 2017	PEZA	Annual	Subject for PTO application of add-on installed machineries.
Certificate of Electrical Inspection.RO12-2017-01	Aug 23, 2017	DOLE	Annual	
Permit to Operate Pressure Vessel CHDL-XII-12-14	August 25, 2017	DOLE	Annual	

Permit to Operate Pressure Vessels PVDL-XII-18-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-19-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-20-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-21a-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-21b-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-22-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-23-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-27-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-28-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-31-14	August 25, 2017	DOLE	Annual	
Permit to Operate Pressure Vessels PVDL-XII-32-14	August 25, 2017	DOLE	Annual	
Permit to Operate Crane and Hoist Equipment CHDL-XII-15-15	August 25, 2017	DOLE	Annual	
Permit to Operate Crane and Hoist Equipment CHDL-XII-15-19	August 25, 2017	DOLE	Annual	
Permit to Operate Elevator and Related Equipment EVDL-XII-20-15	August 25, 2017	DOLE	Annual	
Permit to Operate Steam Turbine No STDL-XII-02-14	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL-XII-01a-15	August 25, 2017	DOLE	Annual	

Power Piping Line Operation Permit PPLDL-XII-01b-15	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL-XII-01c-15	August 25, 2017	DOLE	Annual	
Power Piping Line Operation Permit PPLDL-XII-01d-15	August 25, 2017	DOLE	Annual	
Coastal Radio Station License FC-LL-0028-16	Dec. 18, 2017	National Telecommunications Commission	Dec. 18, 2017 to November 29, 2018	
Fire Safety Inspection Certificate		PEZA		Awaiting issuance
Pleasure Yacht License LIC 0041012	March 20, 2017	Maritime Industry Authority	March 20, 2017 to March 19, 2018	Subject for renewal
Conditional Water Permit. NO. 07-19-17-047	July 19, 2017	National Water Resources Board (NWRB)	Annual	
License to Handle Controlled Precursors & Essential Chemicals	March 22, 2017	Philippine Drug Enforcement Agency (PDEA)	March 22, 2017 to Mar. 25, 2018	Renewal application is in process
Network Radio Station License LL-002017-16_FX.FB-LL-002018-16_17P-LL-002019 to 002035-16	Dec. 18, 2017	NTC	Dec. 18, 2017 to Dec. 29, 2018	
Network Radio Station License -LL-002053-16_FX.FB-LL-002054-16_17P-LL-002055 to 002071-16	Dec. 18, 2017	NTC	Dec. 18, 2017 to Dec. 29, 2018	
Certificate of Non-Coverage CNC-OL-R12-2016-09-11186	September 9, 2016	Department of Environment and Natural Resources	Valid	One time application
Permit to Operate Steam Boiler No. DL-XII-03-15	May 20, 2016	Department of Labor and Employment	Valid from August 25, 2017 to August 12, 2018	Subject for renewal
Permit to Operate Pressure Vessel No.: PVDL-XII-04-15	January 13, 2017	Department of Labor and Employment	Valid from December 23, 2016 to December 23, 2017	Payment for renewal is in process. Inspection conducted on Jan. 22, 2018

Permit to Operate Internal Combustion engine ICE No. ICE-XII-11-15	January 13, 2017	Department of Labor and Employment	Valid from December 23, 2016 to December 23, 2017	Payment for renewal is in process. Inspection conducted on Jan. 22, 2018
Registration of Establishment under Rule 1020 of Occupation Safety and Health Standards of DOLE	June 23, 2012	Department of Labor and Employment	Valid	One time application; Valid until the organization declares bankruptcy or closure
Deepwell # IWI - Permit No. 023793	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell #IW2 - Permit No. 023792	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell IW3 - Permit No. 023791	April 28, 2016	National Water Resources Board	One time application / w/ Annual Water Charge	
Siguil River Permit No. 023461	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
Siguil River Permit No. 023462	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
Deepwell A/IW 4 - Permit No. 023463	February 26, 2015	National Water Resources Board	One time application / w/ Annual Water Charge	
PDEA CPECS / DBB regulations of CPECS		Philippine Drug Enforcement Agency		Semi-annual submission of report is carried out
First Class Operator's Certificate	December 08, 2016	National Telecommunications Commission	Valid from December 8, 2016 to November 29, 2019	

Permit to occupy (Admin and Service building) 1) Fire Fighting and Safety Building 2) Laboratory 3) Clinic 4)Admin Building		Philippine Economic Zone Authority		On process/ Ongoing review of drawings with Project Team
Permit to Occupy EP Electrical and Control Building		Philippine Economic Zone Authority		For checking if permits already collected. Application submitted last August 2017.
Building Permit Heavy Equipment Garage		Philippine Economic Zone Authority		On process/ As of Jan. 23, 2018 – for PEZA OR issurance
Building Permit Warehouse Extension Project		Philippine Economic Zone Authority		On process/ Occupancy permit application was submitted last Jan. 2018, 2018
Building Permit LFO Fueling Station		Philippine Economic Zone Authority		For issuance
Certificate of Compliance (Main Plant)	April 19, 2016	DOE – ERC	Valid from April 19, 2016 to April 18, 2021	
Certificate of Compliance (Siguil)	April 28, 2015	DOE – ERC	Valid from Apr. 28, 2015 – Apr. 28, 2020	
Permit to Operate the Non-Commercial Private Port	November 03, 2014	PPA	Valid from November 17, 2014 to November 17, 2019	
Statement of Compliance of a Port Facility	November 25, 2014	DOTC-OTS	Valid from November 25, 2014 to November 24, 2019	
BIR Annual Registration Fee	January 11, 2017	Bureau of Internal Revenue	Valid	

VI. SRPI

Permits/Licenses	Date of Issuance	Governing Regulatory Body	Validity	Status
Environmental Compliance Certificate	March 20, 2012	Department of Environment and Natural Resources	Valid	
Barangay Clearance				To secure during implementation Stage
Mayor's Business Permit				Exempted under RA 7903
Sanitary Permit				To secure during implementation Stage
Health Certificate				To secure during implementation Stage
Fire Safety Inspection Certificate				To secure during implementation Stage
Locational Clearance				To secure during implementation Stage
SEC Certificate of Registration	22 July 2011	Security and Exchange Commission		
BIR Certificate of Registration	22 July 2011	Bureau of Internal Revenue		
SSS Employer's Registration				To secure during implementation Stage
PhilHealth Employer's Registration				To secure during implementation Stage
Pag-IBIG Employer's Registration				To secure during implementation Stage
DOLE Registration				To secure during implementation Stage

VII. Kalaong 1, 2, and 3 Hydro Project

Permits / Licenses	Date of Issuance	Governing Regulatory Body / Issuing Agency	Validity	Status
Local Government Unit Project Endorsement				
a. Sangguniang Panlalawigan of Sarangani Province	October 2, 2015	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
b. Sangguniang Bayan of Maitum	March 7, 2011	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
c. Sangguniang Barangay of Batian (for Kalaong HPP 1 and 2)	May 11, 2015	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
d. Sangguniang Barangay of Kalaneg (for Kalaong HPP 3)	May 22, 2015	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Municipal Tribal Council Endorsement	March 5, 2011	Peoples Organization recognized by National Commission on Indigenous Peoples Region 12	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Certificate of Pre-Condition	On-going acquisition of Permit under AEDC.	National Commission on Indigenous Peoples		On-going acquisition of Permit under AEDC.
Certificate of Non-Irrigation Coverage				
a. For Kalaong 1 and 2	February 20, 2017	National Irrigation Administration Region 12	Valid for One (1) year from date of issuance.	Issued. Still valid. Permit is named under AEDC.
b. For Kalaong 3	April 10, 2017	National Irrigation Administration Region 12	Valid for One (1) year from date of issuance.	Issued. Still valid. Permit is named under AEDC.

c. Lumotan Irrigators Association Project Endorsement	September 16, 2016	Requirement of NIA Region 12 for issuance of Certificate of CNC	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
d. Mabay Irrigators Association Project Endorsement	September 16, 2016	Requirement of NIA Region 12 for issuance of Certificate of CNC	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Zoning Certification	March 20, 2017	LGU - Municipal Planning Officer	Certification is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Environmental Compliance Certificate	On-going acquisition of Permit under AEDC.			On-going acquisition of Permit under AEDC.
Hydropower Service Contract (HSC)		Department of Energy		Issued. Still valid. Permit is named under AEDC.

VIII. Siguil Hydro Project

Permits / Licenses	Date of Issuance	Governing Regulatory Body / Issuing Agency	Validity	Status
Local Government Unit Project Endorsement				
a. Sangguniang Panlalawigan of Sarangani Province	October 2, 2015	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
b. Sangguniang Bayan of Maasim	July 1, 2009	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
c. Sangguniang Barangay of Tinoto	October 16, 2014	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
c. Sangguniang Barangay of Amsipit	October 17, 2014	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
c. Sangguniang Barangay of Kablacan	August 7, 2015	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
d. Sangguniang Barangay of Nomoh	October 20, 2014	Local Government Unit	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Municipal Tribal Council Endorsement	July 15, 2009	Peoples Organization recognized by National Commission on Indigenous Peoples Region 12	Endorsement is silent on the period of validity.	Issued. Still valid. Permit is named under AEDC.
Certificate of Pre-Condition	On-going acquisition of Permit under AEDC.	National Commission on Indigenous Peoples		On-going acquisition of Permit under AEDC.

a. Resolution of Favorable Consent to the Project	October 13, 2014	Affected Indigenous Cultural Community as required by NCIP		For final approval of NCIP Commissioner
b. Memorandum of Agreement with the IP, NCIP, and AEDC		National Commission on Indigenous Peoples		For final approval of NCIP Commissioner
b1. Principal MOA	July 14, 2016		25 years; renewable every 2 years	For final approval of NCIP Commissioner
b2. Supplemental MOA	November 15, 2016		25 years; renewable every 2 years	For final approval of NCIP Commissioner
Environmental Compliance Certificate	March 9, 2015	Department of Environment and Natural Resources		SHPC-ECC-R12-1504-0134 Validity: 5 years from Issuance
Hydropower Service Contract (HSC)	February 27, 2017	Department of Energy		Siguil HSC No. 2016-09-685 (Still Valid)
NWRB				On-going acquisition of Permit under AEDC.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 5 9 3 6 6

COMPANY NAME

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

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

Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
legal@alcantaragroup.com	(02) 982-3000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
462	August 24	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Robert F. Yenko	ryenko@alcantaragroup.com	(02) 982-3000	N/A

CONTACT PERSON's ADDRESS

Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines

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

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

Alsons Consolidated Resources, Inc.
(Listed in the Philippine Stock Exchange Trading Symbol "ACR")
2nd Floor, Alsons Building
2286 Chino Roces Ext., (formerly P. Tamo Ext.,) Makati City
1231 Metro Manila Philippines
Tel. Nos.: (632) 982-3000 Fax Nos.: (632) 982-3077
Website: www.acr.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

SECURITIES AND EXCHANGE COMMISSION,
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

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

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

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

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

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

TOMAS I. ALCANTARA	**TIRSO G. SANTILLAN, JR.**	**ROBERT F. YENKO**
Chairman and President	Executive Vice-President	Chief Financial Officer

SUBSCRIBED AND SWORN to before me this APR 1 0 2018 of ____ affiants exhibiting to me their Identifications, as follows:

Name	Identification No.	Date	Place of Issue
Tomas I. Alcantara	PP#EB8610644	07-09-13	DFA Manila
Tirso G. Santillan, Jr.	DL#N17-72-000977	02-13-18	LTO Q.C.
Robert F. Yenko	DL#N01-16-031117	10-12-16	LTO San Juan

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Series of 2018

ANGEL M. ESGUERRA III
NOTARY PUBLIC
ROLL NO. 34787
MAKATI CITY, PHILIPPINES

ANGEL M. ESGUERRA, III
Commission No. M-184
Notary Public for Makati City, Until December 31, 2019
Roll No. 34787; 06/01/87
IBP Lifetime No. 00259; 06/01/95; Pasay Chapter
PTR OR No. 6614781; 01/04/18; Makati City
Alsons Bldg., 2286 Chino Roces Ave., Makati City

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Avenue
Makati City, Metro Manila, Philippines

Opinion

We have audited the consolidated financial statements of Alsons Consolidated Resources, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Recoverability of Goodwill
Under PFRSs, the Group is required to review the goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at December 31, 2017, the Group's goodwill that is attributable to the Group's two power generation cash-generating units (CGUs) amounted to ₱807 million, which is significant to the consolidated financial statements. In addition, management's assessment process requires significant management judgment about future market conditions and estimation based on assumptions, specifically tariff rates, contracted and dispatchable capacity and discount rates. The Group's disclosures about goodwill are included in Note 14 to the consolidated financial statements.

Audit Response
We involved our internal specialist in evaluating the methodology and the assumptions used, which include tariff rates, contracted and dispatchable capacity and discount rates. We compared the key assumptions used, such as contracted and dispatchable capacity against the historical performance of the CGUs, market outlook and other relevant external data. For tariff rates, we compared the rates used against the rates in the provisionally approved power sales agreements. We tested the parameters used in the determination of the discount rates against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 20-IS (Definitive Information Statement) for the year ended December 31, 2017 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 17-A and Annual Report for the year ended December 31, 2017, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Martin C. Guantes.

SYCIP GORRES VELAYO & CO.

Martin C. Guantes
Martin C. Guantes
Partner
CPA Certificate No. 88494
SEC Accreditation No. 0325-AR-3 (Group A),
August 25, 2015, valid until August 24, 2018
Tax Identification No. 152-884-272
BIR Accreditation No. 08-001998-52-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621267, January 9, 2018, Makati City

March 22, 2018

Securities and Exchange Commission
Records Management Division
APR 16 2018
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ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31 2017	December 31 2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱4,383,802,048	₱2,050,586,516
Short-term cash investments (Note 7)	258,319,976	58,172,400
Trade and other receivables (Notes 8 and 20)	2,509,001,577	2,089,455,903
Real estate inventories (Note 10)	638,560,688	646,886,864
Spare parts and supplies - at cost (Note 9)	687,330,947	651,649,055
Prepaid expenses and other current assets (Notes 15 and 18)	780,007,296	587,051,018
Total Current Assets	9,257,022,532	6,083,801,756
Noncurrent Assets		
Noncurrent portion of installment receivables (Note 8)	6,319,792	6,557,239
Investments in real estate (Note 10)	181,102,370	176,276,075
Investments in associates (Note 11)	2,176,644,762	2,175,644,762
Property, plant and equipment (Note 12)	22,729,706,881	18,708,877,299
Available-for-sale (AFS) financial assets (Note 13)	2,353,233,021	2,343,630,303
Goodwill (Note 14)	806,687,320	806,687,320
Net retirement assets (Note 28)	26,160,832	29,607,129
Deferred financing cost (Note 18)	157,956,627	–
Deferred income tax assets - net (Note 29)	35,454,305	30,321,457
Other noncurrent assets	506,424,762	448,322,409
Total Noncurrent Assets	28,979,690,672	24,725,923,993
TOTAL ASSETS	₱38,236,713,204	₱30,809,725,749
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	₱3,726,252,547	₱1,572,066,165
Loans payable (Note 17)	975,708,681	667,030,719
Income tax payable	19,367,867	58,789,821
Current portion of long-term debts (Note 18)	869,013,234	612,245,238
Total Current Liabilities	5,590,342,329	2,910,131,943
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	17,840,908,713	16,278,965,915
Deferred income tax liabilities - net (Note 29)	739,187,192	700,463,748
Retirement benefits liabilities (Note 28)	30,900,051	32,051,884
Decommissioning liability (Notes 12 and 19)	205,731,535	176,117,468
Total Noncurrent Liabilities	18,816,727,491	17,187,599,015
Total Liabilities	24,407,069,820	20,097,730,958

(Forward)

	December 31	
	2017	2016
Equity (Note 21)		
Capital stock	**₱6,326,883,333**	₱6,322,483,333
Equity reserves	**2,494,305,135**	1,774,513,933
Retained earnings:		
Unappropriated	**887,872,315**	1,013,611,249
Appropriated	**1,300,000,000**	1,300,000,000
Attributable to equity holders of the Parent Company	**11,009,060,783**	10,410,608,515
Non-controlling interests (Notes 1 and 21)	**2,820,582,601**	301,386,276
Total Equity	**13,829,643,384**	10,711,994,791
TOTAL LIABILITIES AND EQUITY	**₱38,236,713,204**	₱30,809,725,749

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
SALES OF SERVICES:			
Energy fees (Note 33)	₱6,494,068,927	₱7,077,431,332	₱4,977,252,644
Rental income (Note 30)	12,158,045	12,139,877	10,724,872
Management fees (Note 33)	–	7,610,515	25,443,600
	6,506,226,972	7,097,181,724	5,013,421,116
REAL ESTATE SALES (Note 33)	12,673,806	9,616,156	8,275,233
TOTAL REVENUE	6,518,900,778	7,106,797,880	5,021,696,349
COSTS AND EXPENSES			
Cost of services (Note 22)	(4,573,651,777)	(4,679,482,911)	(3,065,882,264)
Cost of real estate sold (Note 10)	(9,498,425)	(4,982,828)	(6,150,862)
General and administrative expenses (Note 23)	(562,111,244)	(530,807,093)	(434,114,967)
	(5,145,261,446)	(5,215,272,832)	(3,506,148,093)
OTHER INCOME (CHARGES)			
Finance charges (Note 26)	(1,200,295,515)	(865,152,744)	(324,360,188)
Interest income (Notes 7 and 18)	37,863,224	41,961,539	24,034,525
Others - net (Note 27)	70,152,948	(155,059,373)	(83,857,875)
	(1,092,279,343)	(978,250,578)	(384,183,538)
INCOME BEFORE INCOME TAX	281,359,989	913,274,470	1,131,364,718
PROVISION FOR INCOME TAX (Note 29)			
Current	143,551,013	206,066,372	272,708,907
Deferred	34,331,187	71,420,419	167,719,203
	177,882,200	277,486,791	440,428,110
NET INCOME	₱103,477,789	₱635,787,679	₱690,936,608
Attributable to:			
Equity holders of the Parent Company	(₱21,033,147)	₱316,595,386	₱188,141,930
Non-controlling interests	124,510,936	319,192,293	502,794,678
	₱103,477,789	₱635,787,679	₱690,936,608
Basic/diluted earnings (losses) per share attributable to equity holders of the Parent Company (Note 21)	(₱0.004)	₱0.050	₱0.029

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2017	2016	2015
NET INCOME	**₱103,477,789**	₱635,787,679	₱690,936,608
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will not be reclassified to profit or loss:			
Actuarial gains (losses) on defined benefit plan (Note 28)	**(3,141,328)**	(5,927,934)	(20,781,658)
Effect of changes in asset ceiling (Note 28)	**3,056,014**	14,388,164	16,026,964
Tax effect (Note 29)	**(246,394)**	825,575	2,009,180
	(331,708)	9,285,805	(2,745,514)
Items that will be reclassified subsequently to profit or loss:			
Unrealized gains (losses) on fair valuation of AFS financial assets (Note 13)	**9,602,718**	(1,942,968)	7,263,540
Translation adjustments	**1,155,929**	12,232,870	147,110,294
	10,758,647	10,289,902	154,737,834
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX	**10,426,939**	19,575,707	151,992,320
TOTAL COMPREHENSIVE INCOME	**₱113,904,728**	₱655,363,386	₱842,928,928
Attributable to:			
Equity holders of the Parent Company	**(₱10,023,797)**	₱327,898,507	₱340,874,763
Non-controlling interests	**123,928,525**	327,464,879	502,054,165
	₱113,904,728	₱655,363,386	₱842,928,928

See accompanying Notes to Consolidated Financial Statements.

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Attributable to Equity Holders of the Parent Company											
		Other Equity Reserves										
	Capital Stock (Note 21)	Remeasurement Gains (Losses) on Defined Benefit Plan (Notes 21 and 28)	Unrealized Gains (Losses) on AFS Financial Assets (Notes 13 and 21)	Cumulative Translation Adjustments (Note 21)	Equity Reserves (Note 21)	Total	Retained Earnings (Note 21) Unappropriated	Retained Earnings (Note 21) Appropriated	Total	Non-controlling Interests (Note 1)	Total
BALANCES AS AT DECEMBER 31, 2014	₱6,313,683,333	₱5,487,847	(₱58,243,535)	₱1,520,279,471	₱145,480,697	₱1,613,004,480	₱489,928,413	₱1,700,000,000	₱10,116,616,226	₱291,754,035	₱10,408,370,261
Net income	–	–	–	–	–	–	188,141,930	–	188,141,930	502,794,678	690,936,608
Other comprehensive income (loss)	–	265,176	7,263,540	147,110,294	–	154,639,010	(1,906,177)	–	152,732,833	(740,513)	151,992,320
Total comprehensive income	–	265,176	7,263,540	147,110,294	–	154,639,010	186,235,753	–	340,874,763	502,054,165	842,928,928
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	–	4,400,000	–	4,400,000
Investment in a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	21,600	21,600
Disposal of subsidiaries without loss of control (Note 1)	–	–	–	–	–	–	–	–	–	12,563,402	12,563,402
Disposal of a subsidiary through property dividend	–	–	–	–	–	–	(208,056,231)	–	(208,056,231)	–	(208,056,231)
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(70,460,750)	–	(70,460,750)	(389,651,240)	(460,111,990)
Reversal of appropriation	–	–	–	–	–	–	400,000,000	(400,000,000)	–	–	–
BALANCES AS AT DECEMBER 31, 2015	6,318,083,333	5,753,023	(50,979,995)	1,667,389,765	145,480,697	1,767,643,490	797,647,185	1,300,000,000	10,183,374,008	416,741,962	10,600,115,970
Net income	–	–	–	–	–	–	316,595,386	–	316,595,386	319,192,293	635,787,679
Other comprehensive income (loss)	–	(996,789)	(1,942,968)	9,810,200	–	6,870,443	4,432,678	–	11,303,121	8,272,586	19,575,707
Total comprehensive income (loss)	–	(996,789)	(1,942,968)	9,810,200	–	6,870,443	321,028,064	–	327,898,507	327,464,879	655,363,386
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	–	4,400,000	–	4,400,000
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(105,064,000)	–	(105,064,000)	(442,820,565)	(547,884,565)
BALANCES AS AT DECEMBER 31, 2016	6,322,483,333	4,756,234	(52,922,963)	1,677,199,965	145,480,697	1,774,513,933	1,013,611,249	1,300,000,000	10,410,608,515	301,386,276	10,711,994,791
Net income (loss)	–	–	–	–	–	–	(21,033,147)	–	(21,033,147)	124,510,936	103,477,789
Other comprehensive income (loss)	–	(105,414)	9,602,718	1,153,833	–	10,651,137	358,213	–	11,009,350	(582,411)	10,426,939
Total comprehensive income (loss)	–	(105,414)	9,602,718	1,153,833	–	10,651,137	(20,674,934)	–	(10,023,797)	123,928,525	113,904,728
Collection of subscriptions receivable	4,400,000	–	–	–	–	–	–	–	4,400,000	–	4,400,000
Cash dividends declaration (Note 21)	–	–	–	–	–	–	(105,064,000)	–	(105,064,000)	(225,000,000)	(330,064,000)
Additional investment in a subsidiary (Note 1)	–	–	–	–	–	–	–	–	–	1,125,000,000	1,125,000,000
Disposal of a subsidiary without loss of control (Note 1)	–	–	–	–	709,140,065	709,140,065	–	–	709,140,065	1,495,267,800	2,204,407,865
BALANCES AS AT DECEMER 31, 2017	₱6,326,883,333	₱4,650,820	(₱43,320,245)	₱1,678,353,798	₱854,620,762	₱2,494,305,135	₱887,872,315	₱1,300,000,000	₱11,009,060,783	₱2,820,582,601	₱13,829,643,384

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱281,359,989	₱913,274,470	₱1,131,364,718
Adjustments for:			
Finance charges (Note 26)	1,200,295,515	865,152,744	324,360,188
Depreciation and amortization (Note 25)	881,533,932	712,151,736	348,954,644
Interest income (Notes 7 and 18)	(37,863,224)	(41,961,539)	(24,034,525)
Gain on sale of investment (Notes 11 and 27)	(34,339,109)	–	–
Recovery of impairment loss on investment due to sale (Notes 11 and 27)	(13,725,000)	–	–
Movements in net retirement assets and retirement benefits liabilities (Notes 24 and 28)	1,962,756	33,162,646	13,088,469
Loss (gain) on sale of property, plant and equipment and investments in real estate (Note 27)	(1,829,595)	2,960,574	35,649,469
Unrealized foreign exchange loss - net (Note 27)	1,474,920	17,639,653	143,965,908
Recovery of impairment loss on real estate inventories due to sale (Notes 10 and 27)	(1,172,249)	(476,624)	(1,112,121)
Income from decrease in decommissioning liability (Note 27)	–	(4,842,058)	(5,933,564)
Impairment loss on goodwill (Note 14)	–	245,376,216	–
Income from insurance claim (Notes 8 and 27)	–	(69,699,527)	–
Mark-to-market gain on derivative liability (Notes 27 and 33)	–	–	(27,595,736)
Operating income before working capital changes	2,277,697,935	2,672,738,291	1,938,707,450
Decrease (increase) in:			
Trade and other receivables	(93,699,757)	(200,943,196)	169,064,975
Real estate inventories	9,498,425	5,066,790	6,877,373
Spare parts and supplies	(35,681,892)	(155,298,062)	(254,786,969)
Prepaid expenses and other current assets	1,504,811	352,502,110	(20,589,716)
Increase (decrease) in accounts payable and other current liabilities	382,993,349	6,353,118	(118,271,723)
Cash flows generated from operations	2,542,312,871	2,680,419,051	1,721,001,390
Income taxes paid including creditable withholding taxes	(194,705,758)	(298,528,042)	(352,781,304)
Net cash flows from operating activities	2,347,607,113	2,381,891,009	1,368,220,086
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Note 12)	(4,633,150,298)	(3,279,688,376)	(1,589,833,820)
Investments in associates (Note 11)	(1,000,000)	(581,018,200)	(57,317,300)
Investments in real estate (Note 10)	(5,019,774)	(502,881)	(559,426)
Computer software	(8,604,103)	(14,416,454)	(60,697)
Decrease (increase) in:			
Short-term cash investments (Note 7)	(199,877,387)	114,240,535	(138,499,937)
Other noncurrent assets	(57,043,578)	(41,236,029)	(55,143,340)
Increase in accounts payable and other current liabilities (Note 16)	1,879,463,723	–	–
Granting of advances to related parties	(253,993,200)	(43,141,593)	(109,853,804)
Interest received	32,527,366	41,568,862	23,535,345
Proceeds from insurance claims (Notes 8 and 27)	29,538,950	40,160,577	–
Proceeds from disposals of:			
Subsidiary without loss of control (Note 1)	2,116,805,184	–	–
Investment in associate	48,064,109	–	–
Property, plant and equipment	2,117,591	2,060,124	1,678,359
Investment in real estate (Notes 10 and 11)	–	953,457,022	23,946,931
Net cash flows used in investing activities	(1,050,171,417)	(2,808,516,413)	(1,902,107,689)

(Forward)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans and long-term debts (Notes 17 and 18)	**₱3,979,777,962**	₱667,030,719	₱9,678,853,418
Proceeds from additional investment in a subsidiary (Note 1)	**1,125,000,000**	–	–
Payments of:			
Loans and long-term debts (Notes 17 and 18)	**(1,860,220,000)**	(588,798,053)	(5,428,392,395)
Interest and transaction costs (Note 18)	**(1,497,323,519)**	(998,033,628)	(1,331,956,527)
Dividends (Note 21)	**(325,664,000)**	(543,484,565)	(452,566,240)
Debt issue costs (Note 18)	**(206,030,383)**	–	–
Increase in interest reserve account (Notes 15 and 18)	**(183,468,889)**	–	(507,870,487)
Net cash flows from (used in) financing activities	**1,032,071,171**	(1,463,285,527)	1,958,067,769
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,329,506,867**	(1,889,910,931)	1,424,180,166
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,708,665**	649,893	3,284,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,050,586,516**	3,939,847,554	2,512,383,375
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱4,383,802,048**	₱2,050,586,516	₱3,939,847,554

See accompanying Notes to 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.

ACR's ultimate parent company is Alsons Corporation (AC), a company incorporated in the Philippines.

The registered office address of ACR is Alsons Building, 2286 Chino Roces Avenue, Makati City, Metro Manila, Philippines.

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

		Percentage of Ownership			
		2017		2016	
Subsidiaries	Nature of business	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 Thermal Energy Corporation (ATEC)	Investment holding	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 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 Power International Limited (APIL)	Power generation	100.00	–	100.00	–
Alsons Land Corporation (ALC)	Real estate	99.55	–	99.55	–
MADE (Markets Developers), Inc. (MADE)	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 interest plus 1 share of the 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). SPPC's and WMPC's ECAs ended on April 28, 2016 and December 12, 2015, respectively (see Note 33).

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 ₱0.3 million. MPC entered into Power Supply Agreements (PSAs) with various distribution utilities and electric cooperatives (see Note 33). On September 6, 2013, MPC started operating 98 MW of the 103 MW Bunker-Fired IDPPs. MPC completed the rehabilitation and operated the balance of 5 MW in 2014.

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

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

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

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

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

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to Global Business Power Corporation (GBPC) for a total consideration amounting to ₱2,378 million, inclusive of retention receivable amounting to ₱100 million to be received upon issuance by the Bureau of Internal Revenue (BIR) of the Certificate of Authorizing Registration (see Note 8). The Parent Company recognized a gain amounting to ₱709 million, net of transaction costs totaling to ₱169 million (see Note 21). 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 (see Note 16).

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 April 2016. The construction of Phase 2 (105 MW) commenced in January 2017 and is expected to be completed in April 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 increase in authorized capital stock to the amount of ₱2,989 million 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 December 31, 2017 and 2016, Sarangani is 75% owned by ATEC.

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

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

AREC and Subsidiaries

Siguil and Kalaong. ACR organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 17 MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22 MW 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 22, 2018, Siguil 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 ACR assigned and transferred its ownership interests in Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% to 80%.

Property Development

ALC. On November 25, 1994, ACR incorporated ALC to acquire, develop, sell and hold for investment or otherwise, real estate of all kinds, sublease office spaces and manufacture door and house frames.

KAED. On September 3, 2010, ACR 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 on the MADE's ability to continue as a going concern. As at March 22, 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.

Approval and Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements upon recommendation for approval by the Audit Committee on March 15, 2018, were authorized for issuance by the BOD on March 22, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS financial assets that have been measured at fair value. The consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company. All amounts are rounded to the nearest peso, except as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs includes statements named PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC).

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		
			2017	2016	2015
SPPC	Philippines	Power generation	**45.0%**	45.0%	45.0%
WMPC	Philippines	Power generation	**45.0%**	45.0%	45.0%
Sarangani	Philippines	Power generation	**62.5%**	25.0%	25.0%

The summarized financial information in respect of the subsidiaries that have material non-controlling interests is set out below. The summarized financial information below represents amounts before intra-group eliminations.

Summarized balance sheets as at December 31 are as follows:

	2017			2016		
	SPPC	**WMPC**	**Sarangani**	SPPC	WMPC	Sarangani
			(Amounts in Thousands)			
Current assets	**₱344,105**	**₱695,571**	**₱2,116,655**	₱546,999	₱724,237	₱2,395,716
Noncurrent assets	**364,648**	**418,808**	**20,193,848**	416,740	398,329	16,027,380
Current liabilities	**(220,961)**	**(457,032)**	**(2,171,183)**	(216,687)	(385,687)	(4,931,426)
Noncurrent liabilities	**(68,326)**	**(82,718)**	**(10,411,478)**	(73,064)	(82,452)	(8,631,235)
Equity	**₱419,466**	**₱574,629**	**₱9,727,842**	₱673,988	₱654,427	₱4,860,435
Equity attributable to:						
Equity holders of the Parent Company	**₱229,392**	**₱304,243**	**₱7,278,072**	₱370,693	₱359,935	₱3,645,326
Non-controlling interests	**190,074**	**270,386**	**2,449,770**	303,295	294,492	1,215,109
	₱419,466	**₱574,629**	**₱9,727,842**	₱673,988	₱654,427	₱4,860,435

Summarized statements of comprehensive income for each of the three years in the period ended December 31, 2017 are as follows:

	2017			2016			2015		
	SPPC	**WMPC**	**Sarangani**	SPPC	WMPC	Sarangani	SPPC	WMPC	Sarangani
Revenue and other income	**₱522,471**	**₱1,454,871**	**₱3,433,443**	₱711,504	₱1,652,261	₱3,503,115	₱742,145	₱1,485,698	₱17,717
Expenses	**(391,061)**	**(1,341,781)**	**(3,016,538)**	(442,682)	(1,517,641)	(2,557,505)	(278,933)	(503,644)	(6,586)
Provision for income tax	**(35,056)**	**(42,391)**	**(26,652)**	(56,195)	(48,457)	(52,374)	(97,802)	(207,776)	–
Net income	**96,354**	**70,699**	**390,253**	212,627	86,163	893,236	365,410	774,278	11,131
Other comprehensive income (loss)	**(876)**	**(498)**	**(346)**	6,571	4,285	–	(359)	2,268	–
Total comprehensive income	**₱95,478**	**₱70,201**	**₱389,907**	₱219,198	₱90,448	₱893,236	₱365,051	₱776,546	₱11,131
Equity holders of the Parent Company	**₱52,513**	**₱38,611**	**₱280,246**	₱120,559	₱49,746	₱669,927	₱200,778	₱427,100	₱8,348
Non-controlling interests	**42,965**	**31,590**	**109,661**	98,639	40,702	223,309	164,273	349,446	2,783
	₱95,478	**₱70,201**	**₱389,907**	₱219,198	₱90,448	₱893,236	₱365,051	₱776,546	₱11,131

Summarized statements of cash flows for each of the three years in the period ended December 31, 2017 are as follows:

	2017			2016			2015		
	SPPC	**WMPC**	**Sarangani**	SPPC	WMPC	Sarangani	SPPC	WMPC	Sarangani
					(Amounts in Thousands)				
Operating	**₱263,694**	**₱70,659**	**₱1,498,098**	₱187,423	₱140,462	₱1,797,552	₱487,480	₱1,034,800	(₱111,076)
Investing	**176,389**	**158,143**	**(4,345,899)**	(225,655)	103,854	(3,089,795)	(42,501)	64,841	(2,008,205)
Financing	**(407,779)**	**(157,804)**	**2,317,129**	(150,648)	(600,591)	1,855,008	(326,469)	(822,323)	1,696,358
Net increase (decrease) in cash and cash equivalents	**₱32,304**	**₱70,998**	**(₱530,672)**	(₱188,880)	(₱356,275)	₱562,765	₱118,510	₱277,318	(₱422,923)
Dividends paid to non-controlling interests	**₱157,500**	**₱67,500**	**₱–**	₱105,282	₱336,902	₱–	₱122,850	₱266,175	₱–

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, other than the summarized financial information, in Note 11.

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

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

  The Group has provided the required information in Note 35 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The 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, PASs 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 PFRS 4*

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

  The amendments are not applicable to the Group.

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

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

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. Also, fair values of financial and non-financial instruments are disclosed in Note 32.

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 December 31, 2017 and 2016.

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 December 31, 2017 and 2016.

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.

<u>Derivative Financial Instruments</u>
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 in 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.

The Group has no embedded derivatives which are required to be bifurcated.

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.

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

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

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

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

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

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

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

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

Retained Earnings
Retained earnings include accumulated profits attributable to the equity holders of the Parent Company reduced by dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings are restricted for specific purposes that are approved by the BOD and are not available for dividend distributions.

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

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

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of income.

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, except as summarized in the next page.

- 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.

5. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, accounting estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Management believes the following represent a summary of these significant judgments, estimates and assumptions and related impact and associated risks in the consolidated financial statements.

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

Assessment of control over its subsidiary
Under PFRS 10, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC to GBPC through the execution of deed of absolute sale of shares. The Parent Company has determined that it has retained control over ATEC since it has the power to direct the relevant activities of ATEC.

Assessment of significant influence on investment with less than 20% of voting rights
Prior to 2016, the Parent Company exercised significant influence on its interest in Indophil Resources, NL (IRNL) despite owning less than 20% interest by virtue of an Agreement for the Joint Voting of IRNL shares entered into with Alsons Prime Investment Corporation (APIC) and AC, companies under the Alcantara Group, through the Alcantara Group's representation in the BOD of IRNL. Accordingly, the Parent Company accounted for its investment in IRNL as part of "Investments in associates" with carrying value amounting to ₱1,213 million as at December 31, 2014 (see Note 11).

In 2015, the Parent Company acquired an interest in Indophil Resources Philippines, Inc. (IRPI) through the swap of its interest in IRNL for an interest in IRPI. While the Parent Company holds less than 20% interest in IRPI, the Parent Company assessed that it exercises significant influence over IRPI because of its representation in the BOD of IRPI and representations in the BOD and Operating Committee of the operating subsidiary of IRPI. Accordingly, the Parent Company accounts for its investment in IRPI as part of "Investments in associates", with carrying value amounting to ₱1,213 million as at December 31, 2017 and 2016 (see Note 11).

Distinction between real estate inventories and investments in real estate
The Group determines whether a property will be classified as real estate inventories or investments in real estate as follows:

- Real estate inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell before or on completion of construction.
- Investments in real estate comprise land and building which are not occupied substantially for use by, or in the 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.

The carrying values of the Group's investments in real estate and real estate inventories amounted to ₱181 million and ₱639 million, respectively, as at December 31, 2017 and ₱176 million and ₱647 million, respectively, as at December 31, 2016 (see Note 10).

Classification of financial instruments
The Parent Company classifies a financial instrument, or its component parts, on initial recognition and re-evaluates this designation at every financial reporting date as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimation of allowance for impairment losses
The Group maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but not limited to, the age and status of receivable, the length of relationship with the customers, the customer's payment behavior and known market factors. Accounts that are specifically identified to be potentially uncollectible are provided with adequate allowance through charges to income in the form of provision for impairment losses. The review is made by management on a continuing basis to identify accounts to be provided with allowance. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated.

In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which have a greater risk of default than when originally granted. This collective allowance is based on historical loss experience.

There were no additional allowance for impairment losses on trade and other receivables recognized by the Group in 2017 and 2016.

The carrying values of trade and other receivables (including noncurrent portion of installment receivables) amounted to ₱2,515 million and ₱2,096 million as at December 31, 2017 and 2016, respectively. Allowance for impairment losses amounted to ₱83 million as at December 31, 2017 and 2016 (see Note 8).

Estimation of NRV of inventories
Inventories are valued at the lower of cost and NRV. For spare parts and supplies, allowance for inventory obsolescence and losses are maintained at a level considered adequate to provide for potentially nonvaluable items. The level of allowance is based on the turnover/movement of specific inventories and other physical factors affecting usefulness of specific inventories.

For real estate inventories, determining the fair value requires the determination of cash flows from the expected sale of the asset less cost of marketing. The determination of fair value requires the Group to make estimates and assumptions that may materially affect the consolidated financial statements. Future events could cause the Group to conclude that these assets are impaired. Any resulting additional impairment loss could have a material impact on the Group's financial position and performance.

The carrying values of spare parts and supplies amounted to ₱687 million and ₱652 million as at December 31, 2017 and 2016, respectively (see Note 9). The carrying values of real estate inventories amounted to ₱639 million and ₱647 million as at December 31, 2017 and 2016, respectively (see Note 10).

Estimation of useful lives of property, plant and equipment
The useful lives of the property, plant and equipment is estimated based on the period over which the property, plant and equipment are expected to be available for use and on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The estimated useful lives of property, plant and equipment are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. It is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recording of expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the carrying values of the property, plant and equipment.

In 2014, management assessed that the useful life of components of certain power plant complexes will be extended for another 10 years after the ECA period. However, in 2015, management re-assessed that the useful life of these power plant complexes will be extended to 17 years after the ECA period. Reduction on the 2015 depreciation expense amounted to ₱472 million and the estimated reduction in future annual depreciation expense amounted to ₱26 million.

The carrying values of property, plant and equipment amounted to ₱22,730 million and ₱18,709 million as at December 31, 2017 and 2016, respectively (see Note 12).

Impairment of AFS financial assets
The Group treats AFS financial asset as impaired when there has been a significant or prolonged decline in fair value below its cost or whether an objective evidence of impairment exist. The determination of "significant" and "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price of the instrument and future cash flows.

Management assessed that there are no impairment indicators on the Group's AFS financial assets as at December 31, 2017 and 2016. The carrying value of AFS financial assets amounted to ₱2,353 million and ₱2,344 million as at December 31, 2017 and 2016, respectively. The Group recognized unrealized gain of ₱10 million in 2017, unrealized loss of ₱2 million in 2016 and unrealized gain of ₱7 million in 2015 (see Note 13).

Impairment of nonfinancial assets (except goodwill)
An impairment review is performed when certain impairment indicators are present. These factors include, among others:

a. investments in real estate and property, plant and equipment
   - Significant underperformance relative to the future sales performance and projected operating results; and
   - Significant negative industry or market trends.

b. investment in associates
   There is objective evidence that one or more events occurring after the initial recognition of the investment have had an impact on the estimated future cash flows of the investment that can be reliably estimated. Impairment exists when the carrying value exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The Group is required to make estimates and assumptions that can materially affect the consolidated financial statements when determining the value-in-use of nonfinancial assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that such financial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial position and performance.

Based on management's evaluation in 2017 and 2016, there are no indicators that would trigger an impairment review on the Group's nonfinancial assets with carrying values as at December 31 as follows:

	2017	2016
	(In Millions)	
Property, plant and equipment (Note 12)	**₱22,730**	₱18,709
Investments in associates (Note 11)	**2,177**	2,176
Investments in real estate (Note 10)	**181**	176
	₱25,088	₱21,061

Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated.

Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss on goodwill was recognized in 2017. However, in 2016, the Group recognized impairment loss on goodwill amounting to ₱245 million. The carrying amount of goodwill amounted to ₱807 million as at December 31, 2017 and 2016 (see Note 14).

Estimation of retirement benefits cost and obligation and accrued compensation absences
The determination of the retirement benefits cost and obligation and accrued compensated absences is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions, which include among others, discount rates and future salary increase, are described in Note 28. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the retirement obligations and accrued compensated absences.

The Group obtained actuarial valuation reports in 2017 and 2016. Total net retirement assets of SPPC and WMPC amounted to ₱26 million and ₱30 million as at December 31, 2017 and 2016, respectively, and net retirement liability of APMC amounted to ₱3 million and ₱11 million as at December 31, 2017 and 2016, respectively (see Note 28). Total retirement benefits liabilities of the Parent Company, ALC, MPC and Sarangani amounted to ₱28 million and ₱21 million as at December 31, 2017 and 2016, respectively (see Note 28). Retirement benefits costs recognized in the consolidated statements of income amounted to ₱13 million, ₱29 million and ₱16 million in 2017, 2016 and 2015, respectively (see Notes 24 and 28). Accrued compensated absences amounted to ₱12 million and ₱15 million as at December 31, 2017 and 2016, respectively (see Note 28).

Estimation of decommissioning liability
The decommissioning liability arises 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 statements of income. Decommissioning liability as at December 31, 2017 and 2016 amounted to ₱206 million and ₱176 million, respectively (see Note 19).

Estimation and recognition of deferred income tax assets
The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the forecasted taxable income of the following year. This forecast is based on the Group's past results and future expectations on revenues and expenses.

In 2009, SPPC and WMPC determined that the use of Optional Standard Deduction (OSD) would be advantageous based on their forecast. Deferred income taxes on items considered in determining gross income for income tax purposes were computed using an effective tax rate of 18% and deferred income taxes on items not part of gross income for income tax purposes were not recognized.

Deferred income tax assets amounted to ₱42 million and ₱37 million as at December 31, 2017 and 2016, respectively. Also, the Group has unrecognized NOLCO, excess MCIT and deductible temporary differences as at December 31, 2017 and 2016 as disclosed in Note 29.

Legal contingencies
The Group is involved in certain legal proceedings. The estimate of the probable costs for the assessment and resolution of these possible claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon thorough analysis of potential results. There are no provisions for probable losses arising from contingencies recognized in the Group's consolidated financial statements as management believes that the resolution will not materially affect the Group's financial position and performance (see Note 34).

6. Segment Information

The Group conducts majority of its business activities in 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".

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

2017

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱6,892,921	₱29,930	₱–	₱6,922,851	(₱403,950)	₱6,518,901
Inter-segment	–	–	399,415	399,415	(399,415)	–
Total revenues	6,892,921	29,930	399,415	7,322,266	(803,365)	6,518,901
Interest income	23,909	414	37,358	61,681	(23,818)	37,863
Finance charges	801,865	–	664,775	1,466,640	(266,344)	1,200,296
Provision for (benefit from) income tax	121,275	187	(806)	120,656	57,226	177,882
Net income (loss)	630,378	(923)	375,708	1,005,163	(901,685)	103,478
Other Information						
Investments in associates and due from related parties	518,409	898,885	6,049,103	7,466,397	(4,068,531)	3,397,866
Segment assets	27,442,380	2,115,326	22,991,308	52,549,014	(14,312,301)	38,236,713
Segment liabilities	15,009,098	378,830	11,935,405	27,323,333	(2,916,263)	24,407,070
Depreciation and amortization	(852,252)	(743)	(101)	(853,096)	(28,438)	(881,534)
Capital expenditures	4,892,375	844	1,898	4,895,118	–	4,895,117
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	2,157,299	23,098	19,938	2,200,335	147,272	2,347,607
Investing activities	(4,139,429)	(5,851)	2,840,914	(1,304,366)	254,195	(1,050,171)
Financing activities	1,626,630	(4,871)	(185,950)	1,435,809	(403,738)	1,032,071

2016

	Power And Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱7,191,249	₱ 26,699	₱–	₱7,217,948	(₱111,150)	₱7,106,798
Inter-segment	–	–	674,749	674,749	(674,749)	–
Total revenues	7,191,249	26,699	674,749	7,892,697	(785,899)	7,106,798
Interest income	21,348	202	110,388	131,938	(89,976)	41,962
Finance charges	580,533	–	686,059	1,266,592	(401,439)	865,153
Provision for income tax	190,480	466	5,299	196,245	81,242	277,487
Net income (loss)	1,105,167	4,478	104,420	1,214,065	(578,277)	635,788
Other Information						
Investments in associates and due from related parties	652,320	902,701	9,864,055	11,419,076	(8,277,303)	3,141,773
Segment assets	23,892,840	2,109,241	12,713,467	38,715,548	(7,905,822)	30,809,726
Segment liabilities	12,764,340	379,668	11,323,411	24,467,419	(4,369,688)	20,097,731
Depreciation and amortization	(705,932)	(831)	(158)	(706,921)	(4,947)	(711,868)
Capital expenditures	3,752,248	195	256	3,752,699	–	3,752,699
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	2,103,391	1,488	379,557	2,484,436	(102,545)	2,381,891
Investing activities	(3,425,160)	(697)	(2,243,373)	(5,669,230)	2,860,714	(2,808,516)
Financing activities	962,874	2,667	327,588	1,293,129	(2,756,413)	(1,463,286)

2015

	Power And Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
			(Amounts in Thousands)			
Earnings Information						
Revenues						
External customer	₱5,002,696	₱23,635	₱–	₱5,026,331	(₱4,635)	₱5,021,696
Inter-segment	–	–	534,538	534,538	(534,538)	–
Total revenues	5,002,696	23,635	534,538	5,560,869	(539,173)	5,021,696
Interest income	20,378	254	3,403	24,035	–	24,035
Finance charges	64,886	1,584	580,778	647,248	(322,888)	324,360
Provision for income tax	334,770	173	8,619	343,562	96,866	440,428
Net income (loss)	1,296,948	(47,697)	(373,257)	875,994	(185,057)	690,937
Other Information						
Investments in associates and due from related parties	663,210	899,941	3,847,486	5,410,637	(3,267,874)	2,142,763
Segment assets	21,001,629	2,047,070	10,030,603	33,079,302	(2,912,878)	30,166,424
Segment liabilities	18,471,812	1,147,128	2,335,632	21,954,572	(2,388,264)	19,566,308
Depreciation and amortization	(347,859)	(975)	(121)	(348,955)	–	(348,955)
Capital expenditures	2,238,246	845	172	2,239,263	–	2,239,263
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	1,562,983	25,096	(586,140)	1,001,939	366,281	1,368,220
Investing activities	(535,018)	17,425	(1,108,572)	(1,626,165)	(275,943)	(1,902,108)
Financing activities	(1,104,820)	(55,602)	3,210,009	2,049,587	(91,519)	1,958,068

Except for fees from technical advisory services related to the operation and maintenance of a power plant in Indonesia amounting to ₱7 million in 2016 and ₱25 million in 2015 (nil in 2017), the Group operates and derives principally all of its revenues from domestic operations. Thus, geographical business information is not required.

The following illustrate the reconciliations of reportable segment assets and liabilities to the Group's corresponding amounts:

	2017	2016	2015
		(Amounts in Thousands)	
Assets			
Total assets for reportable segments	₱45,082,617	₱27,296,472	₱23,821,179
Investments in shares of stock of subsidiaries and associates and due from related parties	7,466,397	11,419,076	11,267,227
Goodwill	–	–	(43,140)
Eliminations	(14,312,301)	(7,905,822)	(4,878,842)
Consolidated assets	₱38,236,713	₱30,809,726	₱30,166,424
Liabilities			
Total liabilities for reportable segments	₱1,870,957	₱1,414,361	₱1,429,375
Long-term debts	18,709,922	16,891,211	17,180,010
Due to related parties	5,211,683	4,696,513	2,464,839
Loans payable	975,709	667,031	300,000
Deferred income tax liabilities - net	315,401	338,670	331,522
Income tax payable	19,368	58,790	64,901
Accrued interest payable	220,293	400,843	183,925
Eliminations	(2,916,263)	(4,369,688)	(2,388,264)
Consolidated liabilities	₱24,407,070	₱20,097,731	₱19,566,308

7. Cash and Cash Equivalents and Short-term Cash Investments

	2017	2016
Cash on hand	₱281,500	₱251,500
Cash in banks	1,747,876,494	2,040,298,350
Cash equivalents	2,635,644,054	10,036,666
	₱4,383,802,048	₱2,050,586,516

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 ₱258 million and ₱58 million as at December 31, 2017 and 2016, respectively, consist of money market placements with maturities of more than three months but less than one year with interest rates ranging 3.00% to 4.10%.

Interest income from cash and cash equivalents and short-term cash investments amounted to ₱32 million, ₱21 million and ₱23 million in 2017, 2016 and 2015, respectively.

8. Trade and Other Receivables

	2017	2016
Trade:		
Power	**₱1,024,845,511**	₱964,559,609
Real estate	**92,828,868**	91,506,354
Product distribution and others	**31,749,577**	31,730,458
Due from related parties (Note 20)	**1,221,220,856**	966,128,080
Retention receivables	**143,009,378**	46,364,378
Others	**85,102,999**	79,160,083
	2,598,757,189	2,179,448,962
Less noncurrent portion of installment receivables	**6,319,792**	6,557,239
	2,592,437,397	2,172,891,723
Less allowance for impairment losses	**83,435,820**	83,435,820
	₱2,509,001,577	₱2,089,455,903

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 22, 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 December 31, 2017 and 2016, 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 and ₱62 million as at December 31, 2017 and 2016, 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 and ₱7 million as at December 31, 2017 and 2016.

Real estate receivables include the Group's share on the sale of the developed residential and commercial lots and golf club shares in the Eagle Ridge Golf and Residential Estates jointly developed with Sta. Lucia Realty and Development, Inc. (SLRDI) (see Notes 10 and 33).

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 December 31, 2017 and 2016.

Retention Receivables
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.

Due from Related Parties and Other Receivables
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" are disclosed in Note 20.

On November 25, 2016, SPPC recognized gain from settlement of insurance claim for damaged diesel engine amounting to ₱70 million which was presented as part of "Other income (charges)" account in 2016. As at December 31, 2016, uncollected portion amounted to ₱30 million which was collected in 2017.

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 December 31, 2017 and 2016.

Movements of allowance for impairment losses are as follows:

	2017				
	Power	Real Estate	Product Distribution	Others	Total
Balances at beginning and end of year	₱33,467,626	₱13,163,091	₱31,730,458	₱5,074,645	₱83,435,820
Individually impaired	₱33,467,626	₱–	₱31,730,458	₱5,074,645	₱70,272,729
Collectively impaired	–	13,163,091	–	–	13,163,091
	₱33,467,626	₱13,163,091	₱31,730,458	₱5,074,645	₱83,435,820

	2016				
	Power	Real Estate	Product Distribution	Others	Total
Balance at beginning of year	₱30,433,725	₱13,163,091	₱31,730,458	₱5,074,645	₱80,401,919
Effect of change in foreign exchange rate	3,033,901	–	–	–	3,033,901
Balance at end of year	₱33,467,626	₱13,163,091	₱31,730,458	₱5,074,645	₱83,435,820
Individually impaired	₱33,467,626	₱–	₱31,730,458	₱5,074,645	₱70,272,729
Collectively impaired	–	13,163,091	–	–	13,163,091
	₱33,467,626	₱13,163,091	₱31,730,458	₱5,074,645	₱83,435,820

9. Spare Parts and Supplies

	2017	2016
Spare parts	**₱290,410,233**	₱277,808,330
Coal	**297,955,992**	227,199,340
Fuel	**66,504,325**	120,100,663
Oil, lubricants and chemicals	**22,349,185**	18,268,536
Operating supplies and consumables	**10,111,212**	8,272,186
	₱687,330,947	₱651,649,055

10. Real Estate Inventories and Investments in Real Estate

Real Estate Inventories

	2017	2016
Eagle Ridge Project (General Trias, Cavite) - at cost (Note 33)	**₱617,729,517**	₱619,416,037
Campo Verde Project (Lipa and Malvar, Batangas) - at NRV (Note 33)	**20,831,171**	27,470,827
	₱638,560,688	₱646,886,864

A summary of the movements in real estate inventories is set out below:

	2017	2016
Cost		
Balances at beginning of year	**₱667,476,805**	₱657,642,149
Cost of real estate sold, net of cancellations	**(9,498,425)**	(4,982,828)
Reclassification from investments in real estate	**–**	14,817,484
Balances at end of year	**657,978,380**	667,476,805
Allowance for Impairment Loss		
Balances at beginning of year	**20,589,941**	21,066,565
Recovery of impairment loss due to sale (Note 27)	**(1,172,249)**	(476,624)
Balances at end of year	**19,417,692**	20,589,941
	₱638,560,688	₱646,886,864

Recovery of impairment loss on sold real estate inventories previously provided with allowance for impairment amounting to ₱1 million in 2017, ₱0.5 million in 2016 and ₱1 million in 2015 are recognized also as part of "Other income (charges)" in the consolidated statements of income (see Note 27). Accumulated impairment losses on real estate inventories amounted to ₱19 million and ₱21 million as at December 31, 2017 and 2016, respectively.

Investments in Real Estate

	2017	2016
ALC Property (Pasong Tamo, Makati)	**₱134,004,402**	₱129,178,107
Batangas Project (Lipa and Malvar, Batangas)	**42,412,032**	42,412,032
Laguna Project (Cabuyao, Laguna)	**4,685,936**	4,685,936
	₱181,102,370	₱176,276,075

A summary of the movements in investments in real estate is set out below:

	December 31, 2017		
	Land	Building and Improvements	Total
Cost			
Balances at beginning of year	₱172,097,973	₱28,232,065	₱200,330,038
Additions	–	5,019,774	5,019,774
Balances at end of year	172,097,973	33,251,839	205,349,812
Accumulated Depreciation			
Balances at beginning of year	–	24,053,963	24,053,963
Depreciation (Note 25)	–	193,479	193,479
Balances at end of year	–	24,247,442	24,247,442
Net Book Value	₱172,097,973	₱9,004,397	₱181,102,370

	December 31, 2016		
	Land	Building and Improvements	Total
Cost			
Balances at beginning of year	₱1,457,482,132	₱30,445,623	₱1,487,927,755
Additions	300,000	202,881	502,881
Disposal and others	(1,272,715,684)	–	(1,272,715,684)
Reclassification to real estate inventories	(12,968,475)	(2,416,439)	(15,384,914)
Balances at end of year	172,097,973	28,232,065	200,330,038
Accumulated Depreciation			
Balances at beginning of year	–	24,287,988	24,287,988
Depreciation (Note 25)	–	333,405	333,405
Reclassification to real estate inventories	–	(567,430)	(567,430)
Balances at end of year	–	24,053,963	24,053,963
Net Book Value	₱172,097,973	₱4,178,102	₱176,276,075

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 Alsons Development & Investment Corporation (Aldevinco), a stockholder of ACR and AC, 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 BIR and notified the Philippine 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 totalling to ₱49 million were capitalized as part of "Investments in real estate".

On April 11, 2016, ACR transferred the Lanang property to Aviana as part of its capital contribution (see Note 11).

Fair Value
The estimated fair value of the investment properties as at December 31, 2013, the latest valuation date, amounted to ₱434 million. This was determined by an accredited independent appraiser, using sales comparison approach, which is a comparative approach to value properties that considers the sales of similar assets or related market data and establishes a value estimate.

Management believes that the fair value of the investment properties as at the latest valuation date is substantially the same as their fair value as at December 31, 2017 and 2016.

11. Investments in Associates

	Percentage of Ownership 2017	Percentage of Ownership 2016	2017	2016
At equity:				
Acquisition costs:				
Indophil Resources Philippines, Inc. (IRPI)	2.00	2.00	₱1,213,332,960	₱1,213,332,960
Aviana Development Corporation (Aviana)	34.00	34.00	963,311,802	962,311,802
RCPHI	31.24	31.24	80,851,701	80,851,701
T'boli Agro-Industrial Development, Inc.	22.32	22.32	66,193,299	66,193,299
Duta, Inc.	–	30.00	–	13,725,000
			2,323,689,762	2,336,414,762
Accumulated impairment loss:				
Balances at beginning of year			(160,770,000)	(160,770,000)
Disposal of investment during the year (Note 27)			13,725,000	–
Balances at end of year			(147,045,000)	(160,770,000)
			₱2,176,644,762	₱2,175,644,762

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

On January 23, 2015, IRNL implemented the Scheme of Arrangement between APIC and IRNL shareholders wherein APIC acquired all of the remaining outstanding shares from existing shareholders of IRNL. Accordingly, IRNL became a subsidiary of APIC starting January 2015.

In July 2015, APIC was no longer part of the Alcantara Group as it was bought by a third party. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

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

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

Aviana

On March 21, 2013, Aldevinco and ACIL, Inc. (collectively referred to as "AG") and Ayala Land, Inc. (Ayala Land) entered into a joint venture agreement, where Ayala Land shall own 60% and AG shall own 40% of the outstanding capital stock of Aviana to undertake the development of the Lanang property of the Parent Company in Davao City. On September 17, 2013, Aviana was incorporated as a joint venture corporation. The Parent Company subscribed to the 296 preferred shares and 32 common shares for 32.8% ownership in Aviana. In December 2015, the Parent Company subscribed to additional 332,200 preferred shares and 35,800 common shares of Aviana through the conversion of the Parent Company's advances amounting to ₱36 million. In August 2015, the Parent Company subscribed to additional 261,450 preferred shares and 29,050 common shares of Aviana for ₱22 million. The additional subscription to shares of Aviana in 2015 increased the Parent Company's interest in Aviana to 34%.

As at March 22, 2018, Aviana has not yet started its commercial operations.

The aggregate financial information of IRPI and Aviana as at and for the years ended December 31 are as follows:

	2017	2016
	(Amounts in Thousands)	
Current assets	**₱2,017,932**	₱18,582,220
Noncurrent assets	**23,582,185**	3,451,246
Current liabilities	**457,520**	433,058
Noncurrent liabilities	**328,527**	398,818
Revenue and other income	**1,554,198**	741,417
Net income	**1,233,744**	414,879
Total comprehensive income	**1,233,744**	414,879

The Group did not recognize its share in net earnings of associates for the year ended December 31, 2017 and 2016 because the amount is not material to the consolidated financial statements.

Aggregate financial information of IRPI and Aviana as at December 31, 2017 and 2016 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	IRPI		Aviana	
	2017	2016	2017	2016
		(In Thousands)		
Current assets	**₱1,522,177**	₱18,083,422	**₱495,755**	₱498,798
Noncurrent assets	**21,919,609**	2,109,145	**1,662,576**	1,342,101
Current liabilities	**(229,323)**	(415,120)	**(228,197)**	(17,938)
Noncurrent liabilities	**(327,968)**	(327,968)	**(559)**	(70,850)
Equity	**22,884,495**	19,449,479	**1,929,575**	1,752,111
Equity interest of the Parent Company	**2%**	2%	**34%**	34%
Share in net assets of the acquiree	**457,690**	388,990	**656,056**	595,718
Goodwill, translation adjustments and others	**755,643**	824,343	**307,256**	366,594
Carrying value of investment	**₱1,213,333**	₱1,213,333	**₱963,312**	₱962,312

Duta

On August 15, 2017, the Parent Company sold its equity interest in Duta amounting to ₱14 million, with allowance for impairment loss amounting to ₱14 million, to Phoenix Petroleum Philippines, Inc. for a total consideration amounting to ₱56 million. The Parent Company recognized gain amounting to ₱34 million, net of transaction costs totaling to ₱8 million (see Note 27).

12. Property, Plant and Equipment

As at December 31, 2017:

	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
Cost						
Balances at beginning of year	₱19,236,072,678	₱4,642,574,138	₱552,089,119	₱429,137,089	₱2,943,872,212	₱27,803,745,236
Additions	13,617,299	37,377,886	–	306,776,469	4,537,345,838	4,895,117,492
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	32,524,818,989
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:						
Expensed (Note 25)	(608,005,716)	(154,683,335)	(46,346,317)	(64,759,757)	–	(873,795,125)
Capitalized	–	–	–	(204,799)	–	(204,799)
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
Net Book Value	₱13,343,999,910	₱1,131,319,978	₱377,841,141	₱451,468,626	₱7,425,077,226	₱22,729,706,881

As at December 31, 2016:

	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
Cost						
Balances at beginning of year	₱6,728,301,635	₱3,848,817,389	₱483,981,849	₱230,755,417	₱12,961,754,333	₱24,253,610,623
Additions	173,357,032	2,130,837	68,107,270	51,083,696	3,458,020,594	3,752,699,429
Disposals	(190,518,257)	–	–	(1,340,902)	(10,705,657)	(202,564,816)
Reclassifications	12,524,932,268	791,625,912	–	148,638,878	(13,465,197,058)	–
Balances at end of year	19,236,072,678	4,642,574,138	552,089,119	429,137,089	2,943,872,212	27,803,745,236
Accumulated Depreciation and Amortization						
Balances at beginning of year	(4,957,055,251)	(3,349,926,248)	(88,511,363)	(181,985,919)	–	(8,577,478,781)
Depreciation and amortization for the year:						
Expensed (Note 25)	(573,526,757)	(53,943,903)	(39,390,298)	(36,437,891)	–	(703,298,849)
Capitalized	–	–	–	(2,109,482)	–	(2,109,482)
Disposals	186,678,273	–	–	1,340,902	–	188,019,175
Balances at end of year	(5,343,903,735)	(3,403,870,151)	(127,901,661)	(219,192,390)	–	(9,094,867,937)
Net Book Value	₱13,892,168,943	₱1,238,703,987	₱424,187,458	₱209,944,699	₱2,943,872,212	₱18,708,877,299

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

The capitalized borrowing costs and property, plant and equipment mortgaged as collateral for long-term debts of the Group are disclosed in Note 18 to the consolidated financial statements.

The Group has fully depreciated property, plant and equipment still used in the operations with cost and corresponding accumulated depreciation of ₱2,107 million and ₱2,106 million as at December 31, 2017 and 2016, respectively.

13. Available-for-sale Financial Assets

AFS financial assets primarily consist of investments in quoted and unquoted equity securities are as follows:

	2017	2016
Acquisition costs:		
Unquoted	**₱2,222,168,768**	₱2,222,168,768
Quoted	**174,384,498**	174,384,498
	2,396,553,266	2,396,553,266
Unrealized loss on changes in fair value:		
Balances at beginning of year	**52,922,963**	50,979,995
Fair value changes recognized in OCI	**(9,602,718)**	1,942,968
Balances at end of year	**43,320,245**	52,922,963
	₱2,353,233,021	₱2,343,630,303

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% interest in ACRMC amounting to ₱21 million is recognized as AFS investment. ACRMC is still in exploration stage as at March 22, 2018.

14. 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 December 31, 2017 and 2016, the carrying amount of goodwill amounted to ₱807 million.

<u>Key assumptions used in value-in-use calculations</u>
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. The contracted and dispatchable capacity used in value-in-use computation are as follows:

	2017		2016	
	Contracted Capacity	**Dispatchable Capacity**	Contracted Capacity	Dispatchable Capacity
SPPC	**100%**	**2%**	100%	2%
WMPC	**50 - 80%**	**20%**	100%	20%

Discount rates. Discount rates reflect management's estimate of the risks specific to the CGUs. The discount rates used for the CGUs are based on weighted average cost of capital. This rate was further adjusted to reflect the market assessment of any risk specific to the generating unit for which estimates of cash flows have not been adjusted. The pre-tax discount rates used were 12.24%-12.86% and 13.71%-14.57% in 2017 and 2016, respectively.

Sensitivity to Changes in Assumptions

With regard to the assessment of value-in-use, management believes that an increase in discount rate by 2% would result in impairment.

15. Prepaid Expenses and Other Current Assets

	2017	2016
Deposits in interest reserve account (Note 18)	**₱476,457,032**	₱290,536,677
Creditable withholding taxes	**217,044,797**	206,052,597
Prepayments	**66,645,719**	65,391,821
Input VAT	**19,859,748**	25,069,923
	₱780,007,296	₱587,051,018

16. Accounts Payable and Other Current Liabilities

	2017	2016
Accounts payable	**₱2,753,977,462**	₱762,766,522
Accrued expenses (Notes 18 and 28)	**594,946,348**	642,295,878
Output tax and withholding tax payable	**123,010,115**	78,625,277
Advances from customers	**28,256,745**	28,256,745
Other current liabilities	**226,061,877**	60,121,743
	₱3,726,252,547	₱1,572,066,165

Accounts payable are noninterest-bearing and are normally on a 60 to 75 days term. 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. Payable to GBPC included as part of accounts payable are noninterest-bearing and payable on demand.

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.

17. Loans Payable

Parent Company
In 2017 and 2016, the Parent Company availed of unsecured short-term loans from local banks totaling to ₱830 million and ₱367 million, respectively. 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 December 31, 2017 and 2016, outstanding short-term loans amounted to ₱476 million and ₱367 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 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.

Interest expense related to loans payable amounted to ₱77 million and ₱3 million in 2017 and 2016, respectively (see Note 26).

18. Long-term Debts

This account consists of U.S. dollar and Philippine peso-denominated obligations as follows:

	2017	2016
Parent Company		
Philippine peso-denominated debt:		
Five-year fixed rate corporate note	**₱5,600,000,000**	₱5,600,000,000
Seven-year fixed rate corporate note	**1,862,000,000**	1,881,000,000
Sarangani		
Thirteen and a half-year peso-denominated floating rate debt	**8,643,570,000**	9,106,280,000
Ten and a half-year peso-denominated floating rate debt	**2,450,000,000**	–
MPC		
Six-year peso-denominated fixed rate debt	**446,850,000**	604,260,000
	19,002,420,000	17,191,540,000
Less unamortized transaction costs	**292,498,053**	300,328,847
	18,709,921,947	16,891,211,153
Less current portion	**869,013,234**	612,245,238
Noncurrent portion	**₱17,840,908,713**	₱16,278,965,915

Movement in the unamortized transaction costs are as follows:

	2017	2016
Balances at beginning of year	**₱300,328,847**	₱365,734,471
Additions	**48,073,756**	–
Amortization (Note 26)	**(55,904,550)**	(65,405,624)
Balances at end of year	**₱292,498,053**	₱300,328,847

Parent Company

The loans of the Parent Company consist of the following:

a. *Fixed Rate Corporate Notes Facility* - On November 25, 2015, ACR entered into a fixed rate corporate notes facility with various noteholders with aggregate principal amount of ₱7,500 million divided into two (2) tranches: (a) Tranche A with principal amount of ₱5,600 million, subject to fixed interest rate of 7.24% and payable within five (5) years from the drawdown date and (b) Tranche B with principal amount of ₱1,900 million, subject to fixed interest rate of 7.92% and payable in annual installment of ₱19 million for the first six (6) years with balloon payment of ₱1,786 million on the 7th year from the drawdown date. Proceeds of the loan shall be used to prepay ACR's existing long-term debts and finance the investments in power-related assets. In December 2015, ACR had drawn the entire loan facility amounting to ₱7,500 million.

   The notes contain embedded derivatives arising from voluntary prepayment option where ACR may opt to prepay the outstanding notes at pre-agreed redemption price starting on the beginning of the 3rd anniversary date of the drawdown for Tranche A and beginning of the 5th anniversary date of the drawdown for Tranche B. Redemption price shall mean 102% of the face value of the notes outstanding plus accrued interest. ACR may also opt to prepay the notes, in whole or in part, at pre-agreed redemption price using the proceeds of any equity offering or any sale or disposition of its shareholdings in its subsidiaries at each anniversary date of the drawdown up to the 5th anniversary date. The embedded derivatives in the loans were assessed by ACR to be closely related to the host contract, thus were not bifurcated from the host contract based on the provisions of PAS 39.

ACR shall maintain certain financial ratios such as debt-to-equity ratio of not more than 2.9 and interest coverage ratio of not less than 2. As at December 31, 2017 and 2016, ACR is in compliance with the debt covenants.

As required in the loan agreement, ACR deposited ₱556 million into an interest reserve account in 2015. Throughout the term of the loan, the interest reserve account is required to have a balance of not less than the aggregate amount of interest falling due within the next interest period which is equivalent to one-year interest period as defined in the loan agreement. As at December 31, 2017 and 2016, the remaining balance of interest reserve account amounted to ₱293 million and ₱291 million, respectively (see Note 15). Interest income earned from interest reserve account amounted to ₱6 million, ₱21 million and ₱1 million in 2017, 2016 and 2015, respectively.

Movement in the unamortized transaction costs of the long-term debts as follows:

	2017	2016
Balances at beginning of year	**₱130,949,646**	₱156,989,665
Amortization of transaction costs (Note 26)	**(28,085,626)**	(26,040,019)
Balances at end of year	**₱102,864,020**	₱130,949,646

Interest expense recognized in 2017 and 2016 amounted to ₱334 million and ₱262 million, respectively (see Note 26).

b. *US$100 million Loan Facility Agreement* - In October 2014, ACR entered into a US$100 million Loan Facility Agreement with various banks to finance the investment in power-related assets. The loan was subject to floating interest rate which is the aggregate of the applicable Margin and LIBOR and was payable in full at maturity, three years from the date of the loan facility agreement.

   ACR made drawdown to the loan facility amounting to $74 million in 2014. ACR made another drawdown in 2015 for the balance of the credit loan facility.

   All outstanding loans were prepaid by ACR in December 2015 resulting in the recognition of loss on prepayment of ₱181 million in 2015, representing unamortized transaction cost as at that date. The transaction costs representing fees, taxes and other charges incurred in obtaining the loan.

c. *US$65 million Loan Facility Agreement* - On May 24, 2012, ACR entered into a US$65 million Loan Facility Agreement with Alsons Power Holdings Corporation (APHC) to finance the construction of the Sarangani Project (see Note 1). The loan was subject to 6% interest payable semi-annually and the principal is payable in full at maturity in 2016. The transaction costs representing fees, taxes and other charges incurred in obtaining the loan were deferred and amortized over 36 months using the effective interest rate. The loan was fully paid by ACR in 2015.

Sarangani
The loans of Sarangani consist of the following:

a. *Phase 1 of SM 200 project*
   On December 12, 2012, Sarangani obtained a financing facility consisting of a syndicated term loan in the aggregate principal amount of ₱9,300 million broken down as follows: (1) Series 1 Loan in the principal amount of up to ₱8,600 million for the construction of the Phase 1 105-MW coal-fired power plant and its common or shared areas and facilities; and (2) Series 2 Loan in the principal amount of up to ₱700 million for the construction of the transmission line. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) Philippine Dealing System

Treasury Fixing (PDST - F) benchmark bid yield for five-year treasury securities plus 3.5% spread per annum, or (b) 7.5% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, to be adjusted based on the higher of (a) interpolated PDST-F benchmark bid yield for eight and one-half (8-$^1/_2$)-year treasury securities plus 2.75% spread per annum, or (b) interest rate applicable on the initial borrowing.

Under the Omnibus Loan and Security Agreement (OLSA), Sarangani shall create and constitute in favor of the collateral trustee real estate mortgage, which includes eight parcels of land registered in the name of KAED and one parcel of land registered in the name of Sarangani. The nine parcels of land have an aggregate area of 297,000 square meters and comprise the plant site of the Project. Further, chattel mortgage shall consist of office and transportation equipment with a carrying value of ₱45 million and ₱59 million as at December 31, 2017 and 2016, respectively (see Note 12).

Sarangani is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as change of business or scope of Phase 1, change of ownership or management, dividend declarations, issuance of shares, amendment of articles of incorporation and by-laws and quasi-reorganization, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others, among others. As at December 31, 2017 and 2016, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10, provided that prior to dividend declarations, debt service coverage ratio is at least 1.25. As at December 31, 2017 and 2016, Sarangani is in compliance with the financial ratios.

In addition to the collaterals, the shares of stock in Sarangani registered under the names of ATEC and TTC representing 100% of the outstanding capital stock of Sarangani have been pledged in favor of the collateral trustee.

Long-term debts of Sarangani as at December 31, 2017 and 2016 are shown below:

	Series I	Series II	Total
		2017	
Long-term debts	**₱8,026,590,000**	**₱616,980,000**	**₱8,643,570,000**
Less unamortized debt issue costs	**130,164,994**	**10,170,395**	**140,335,389**
	7,896,425,006	**606,809,605**	**8,503,234,611**
Less current portion of long-term debts - net of unamortized transaction costs	**595,621,165**	**58,207,759**	**653,828,924**
	₱7,300,803,841	**₱548,601,846**	**₱7,849,405,687**

	Series I	Series II	Total
		2016	
Long-term debts	₱8,434,140,000	₱672,140,000	₱9,106,280,000
Less unamortized debt issue costs	152,603,531	12,087,458	164,690,989
	8,281,536,469	660,052,542	8,941,589,011
Less current portion of long-term debts - net of unamortized transaction costs	385,127,940	53,226,469	438,354,409
	₱7,896,408,529	₱606,826,073	₱8,503,234,602

Interest expense and amortization of debt issue costs that were incurred during the construction of Phase 1 were capitalized as part of "Construction in progress" under "Property, plant and equipment" account. Capitalized interest expense and amortization of debt issue costs as at December 31, 2016 (nil in 2017) amounted to ₱234 million and ₱8 million, respectively (see Note 12).

Interest expense and amortized debt issue cost after completion of Phase 1 recorded as expense in 2017 and 2016 are shown below and as disclosed in Note 26.

	2017	2016
Interest expense	₱683,325,157	₱479,690,910
Amortization of debt issue costs	24,355,600	16,260,448
	₱707,680,757	₱495,951,358

Accrued interest as at December 31, 2017 and 2016 amounted to ₱131 million and ₱140 million, respectively (see Note 16).

b. *Phase 2 of SM200 project*
On April 4, 2017, Sarangani obtained a financing facility consisting of a syndicated term loan in the aggregate principal amount of ₱10,500 million broken down as follows: (1) Series 1 Loan in the principal amount of up to ₱8,500 million for the construction of the 105-MW coal-fired power plant; and (2) Series 2 Loan in the principal amount of up to ₱2,000 million for the construction of the transmission lines. Sarangani should pay interest semi-annually at the rate equal to the higher of (a) PDST-R2 benchmark bid yield for five-year treasury securities plus applicable spread equal to 2.75% per annum divided by 0.99 for the first three-and-a-half years, thereafter, to be adjusted to 2.25% per annum divided by 0.99, or (b) 6% floor rate, for the first five (5)-year period commencing from the date of initial borrowing; and thereafter, the higher of (a) interest rate applicable on the initial borrowing, or (b) PDST-R2 benchmark bid yield for five-year treasury securities plus applicable spread on banking day prior to the first day of the 11th interest period. As at December 31, 2017, total amount drawn from the facility amounted to ₱2,450 million.

Under the OLSA, Sarangani shall create and constitute in favor of the collateral trustee real estate mortgage, which includes 14 parcels of land registered the name of Sarangani with an aggregate area of 515,314 square meters and comprise the plant site of the Phase 2 and the common and administration facilities of Sarangani. Further, chattel mortgage shall consist of machinery and transportation equipment with a carrying value of ₱47 million as at December 31, 2017 (see Note 12).

In addition to the collaterals, the shares of stock in Sarangani registered under the names of ATEC and TTC representing 100% of the outstanding capital stock of Sarangani have been pledged in favor of the collateral trustee.

Sarangani is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as change of business or scope of Phase 2, change of ownership or management, dividend declarations, issuance of shares, amendment of articles of incorporation and by-laws and quasi-reorganization, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others, among others. As at December 31, 2017, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10, provided that prior to dividend declarations, debt service coverage ratio is at least 1.25. As at December 31, 2017, Sarangani was able to meet the required financial ratios.

The OLSA contains an embedded prepayment option where Sarangani may prepay the loan in whole or in part provided certain conditions are met. Sarangani assessed that the prepayment option is not required to be separated from the facility, host contract, as at December 31, 2017.

Long-term debts as at December 31, 2017 are shown below:

	Series I	Series II	Total
Long-term debts	**₱1,850,000,000**	**₱600,000,000**	**₱2,450,000,000**
Less unamortized debt issue costs	**35,587,659**	**11,541,943**	**47,129,602**
	₱1,814,412,341	**₱588,458,057**	**₱2,402,870,398**

Interest expense and amortization of debt issue costs that were incurred during the construction of Phase 2 were capitalized as part of "Construction in progress" under "Property, plant and equipment" account. Capitalized interest expense and amortization of debt issue costs as at December 31, 2017 amounted to ₱36 million and ₱1 million, respectively (see Note 12).

Accrued interest as at December 31, 2017 amounted to ₱36 million (see Note 16).

As required in the loan agreement, Sarangani deposited ₱183 million into a debt service reserve account in 2017 (see Note 15). Throughout the term of the loan, the debt service reserve account is required to have a balance of not less than the required debt service reserve account balance as determined by the facility agent plus the sum of the principal and interest payments on the loan falling due on the next principal repayment or interest payment date. As at December 31, 2017, the remaining balance of debt service reserve account amounted to ₱183 million (see Note 15).

The deferred financing costs pertain to the documentary stamp taxes, mortgage fees, legal and other fees (debt issue costs) incurred by Sarangani in relation to the OLSA dated April 4, 2017. Upon drawdown from the loan facility covered by the OLSA, a portion of the debt issue costs shall be allocated to, and deducted from, the principal drawn amount to determine the carrying value of the loan. The debt issue costs allocated to the undrawn facility is presented as "Deferred financing costs" in the 2017 consolidated balance sheet. The allocation shall be based on the amount of the principal drawn over the total facility. Debt issue costs allocated to drawn facility in 2017 amounted to ₱48 million, and were presented against long-term debts. Total amount of drawdown in 2017 amounted to ₱2,450 million. As at December 31, 2017, the unutilized deferred financing cost of Sarangani amounted to ₱158 million (nil in 2016).

In 2016, Sarangani wrote off the remaining balance of deferred financing costs amounting to ₱0.5 million recorded under "Bank charges" account, since there will be no expected additional loans to be drawn.

Deferred financing costs as at December 31, 2017 and 2016 are shown below:

	2017	2016
Debt issue costs	**₱206,030,383**	₱492,589
Less:		
Amount allocated to drawn facility	**48,073,756**	–
Write-off	–	(492,589)
	₱157,956,627	₱–

MPC

On July 15, 2013, MPC entered into a fixed interest rate long-term OLSA amounting to ₱900 million from a local bank. The loan is payable in 11 semi-annual principal amortizations beginning immediately at the end of the first year from loan drawdown, August 16, 2014, up to August 16, 2019. Interest is computed as the sum of the spread and the applicable benchmark rate, based on outstanding facility amount, and calculated on the basis of the actual number of days elapsed in a year of 360 days. The fixed rate shall be subject to a floor rate of 6.25% per annum, excluding gross receipt tax. The interest is payable every six months reckoned from August 16, 2013, the initial drawdown date. On August 16, 2013, MPC made the first drawdown on the loan amounting to ₱800 million. The remaining loan balance amounting to ₱100 million was fully drawn on October 31, 2013.

MPC is subject to certain negative covenants which require prior approval of the creditors for specified corporate acts, such as dividend declarations, amendment of articles of incorporation and by-laws, incurrence of additional debt and sale or disposal of a substantial portion of their assets, among others. MPC is also required to maintain certain financial and nonfinancial ratios. Although MPC was not able to meet the required certain financial and nonfinancial ratios as at December 31, 2017, management was able to obtain a waiver letter from the bank for the breach of debt covenant prior to the balance sheet date. Hence, the current and noncurrent portion of loans payable as at December 31, 2017 were presented in the consolidated balance sheet based on the original payment schedule.

The OLSA contains an embedded prepayment option where MPC may prepay the loan in whole or in part provided certain conditions are met. MPC assessed that the prepayment option is not required to be separated from the facility, host contract, as at December 31, 2017 and 2016.

The OLSA is also subject to a floor cap interest rate wherein interest payment will be at the rate equal to the higher of (a) minimum interest rate of 6.25% per annum or (b) a PDST-F benchmark bid yield for six (6) year treasury securities plus 2.25% spread per annum. Through interpolation, MPC assessed that the floor cap interest rate option is not required to be separated from the debt contract since it is clearly and closely related to the economic characteristics of the related debt contract. Interest payments are computed using benchmark interest rates in 2017 and 2016.

Under the terms of the OLSA, MPC shall provide collateral security which shall consist of mortgage on MPC's land and CHC's IDPPs I and II. As at December 31, 2017 and 2016, the carrying amount of MPC's land mortgaged as collateral amounted to ₱62 million (see Note 12). MPC paid collateral trustee fee amounting to ₱0.3 million in 2015.

Interest expense recognized in 2017 and 2016 amounted to ₱36 million and ₱43 million (see Note 26). Accrued interest as at December 31, 2017 and 2016 amounted to ₱11 million and ₱15 million as at December 31, 2017 and 2016, respectively (see Note 16). Amortization of transaction costs amounted to ₱3 million in 2017 and 2016 (see Note 26).

19. Decommissioning Liability

Under their ECC, SPPC, WMPC and Sarangani have an obligation to decommission or dismantle its power plant complex at the end of the useful lives of the power plant assets. In this regard, SPPC, WMPC and Sarangani established a provision to recognize their estimated liability for the dismantlement of their power plant complex.

Movements in decommissioning liability are as follows:

	2017	2016
Balances at beginning of year	**₱176,117,468**	₱69,380,652
Addition	**–**	93,446,985
Accretion (Note 26)	**10,378,761**	6,959,708
Effects of changes in estimated future decommissioning costs and discount rate	**19,235,306**	6,330,123
Balances at end of year	**₱205,731,535**	₱176,117,468

The actual decommissioning cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required in completing all decommissioning or dismantling activities.

The Group assesses the best estimate of cash flows required to settle the obligation on an annual basis.

20. Related Party Transactions

Parties are considered to be related if one party has the 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	Due from Related Parties (Note 8)	Terms	Conditions
Major stockholders	**2017**	**₱379,538,203**	**₱1,074,461,737**	30 days, noninterest-bearing	Partly secured, no impairment
	2016	195,605,137	829,776,448		
Subsidiaries of major stockholders	**2017**	**66,929,442**	**43,255,460**	30 days, noninterest-bearing	Unsecured, no impairment
	2016	97,563,051	110,184,902		
Affiliates	**2017**	**77,336,929**	**103,503,659**	30 days, noninterest-bearing	Unsecured, no impairment
	2016	52,772,500	26,166,730		
Total	**2017**	**₱523,804,574**	**₱1,221,220,856**		
	2016	345,940,688	966,128,080		

a. The Parent Company guarantees the obligations of SPPC and WMPC with NPC under the Operational Performance Bonds in accordance with the terms and conditions of the ECAs and to answer for the liabilities that SPPC and WMPC may incur in connection with the said Performance Bonds.

b. 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 ₱100 par value 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 (see Note 13).

c. Compensation of key management personnel are as follows:

	2017	2016	2015
Salaries and wages	**₱74,517,883**	₱43,249,658	₱41,683,566
Retirement benefits costs	**4,534,840**	3,210,607	2,595,002
	₱79,052,723	₱46,460,265	₱44,278,568

21. Equity

Capital Stock

	2017		2016	
	No. of shares	Amount	No. of shares	Amount
Authorized				
Common - ₱1 par value	11,945,000,000	₱11,945,000,000	11,945,000,000	₱11,945,000,000
Preferred - ₱0.01 par value	5,500,000,000	55,000,000	5,500,000,000	55,000,000
		₱12,000,000,000		₱12,000,000,000
Common				
Issued and outstanding	6,291,500,000	₱6,291,500,000	6,291,500,000	₱6,291,500,000
Preferred				
Subscribed	5,500,000,000	55,000,000	5,500,000,000	55,000,000
Subscriptions receivable		(19,616,667)		(24,016,667)
		₱6,326,883,333		₱6,322,483,333

On May 24, 2011, the Philippine 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 ₱1.00 per share into 5,500,000,000 redeemable preferred voting shares with a par value of ₱0.01 per share.

The redeemable preferred shares have the following features:

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

b. Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of ACR, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares.

c. ACR may, by resolution of the BOD, redeem the preferred shares at par value. ACR will redeem the preferred shares at par value (i) when the foreign equity limits to which ACR is subject to shall have been removed; and (ii) ACR is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require ACR to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired, and may be reissued upon resolution of the BOD.

d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of ACR will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

On February 4, 2013, AC subscribed to 5,500,000,000 preferred shares with par value of ₱0.01 per share, from the unissued authorized preferred shares of the Parent Company. On the same date, AC paid ₱14 million representing 25% of the subscription price of ₱55 million. As at December 31, 2017 and 2016, subscriptions receivable from AC amounted to ₱20 million and ₱24 million, net of the 8% dividends declared for preferred shares in 2017 and 2016, respectively.

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	

As at December 31, 2017 and 2016, the Parent Company has 462 and 466 stockholders, respectively.

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	2016
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	2016
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	150	2017
Siguil	Hydro-electric power in Maasim, Sarangani	35	2017
Bago	Hydro-electric power in Negros Occidental	15	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	50	2019
		₱850	

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

On December 11, 2016, 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 on its common shares:

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
2015	March 27, 2015	3,145,750	0.0005	June 5, 2015	March 22, 2015
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 AC.

The share of non-controlling interests on the dividends declared by subsidiaries amounted to ₱225 million, ₱443 million and ₱390 million in 2017, 2016 and 2015, respectively.

The retained earnings is further restricted for dividend declaration to the extent of (a) undistributed earnings of subsidiaries amounting to ₱1,203 million and ₱993 million as at December 31, 2017 and 2016, respectively, and (b) deferred income tax assets amounting to ₱42 million and ₱37 million as at December 31, 2017 and 2016, respectively.

Equity Reserves

Acquisition of non-controlling interest

On July 2, 2013, the Parent Company entered into a Share Purchase Agreement to acquire 40% interest in voting shares of CHC, increasing its ownership to 100%. Cash consideration paid on August 1, 2013 amounted to ₱528 million (US$12.16 million). The carrying value of the net assets of CHC was ₱2,456 million (US$38.97 million). Following is the schedule of additional interest acquired in CHC in 2013:

Carrying value of the additional interest in CHC	₱982,232,166
Cash consideration paid to non-controlling interest	(527,910,397)
Excess of book value of non-controlling interest acquired over acquisition cost	₱454,321,769

The excess of book value of non-controlling interest acquired over acquisition cost was recognized in equity as follows:

Absorbed cumulative translation adjustment from acquired non-controlling interest	₱308,841,072
Included as part of other equity reserves	145,480,697
	₱454,321,769

Disposal of a subsidiary without loss of control

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock ownership interest in ATEC equivalent to 14,952,678 common shares to GBPC for a total consideration amounting to ₱2,378 million, inclusive of retention receivable to be received upon issuance by BIR of the Certificate Authorizing Registration (see Note 8). The excess of the total consideration over the carrying value of the sold interest in ATEC amounting to ₱709 million (net of transaction cost) was recognized as part of equity reserves.

As at December 31, 2017 and 2016, equity reserves consist of the following:

	2017				
	Remeasurement Gains (Losses) on Defined Benefit Plan	Unrealized Gains (Losses) on AFS Financial Assets	Cumulative Translations Adjustments	Equity Reserves	Total
Balances at beginning of year	₱4,756,234	(₱52,922,963)	₱1,677,199,965	₱145,480,697	₱1,774,513,933
Actuarial loss, net of tax	(105,414)	–	–	–	(105,414)
Loss on fair valuation of AFS financial assets	–	9,602,718	–	–	9,602,718
Translation adjustments	–	–	1,153,833	–	1,153,833
Disposal of subsidiary without loss of control	–	–	–	709,140,065	709,140,065
Balances at end of year	₱4,650,820	(₱43,320,245)	₱1,678,353,798	₱854,620,762	₱2,494,305,135

	2016				
	Remeasurement Gains (Losses) on Defined Benefit Plan	Unrealized Losses on AFS Financial Assets	Cumulative Translations Adjustments	Equity Reserves	Total
Balances at beginning of year	₱5,753,023	(₱50,979,995)	₱1,667,389,765	₱145,480,697	₱1,767,643,490
Actuarial loss, net of tax	(996,789)	–	–	–	(996,789)
Loss on fair valuation of AFS financial assets	–	(1,942,968)	–	–	(1,942,968)
Translation adjustments	–	–	9,810,200	–	9,810,200
Balances at end of year	₱4,756,234	(₱52,922,963)	₱1,677,199,965	₱145,480,697	₱1,774,513,933

Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company

	2017	2016	2015
Net income (loss) attributable to equity holders of the Parent Company*	(₱25,433,147)	₱312,195,386	₱183,741,930
Divided by the average number of common shares outstanding during the year	6,291,500,000	6,291,500,000	6,291,500,000
	(₱0.004)	₱0.050	₱0.029

** Net of dividends declared on preferred shares*

22. Cost of Services

The Group's cost of services are as follows:

	2017	2016	2015
Fuel, oil and lubricants	₱3,134,962,268	₱3,492,692,072	₱2,516,058,181
Depletion, depreciation and amortization (Note 25)	819,444,633	674,892,189	316,557,938
Repairs and maintenance	256,573,959	178,565,159	32,693,779
Personnel costs (Notes 24 and 28)	140,994,972	121,369,576	67,799,232
Insurance expense	126,500,269	106,743,347	78,286,254
Contracted services	3,865,806	3,886,711	3,138,008
Property administration	1,921,042	1,775,909	1,177,287
Others	89,388,828	99,557,948	50,171,585
	₱4,573,651,777	₱4,679,482,911	₱3,065,882,264

23. General and Administrative Expenses

The Group's general and administrative expenses are as follows:

	2017	2016	2015
Personnel costs (Notes 24 and 28)	**₱169,603,937**	₱152,014,520	₱126,057,967
Depreciation and amortization (Note 25)	**62,089,299**	36,975,535	32,396,706
Taxes and licenses	**61,368,057**	110,080,888	74,056,093
Outside services	**61,295,823**	74,866,677	53,346,521
Marketing expense	**11,152,070**	3,139,725	–
Transportation and travel	**19,512,535**	18,627,783	15,099,561
Utilities	**19,460,181**	15,463,889	43,411,504
Telephone, telegraph and postage	**6,326,510**	6,433,296	9,315,951
Representation	**4,291,787**	7,419,804	132,518
Customer relations	**4,552,018**	6,646,982	11,726,457
Directors and executive fees and bonuses	**3,915,000**	2,655,000	3,210,000
Supplies	**2,118,594**	1,775,336	23,342,131
Insurance	**1,375,056**	1,440,113	686,567
Commissions (see Note 33)	**648,539**	311,431	598,728
Others	**134,401,838**	92,956,114	40,734,263
	₱562,111,244	₱530,807,093	₱434,114,967

Others include costs of freight and brokerage fees, professional license upgrading, reproduction, supplies and other administrative expenses of the Group which are not individually material.

24. Personnel Costs

The Group's personnel costs are as follows:

	2017	2016	2015
Cost of services (Note 22)	**₱140,994,972**	₱121,369,576	₱67,799,232
General and administrative expenses (Note 23)	**169,603,937**	152,014,520	126,057,967
	₱310,598,909	₱273,384,096	₱193,857,199
Salaries, wages and bonuses	**₱261,690,360**	₱190,096,762	₱155,924,100
Retirement benefits costs (Note 28)	**13,000,707**	29,062,514	15,606,477
Other employee benefits	**35,907,842**	54,224,820	22,326,622
	₱310,598,909	₱273,384,096	₱193,857,199

25. Depreciation and Amortization

	2017	2016	2015
Cost of services (Note 22)	**₱819,444,633**	₱674,892,189	₱316,557,938
General and administrative expenses (Note 23)	**62,089,299**	36,975,535	32,396,706
	₱881,533,932	₱711,867,724	₱348,954,644

	2017	2016	2015
Property, plant and equipment (Note 12)	**₱873,795,125**	₱703,298,849	₱336,282,492
Amortization of software costs	**7,545,328**	8,235,470	12,175,755
Investments in real estate (Note 10)	**193,479**	333,405	496,397
	₱881,533,932	₱711,867,724	₱348,954,644

26. Finance Charges

	2017	2016	2015
Interest on long-term debts and loans payable (Notes 17 and 18)	**₱1,130,424,317**	₱787,723,781	₱78,789,004
Transaction costs and loss on prepayment of long-term debts (Note 18)	**59,492,437**	70,469,255	242,228,344
Interest on decommissioning liability (Note 19)	**10,378,761**	6,959,708	3,342,840
	₱1,200,295,515	₱865,152,744	₱324,360,188

27. Other Income (Charges)

	2017	2016	2015
Gain on sale of investment (Note 11)	**₱34,339,109**	₱–	₱–
Recovery of impairment loss on investment due to sale (Note 11)	**13,725,000**	–	–
Quitclaim settlement	**12,908,826**	–	–
Foreign exchange loss - net	**(5,529,475)**	(15,005,706)	(218,312,160)
Gain (loss) on sale of property and equipment and investment in real estate	**1,829,595**	(2,960,574)	(35,649,469)
Recovery of impairment losses on real estate inventories due to sale (Note 10)	**1,172,249**	476,624	1,112,121
Input VAT income	**994,461**	23,280,347	104,235,222
Reversal of accrual for compensated absences (Note 28)	**110,001**	–	11,117,516
Impairment loss (Note 14)	**–**	(245,376,195)	–
Income from insurance claim (Note 8)	**–**	69,699,527	–
Income from decrease in decommissioning liability	**–**	9,140,983	5,933,564
Mark-to-market gain on derivative liability	**–**	–	27,595,736
Others	**10,603,182**	5,685,621	20,109,595
	₱70,152,948	(₱155,059,373)	(₱83,857,875)

In 2017, WMPC received final settlement from Power Sector Assets and Liabilities Management Corporation (PSALM) totaling to ₱13 million in relation to its ECA with NPC which ended on December 15, 2015.

Others pertain significantly to sales of sludge and reversal of provisions.

28. Employee Benefits

a. Retirement Benefits

The Parent Company, ALC, MPC and Sarangani have unfunded, noncontributory defined benefit retirement plans while SPPC, WMPC, and APMC have funded, noncontributory defined benefit retirement plans covering all their qualified employees. Retirement benefits are dependent on the years of service and the respective employee's compensation. The Group's latest actuarial valuation report is as at December 31, 2017.

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

SPPC, WMPC and APMC

The tables below summarize the movements in net retirement assets of SPPC, WMPC and APMC.

As at December 31, 2017:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Effect of Changes in Asset Ceiling**	**Net Retirement Assets**
At January 1, 2017	**₱72,917,351**	**₱94,471,696**	**(₱2,906,938)**	**₱18,647,407**
Retirement benefits cost recognized in profit or loss:				
Current service cost	6,387,631	–	(149,076)	(6,536,707)
Net interest income	3,473,728	4,628,973	–	1,155,245
	9,861,359	4,628,973	(149,076)	(5,381,462)
Remeasurements gains (losses) recognized in OCI:				
Return on plan assets (excluding amount included in net interest)	–	(9,093,274)	–	(9,093,274)
Arising from changes in financial assumptions	(700,528)	–	–	700,528
Due to experience adjustments	(4,798,153)	–	–	4,798,153
Changes in the effect of asset ceiling	–	–	3,056,014	3,056,014
	(5,498,681)	(9,093,274)	3,056,014	(538,579)
Contributions paid	–	10,791,557	–	10,791,557
At December 31, 2017	₱77,280,029	₱100,798,952	₱–	₱23,518,923

As at December 31, 2016:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Effect of Changes in Asset Ceiling	Net Retirement Assets
At January 1, 2016	₱93,075,106	₱133,243,149	(₱11,421,771)	₱28,746,272
Retirement benefits cost recognized in profit or loss:				
Loss on settlement	10,267,406	–	–	(10,267,406)
Current service cost	6,372,186	–	–	(6,372,186)
Net interest income	4,530,806	7,344,999	–	2,814,193
	21,170,398	7,344,999	–	(13,825,399)

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Effect of Changes in Asset Ceiling	Net Retirement Assets
Remeasurements gains (losses) recognized in OCI:				
Return on plan assets (excluding amount included in net interest)	₱–	₱12,890,016	₱–	₱12,890,016
Arising from changes in financial assumptions	2,928,607	–	–	(2,928,607)
Due to experience adjustments	14,892,554	–	–	(14,892,554)
Changes in the effect of asset ceiling	–	–	14,388,164	14,388,164
	17,821,161	12,890,016	14,388,164	9,457,019
Benefits paid	(59,149,314)	(59,148,068)	(5,873,331)	(5,872,085)
Contributions paid	–	141,600	–	141,600
At December 31, 2016	₱72,917,351	₱94,471,696	(₱2,906,938)	₱18,647,407

The Group Plan is being maintained by Banco de Oro Unibank, Inc. - Trust and Investments Group (BDO - TIG), a trustee bank.

The carrying amounts and fair values of the plan assets of the Group Plan follows:

	2017	2016
Cash and cash equivalents	**12.89%**	17.70%
Investments in unit investment trust fund (UITF)	**58.90%**	54.76%
Investments in shares of stock	**16.82%**	15.64%
Investments in debt and other securities	**10.15%**	9.43%
Investments in government securities	**0.86%**	0.80%
Others	**0.38%**	1.67%
	100.00%	100.00%

The plan assets of the Group Plan consist of the following:

- Cash and cash equivalents include regular deposit and time deposits which bear interest ranging from 1.75% to 2.00%;
- Investments in UITF are ready-made investments that allow the pooling of funds that are managed by BDO - TIG;
- Investments in shares of stock consist of quoted equity securities;
- Investments in debt and other securities, consisting of both short-term and long-term corporate notes and bonds, bear interest ranging from 4.38% to 8.46% and have maturities from 2014 to 2024;
- Investments in government securities, consisting of fixed rate treasury notes and retail treasury bonds bear interest ranging from 2.84% to 8.13% and have maturities from 2014 to 2037; and
- Other financial assets held by the Group Plan consist primarily of interest and dividends receivable.

The Group Plan does not have investments in the Parent Company and related entities. APMC, SPPC and WMPC do not expect to contribute to the defined benefit pension plans in 2018.

ACR, ALC, MPC and Sarangani

The following tables summarize the movements in retirement benefits liabilities of the Parent Company, ALC, MPC and Sarangani:

	2017	2016
Balances at beginning of year	(₱21,092,162)	(₱6,488,611)
Retirement benefits cost charged in profit or loss:		
Current service cost	(6,501,190)	(14,722,107)
Interest cost	(1,118,055)	(515,008)
	(7,619,245)	(15,237,115)
Remeasurements gains (losses) recognized in OCI:		
Due to experience adjustments	(1,517,078)	(713,550)
Arising from changes in financial assumptions	1,979,824	2,199,990
Arising from changes in demographic assumptions	(9,481)	(489,651)
	453,265	996,789
Balances at end of year	(₱28,258,142)	(₱21,092,162)

The net retirement assets and liabilities in the consolidated balance sheets are as follows:

	Net retirement assets		Retirement benefits liabilities	
	2017	2016	2017	2016
Funded	₱26,160,832	₱29,607,129	₱2,641,909	₱10,959,722
Unfunded	–	–	28,258,142	21,092,162
Total	₱26,160,832	₱29,607,129	₱30,900,051	₱32,051,884

Actuarial Assumptions

The principal assumptions used in determining retirement benefits obligation as at December 31 are as follows:

SPPC, WMPC and APMC:

	2017	2016
Discount rates	4.92%-5.17%	4.69%-5.23%
Future salary increases	4%	2%-4%

ACR, ALC, MPC and Sarangani:

	2017	2016
Discount rates	5.19%-5.83%	5.52%-5.60%
Future salary increases	4%-10%	10%-12%

The Group has no specific matching strategies between the retirement plan assets and the defined benefit obligation under the retirement plans.

The sensitivity analysis shown in the next page has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligations, assuming all other assumptions were held constant.

As at December 31, 2017:

	SPPC, WMPC and MPC		ACR, ALC, MPC and Sarangani	
	Increase (Decrease)	Amount	Increase (Decrease)	Amount
Discount rates	+0.5%	(₱1,257,922)	+1.0%	(₱2,061,981)
	-0.5%	1,371,359	-1.0%	2,365,943
Salary increase rates	+1.0%	2,760,032	+1.0%	3,711,908
	-1.0%	(2,365,063)	-1.0%	(3,052,550)

As at December 31, 2016:

	SPPC, WMPC and MPC		ACR, ALC, MPC and Sarangani	
	Increase (Decrease)	Amount	Increase (Decrease)	Amount
Discount rates	+0.5%	(₱2,493,274)	+1.0%	(₱1,211,954)
	-0.5%	2,761,997	-1.0%	1,488,522
Salary increase rates	+1.0%	5,756,627	+1.0%	1,310,003
	-1.0%	(4,784,190)	-1.0%	(1,106,306)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2017	2016
Less than 1 year	₱59,338,264	₱35,110,656
More than 1 year to 5 years	14,054,434	6,047,003
More than 5 years to 10 years	44,913,978	44,736,457
More than 10 years to 15 years	41,367,849	25,320,196
More than 15 years to 20 years	58,815,647	76,351,932
More than 20 years	715,364,857	230,223,882

b. Compensated Absences

All regular employees of CHC and its subsidiaries and Sarangani who have completed 12 months of continuous service are entitled to leave credits. Leave credits granted to each employee vary based on the employee's tenure and can be accumulated up to 60 days. Cost for vested leave credits are dependent on the mortality rate, disability rate, employee turnover rate, salary increase rate, discount rate, utilization rate and respective employee's compensation and leave credits.

Movements in the accrued leave credits (recognized under "Accrued expenses" account in "Accounts payable and other current liabilities") are as follows:

	2017	2016
Balances at beginning of year	₱15,065,609	₱11,851,153
Current service cost	4,517,870	12,665,443
Benefits paid	(7,705,171)	(9,450,987)
Reversal of accrual for compensated absences (Note 27)	(110,001)	–
Balances at end of year	₱11,768,307	₱15,065,609

29. Income Taxes

a. The major components of income tax expense are as follows:

Consolidated statements of income:

	2017	2016	2015
Current income tax	₱143,551,013	₱206,066,372	₱272,708,907
Deferred income tax	34,331,187	71,420,419	167,719,203
Total	₱177,882,200	₱277,486,791	₱440,428,110

Consolidated statements of comprehensive income:

	2017	2016	2015
Deferred income tax related to items charged or credited directly to equity during the year - actuarial losses (gains)	₱246,394	(₱825,575)	(₱2,009,180)

b. Following is the reconciliation between the statutory tax rate on income before income tax and the effective tax rates:

	2017	2016	2015
Statutory income tax rate	30.0%	30.0%	30.0%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred income tax assets	53.0%	11.7%	10.5%
Translation adjustments, effect of change in tax rate, income of certain subsidiaries enjoying tax holidays and others - net	(19.8%)	(11.3%)	(1.6%)
Effective income tax rate	63.2%	30.4%	38.9%

c. Deferred income tax assets (liabilities) pertain to the income tax effects of the following:

	2017		2016	
	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred Income Tax Assets				
Impairment losses on projects costs	₱4,274,186	₱–	₱4,274,186	₱–
Decommissioning liability	6,962,271	–	5,905,390	–
Retirement plan assets	3,353,075	–	3,286,131	417,968
Accrued vacation and sick leaves	2,967,670	–	3,332,368	98,526
Unrealized foreign exchange losses	39,986	–	1,764,001	–
Unamortized past service cost	2,864,332	–	446,323	738,297
Allowance for impairment loss	1,518,887	1,061,515	1,518,887	1,413,190
Unrealized intercompany transactions	19,847,047	–	15,079,187	–
Actuarial loss recognized in equity	148,351	–	1,717,099	364,558
	41,975,805	1,061,515	37,323,572	3,032,539
Deferred Income Tax Liabilities				
Capitalized interest	(6,205,475)	(403,873,703)	(5,559,327)	(341,382,696)
Difference between tax and financial amortization of transaction costs	–	(31,509,918)	(1,406,464)	(39,284,894)

(Forward)

	2017		2016	
	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Effect of change in functional currency	₱–	(₱35,934,519)	(₱36,324)	(₱41,498,201)
Fair value adjustment on real estate inventories, net of impairment	–	(167,545,032)	–	(168,606,547)
Difference between financial and tax depreciation	–	(67,600,824)	–	(75,308,769)
Equity in undistributed net earnings of a foreign subsidiary	–	(28,805,691)	–	(31,457,498)
Unrealized foreign exchange gains	(316,025)	(856,635)	–	(2,742,887)
Retirement plan assets	–	(2,450,704)	–	(1,746,962)
Actuarial gains recognized in equity	–	(1,671,681)	–	(1,467,833)
	(6,521,500)	(740,248,707)	(7,002,115)	(703,496,287)
	₱35,454,305	(₱739,187,192)	₱30,321,457	(₱700,463,748)

d. The following are the Group's deductible temporary differences and carryforward benefits of NOLCO and excess MCIT for which no deferred income tax assets are recognized in the consolidated financial statements because management believes that it is not probable that taxable income will be available against which the deferred income tax assets can be utilized:

	2017	2016
NOLCO	₱2,099,196,484	₱1,955,954,528
Impairment losses on property, plant and equipment	149,244,117	149,244,117
Allowance for doubtful accounts	44,893,549	44,893,549
Unrealized foreign exchange losses	9,331,949	6,059,284
Excess MCIT	3,643,790	3,348,858
Others	7,765,733	6,768,149

Movements of NOLCO and excess MCIT follow:

	2017		2016	
	NOLCO	Excess MCIT	NOLCO	Excess MCIT
Balances at beginning of year	₱1,955,954,528	₱3,348,858	₱1,541,107,552	₱2,841,642
Additions	639,624,581	322,175	464,650,113	3,348,857
Utilization and expiration	(496,382,625)	(27,243)	(49,803,137)	(2,841,641)
Balances at end of year	₱2,099,196,484	₱3,643,790	₱1,955,954,528	₱3,348,858

As at December 31, 2017, NOLCO and excess MCIT that can be claimed as deduction from taxable income and RCIT due, respectively, are as follows:

Years Incurred	Expiry Dates	NOLCO	Excess MCIT
2015	2018	₱897,858,343	₱94,590
2016	2019	561,713,560	3,227,025
2017	2020	639,624,581	322,175
		₱2,099,196,484	₱3,643,790

e. On December 19, 2017, Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law and took effect on January 1, 2018, making the new tax law enacted as at balance sheet date. Although the TRAIN changes existing law and includes several provisions that will generally affect business on a prospective basis, management assessed that the same will not have any significant impact on the financial statement balances as at balance sheet date.

30. Lease Commitments

Operating Lease Payments
In August 2003, SPPC entered into a contract for the lease of land owned by Sarangani Agriculture Company, Inc. until May 2016. On June 1, 2016, the lease contract was renewed for a term of 10 years starting June 1, 2016 until May 31, 2026. The lease contract provides for annual rent of ₱1 million and was accounted for on a straight-line method over the term of the lease. The lease contract shall be paid in three lump-sum payments in 2016, 2019 and 2022.

As at December 31, the future minimum rental payable under an operating lease contract follows:

	2017	2016
Within one year	**₱–**	₱–
After one year but not more than five years	**5,200,000**	3,900,000
More than five years	**3,900,000**	5,200,000
	₱9,100,000	₱9,100,000

Operating Lease Receipts
The Group entered into various operating lease contracts with various third-party lessees. The lease term is one year renewable annually. Total rental income from these lease agreements amounted to ₱12 million in 2017 and 2016, and ₱11 million in 2015.

31. 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 debts. 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 reviews and the BOD approves 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, it is the policy of the Group to ensure that all terms specified in the ECA and PSAs with its customers, including the credit terms of the billings, are complied with.

The table below shows the gross maximum exposure to credit risk of the Group as at December 31, before considering the effects of collaterals, credit enhancements and other credit risk mitigation techniques.

	2017	2016
Loans and receivables		
Cash and cash equivalents*	₱4,383,520,548	₱2,050,335,016
Short-term cash investments	258,319,976	58,172,400
Trade and other receivables		
Trade receivables		
Power	991,377,885	931,091,983
Real estate**	79,665,777	78,343,263
Product distribution and others	19,119	–
Due from related parties	1,221,220,856	966,128,080
Retention receivables	143,009,378	46,364,378
Other receivables***	26,569,227	14,079,714
	₱7,103,702,766	₱4,144,514,834

**Excludes cash on hand*
***Includes noncurrent portion of installment receivables*
****Excludes advances to suppliers and contractors*

The table below shows the Group's aging analysis of financial assets:

	2017					
	Neither Past Due nor Impaired	Past Due but not Impaired: ≤6 Months	Past Due but not Impaired: Over 6 Months	Past Due but not Impaired: Subtotal	Impaired	Total
Cash and cash equivalents*	₱4,383,520,548	₱–	₱–	₱–	₱–	₱4,383,520,548
Short-term cash investments	258,319,976	–	–	–	–	258,319,976
Trade and other receivables:						
Trade receivables						
Power	571,651,663	239,957,131	179,769,091	419,726,222	33,467,626	1,024,845,511
Real estate**	15,653,797	2,435,351	61,576,629	64,011,980	13,163,091	92,828,868
Product distribution and others	19,119	–	–	–	31,730,458	31,749,577
Due from related parties	119,014,388	1,129,912	1,101,076,556	1,102,206,468	–	1,221,220,856
Retention receivables	143,009,378	–	–	–	–	143,009,378
Others***	25,964,728	–	604,499	604,499	5,074,645	31,643,872
	₱5,517,153,597	₱243,522,394	₱1,343,026,775	₱1,586,549,169	₱83,435,820	₱7,187,138,586

** Excludes cash on hand*
*** Includes noncurrent portion of installment receivables*
**** Excludes advances to suppliers and contractors*

	2016					
	Neither Past Due nor Impaired	Past Due but not Impaired: ≤6 Months	Past Due but not Impaired: Over 6 Months	Past Due but not Impaired: Subtotal	Impaired	Total
Cash and cash equivalents*	₱2,050,335,016	₱–	₱–	₱–	₱–	₱2,050,335,016
Short-term cash investments	58,172,400	–	–	–	–	58,172,400
Trade and other receivables:						
Trade receivables						
Power	791,199,795	20,001,349	119,890,839	139,892,188	33,467,626	964,559,609
Real estate**	13,287,452	807,271	64,248,540	65,055,811	13,163,091	91,506,354
Product distribution and others	–	–	–	–	31,730,458	31,730,458
Due from related parties	94,840,191	893,188	870,394,701	871,287,889	–	966,128,080
Retention receivables	46,364,378	–	–	–	–	46,364,378
Others***	4,669,502	2,661,710	6,748,502	9,410,212	5,074,645	19,154,359
	₱3,058,868,734	₱24,363,518	₱1,061,282,582	₱1,085,646,100	₱83,435,820	₱4,227,950,654

** Excludes cash on hand*
*** Includes noncurrent portion of installment receivables*
**** Excludes advances to suppliers and contractors*

The table below shows the credit quality of the Group's financial assets that are neither past due nor impaired based on historical experience with the corresponding third parties.

	2017			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash and cash equivalents	₱4,383,520,548	₱–	₱–	₱4,383,520,548
Short-term cash investments	258,319,976	–	–	258,319,976
Trade and other receivables:				
Trade:				
Power	404,065,843	167,585,820	–	571,651,663
Real estate*	15,653,797	–	–	15,653,797
Product distribution and others	19,119	–	–	19,119
Due from related parties	–	22,272,981	96,741,407	119,014,388
Retention receivables	–	143,009,378	–	143,009,378
Other receivables	19,305,687	6,659,041	–	25,964,728
	₱5,080,884,970	₱339,527,220	₱96,741,407	₱5,517,153,597

**Includes noncurrent portion of installment receivables*

	2016			
	Grade A	Grade B	Grade C	Total
Cash and cash equivalents	₱2,050,335,016	₱–	₱–	₱2,050,335,016
Short-term cash investments	58,172,400	–	–	58,172,400
Trade and other receivables:				
Trade:				
Power	392,877,190	398,322,605	–	791,199,795
Real estate*	13,287,452	–	–	13,287,452
Due from related parties	–	17,606,664	77,233,527	94,840,191
Retention receivables	–	46,364,378	–	46,364,378
Other receivables	4,669,502	–	–	4,669,502
	₱2,519,341,560	₱462,293,647	₱77,233,527	₱3,058,868,734

**Includes noncurrent portion of installment receivables*

Grade A financial assets pertain to those investments to counterparties with good credit standing or loans and receivables that are consistently paid before the maturity date. Grade B includes receivables that are collected on their due dates even without an effort from the Group to follow them up while other receivables and deposits which are collectible provided that the Group makes a persistent effort to collect them are included under Grade C.

Cash and cash equivalents and short-term cash investments are deposited in top 10 banks in the Philippines, hence, considered Grade A.

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

	2017				
	On Demand	**< 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
Accounts payable and other current liabilities*	₱2,359,692,514	₱764,801,872	₱170,432,278	₱–	₱3,294,926,664
Loans payable**	–	975,708,681	30,945,433	–	1,006,654,114
Long-term debts**	–	1,449,682,049	7,579,418,400	12,343,201,200	21,372,301,649
	₱2,359,692,514	₱3,190,192,602	₱7,780,796,111	₱12,343,201,200	₱25,673,882,427

* *Excluding accrued interest, payable to government agencies and advances from customers totaling to ₱431,325,883*
** *Including interest payable computed using prevailing rate as at December 31, 2017*

	2017				
	On Demand	**< 1 Year**	**1–3 Years**	**> 3 Years**	**Total**
Cash and cash equivalents	**₱4,383,520,548**	**₱–**	**₱–**	**₱–**	**₱4,383,520,548**
Short-term cash investments	**258,319,976**	**–**	**–**	**–**	**258,319,976**
Trade receivables	**483,738,202**	**581,004,787**	**6,319,792**	**–**	**1,071,062,781**
Due from related parties	**1,221,220,856**	**–**	**–**	**–**	**1,221,220,856**
Retention receivables	**–**	**143,009,378**	**–**	**–**	**143,009,378**
AFS financial assets	**–**	**–**	**78,810,000**	**2,275,183,021**	**2,353,993,021**
	₱6,346,799,582	**₱724,014,165**	**₱85,129,792**	**₱2,275,183,021**	**₱9,431,126,560**

	2016				
	On Demand	< 1 Year	1–3 Years	> 3 Years	Total
Accounts payable and other current liabilities*	₱880,527,999	₱183,812,905	₱–	₱–	₱1,064,340,904
Loans payable**	–	667,030,719	–	–	667,030,719
Long-term debts**	–	563,690,339	15,814,955,602	2,089,407,000	18,468,052,941
	₱880,527,999	₱1,414,533,963	₱15,814,955,602	₱2,089,407,000	₱20,199,424,564

** Excluding accrued interest, payable to government agencies and advances from customers totaling to ₱507,725,261*
*** Including interest payable computed using prevailing rate as at December 31, 2016*

	2016				
	On Demand	< 1 Year	1–3 Years	> 3 Years	Total
Cash and cash equivalents	₱2,050,335,016	₱–	₱–	₱–	₱2,050,335,016
Short-term cash investments	58,172,400	–	–	–	58,172,400
Trade receivables	204,947,999	797,930,008	6,557,239	–	1,009,435,246
Due from related parties	966,128,080	–	–	–	966,128,080
Retention receivables	–	46,364,378	–	–	46,364,378
AFS financial assets	–	–	70,950,000	2,272,680,303	2,343,630,303
	₱3,279,583,495	₱844,294,386	₱77,507,239	₱2,272,680,303	₱6,474,065,423

Interest Rate Risk

Interest risk is the risk that changes in interest rates will adversely affect the Group's income or value of its financial instruments. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debts obligations.

Interest on financial instruments classified as floating rate is repriced on a quarterly and semi-annual basis.

The table below demonstrates sensitivity analysis to a reasonably possible change in interest rates on long-term debts, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate interest on borrowings). There is no effect on equity other than those already affecting the consolidated statements of income.

	2017		2016	
	Increase in Basis Points	**Decrease in Basis Points**	Increase in Basis Points	Decrease in Basis Points
Change in basis points	**+100**	**-100**	+100	-100
Increase (decrease) in income before income tax	**(₱109,118,495)**	**₱109,118,495**	(₱89,620,899)	₱89,620,899

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.

The following table demonstrates the sensitivity to a reasonably possible change in equity price, with all other variables held constant, of the Group's consolidated equity. The reasonably possible change in equity price was based on the year-to-year change of stock market indices. In quantifying the effect of reasonably possible change in equity price, the expected return on the AFS financial assets is correlated to the return of the financial market as a whole through the use of beta coefficients. The methods and assumptions used in the analysis remained unchanged over the reporting periods.

The table below summarizes the impact of changes in equity price on the consolidated equity. However, significant decrease in equity price may affect the consolidated income before income tax.

Equity price risk of those AFS financial assets listed in the Philippine Stock Exchange and secondary or broker market (for golf club shares) is as follows:

	2017		2016	
	Increase in Equity Price	**Decrease in Equity Price**	Increase in Equity Price	Decrease in Equity Price
Change in equity price	**+1%**	**-1%**	+1%	-1%
Increase (decrease) in equity	**₱1,073,542**	**(₱1,073,542)**	₱1,122,410	(₱1,122,410)

Foreign Currency Risk

The Group's exposure to foreign currency risk is limited to monetary assets and liabilities denominated in currencies other than its functional currency. Substantial portion of the U.S. dollar-denominated assets and liabilities is attributable to the Group's power segment in which the functional currency is the U.S. dollar. The Group closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risk associated with its financial instruments.

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Philippine peso to U.S. dollar exchange rates used was ₱49.93 to US$1.0 and ₱49.72 to US$1.0 for December 31, 2017 and 2016, respectively.

The table below summarizes the Group's exposure to foreign currency risk. Included in the table are the Group's financial assets and liabilities at their carrying amounts.

	2017		2016	
	In U.S. Dollar	**In Philippine Peso**	In U.S. Dollar	In Philippine Peso
Financial assets:				
Cash and cash equivalents	**$2,740,371**	**₱136,826,715**	$3,980,817	₱197,926,221
Short-term cash investments	**4,270,000**	**213,201,100**	970,000	48,228,400
Trade and other receivables	**2,018,688**	**100,793,091**	2,033,272	101,094,284
	9,029,059	**450,820,906**	6,984,089	347,248,905
Financial liabilities - Trade payables	**(8,666,727)**	**(432,729,665)**	(8,121,893)	(403,820,520)
	$362,332	**₱18,091,241**	($1,137,804)	(₱56,571,615)

The table below demonstrates the sensitivity to a reasonably possible change in the U.S. dollar to Philippine peso exchange rate, with all other variables held constant, of the Group's income before income tax. The reasonably possible change in exchange rate was based on forecasted exchange rate change using historical date within the last five years as at the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2017		2016	
	Philippine Peso		Philippine Peso	
	Increase	**Decrease**	Increase	Decrease
Change in foreign exchange rate	**+1.0**	**-1.0**	+1.0	-1.0
Increase (decrease) in income before income tax	**₱180,912**	**(₱180,912)**	(₱565,716)	₱565,716

The increase in ₱ against US$ means stronger U.S. dollar against peso while the decrease in ₱ against US$ means stronger peso against U.S. dollar.

There is no other impact on the Group's equity other those already affecting the consolidated statements of income.

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 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 in 2017 and 2016, 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 the other equity reserves.

The Group's debt-to-equity ratio as at December 31, 2017 and 2016 are as follows:

	2017	2016
Long-term debts	₱18,709,921,947	₱16,891,211,153
Loans payable	975,708,681	667,030,719
Total debt	19,685,630,628	17,558,241,872
Equity attributable to equity holders of the Parent Company	11,009,060,783	10,410,608,515
Less equity reserves	2,494,305,135	1,774,513,933
Adjusted equity	₱8,514,755,648	₱8,636,094,582
	2.31:1	2.03:1

32. Financial and Non-financial Instruments

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

As at December 31, 2017:

		Fair Value			
	Carrying value	Total	Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value - Available-for-sale	₱131,064,253	₱131,064,253	₱52,254,253	₱78,810,000	₱–
Non-financial Assets					
Fair value is disclosed - Investments in real estate	181,102,370	433,927,000	–	–	433,927,000
	₱312,166,623	₱564,991,253	₱52,254,253	₱78,810,000	₱433,927,000
Financial Liabilities					
Fair value is disclosed - Long-term debts	₱18,709,921,947	₱16,663,601,006	₱–	₱–	₱16,663,601,006

As at December 31, 2016:

	Carrying Value	Fair Value Total	Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value -					
AFS financial assets	₱121,461,535	₱121,461,535	₱50,511,535	₱70,950,000	₱–
Non-financial Assets					
Fair value is disclosed -					
Investments in real estate	176,276,075	433,927,000	–	–	433,927,000
	₱297,737,610	₱555,388,535	₱50,511,535	₱70,950,000	₱433,927,000
Financial Liabilities					
Fair value is disclosed -					
Long-term debts	₱16,891,211,153	₱16,849,147,440	₱–	₱–	₱16,849,147,440

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and 2 fair value measurements, and no transfers into and out of Level 3 measurements.

The following methods and assumptions are used to estimate the fair value of each class of financial and non-financial instruments:

Cash and cash equivalents, short-term cash investments, and trade and other receivables
The carrying amounts of these financial assets approximate their fair values due to the short-term maturity of those instruments and the effect of discounting the instruments is not material.

AFS financial assets
The Group's AFS financial assets include investments in quoted and unquoted securities and golf club shares. The fair value of investment in quoted securities is determined based on the closing price in PSE as at balance sheet dates. The fair value of investment in golf club shares which are traded in organized financial markets is determined based on quoted prices published by GG&A Club Shares Brokers, Inc. and G&W Clubshares, Inc. at the close of business at reporting date. Investment in unquoted securities are carried at cost due to high variability in the resulting estimated fair values.

Accounts payable and other current liabilities and loans payable
The carrying amounts of these financial liabilities approximate fair value because of the short-term maturity of these instruments.

Long-term debts
The fair value of long-term debts with variable interest rates approximates its carrying amounts due to quarterly repricing of interest. The fair value of long-term debts with fixed interest rate and long-term debts with variable interest rates subject to semi-annual repricing of interest is determined by discounting the estimated future cash flows using the discount rates applicable for similar types of instruments.

Investments in real estate
Please see Note 10 for the basis of fair value.

The net gains (losses) per category of financial instruments are as follows:

	2017	2016	2015
Fair Value through Profit or Loss			
Mark-to-market gain on derivative liability (Note 27)	₱–	₱–	₱27,595,736
Loans and Receivables			
Interest income from cash and cash equivalents and short-term cash investments (Note 7)	31,879,354	21,041,508	24,034,525
AFS Financial Assets			
Gain (loss) on fair valuation of AFS taken to consolidated statements of comprehensive income (Note 13)	9,602,718	(1,942,968)	7,263,540
Other Financial Liabilities			
Amortization of transaction costs and loss on prepayment of long-term debts (Notes 18 and 26)	(59,492,437)	(70,469,255)	(242,228,344)
Interest on loans payable and long-term debts (Notes 17, 18 and 26)	(1,130,424,317)	(787,723,781)	(78,789,004)
	(1,189,916,754)	(858,193,036)	(321,017,348)
	(₱1,148,434,682)	(₱839,094,496)	(₱262,123,547)

33. Significant Agreements and Commitments

a. ECAs

SPPC and WMPC, under separate ECAs with NPC, have constructed a 55 MW and a 100 MW bunker C-fired diesel generator power plants in General Santos City and Zamboanga City, respectively, under a BOO scheme. NPC supplies all fuel necessary to generate electricity, with all electricity generated purchased by NPC at a price calculated based on the formula provided in the ECAs. SPPC and WMPC shall, directly or indirectly, own the power plants and shall operate and manage the power plants and provide all power generated to NPC for a period of 18 years up to April 28, 2016 and December 12, 2015, respectively. Upon expiration of the 18-year cooperation period, the ECAs may be renewed upon the sole option of NPC. On April 28, 2016 and December 12, 2015, ECA with SPPC and WMPC have expired and not renewed by NPC, respectively.

The covering agreements also contain certain provisions with respect to NPC's payment to SPPC and WMPC, subject to certain conditions, of the total remaining amounts of the capacity fees until the end of the cooperation period, in the event of amendment, modification or repeal of any Philippine laws or any government regulations that will materially reduce, prejudice or otherwise adversely affect the companies' interest in the project or the power plant/station, and/or the economic return on their investments.

The ECAs qualify as operating leases as SPPC and WMPC sell all their outputs to NPC. Energy fees earned on the ECAs amounted to ₱240 million in 2016 (nil in 2017).

b. Operations and Maintenance (O&M) Service Agreements

Under an Advisory Service Agreement, AIL provides PT Makassar Power (PTMP), which is an independent power producer based in Indonesia, with technical advisory services in connection with the operation and maintenance of a power plant in Indonesia for specified monthly fee of \$44,600 from August 2011 to April 2012 and \$46,600 from May 2012 to April 2015. On April 20, 2015, PTMP extended the Advisory Service Agreement with AIL for another year starting May 1, 2015. On April 30, 2016, AIL's contract with PTMP officially ended.

Total billings to PTMP amounted to ₱8 million in 2016 (nil in 2017).

c. PSAs

Starting December 13, 2015 and April 29, 2016, WMPC, and SPPC, respectively, arranged for PSAs with the following electric cooperatives and distribution utilities:

WMPC

Contracting Party	Contracted Capacity (in Megawatts)
Zamboanga City Electric Cooperatives, Inc. (ZAMCELCO)	50
Cagayan Electric Power and Light Company, Inc. (CEPALCO)	30
	80

In January 2016, WMPC entered into interim PSAs with Davao Light and Power Company, Inc. (DLPC) and Cotabato Light and Power Company, Inc. (CLPC) for a period of four months with contracted capacity of 18 MW and 2 MW, respectively.

Energy fees earned on PSAs amounted to ₱1,376 million and ₱1,299 million in 2017 and 2016, respectively.

SPPC

Starting April 2016, SPPC entered into PSAs with the following private distribution utilities:

Contracting Party	Contracted Capacity (in Megawatts)
DLPC	50
CLPC	5
	55

Energy fees earned on PSAs amounted to ₱405 million and ₱341 million in 2017 and 2016, respectively.

SRPI, Sarangani, and MPC entered into PSAs with various distribution utilities and electric cooperatives for a period of 25 years for SRPI and Sarangani and three (3) years for MPC from start of their commercial operations. Contracted capacities are shown below:

MPC

The details of MPC's contracted capacity (in Megawatts) with electric cooperatives based on the PSAs entered as at December 31 are as follows:

	Contracted Capacity (in Megawatts)	
Contracting Party	**2017**	2016
CEPALCO	**30**	30
ZAMCELCO	**18**	18
Zamboanga del Norte Electric Cooperative, Inc. (ZANECO)	**5**	5
Surigao Del Sur I Electric Cooperative, Inc. (SURSECO I)	**4**	–
South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)	**–**	30
Agusan del Norte Electric Cooperative (ANECO)	**–**	15
	57	98

On January 8 and June 9, 2016, MPC entered into a PSA with CEPALCO and SURSECO I, respectively, to supply energy for a period of ten (10) years.

Energy fees earned on PSAs amounted to ₱545 million and ₱1,694 million in 2017 and 2016, respectively.

Sarangani

Phase 1 of the Project

Contracting Party	Contracted Capacity (in Megawatts) 2017	2016
SOCOTECO II	**70**	70
Iligan Light and Power Inc.	**15**	15
ANECO	**10**	10
Agusan del Sur Electric Cooperative	**10**	10
	105	105

Phase 2 of the Project

Contracting Party	Contracted Capacity (in Megawatts) 2017	2016
CEPALCO	**20**	20
Davao del Norte Electric Cooperative, Inc.	**15**	15
Davao del Sur Electric Cooperative, Inc.	**15**	15
Cotabato Electric Cooperative, Inc.	**10**	10
South Cotabato I Electric Cooperative, Inc.	**10**	10
Zamboanga del Sur I Electric Cooperative Inc.	**5**	5
ZANECO	**5**	5
	80	80

Energy fees earned on PSAs amounted to ₱4,168 million and ₱3,503 million in 2017 and 2016, respectively.

SRPI

In March 2013, SRPI entered into a PSA with ZAMCELCO for a period of 25 years from start of the SRPI's commercial operation. Contracted capacity for the related PSA was 85 MW. On September 15, 2014, Energy Regulation Commission approved the above PSA. SRPI has not entered into any additional PSA in 2017 and 2016.

d. Lease Commitments

SPPC has a contract for the lease of land owned by Sarangani Agriculture Co., Inc. until May 2026. The lease contract provides for annual rent of ₱1 million and shall be paid in three lump-sum payment in years 2016, 2019 and 2022. The lease contract was accounted for on a straight-line method over the term of the lease.

Rent expenses under this lease contract amounted to ₱1 million both in 2017 and 2016, and are presented as "Rent" under the "Direct costs" account in the consolidated statements of income (see Note 22). As at December 31, 2017 and 2016, prepaid rent amounting to ₱1 million and ₱3 million, respectively, are included under the "Prepaid rent" account in the consolidated balance sheets.

e. Joint Venture Agreements

ALC has a Joint Venture Agreement with SLRDI for the development of ALC's parcels of land at General Trias, Cavite into a commercial and residential subdivision with golf courses, known as the Eagle Ridge Golf and Residential Estates (Eagle Ridge). The entire development shall be undertaken by SLRDI which shall receive 60% of the total sales proceeds of the lots of the subdivision, both commercial and residential, and of the golf shares. The remaining balance of 40% shall be for ALC. ALC's 40% share in the proceeds and in the cost of the lots sold is shown as part of "Sales of real estate" and "Cost of real estate sold" accounts, respectively, in the consolidated statements of income. ALC's share in the unsold lots is included under "Real estate inventories" account in the consolidated balance sheets. The Group recorded sales from Eagle Ridge amounting to ₱2 million in 2017, ₱4 million in 2016 and ₱5 million in 2015.

In 2006, ALC entered a joint venture agreement with Sunfields Realty Development Inc., the developer, for the development of ALC's parcels of land at Lipa and Malvar, Batangas into residential house and lots, called as the Campo Verde Subdivision. The entire development costs were shouldered by the developer. In return to their respective contributions to the project, the parties have agreed to assign a number of units of residential house and lots proportionate to their respective contributions computed as specified in the Memorandum of Agreement. The developer was assigned as the exclusive marketing agent and receives 10% of the total contract price, net of value-added tax and discounts, as marketing fee. Sales and cost of lots sold allocated to ALC are shown as part of "Real estate sales" and "Cost of real estate sales" accounts, respectively, in the consolidated statements of income. ALC's share in the unsold lots amounting to ₱21 million and ₱28 million as at December 31, 2017 and 2016, respectively, is included under "Real estate inventories" account in the consolidated balance sheets (see Note 10).

On March 21, 2013, Aldevinco and ACIL (collectively referred as "AG") and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI shall own 60% and AG shall own 40% of the outstanding capital stock of the Joint Venture Corporation (JVC), Aviana. On September 17, 2013, Aviana was incorporated as the JVC. ACR has subscribed to 296 preferred shares and 32 common shares for 34% ownership in Aviana. As at March 22, 2018, Aviana has not yet started operations.

f. Marketing Agreements

ALC and SLRDI have a Marketing Agreement with Fil-Estate Group of Companies (FEGC) for the latter to market and sell the individual lots at Eagle Ridge. FEGC is entitled to a marketing commission of 12% of the sales contract price. Commission expense amounted to ₱0.6 million, ₱0.3 million and ₱0.6 million in 2017, 2016 and 2015, respectively (see Note 23).

g. Engineering, Procurement and Construction Contract (EPC)

Sarangani

On March 30, 2011, Sarangani entered into EPC contract with the consortium of Daelim Industrial Co. Ltd, a company incorporated in Korea, and Daelim Philippines Incorporated, a company incorporated in the Philippines ("Contractor"). Under the terms of the contract, the Contractor shall perform any and all services and provide any and all equipment and construction equipment necessary to perform the work in accordance with the EPC contract on a fixed-price, turnkey basis and shall deliver a fully operational power plant facility (SM 200). On December 29, 2011 and May 24, 2012, Amendments 1 and 2 to the EPC, respectively, were signed, revising certain portions of the EPC. Construction of Phase 1 of the SM200 commenced in January 2013 and was completed in April 2016.

On July 6, 2016, Sarangani entered into EPC contract with JGC Corporation, a company incorporated in Japan, and JGC Philippines, Inc., a company incorporated in the Philippines ("JGC"). Under the terms of the contract, JGC shall install the second 105 MW unit and associated auxiliaries in accordance with Sarangani's requirements. On October 14, 2016, the formal Notice to Proceed was issued to JGC.

The construction of Phase 2 (105 MW) commenced in January 2017 and is expected to be completed in April 2019 (see Note 1).

SRPI

On December 27, 2012, SRPI entered a three-year Construction Contract with Daelim Philippines, Incorporated ("Daelim") for a ₱2.38 billion fixed price, date certain and turnkey basis. Under the Construction Contract, Daelim shall provide the design, engineering, procurement, supply, construction, start-up, testing and commissioning of the 105 MW coal-fired power station or the ZAM 100 project.

As at December 31, 2017, the Notice to Proceed was not issued to Daelim, hence, the contract validity period with the EPC contractor expired.

h. Registration with Zamboanga City Special Economic Zone Authority (ZAMBOECOZONE) and Kamanga Agro-Industrial Economic Zone

On November 20, 2012, SRPI obtained the certificate of registration and tax exemption issued by ZAMBOECOZONE. As a registered ZAMBOECOZONE enterprise, SRPI shall enjoy incentives and benefits provided for in Republic Act (R.A.) 7903 Sections 4(e) and 4(f) and Sections 43-44, 57-59 and 62 of R.A. 7903 throughout the Lease Agreement with ZAMBOECOZONE.

On June 7, 2011, Philippine Economic Zone Authority (PEZA) approved Sarangani's registration as an Ecozone Utilities Enterprise inside Kamanga Agro-Industrial Economic Zone located at Barangay Kamanga, Maasim, Sarangani Province.

As a power generation registered economic zone enterprises SRPI and Sarangani are entitled to the following incentives:

(a) Exemption from national and local taxes and in lieu thereof payment of a special tax rate of 5% on gross income; and
(b) Tax and duty free importation of capital equipment, machineries and spare parts. VAT-zero rating on local purchases subject to compliance with BIR and PEZA regulations/requirements.

i. Land Lease Agreement with ZAMBOECOZONE

On January 27, 2013, SRPI entered into a Land Lease Agreement with ZAMBOECOZONE for a period of 31 years from execution of the lease agreement. The leased properties consist of: (a) 300,000 sq.m. for the Main Power Plant Area; and (b) 37,000 sq.m. for the Port Facility Area. Payment of monthly rental will commence on October 1, 2013 and subject to fee escalation. On January 27, 2014, SRPI received billing from ZAMBOECOZONE covering period October 1, 2013 to December 31, 2013. However, SRPI requested for the deferment of the recognition of its rental obligations to ZAMBOECOZONE for the three (3) months period ended December 31, 2013 pending resolution of the certain conditions requisite for the start of rental payments. SRPI requested for revised billing to reflect the three-month deferment of the full rental rates.

On April 2, 2014, ZAMBOECOZONE issued the revised billing to SRPI amounting to ₱10 million for the period starting January 1, 2014 to March 2015. In response to the revised billing, SRPI wrote to ZAMBOECOZONE on October 24, 2014 communicating that while the plant site was cleared of informal settlers, the conflicting positions taken by the Department of Agrarian Reform and the Office of the Government Corporate Counsel on land-use conversion made the use of the land for industrial purposes uncertain. Despite the issue on land-use conversion, SRPI tendered payment of ₱10 million to show good faith and willingness to continue with the contract.

As at December 31, 2017, ZAMBOECOZONE has not resolved the pending issue pertaining to the land-use conversion of the land for industrial purposes, including the area for the SRPI Project Site. Meanwhile, the payment ₱10 million is recorded as security deposits under "Other noncurrent assets" account in the consolidated balance sheets as at December 31, 2017 and 2016.

34. Contingencies

The Group is currently involved in certain regulatory matters of which estimate of the probable costs for its resolution has been developed in consultation with the Group's advisors handling the defense on these matters and is based on the analysis of potential results. Such potential results are not reflected in the consolidated financial statements as management believes that it is not probable that the contingent liabilities will affect the Group's operations and consolidated financial statements.

35. Notes to Consolidated Statements of Cash Flows

a. The principal noncash investing and financing activities are as follows:

	2017	2016	2015
Financing activity:			
Application of dividends to subscriptions receivable (Note 21)	**(₱4,400,000)**	(₱4,400,000)	(₱4,400,000)
Investing activities:			
Disposal of subsidiaries without loss of control (Note 1)	**1,495,267,800**	–	12,563,402
Disposal of ACRMC through property dividend (Note 11)	–	–	207,590,029
Conversion of advances to related party to investment in preferred shares (Note 11)	–	–	(2,200,000,000)
Conversion of advances to related party to investment in associate (Note 11)	–	–	(35,800,000)

b. Reconciliation of the movement of liabilities arising from financing activities as at and for the year ended December 31, 2017 are as follows:

	Loans payable	Long-term debts	Total
Beginning balance	₱667,030,719	₱16,891,211,153	₱17,558,241,872
Cash movements:			
Availment of additional debt	1,529,777,962	2,450,000,000	3,979,777,962
Settlement of debt	(1,221,100,000)	(639,120,000)	(1,860,220,000)
Payment of debt issue costs	–	(206,030,383)	(206,030,383)
Noncash movements:			
Amortization of debt issue costs	–	55,904,550	55,904,550
Allocation of debt issue costs to undrawn portion of OLSA	–	157,956,627	157,956,627
Ending balance	₱975,708,681	₱18,709,921,947	₱19,685,630,628

36. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

RA No. 9136, the EPIRA of 2001, and the covering Implementing Rules and Regulations (IRR) provide for significant changes in the power sector which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
ii. Creation of a Wholesale Electricity Spot Market within one year; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity of the EPIRA. It provides cross ownership restrictions between transmission and generation companies and between transmission and distribution companies, and a cap of 50% of its demand that a distribution utility is allowed to source from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA.

There are also certain sections of the EPIRA, specifically relating to generation companies, which provide for a cap on the concentration of ownership to only 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

Based on the assessment of management, the operating subsidiaries have complied with the applicable provisions of the EPIRA and its IRR.

b. Clean Air Act

The Clean Air Act and the related IRR contain provisions that have an impact on the industry as a whole and on the Group in particular, that needs to be complied with. Based on the assessment made on the power plant's existing facilities, management believes that the operating subsidiaries comply with the applicable provisions of the Clean Air Act and the related IRR.

SGV
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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Alsons Consolidated Resources, Inc.
Alsons Building, 2286 Chino Roces Avenue
Makati City, Metro Manila, Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Alsons Consolidated Resources, Inc. and Subsidiaries (the Group) as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated March 22, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Martin C. Guantes
Partner
CPA Certificate No. 88494
SEC Accreditation No. 0325-AR-3 (Group A),
August 25, 2015, valid until August 24, 2018
Tax Identification No. 152-884-272
BIR Accreditation No. 08-001998-52-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621267, January 9, 2018, Makati City

March 22, 2018

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

Supplementary schedules required by Securities Regulation Code Rule 68, As Amended (2011):

- Schedule of all the effective standards and interpretations
- Reconciliation of retained earnings available for dividend declaration

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2017

[illegible]		[illegible]	[illegible]	[illegible]
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9 with PFRS 4*			✓

****These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.***

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 16 *(cont'd)*	Amendments to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities		✓	
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Investment Entities			✓
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		✓	
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓

**These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.*

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
PAS 32 *(cont'd)*	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of information 'elsewhere in the interim financial report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓

****These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.***

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

****These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.***

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS	Effective as of December 31, 2017	Adopted	Not Early Adopted	Not Applicable
Philippine Interpretations				
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

These standards, interpretations and amendments to existing standards will become effective subsequent to December 31, 2017. The Group did not early adopt these standards, interpretations and amendments.

Exhibit 2

SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2017

Schedule A: Financial Assets
For the year Ended December 31,2017

Name of Issuing Entity and Description of Each Issue	No. of Shares	Amounts Shown in the Balance Sheet	Valued Based on Market Quotations at Balance Sheet Date	Interest and Dividend Income Received and Accrued
Short-term deposit (cash equivalents)				
Peso denominated short term deposit		2,581,617,037		2,609,490
U.S. Dollar denominated short term deposit		54,027,017		
		2,635,644,054		2,609,490
Short-term cash investments				
U.S. Dollar denominated short term investments		223,187,100		2,463,946
Peso denominated short term investments		35,132,876		
		258,319,976		2,463,946
Available-for-sale financial assets				
Philodrill	566,720,000	6,800,640	6,800,640	
Seafront	15,544,911	41,504,912	41,504,912	
Globe Telecom	1,013	1,924,700	1,924,700	
Abacus Consolidated	10,000,000	3,684,000	3,684,000	
ACR Mining Corporation	21,268,769	21,268,769	21,268,769	
Alsons Development & Investment Corp.	22,000,000	2,200,000,000	2,200,000,000	
Eagle Ridge Golf and Country Club	511	77,150,000	77,150,000	
Pueblo de Oro Development Corporation	2	900,000	900,000	
	635,535,206	2,353,233,021	2,353,233,021	0
TOTAL FINANCIAL ASSETS	635,535,206	5,247,197,052	2,353,233,021	5,073,435

SCHEDULE B: Accounts Receivable From Directors, Officers,Employees,Related Parties and Principal Stockholders (Other Then Affi
For the Year Ended December 31, 2017

Name and Designation		Beginning Balance	Additions	Collected	Written-off	Current	Non-Current	Ending Balance
ACR								
Aguilar, Tessie		-	10					10
Cortes, Sylvia		-	2,728					2,728
Manpalaz, Ma. Cleofas	R	3,000	2,000	3,000				2,000
Rupisan, Basilio			14,200					14,200
Saldivar, Jun Jr.	M	15,088	15,088	15,088				15,088
		18,088	34,026	18,088	-	-	-	34,026
Alsons Land Corporation								
Almadovar, Roberto	R	4,200						4,200
Arrojado, Virna C.	S	128,925		128,925				0
Legaspi, Rufino	R	467,384		467,384				0
Saliba, Cecille	R	13,000						13,000
Soyangco, Pia Faye	R	-	8,000					8,000
Others		-	40,000					40,000
Quiogue, Theresa	R	124,434		124,434				-
Roa, Susan V.	R	16,200	78,971	16,200				78,971
		754,145	126,972	736,943	-	-	-	144,174
Sarangani Energy Corporation								
Abrot, Jeannie A.		-	9,750					9,750
Aguilar, Tessie D.		3,000		3,000				-
Alba, Christine Juvin B.		-	1,500					1,500
Alboroto, Joseph T.	S	42,400		17,171				25,229
Aliawan, Aura Shane C.	R	1		1				-
Ancheta, Aldhan B.	R	10,292		10,292				-
Apostol Jr., Eduardo A.		-	23,500					23,500
Aquino, Ralph Benigno S.	S	139,942		139,942				-
Asuero, Fritz B.		-	325,274					325,274
Atas, Adrian B.		-	45					45
Aton, Joel E.	M	1,018,890		993,149				25,741
Bagarinao, Shane L.		-	1,200					1,200
Campos, Lyh Benzyl C.		-	10,000					10,000
Canonigo, Efren Jr.	S	34,923	316,124	34,923				316,124
Cereno, Aiza L.		-	4,777					4,777
Corales, Fernando V.	M	885		885				-
Cordova, Anthony	S	2,700		2,700				-
Corpuz, Melody C.	S	14,892		14,892				-
Dalingay, Michael A.	S	50,770		50,770				-
Datu, Noel A.			18,750					18,750
Defante, Charmagne Joy S.	S	4,743		4,743				-
De Leon, Reginald L.		-	48					48
Del Rosario, Paul Richard M.	R	16,791		14,079				2,712
Dela Cruz, Melvie	R	10,000		10,000				-
Delmo, Roxanne R.	R	13,915	8,000	13,915				8,000
Delos Santos, Joel E.	S	30,931		26,453				4,478
Dema-ala, Leonelo L.	R	3,814		3,401				413
Denoso, Joshua P.	R	11,463		11,463				-
Doliente, Rodrigo E.	S	197		197				-
Donato, Benna Jayne A.	R	19,032		1,948				17,084
Dulay, Geovani S.	R	4,840		4,840				-
Dulla, Maria Lourdes F.		-	2,000					2,000
Dupio, Gilbert S.		-	33,761					33,761
Enad, Dyna C.	S	475		475				-
Enriquez, Emmanuel O.		-	3,265					3,265
Ensomo, Edsel P.		-	310,577					310,577
Espadilla, Cecilio O. Jr.	S	2,250	305,911	2,250				305,911
Espanol, Benjamin Jr.	S	283,896		49,910				233,986
Espanola, Risty Babe M.	R	9,169		9,169				-
Espra, Marvin B.	R	4,869		4,869				-
Estorque, Mary Jane P.	S	17,749	4,974					22,723
Esurena, Charlene N.		-	498					498
Falgui, Rommel Tommas M.	R	39,505		39,505				-
Flores, Leve V.	R	29,729		29,729				-
Fucoy, Nicardo R.	O	4,863	8,069					12,932
Gabas, Ramon Caezar P.	R	4,200	75,965					80,165

Garcia, Renante M.	R	160,350		160,350				-
Glang, Victor N.	R	42,846	5,169					48,015
Gonzales, Gregorio S. Jr.	M	231,398		226,848				4,550
Gregorio, Mark Oliver G.	R	5,125		5,125				-
Guino, Marval Mae	R	610		610				-
Honor, Mark Timothy B.		-	34,018					34,018
Horo, Mark Timothy B.	R	71,964		71,964				-
Icao, Francis Ruther C.	S	206,680		206,680				-
Imalay, Alex C.		-	3,273					3,273
Jamili, Leodie M.	R	5,017		5,017				-
Labao, Archimedes C.	S	2,100		2,100				-
Lacapag, Ronnie H.	R	845		845				-
Ladaran, Em B.	S	8,323		8,323				-
Ledesma, Rochie H.	R	55,377		30,211				25,166
Legaspi, Lovely Jane Abigael F.	S	5,000		5,000				-
Liimatta, Jori	M	6,584		6,584				-
Linogao, Jeed R.	S	54,815	320,601	54,815				320,601
Lopez, Rocher D.	S	22,000		22,000				-
Mahinay Sr., Ronald M.		-	7,170					7,170
Mahor, Israel R.		-	6,600					6,600
Manansala, Loren A.	S	271		271				-
Manlangit, Norman U.	S	1,743	5,046					6,789
Mediavilla, Argie C.		-	320,577					320,577
Megrenio, Mary Shower M.	S	197,731		197,731				-
Megrenio, Renante P.	S	13,735	316,124	13,735				316,124
Mendoza, Karla Jean V.	R	21,887		21,887				-
Mercado, Elsa J.	M	2,149						2,149
Mirasol, Glyzah Mae T.	R	10,033		4,545				5,488
Monterde, Joel F.	R	3,474	28,993	3,474				28,993
Murillo, Renie T.	S	17,000	302,588	17,000				302,588
Nocos, Joseph C.	O	1,200	9,453	1,200				9,453
Olvida, Casimiro V.	M	700		700				-
Orellanida, Kirbie B.		-	23,355					23,355
Others			2,146					2,146
Pagay, Ronnel T.	R	2,800		2,800				-
Paglinawan, Julius T.	S	11,606		11,584				23
Palma, Mifel Japely S.		-	70,000					70,000
Paramo, Joel G.	S	202,776		29,534				173,244
Parantar Jr., Simplicio B.		-	16,197					16,197
Pasion, Romiro V.	S	5,218	259,360	5,218				259,360
Pat, Allan P.	R	11,548		11,548				-
Pechon, Ceferino R.	R	19,637		17,548				2,089
Praire, Herodillo S.	S	3,316		3,316				-
Puas, Norguiadz S.		-	12,400					12,400
Ramos, Rona R.		-	17,893					17,893
Rosacena, Welmer P.		-	320,566					320,566
Rubia, Terence R.	R	42,950		42,950				-
Rufo, Reyma A.	R	41,775		40,975				800
Sabado, Sherrie Lyn F.		-	17,334					17,334
Sabanal, Erick E.	R	27,014		27,014				-
Sali, Charmaine Joyce R.	S	6,263	316,124	6,263				316,124
Salihol, Edna L.	R	48,373		35,116				13,257
Seno, Seth S.	S	630	292,811	630				292,811
Serato, Edward P.	S	56,380	331,452	56,380				331,452
Sevilles, Edgar D.	O	6,224		6,224				-
Silva, Justine Jose Allan P.	S	681		681				-
Sobretodo, Angelito O.		-	5,417					5,417
Suan, Alex M.	R	16,147		16,147				-
Sugal, Fredie C.	R	88,198		24,123				64,075
Sun, Elan Jay L.	R	41,183		41,183				-
Tagalogon, Harley J.		-	316,124					316,124
Tapan, Eiffel Germaine G.	R	69,700		69,516				184
Tesoro, Bernalita D.		-	84					84
Tito, Janaisha Bai M.	S	51,357		51,357				-
Tolentino, Allan P.	R	20,000		20,000				-
Valdehueza, Halley Bryan P.	S	22,588	52,327	22,588				52,327
Valderama, Alex N.	S	81,951		6,455				75,496
Zamora, Bernardo N.	M	2,915		2,915				-
		3,861,315	4,877,187	3,113,751	-	-	-	5,624,751

SOUTHERN PHILIPPINES POWER CORPORATION

Alcaraz, Estrelita		183,394		35,267				148,127
Aquino, Marlon L.	S	6,050		6,050				-

Arambala, Gilbert Kenn L.		-	6,195					6,195
Arocha Sr., Riel R.	R	-	14,924					14,924
Bacerra, Geronimo D.		-	6,740					6,740
Balladares, Andy Oliver J.	S	285,308		58,517				226,791
Bernabe Jr., Paulino D.	S	139,578		25,928				113,650
Bitong, Jason Silverio B.	R	43,771		26,999				16,772
Bonayon, Edgardo L.	S	319,535		56,394				263,141
Camara, Jimmy D.	R	6,010		6,010				-
Caminero, George L.	R	-	17,600					17,600
David, Jeomar R.		-	737					737
Dupio, Cevie Rose M.	R	201,404		201,404				-
Federizo, Evelyn C.	S	2,102		2,102				-
Gallarde, Cerlito T.	R	-	6,685					6,685
Gamboa, Orlando Jr. G.	S	2,900		2,900				-
Hamoy, Norma D.	M	19,940		15,548				4,392
Laurente, Apolonia O.	R	43,451		43,451				0
Lawas Jr., Alexander E.	R	-						-
Lisondra, Llewellyn R.	S	435,614		189,955				245,659
Megrinio, Felix P.	R	4,470		4,470				-
Memoria, Maribel T.	R	14,800		14,800				-
Navalta Jr., Ramon B.		-	2,161					2,161
Orquina, Lilian B.	R	-	12,500					12,500
Ouano, Gilbert Francis N.	S	-						-
Pacson, Arturo P.	S	212,628		39,151				173,477
Parreño, Rey S.		-	3,838					3,838
Perez, Nonito D.	R	-	22,806					22,806
Presbitero, Feljun, B.	R	1,190		1,190				-
Sanchez, Jesus Senen A.	R	-	19,893					19,893
Saragena, Honoriolito E.	S	196,138		36,475				159,663
Sevilles, Edgar D.	O	7,241						7,241
Soterio, Amalia A.	R	7,200		7,200				-
Zamora, Bernardo N.	M	-						-
Zurriaga, Kristan T.	R	5,684		5,684				-
		2,138,408	114,079	779,494	-	-	-	1,472,994
WESTERN MINDANAO POWER CORPORATION								
Ancheta, Alquin Vox L.		-	25,000					25,000
Baile, Mario Jose C.	M	34,054	65,693	34,054				65,693
Banaag, John P.	S	10,833	6,250					17,084
Banaag, Ma. Melissa Margaret A.	S	2,745	8,229	2,745				8,229
Basilio, Albert B.	S	84,632		76,299				8,333
Cabug-os, Danilo C.	S	298,015		298,015				(0)
Contreras, Oscar Benedict III E.	M	200						200
Cabug-os, Danilo C.		-	240,325					240,325
Datu, Noel A.	S	200						200
Dauba, Cesar T. Jr.	R	26,000		5,167				20,833
Dela Cruz, Solita V.	M	-	1,316					1,316
Dionio, Alan Leroy	S	34,167	360					34,527
Espinosa, Joy F.	S	320,577		17,352				303,225
Fucoy, Nicandro R.	O	2,187						2,187
Guadalupe, Rogelio Jr. H	R	27,834	6,600	27,834				6,600
Kintanar, John Patrick R.	M	-	3,685					3,685
Llorente, Thesalonica T.	R	12,500						12,500
Lozano, Teresita B.	M	-	7,133					7,133
Mahinay, Lorenzo Jr. B.	R	58,256		36,450				21,806
Maquiddang, Maureen S.	R	733		733				-
Marcelino, Riel M.		-	6,583					6,583
Monteron, Leonil L.	S	316,124		56,177				259,947
Nocos, Ernesto Joseph C.			11,524					11,524
Others		236	998	236				998
Porillo, Reynaldo A.	R	12,466		5,522				6,944
Revantad, Amedeo E	S	50		50				-
Rivera, Alimodin S.	R	12,388		4,549				7,839
Sevilles, Edgar D.		-	11,730					11,730
Simbulan, Sharon G.	R	-	25					25
Soterio, Amalia A.	R	24,114		10,965				13,149
Sta. Rita, Dennis M.	R	9,170		9,170				-

Torrejon, Jose Marie T.	M	799	160,147	799				160,147
Tungpalan, Ruben G.			1,500					1,500
Varias, Lorenzo F.	R	11,777		11,755				22
		1,300,057	557,099	597,870	-	-	-	1,259,285
Conal Holdings Corporation								
Others		39,375		29,116				10,259
		39,375	-	29,116	-	-	-	10,259
Alto Power Management Corporation								
Others		94,063		94,063				-
		94,063	-	94,063	-	-	-	-
MAPALAD POWER CORPORATION								
Abing, Elcid B.			17,196					17,196
Abejo, Sherwin L.		-	5,934					5,934
Agting, Charlie T.		-	6,668					6,668
Ansing, Bernard C.		-	6,847					6,847
Aya-ay, Pableo	R	30,802		30,802				-
Bontuyan, Rodel F.		-	6,544					6,544
Blancaflor, Fernando B.		-	286,712					286,712
Castro, Rosnina		-	354,327					354,327
Chambers, Clint Robert L.	R	4,300	3,500	4,300				3,500
Dagatan, Mervin M.		-	10,000					10,000
Dalisay, Adonis H.	R	11,463		11,463				-
Echavez, Ireneo Edmund E.	R	9,633		2,425				7,208
Escoto, Jeffrey E.		-	2,871					2,871
Feril, Rey Joseph	R	14,583		14,583				-
Galinato, Noel P.	M	4,150		4,150				-
Imperio, Annie B.	R	1,336	25	1,336				25
Imus, Joan T.	R	480		480				-
Jalop, Ramil L.	S	305,342		305,342				-
Lampano, Keneath M	R	700	1,447	700				1,447
Lelenos, Czar Krishna	R	8,885		8,885				-
Magnaye, Hetty Mae P.	R	224,829		224,829				-
Malayao, Roger G.	R	4,660		2,974				1,686
Maraon, Dan Emmanuel M.	R	1,809	45,935	1,809				45,935
Matinez, Edson N.	R	3,747		3,747				-
Megrenio, Dana G>	R	8,300		8,300				-
Megrenio, Felix P.	R	6,808		6,808				-
Mercado, Elsa J.	M	-						-
Morito, Leonardo J.	S	293,412		57,690				235,722
Munez, Roberto Jr.	R	465		465				-
Nava Jr., Napoleon B.	S	279,631		58,462				221,169
Ramilo, Ruben B.	M	8,150		1,712				6,438
Remocaldo, Arnel D.	R	51,294		43,440				7,854
Sampuang, Alan G.	S	316,124		55,025				261,099
Saragena, Julius E.	R	13,000	3,250					16,250
Serate, Annabelle P.	S	285,800		285,800				-
Sinahon, Judith D.		-	9,468					9,468
Soterio, Amalia A.	R	21,600		21,600				-
Tacbobo, Ricardo G.	R	476	18,432	476				18,432
Villena, Carl Roy B.	R	3,747		3,747				-
Yanez, Rey Lyndon V.	R	49,140		37,258				11,882
Yano, Crisanto D.	S	1,809		1,809				-
		1,966,471	779,155	1,200,416	-	-	-	1,545,214
KAMANGA								
Allawan, Maximiano F.	M	202,393	82,243	81,678				202,958
		202,393	82,243	81,678	-	-	-	202,958
TOTAL		10,374,310	6,570,760	6,651,420	-	-	-	10,293,660

Designation

R – Rank and File
S – Supervisory

M – Manager
O – Officer (Executive Office & Vice President)

Schedule D: Intangible Assets – Other Assets
For the Year Ended December 31, 2017

Intangible Assets	Beginning Balance	Deduction	Addition	Amortization	Revaluation	Ending Balance
Computer Software	19,546,409		8,439,434	(7,545,328)		20,440,515
Goodwill	806,687,320					806,687,320
Mining Rights	-		-	-		-
	826,233,729	-	8,439,434	(7,545,328)	-	827,127,835

ALSONS CONSOLIDATED RESOURCES, INC AND SUBSIDIARIES
Schedule E: Long Term Debt
For the Year Ended December 31,2017

Title of Issue and Type of Obligation	Current Portion of Long-Term Debt in the Balance Sheet	Noncurrent Portion of Long-Term Debt in the Balance Sheet	Total Long Term Debt
Parent Company			
Philippine peso-denominated debt:			
Five-year fixed rate corporate note		5,497,135,980	5,497,135,980
Seven-year fixed rate corporate note	19,000,000	1,843,000,000	1,862,000,000
CHC's Subsidiaries			
Mapalad Power Corporation			
Six year peso denominated fixed rate debt	201,137,629	243,543,329	444,680,958
Sarangani Energy Corporation			
Thirteen and a half year peso denominated debt floating rate debt	648,875,605	7,807,229,404	8,456,105,009
Ten and a half year peso denominated floating rate debt		2,450,000,000	2,450,000,000
	869,013,234	17,840,908,713	18,709,921,947

Schedule H: Capital Stock

Title of Issue (2)	Number of Share authorized	Number of shares issued and outstanding	Number of shares reserved for options,	Number of shares held by affiliates	Directors, officers and employees	Others
		at shown under related balance sheet caption	Warrants, conversion and other rights		(as of December 31,2017)	
Common	11,945,000,000	6,291,500,000	None	5,031,047,697	600,307	1,259,851,996
Preferred	5,500,000,000	35,383,333		35,383,333		
	17,445,000,000	6,326,883,333		5,066,431,030	600,307	1,259,851,996

Note: There were no significant changes in the Capital Stock of the Company since last 31 December 2017.

1) Indicate in a note any significant changes since the date of the last balance sheet filed.
2) Include in this column each type of issue authorized.
3) Affiliates referred to include affiliates for which separate financial statements are filed and those included in consolidated financial statements, other than the issuer of the particular security.

ALSONS CONSOLIDATED RESOURCES, INC.

2286 Chino Roces Ave., Makati City

Schedule of Retained Earning Available for Dividend Declaration

December 31, 2017

	Figures based on Parent Company Audited Financial Statements)
Unappropriated Retained Earnings, beginning	Php265,554,568
Add: Net income actually earned/realized during the year	
Net income during the year closed to retained earnings	355,377,200
Less: Dividends declared during the year	(105,064,000)
Retained Earnings Available for dividends declaration as at December 31,2017	**Php515,867,768**

Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the separate/parent company financial statements of Alsons Consolidated Resources, Inc.

Additional Schedules
Balance Sheet

1. Accounts Receivable: Breakdown of Accounts Receivable as of December 31,2017

Accounts Receivable - Trade	Php1,143,104,164
Advances to Affiliates / Joint Ventures	1,221,220,856
Retention Receivable	143,009,378
Accounts Receivable - Others:	
Advances to contractors and suppliers	24,816,875
Advances to officers and employees	10,293,660
Advances for Business expenses	15,467,805
Miscellaneous and other Receivables	34,524,659
Total Accounts Receivable	2,592,437,397
Less: Allowance for doubtful accounts	(83,435,820)
Accounts Receivable - Net	**Php2,509,001,577**

2. Prepaid Expenses and Other Current Assets as of December 31, 2017

Deposits in IRA	476,457,032
Input Tax	19,859,748
Creditable Withholding Tax	217,044,797
Other Prepayments	66,645,719
	Php780,007,296

3. Accounts Payable and Accrued Expenses as of December 31, 2017

Accounts Payable	Php2,753,977,462
Payable to customers	
Accrued Interest	
Output tax and withholding tax payable	123,010,115
Other accrued expenses	594,946,348
Accrued vacation and sick leave benefits	
Advances from customers	28,256,745
Other current liabilities	226,061,877
Total Accounts Payable & Accrued Expenses	**Php3,726,252,547**

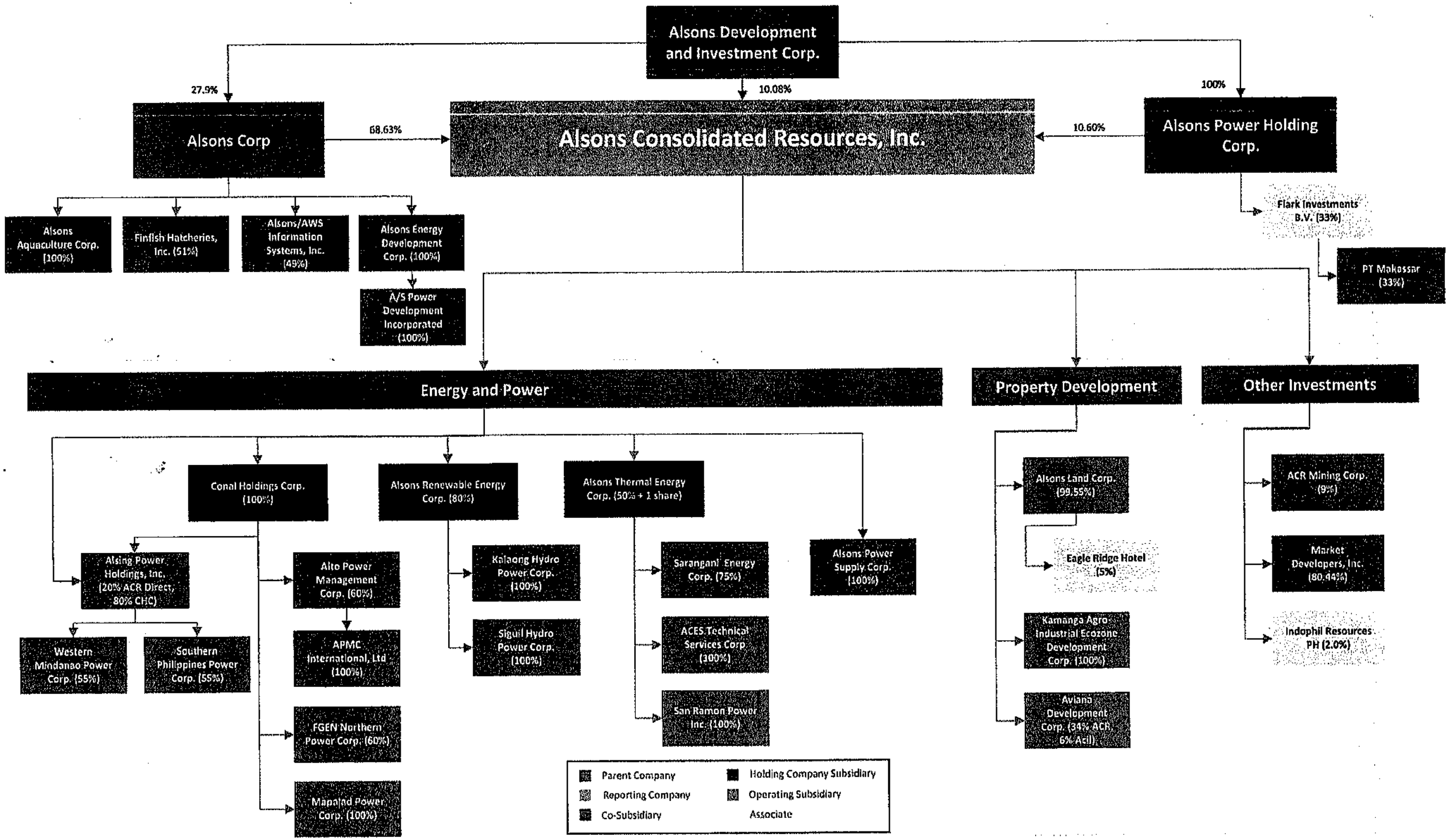
Income Statement

1. Breakdown of Revenues and Cost of Goods Sold and Services (December 31,2017)

	Revenues		Cost	
	Continuing	Discontinued	Continuing	Discontinued
Real Estate	Php12,673,806		Php9,498,425	
Services	6,506,226,972		4,573,651,777	
Total	Php6,518,900,778	Php0	Php4,583,150,202	Php0

2. Operating and Administrative Expanses for the year ending December 31, 2017

	Continuing	Discontinued
Personnel costs	Php169,603,937	
Others	150,105,926	
Depreciation and amortization	62,089,299	
Taxes and licenses	61,368,057	
Outside services	61,295,823	
Transportation and travel	19,512,535	
Utilities	19,460,181	
Representation	6,326,510	
Telephone, telegram and postage	4,291,787	
Directors' and executive fees and bonuses	3,915,000	
Supplies	2,118,594	
Insurance	1,375,056	
Commissions	648,539	
Gas and oil		
Total	**Php562,111,244**	**Php0**



Alsons Development and Investment Corp.
27.9%
10.08%
100%
Alsons Corp
68.63%
Alsons Consolidated Resources, Inc.
10.60%
Alsons Power Holding Corp.
Alsons Aquaculture Corp. (100%)
Finfish Hatcheries, Inc. (51%)
Alsons/AWS Information Systems, Inc. (49%)
Alsons Energy Development Corp. (100%)
A/S Power Development Incorporated (100%)
Flark Investments B.V. (33%)
PT Makassar (33%)
Energy and Power
Property Development
Other Investments
Conal Holdings Corp. (100%)
Alsons Renewable Energy Corp. (80%)
Alsons Thermal Energy Corp. (50% + 1 share)
Alsing Power Holdings, Inc. (20% ACR Direct, 80% CHC)
Western Mindanao Power Corp. (55%)
Southern Philippines Power Corp. (55%)
Alto Power Management Corp. (60%)
APMC International, Ltd (100%)
FGEN Northern Power Corp. (60%)
Mapalad Power Corp. (100%)
Kalaong Hydro Power Corp. (100%)
Siguil Hydro Power Corp. (100%)
Sarangani Energy Corp. (75%)
ACES Technical Services Corp (100%)
San Ramon Power Inc. (100%)
Alsons Power Supply Corp. (100%)
Alsons Land Corp. (99.55%)
Eagle Ridge Hotel (5%)
Kamanga Agro-Industrial Ecozone Development Corp. (100%)
Aviana Development Corp. (34% ACR, 6% Acil)
ACR Mining Corp. (9%)
Market Developers, Inc. (80.44%)
Indophil Resources PH (2.0%)
Parent Company
Reporting Company
Co-Subsidiary
Holding Company Subsidiary
Operating Subsidiary
Associate

SUBSIDIARIES OF THE REGISTRANT

Alsons Consolidated Resources, Inc. had the following consolidated subsidiaries as of December 31,2017:

Name	Jurisdiction
Alsons Land Corporation	Philippines
Conal Holdings Corp.	Philippines
Alsons Renewable Energy Corp.	Philippines
Alsons Thermal Energy Corp.	Philippines

ACRI BUSINESS CHART

	Percentage Held by ACRI	Percentage Held by ACR Subsidiaries	Principal Activities
ENERGY & POWER			
CONAL HOLDINGS CORPORATION	100.00		Holding Company
-ALSING POWER HOLDINGS INC.	20.00	80.00	Holding Company
-WESTERN MINDANAO POWER CORPORATION		55.00	Power Generation
-SOUTHERN PHILIPPINES POWER CORP.		55.00	Power Generation
-ALTO POWER MANAGEMENT CORPORATION		60.00	General and Technical Power Plant Management
-APMC INTERNATIONAL LIMITED		100.00	General and Technical Power Plant Management
-MAPALAD POWER CORPORATION		100.00	Power Generation
-FGEN NORTHERN POWER CORPORATION		60.00	Power Generation
ALSONS THERMAL ENERGY CORPORATION	50.00		Holding Company
-SARANGANI ENERGY CORPORATION		37.50	Power Generation
-ACES TECHNICAL SERVICES CORPORATION		50.00	Management Services
SAN RAMON POWER INC.		50.00	Power Generation
ALSONS RENEWABLE ENERGY CORPORATION	80.00		Holding Company
-SIGUIL HYDRO POWER CORPORATION		80.00	Power Generation
-KALAONG POWER CORPORATION		80.00	Power Generation
ALSONS POWER INTERNATIONAL LIMITED	100.00		Power Generation
ALSONS POWER SUPPLY CORP.	100.00		Customer Service
PROPERTY DEVELOPMENT			
ALSONS LAND CORPORATION	99.55		Real Estate
KAMANGA AGRO-INDUSTRIAL ECOZONE DEVELOPMENT CORP.	100.00		Agro-Industrial Economic Zone
AVIANA DEVELOPMENT CORP.	34.00		Real Estate
OTHER INVESTMENTS			
ACR MINING CORPORATION (formerly ACR Management Corporation)	9.00		Exploration and Mining
MADE (Market Developers), INC.	80.44		Marketing and Distribution of Construction Material

ALSONS CONSOLIDATED RESOURCES, INC.
Schedule I: Computation of Public Ownership as of December 31, 2017

		% to Total I/O Shares	Number of Shares Common	% to Total I/O Shares	Preferred
Number of Shares Issued and Outstanding			**6,291,500,000**		**35,383,333**
DIRECTORS:					
TOMAS I. ALCANTARA		0.0000%	1		
EDITHA I. ALCANTARA		0.0016%	100,000		
ALEJANDRO I. ALCANTARA		0.0000%	1		
ARTURO B. DIAGO JR.		0.0000%	1		
TIRSO G. SANTILLAN JR.		0.0000%	1		
RAMON T. DIOKNO		0.0000%	1		
CONRADO C. ALCANTARA		0.0000%	1		
HONORIO A. POBLADOR III		0.0000%	100		
JACINTO C. GAVINO JR.		0.0000%	1		
JOSE BEN R. LARAYA		0.0000%	100		
THOMAS G. AQUINO		0.0000%	100		
SUB - TOTAL		**0.0016%**	**100,307**		
OFFICERS:					
TOMAS I. ALCANTARA	PRESIDENT	0.0000%	-		
TIRSO G. SANTILLAN JR.	EXEC. VICE PRESIDENT	0.0000%	-		
EDITHA I. ALCANTARA	TREASURER	0.0000%	-		
ROBERT F. YENKO	CHIEF FINANCIAL OFFICER	0.0000%	-		
ROBERTO SAN JOSE	CORPORATE SECRETARY	0.0080%	500,000		
ANGEL M. ESGUERRA III	ASST. CORPORATE SECRETARY	0.0000%	-		
SUB - TOTAL		**0.0080%**	**500,000**		
PRINCIPAL STOCKHOLDERS:					
ALSONS CORPORATION		41.2100%	2,592,524,072	100.0000%	35,383,333
ALSONS POWER HOLDINGS CORP.		19.8700%	1,249,999,599		
ALSONS DEV'T & INVESTMENT CORP.		18.8900%	1,188,524,026		
SUB - TOTAL		**79.9700%**	**5,031,047,697**		**35,383,333**
TOTAL SHARES HELD BY DIRECTORS, OFFICERS, PRINCIPAL STOCKHOLDERS & AFFILIATES		**79.9796%**	**5,031,648,004**	**100.0000%**	**35,383,333**
TOTAL NUMBER OF SHARES OWNED BY THE PUBLIC		**20.0204%**	**1,259,851,996**	**-**	**-**

Alsons Consolidated Resources, Inc and Subsidiaries
Schedule of Financial Soundness

Financial KPI	Definition	2017	2016	2015
		Years Ended December 31		
Liquidity				
Current Ratio / Liquidity Ratio	Current Asset / Current Liabilities	1.65:1	2.09:1	3.90:1
Solvency				
Debt to Equity Ratio / Solvency Ratio	Long-term debt (net of unamortized transaction costs)+Loans Payable / (Equity attributable to Parent-Other Equity Reserves)	2.21:1	2.03:1	2.08:1
Interest Rate Coverage Ratio				
Interest Rate Coverage Ratio	Earning Before Interest and Taxes / Interest Expense	1.23:1	2.01:1	4.41:1
Profitability Ratio				
Return to Equity	Net Income / Total Average Stockholders Equity	1%	6%	7%
Asset-to Equity Ratio				
Asset-to Equity Ratio	Total Asset / Total Equity	2.76:1	2.88:1	2.90:1

COVER SHEET

SEC Registration Number

						5	9	3	6	6

COMPANY NAME

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES

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

Alsons Building Don Chino Roces Avenue Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
legal@alcantaragroup.com	982 - 3000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
462	May 25	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Robert F. Yenko	ryenko@alcantaragroup.com	982-3000	

CONTACT PERSON's ADDRESS

Alsons Building, 2286 Chino Roces Avenue, Makati City

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

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock P 1.00 par value	**6,291,500,000 Shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange ?

    Yes [X] 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 [X] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [X] No [ ]

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Long-term debt	Attachment B
Schedule of Financial Soundness Indicators	Attachment C

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	March 31 2017
Profitability			
REVENUES		**₱1,678**	₱1,648
EBITDA		**623**	606
EBITDA Margin	EBITDA / Net Sales	**37%**	37%
Return on Equity	Net Income / Total Average Stockholders' Equity	0.7%	0.8%
NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS		**(20)**	35
Efficiency			
Operating Expense Ratio	Operating Expenses / Gross Operating Income	22%	21%
Liquidity			
Net Debt Coverage	Cash Flow from Operating Activities / Net Financial Debt	3%	9%
CURRENT RATIO	Current Assets / Current Liabilities	1.42:1	1.92:1
DEBT-TO-EQUITY RATIO		2.28:1	2.0:1
Asset-to-equity Ratio	Total Assets / Total Equity	2.72:1	2.87:1
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes / 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 to1.42:1 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 Co mpany 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)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Current Assets		
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
Total Current Assets	7,991,401,157	9,257,022,532
Noncurrent Assets		
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
Total Noncurrent Assets	29,970,074,576	28,979,690,672
TOTAL ASSETS	₱37,961,475,733	₱38,236,713,204
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
Total Current Liabilities	5,620,357,265	5,590,342,329
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
Total Noncurrent Liabilities	18,408,336,219	18,816,727,491
Total Liabilities	24,028,693,484	24,407,069,820

(Forward)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Equity (Note 12)		
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
Total Equity	**13,932,782,249**	13,829,643,384
TOTAL LIABILITIES AND EQUITY	**₱37,961,475,733**	₱38,236,713,204

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
REVENUE		
Energy fees	**₱1,674,613,320**	₱1,644,552,188
Rental income and others	**3,010,377**	3,030,469
	1,677,623,697	1,647,582,657
INCOME (EXPENSES)		
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
	(1,521,323,502)	(1,531,549,823)
INCOME BEFORE INCOME TAX	**156,300,195**	116,032,834
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 12)		
Current	**37,251,604**	36,932,920
Deferred	**15,909,728**	(2,426,121)
	53,161,332	34,506,799
NET INCOME	**₱103,138,863**	₱81,526,035
Attributable to:		
Owners of the parent (Note 12)	**(₱19,749,992)**	₱34,558,845
Non-controlling interest	**122,888,855**	46,967,191
	₱103,138,863	₱81,526,035
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)
NET INCOME FOR THE PERIOD	₱103,138,863	₱81,526,035
OTHER COMPREHENSIVE INCOME		
Items that will be reclassified subsequently to profit or loss		
Gain (loss) on valuation of AFS financial assets	-	2,527,883
Translation adjustment	-	-
	-	2,527,883
TOTAL COMPREHENSIVE INCOME (LOSS)	₱103,138,863	₱84,053,918
Attributable to:		
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

	Attributable to Equity Holders of the Parent									
	Capital Stock(Note 12)	Actuarial Gains (Losses)	Unrealized Gains (Losses) on AFS Financial Assets(Note 8)	Unappropriated Retained Earnings	Appropriated Retained Earnings	Equity Reserves	Cumulative Translation Adjustment	Total	Non-controlling Interests (Note 1)	Total
Balance at December 31, 2017	₱6,326,883,333	₱4,650,820	(₱43,320,245))	₱ 887,872,315	₱1,300,000,000	₱854,620,762	₱ 1,678,353,798	₱10,410,608,515	₱2,820,582,601	₱13,829,643,384
Net income	–	–	–	(19,749,992)	–	–	–	(19,749,992)	122,888,855	103,138,863
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss)	–	–	–	(19,749,992)	–	–	–	(19,749,992)	122,888,855	103,138,863
Appropriation of retained earnings	–	–	–	–	–		–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2018	₱6,326,883,333	₱4,650,820	(₱43,320,245)	₱868,122,323	₱1,300,000,000	₱854,620,762	₱1,678,353,798	₱10,989,310,791	₱2,943,471,456	₱ 13,932,782,249
Balance at December 31, 2016	₱6,322,483,333	₱4,756,234	(₱52,922,963)	₱1,013,611,249	₱1,300,000,000	₱145,480,697	₱1,677,199,965	₱10,410,608,515	₱301,386,276	₱10,711,994,791
Net income	–	–	–	34,558,845	–	–	–	34,558,845	46,967,190	81,526,035
Other comprehensive income	–	–	2,527,883	–	–	–	–	2,527,883	–	2,527,883
Total comprehensive income (loss)	–	–	2,527,883	34,558,845	–	–	–	37,086,728	46,967,190	84,053,918
Appropriation of retained earnings	–	–	–	–	–		–	–	–	–
Redemption of preferred shares	–	–	–	–	–	–	–	–	–	–
Balance at March 31, 2017	₱6,322,483,333	₱4,756,234	(₱50,395,080)	₱1,048,170,094	₱1,300,000,000	₱145,480,697	₱1,677,199,965	₱10,447,695,243	₱348,353,468	₱10,796,048,709

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
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	**565,319,382**	922,086,413
CASH FLOWS FROM INVESTING ACTIVITIES		
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	**(1,273,141,350)**	(494,775,254)

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

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
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	**(519,063,981)**	(462,278,649)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,226,885,948)**	(34,967,490)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,383,802,048**	2,050,586,516
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)	**₱3,156,916,100**	₱2,015,619,026

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:

		Percentage of Ownership			
		2018		2017	
Subsidiaries	Nature of business	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 ₱0.04 million. Investment of non-controlling interest amounted to ₱0.02 million in 2015.

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

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

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

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

On November 27, 2017, the Parent Company sold its 50% ownership interest less 1 share of the voting and total outstanding capital stock in ATEC equivalent to 14,952,678 common shares to Global Business Power Corporation (GBPC) for a total consideration amounting to ₱2,378 million, inclusive of retention receivable amounting to ₱100 million to be received upon issuance by the Bureau of Internal Revenue (BIR) of the Certificate of Authorizing Registration. The retention receivable was received in January 2018. The Parent Company recognized a gain amounting to ₱709 million, net of transaction costs totaling to ₱169 million. Subsequently, on

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

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

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

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

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

On February 6, 2017, ATEC's BOD authorized the conversion its advances to Sarangani amounting to ₱3,375 million into equity by way of subscription to the increase in authorized capital stock of Sarangani. The Philippine SEC approved Sarangani's increase in authorized capital stock on March 20, 2017. Also, TTC subscribed to additional common shares amounting to ₱1,125 million which was settled through cash infusion. As at March 31, 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
Siguil and Kalaong. ACR organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 17MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. As at March 31, 2018, Siguil 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 Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% in 2014 to 80%.

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.

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, PASs and Philippine Interpretations to have any significant impact on it financial statements.

<u>*Effective beginning on or after January 1, 2018*</u>

- 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-base 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.

- <u>PFRS 9, *Financial Instruments*</u>

  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 effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The 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.

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.

<u>Categories of Financial Instruments</u>
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 in 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.

<u>Offsetting of Financial Instruments</u>
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.

<u>Property, Plant and Equipment</u>
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.

<u>Computer Software</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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.

<u>Provisions</u>
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 o dismantle its power plant complex at the end of their operating lives. A corresponding asset I 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
Earnings Information:						
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
Earnings Information:						
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
	₱3,156,916,100	₱4,383,802,048

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%.

5. **Trade and Other Receivables**

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Trade:		
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
Less noncurrent portion of installment receivables	**6,319,792**	6,319,792
	2,738,023,506	2,592,437,397
Less allowance for impairment losses	**83,435,820**	83,435,820
	₱2,654,587,686	₱2,509,001,577

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, noninterest bearing	Party secured, no impairment
	2017	379,538,203	1,074,461,737		
Subsidiaries of major stockholders	**2018**	**-**	**43,255,460**	30 days, noninterest bearing	Party secured, no impairment
	2017	66,929,442	43,255,460		
Affiliates	**2018**	**-**	**103,503,659**	30 days, noninterest bearing	Party secured, no impairment
	2017	77,336,929	103,503,659		
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.

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
	₱638,560,688	₱638,560,688

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
	₱181,162,425	₱181,102,370

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

	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
Cost						
Balances at beginning of year	₱19,168,223,164	₱4,652,843,686	₱552,089,119	₱726,585,794	₱7,425,077,226	₱32,524,818,989
Additions	-	-		-	1,257,104,360	1,257,104,360
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	(46,654,474)	(46,654,474)
Balances at end of year	19,168,223,164	4,652,843,686	552,089,119	726,585,794	8,635,527,112	33,735,268,875
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	-	-	-	-	-	-
Balances at end of year	(6,025,978,307)	(3,528,940,101)	(174,604,633)	(277,771,260)	-	(10,007,294,301)
Net Book Value	₱13,142,244,857	₱1,123,903,585	₱377,484,486	₱448,814,534	₱8,635,527,112	₱23,727,974,574

Balances as at December 31, 2017

	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
Cost						
Balances at beginning of year	₱9,236,072,678	₱4,642,574,138	₱552,089,119	₱429,137,089	₱2,943,872,212	₱24,253,610,623
Additions	13,617,299	37,377,886	-	306,776,469	4,537,345,838	3,752,699,429
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	32,524,818,989
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)
Net Book Value	₱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 Sarangani's power-generating project "SM 200". The construction of SM 200 is in two phases. Construction of Phase 1 (105 MW) of SM 200 commenced in January 2013 and was completed in April 2016. The construction of Phase 2 (105 MW) commenced in January 2017 and is expected to be 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.

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 Conpany 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,

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.

10. Prepaid Expenses and Other Current Assets

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

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
	₱3,669,115,631	₱3,726,252,547

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.

12. Equity

Capital Stock

	March 31, 2018		December 31, 2017	
	No. of shares	Amount	No. of shares	Amount
Authorized				
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
		₱12,000,000,000		₱12,000,000,000
Common Shares				
Issued and outstanding	6,291,500,000	₱6,291,500,000	6,291,500,000	₱6,291,500,000
Preferred Shares				
Subscribed	5,500,000,000	55,000,000	5,500,000,000	55,000,000
Subscriptions receivable		(19,616,665)		(19,616,665)
		₱ 6,326,883,335		₱ 6,326,883,335

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

The redeemable preferred shares have the following features:

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

b. Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of ACR, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares.

c. ACR may, by resolution of the BOD, redeem the preferred shares at par value. ACR will redeem the preferred shares at par value (i) when the foreign equity limits to which ACR is subject to shall have been removed; and (ii) ACR is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require ACR to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired, and may be reissued upon resolution of the BOD.

d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of ACR will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

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

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

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

Retained Earnings

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

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

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

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

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

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

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

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

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

The Parent Company declared the following cash dividends:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
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

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.

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
Financial Liabilities					
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
	₱3,547,599,351	₱1,902,563,594	₱8,715,673,314	₱8,778.115.898	₱22,943,952,157
Financial Assets					
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
	₱6,927,878,442	₱297,372,756	₱6,414,629	₱-	₱6,080,766,035

* *Excluding statutory payables and other payable to government agencies*

	March 31, 2017				
	On Demand	≤ 1 Year	>1–3 Years	> 3 Years	Total
Financial Liabilities					
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
	₱1,788,721,878	₱1,258,300,523	₱8,715,673,314	₱7,502,677,781	₱19,265,373,496
Financial Assets					
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
	₱5,336,931,506	₱ 80,222,623	₱6,414,629	₱-	₱5,423,568,758

** 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
	1.42:1	2.09:1

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
	2.28:1	2.31:1

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 : ______________________ **Date:** 5/11/18

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

______________________ **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
a) Accounts Receivable – Trade									
1 Power	1,324,751,161	788,421,420	206,483,168	97,777,066	197,375,535	34,693,973			
2 Real Estate	87,270,946	171,291	442,359	1,028,927	1,946,077	12,551,007	7,140,534	63,990,751	
3 Rental	5,557,922	497,327	244,841	330,140	585,558	1,041,331	1,802,112	1,056,613	
4 Plywood Hardiflex, agri & Ind'l	31,749,577							31,749,577	
Subtotal	1,449,329,606	789,090,038	207,170,368	99,136,133	199,907,170	48,286,311	8,942,646	96,796,941	-
Less: Allow. For Doubtful Accounts	78,164,463	-	-	-	-	-	-	78,164,463	
Net Trade Receivables	1,371,165,143	789,090,038	207,170,368	99,136,133	199,907,170	48,286,311	8,942,646	18,632,479	-
b) Accounts Receivable – Others									
1 Advances affiliates/project developer/joint venture	1,215,181,560	20,967,402	30,080,190	156,339,200	20,154,074	20,099,390	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		
5 Miscellaneous and other receivables	47,675,605		2,677,499			4,141,155	40,352,452	604,499	
Total Accounts Receivable – Others	1,288,693,900	21,220,320	35,019,015	161,582,021	35,889,208	26,427,877	97,161,372	911,394,088	-
Less: Allow. For Doubtful Accounts	5,271,357							5,271,357	-
	1,283,422,543	21,220,320	35,019,015	161,582,021	35,889,208	26,427,877	97,161,372	906,122,730	-
ACCOUNTS RECEIVABLE-NET (a + b)	2,654,587,686	810,310,358	242,189,383	260,718,153	235,796,378	74,714,187	106,104,018	924,755,209	-

Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
1. Trade receivable		
a) Power	Receivable arising from sale of power to NPC	30 days
b) Lots	Sale of residential lots	3 to 10 years
c) Rental	Office, parking & warehouse rental	30 days
d) Plywood Hardiflex, agri & Ind'l	Sale of ecowood, fiber cement board, Agri & Industrial products	38,58 & 130 days
2. Non-Trade receivable		
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 – 90 days
d) Others	Advances to various and other entities for business/investment	
	development and routinary inter-company transactions.	30 days – 2 years

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

Attachment B

Title of Issue and Type of Obligation	Loans Payable in the Balance Sheet	Current Portion of Long-Term Debt in the Balance Sheet	Interest Rates	Term	Maturity	Non-Current Portion of Long-Term Debt in the Balance Sheet
Parent Company						
Development Bank of the Phils.			Fixed 7.243%	Maturity Date	3. Dec. 2020	2,789,744,228
Land Bank of the Philippines		11,300,000	Fixed 7.243% and 7.92%	Maturity Date / Annually	3. Dec. 2020 and 3. Dec. 2022	1,903,431,476
Robinsons Bank Corporation		7,000,000	Fixed 7.243% and 7.92%	Maturity Date / Annually	3. Dec. 2020 and 3. Dec. 2022	776,349,725
Social Security System			Fixed 7.243%	Maturity Date	3. Dec. 2020	398,534,889
SSS Provident Fund		700,000	Fixed 7.92%	Annually	3. Dec. 2022	53,722,878
Easystride Inc.	20,831,938.04		3.75%		7. May. 2018	
SBJ Marikina Shoe Exchange Corp.	10,415,969.03		3.75%		7. May. 2018	
Missionary Sisters of Immaculate Heart	6,182,958.23		3.50%		14. May. 2018	
Pag-asa human Development Foundation Inc.	6,011,586.64		3.50%		14. May. 2018	
St. Louis School Inc.	3,238,768.19		3.50%		14. May. 2018	
SBJ Marikina Shoe Exchange Corp.	20,574,158.31		3.75%		14. May. 2018	
Metropolitan Bank and Trust Company	57,000,000.00		3.75%		18. Jun. 2018	
Stella Maris College	7,103,907.46		3.50%		14. May. 2018	
Metropolitan Bank and Trust Company	15,000,000.00		3.75%		20. Jun. 2018	
Metropolitan Bank and Trust Company	24,000,000.00		3.75%		13. Jun. 2018	
Metropolitan Bank and Trust Company	55,000,000.00		3.75%		5. Jun. 2018	
St. Theresa's College-QC	15,164,034.38		3.50%		6. Apr. 2018	
Missionary Sisters of Immaculate Heart	11,534,980.72		3.50%		6. Apr. 2018	
St. Augustine's School Inc.	4,670,509.03		3.50%		6. Apr. 2018	
Jardiolin,Victoria &/or Bitong,Dinah Dawn &/or Jardiolin,Majar &/or Jardiolin,Sebastian	5,223,115.13		3.50%		11. Jun. 2018	
Marketreach Corporation	20,892,460.47		3.50%		11. Jun. 2018	
Shoecat Inc.	17,758,591.39		3.50%		11. Jun. 2018	
Missionary Sisters of Immaculate Heart	14,227,347.01		3.75%		18. Jun. 2018	
Metropolitan Bank and Trust Company	40,000,000.00		3.75%		5. Jun. 2018	
Stella Maris College	5,046,875.00		3.75%		18. Jun. 2018	
St. Augustine's School Inc.	2,197,260.62		3.75%		18. Jun. 2018	
Multinational Foundation Inc.	3,028,125.00		3.75%		18. Jun. 2018	
Metropolitan Bank and Trust Company	80,000,000.00		3.75%		26. Jun. 2018	
Saranggani Energy Corp.						
Banco de Oro		371,707,743	Fixed 8.06%	Semi-Annual	19. Oct. 2026	6,281,467,251
RCBC		72,883,871	Fixed 8.06%	Semi-Annual	19. Oct. 2026	1,235,282,745
UCPB		72,883,871	Fixed 8.06%	Semi-Annual	19. Oct. 2026	1,228,847,850
Asia United Bank		109,325,806	Fixed 8.06%	Semi-Annual	19. Oct. 2026	1,843,271,778
Philippine Business Bank		36,441,935	Fixed 8.06%	Semi-Annual	19. Oct. 2026	592,358,837
China Bank Savings		7,288,387	Fixed 8.06%	Semi-Annual	19. Oct. 2026	123,528,276
Robinson Savings Bank		7,288,387	Fixed 8.06%	Semi-Annual	19. Oct. 2026	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%	Semi-Annual	15. Aug. 2019	143,721,006
Western Mindanao Power Corp.						
Development Bank of the Phils.	101,158,925		3.9375% (inclusive of GRT))		8. Jun. 2018	
Development Bank of the Phils.	50,590,802		3.9375% (inclusive of GRT))		16. May. 2018	-
Southern Philippines Power Corp.						
Development Bank of the Phils.	101,158,925		3.9375% (inclusive of GRT))		8. Jun. 2018	-
TOTAL	Php998,011,257	Php904,552,337				Php17,493,789,212

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

Schedule of Financial Soundness

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