

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

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

Principal Office (No./Street/Barangay/City/Town/Province)

A	L	S	O	N	S		B	U	I	L	D	I	N	G	,		2	2	8	6		C	H	I	N	O			
R	O	C	E	S			A	V	E	N	U	E	,		M	A	K	A	T	I		C	I	T	Y	,			
M	E	T	R	O			M	A	N	I	L	A	,		P	H	I	L	I	P	P	I	N	E	S				

Form Type

1	7	-	A
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Department requiring the report

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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

legal@alcantaragroup.com

Company's Telephone Number/s

8982 - 3000

Mobile Number

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No. of Stockholders

464

Annual Meeting
Month/Day

Any day of May

Fiscal Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jun Saldivar

Email Address

jsaldivar@alcantaragroup.com

Telephone Number/s

8982-3000

Mobile Number

--

Contact Person's Address

Alsons Building, 2286 Chino Roces Avenue, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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

**ANNUAL REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE
AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended 31 December 2019
2. SEC Identification Number 59366 3. BIR Tax Identification No. 001-748-412
4. ALSONS CONSOLIDATED RESOURCES, INC.
Exact name of registrant as specified in its charter
5. Philippines 6. (SEC Use Only)
Province, country or other jurisdiction of Industry Classification Code:
incorporation
7. Alsons Building, 2286 Don Chino Roces Avenue, Makati City, Philippines 1231
Address of principal office Postal Code
8. (632) 8982-3000
Registrant's telephone number, including area code
9. (Not applicable)
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock
	Outstanding and Amount of Debt Outstanding
Common Stock ₱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 []

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 there under or 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 []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant:

₱1,159,063,836.32

Assumption: Based on Closing Price of ₱0.92 as of 30 April 2020 and on 1,259,851,996 shares.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

Alsons Consolidated Resources, Inc. (ACR or 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. (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 (NMPC). The Securities and Exchange Commission (SEC) formally approved the stock swap on March 4, 1995 together with the increase in the Company's authorized capital stock from ₱1 billion to ₱3 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, some of the Alcantara Group's established businesses became majority- or minority-owned subsidiaries of ACR, whose authorized capital was further increased from ₱3 billion to ₱12 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:

Energy and Power

ACR's investment in the Energy and Power business is through four holding firms namely, Conal Holdings Corporation (Conal or CHC), Alsing Power Holdings, Inc. (Alsing), Alsons Renewable Energy Corporation (AREC), and Alsons Thermal Energy Corporation (ATEC). Conal owns all of ACR's diesel plant 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%. Alsing, in turn, owns 55% of: (a) Western Mindanao Power Corporation; and (b) Southern Philippines Power Corporation. Further, ACR directly owns 20% of Alsing. AREC, which was organized on September 18, 2014, is currently developing Siguil Hydro Power Corporation, Kalaong Hydro Power Corporation, Bago Hydro Resources Corporation and Sindangan Zambo-River Power Corporation, all in the business of renewable energy, and holds 100% of these entities. ATEC was organized on November 23, 2015, and ACR transferred its ownership in Sarangani Energy Corporation (Sarangani Energy) to ATEC on October 13, 2016.

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

On June 3, 2017, the Company signed an agreement with Global Business Power Corporation (GBP) for GBP to acquire a 50% less one share stake in ATEC. The Philippine Competition Commission approved the transaction on September 25, 2017, and the Deed of Absolute Sale 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 develops power plant projects outside the country.

The five (5) operating power generation subsidiaries, Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), Mapalad Power Corporation (MPC) and Sarangani Energy 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) arrangement with the National Power Corporation (NPC) expired in December 2015. SPPC owns a 55 MW diesel-fired electricity generating facility located in Alabel, Sarangani Province, 13 kilometers east of General Santos City. SPPC's 18-year BOO arrangement with NPC expired on April 28, 2016.

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

Sarangani Energy's 210MW coal-fired power plants are located in Maasim, Sarangani Province. Its first section of 105MW began commercial operations in April 2016, while its second section of another 105MW or Phase 2 started commercial operations on October 10, 2019.

ACR has also started construction of its first renewable energy project under Siguil Hydro Power Corporation, which will operate a 14.5MW run-of-river electricity generating facility located at the Siguil River basin in Maasim, Sarangani. ACR expects commercial operations to begin in 2022. The Company likewise began site development and clearing works for SRPI's 105MW coal-fired power plant project, which could supply power to Zamboanga City and other parts of the Zamboanga Peninsula, with commercial operations expected to begin in 2023.

Property Development

ACR is also engaged in Real Estate Development and Project Management through its subsidiary, Alsons Land Corporation or ALC. ALC continues to enhance its real estate portfolio thru investments in projects with immediate development potential. These include residential, commercial, mixed-use, and township and estate projects that have trading income activities (sale), high value recurring income businesses (rentals), Joint Venture arrangements and Asset Management opportunities.

Launched in November 25, 1994, ALC was involved in the development of Eagle Ridge Residential Estates, and the Eagle Ridge Golf and Country Club, in Cavite. The latter Club boasts of 72 holes in 4 golf courses, each designed by a world-class golf legend.

ACR also entered into a Joint Venture Agreement with Ayala Land Incorporated (ALI) to develop a 26-hectare world-class estate in Lanang, Davao City, Mindanao. The estate 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 events venue and a waterside cove with some retail components. A world-class medical facility will soon rise within the estate. 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.

ALC continues to grow its residential business when it embarked on the expansion of its Campo Verde subdivision in Batangas, a joint venture project with Sunfields Realty Development, Inc. The initial project, which is an 11-hectare property located inside the Lima Technology Center, is close to selling out. This project is 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 range from: Condesa, with a lot area of 90 square meters and floor area of 36 square meters; Duquesa, with a lot size of 100 square meters and a floor area of 50 square meters; and Reina, with 120 square meter-lot and a floor area of 80 square meters.

Through ALC, ACR is also developing the Kamanga Agro-Industrial Economic Zone in the Municipality of Maasim, Province of Sarangani, where the power plant of Sarangani Energy is located. This "Ecozone" is accredited with the Philippine Execonomic 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. Kamanga Agro-Industrial Ecozone Development Corporation (KAIEDC) has successfully closed an agreement in December 2019 for the sale of 28-hectare property to a locator.

Other Investments

In 2007, ACR infused capital of ₱ 195 million in ACR Mining Corporation (ACR Mining), which was acquiring 75% interest in a joint venture between Alsons Development and Investment Corporation (ALDEVINCO), and Southern Exploration Corporation (SECO). This joint venture was organized to explore and develop the Manat mining claims, which are covered by Mineral Production Sharing Agreement (MPSA) No. 094-97-XL up to the year 2022, with an 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 identified three mineralized structures: Pagtulian, Katungbuan/Taglayag, and Magas. Detailed work on the Magas Vein Zone revealed an estimated inferred resource of 2.7 million tons containing: 2.8 grams per ton gold, 26 grams per ton silver, 0.09% copper, 0.85% lead, and 1.58% zinc. On May 24, 2015, ACR's Board of Directors declared the shares of ACR Mining as a property dividend, with record date of June 5, 2015. The SEC approved the property dividend on August 11, 2015. The Bureau of Internal Revenue issued authorized the registration of the ACR Mining shares in the names of ACR's shareholders on February 22, 2016.

The Declaration of Mining Project Feasibility was submitted to the Mines and Geosciences Bureau on October 2012. As of today, the Manat MPSA is in exploration phase development.

Status of publicly-announced new projects

1. The second phase of 105MW of the 210 MW Sarangani Energy power plant has started commercial operations on October 10, 2019. The President of the Philippines personally

inaugurated the plant and also attended the launching of the Siguil Hydro Power Corporation's 14.5 MW project. This hydro project is the beginning of ACR's venture into renewable energy projects..

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 total project cost is estimated at ₱16 billion. SRPI is still negotiating with various banks to finance the project. Once in operation, the SRPI coal-fired power plant would be able to service Zamboanga City and other nearby areas.

The Company has no existing patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements.

1. Business segments contribution to revenues

Table I – Revenue Contribution by Business Segment

	(Amounts in Thousand PhP)			% to Total		
	2019	2018	2017	2018	2018	2017
Energy and Power	₱6,783,110	₱6,637,810	₱6,494,069	100%	100%	100%
Property Development	12,986	28,461	24,832	0%	0%	0%
	₱6,796,096	₱6,666,271	₱6,518,901	100%	100%	100%

The Company had no income from foreign sources for the past 3 years.

2. Competition

A shift in the market forces has prompted a slowdown in sales for the Eagle Ridge Estates. Economic and affordable housing developments of Filinvest, Camella Homes, and Amaia have gained a foothold in the region.

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

The diesel power plants of WMPC and MPC are moderately contracted. These plants offer distribution utilities ideal peaking and insurance capacities due to their competitive pricing and proven performance over years of reliable operations. SPPC, on the other hand, has no current PSA, but the Company is exploring opportunities for relocating its engines to other locations. MPC is likewise considering relocating its available unutilized engines to other locations.

3. Sources and Availability of Raw Materials and Supplies

SPPC has not renewed Fuel Supply Agreement with Pilipinas Shell Petroleum that expired last September 1, 2019. MPC and WMPC each signed a Fuel Supply Agreement with Phoenix Petroleum Corporation for the supply of approximately 4 to 8 million liters of fuel per month for each plant. MPC's and WMPC's agreement is valid until March 2021.

WMPC and MPC has an agreement with Pilipinas Shell Petroleum Corporation for the supply of its lubricating oil, while SPPC's contract was terminated in 2018.

Wärtsilä Corporation of Finland supplies the engine parts and major maintenance services needed by the diesel plants.

Sarangani Energy Corporation 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 kilogram and its price based on GlobalCoal New Castle Index. The agreement is valid for 10 years from April 29, 2016 until 2026. The company is also procuring low sulfur coal via spot market or short term contracts with flexible pricing options with prices based on Global Coal New Castle Index, Indonesian Coal Index and or Fixed Price arrangements

4. Dependence on a Single or a Few Customers

WMPC and MPC have secured, or are securing PSAs with various distribution utilities, and are currently moderately contracted. SPPC has no current PSA, but is exploring opportunities for relocating its engines to other locations. Sarangani Energy, on the other hand, has secured 25-year PSAs with the following distribution utilities:

<u>Contracting Party</u>	<u>Contracted Capacity (MW)</u>
South Cotabato Electric Cooperative II, Inc.	70
Iligan Light and Power, Inc.	15
Cagayan Electric Power and Light Company, Inc.	20
Davao del Norte Electric Cooperative, Inc.	15
Davao del Sur Electric Cooperative, Inc.	15
Agusan del Norte Electric Cooperative, Inc.	10
Agusan del Sur Electric Cooperative, Inc.	10
Cotabato Electric Cooperative, Inc.	10
South Cotabato I Electric Cooperative, Inc.	10
Zamboanga del Sur I Electric Cooperative, Inc.	5
Zamboanga del Norte Electric Cooperative, Inc.	5

Alto Power Management Corp. (APMC), a subsidiary of ACR, provides the plant and operation management services to SPPC, WMPC and MPC. Also, APMC International Ltd., a wholly owned subsidiary of APMC, provided operations and maintenance management services to PT Makassar Power Indonesia until April 2016.

The Property Development and other businesses of ACR are not dependent on a single or few customers and the loss of one or a few customers will have no material adverse effect on the Company and its subsidiaries.

5. Effect of Existing or Probable Governmental Regulations on the Business

Republic Act No. 9136, the Electric Power Industry Reform Act of 2001 (EPIRA), and its implementing rules and regulations (IRR), provide for significant changes in the power sector, which includes, among others:

- a. The unbundling of the generation, transmission, distribution and supply of power and other disposal assets, including its contract with independent power producers and electricity rates;

- b. Creation of a Wholesale Electricity Spot Market (WESM) within one year; and,
- c. Open and nondiscriminatory 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 its effectivity. It provides: (i) cross ownership restrictions between transmission and generation companies, and between transmission and distribution companies; and (ii) a cap of 50% on the demand of a distribution utility sourced from an associated company engaged in generation except for contracts entered into prior to the effectivity of the EPIRA; and (iii) specifically relating to generation companies, 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.

The second package of the tax reform program or the Corporate Income Tax and Incentives Rationalization Act (CITIRA), which is still subject to approvals, aims to rationalize the incentives system, with the hope that foreign investments will match or even surpass the incentives given, allowing net positive benefits to our country. Thus, additional requirements are proposed before a registered entity can avail certain tax incentives, such as the value-added tax (VAT) incentives on importation and domestic purchases.

The CITIRA proposes to grant VAT exemption on importation and VAT zero-rating on domestic purchases of capital equipment and raw materials used in the manufacturing and processing of products and importation of source documents of registered enterprises whose export sales meet the required threshold and are located within the ecozone, freeport, or utilizing customs bonded manufacturing warehouse.

If a registered enterprise's export sales are below the required threshold but is located within an ecozone, freeport, or is utilizing customs bonded manufacturing warehouse, the CITIRA likewise grants VAT exemption on importation and VAT zero-rating on domestic purchases of capital equipment and raw materials used in the manufacturing and processing of products to issue and transmit electronic receipts or sales or commercial invoices through designated electronic channels with a public certification system accredited by the Bureau of Internal Revenue. CITIRA will also reduce corporate income tax rate to 20 percent by 2029, from 30 percent at present. Based on management assessment, the reduction of income tax rates will provide positive impact to existing businesses and attract foreign investors to Kamanga Agro-Industrial Ecozone.

6. 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.

7. Employees

As of December 31, 2019, ACR and its 50% or more directly or indirectly-owned subsidiaries had a manpower complement of 481 employees, broken down as follows: 15 executives, 20 managers, 120 supervisors and 326 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.

8. Bankruptcy Proceedings

The Company has not contemplated any 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.

9. 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 Department of Environment and Natural Resources (DENR). Compliance with existing environmental laws has corresponding costs, which include expenditures for the following:

- a. renewal fees for the DENR permit/license to operate;
- b. exhaust emission tests and monitoring (costs covered by the environmental guarantee fund);
- c. environmental monitoring fund (SPPC ₱500,000 and WMPC ₱598,000); and,
- d. environmental guaranty fund (SPPC ₱500,000 and WMPC ₱508,000).

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) ₱2,022,841 in 2019; (2) ₱2,593,707 in 2018; and, (3) ₱2,940,145 in 2017

10. Investment Acquisition

On October 9, 2015, the Board of Directors approved the subscription to non-voting preferred shares in ALDEVINCO amounting to ₱2.2 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. In 2018, ALDEVINCO declared dividends amounting to ₱264 million covering the years 2016 to 2018.

On August 27, 2019, the Board of Indophil Resources Phils, Inc. (IRPI) approved the equity call to all existing shareholders amounting to ₱52.50 per share. On September 30, 2019, ACR participated and paid IRPI ₱2,977,452 for the additional 56,715 common shares.

Item 2. PROPERTIES

DESCRIPTION OF PROPERTIES

The Company's energy and power operations are located in three different sites. WMPC's power plant is in a 9-hectare property in Sitio Malasugat, Sangali, Zamboanga City, while SPPC's plant is situated in a 16-hectare property located in Alabel, Sarangani Province, which is 13 kilometers east of General Santos City. The WMPC and SPPC properties are fully owned by the above-mentioned subsidiaries of ACR. CHC's power plants, which are operated by MPC, are on an 8-hectare property in the Municipality of Lugait, Misamis Oriental and in the City of Iligan. These power plants were acquired from the City of Iligan by CHC on February 27, 2013. The lots on which the power plants of CHC are located were acquired by MPC from ALDEVINCO in November 21, 2013. The Sarangani

Energy coal-fired power plants are located in Maasim, Sarangani Province. The real estate assets of KAIEDC are located in Maasim Sarangani Province.

The power assets were used as collateral in various loans, specifically: (1) CHC power plant and the real estate owned by MPC, were used as collateral for loans for the rehabilitation of the MPC power plants; and (2) Sarangani Energy's real estate and coal-fired power plants are mortgaged to its various lender banks.

ALC, the Company's property development company, has properties in Batangas, Cabuyao in Laguna, and along Don Chino Roces Avenue (formerly Pasong Tamo Extension), Makati City. Its Batangas property currently has residential developments. In addition, ALC owns the property, including the improvement, Alsons Building, where the Company maintains its corporate headquarters.

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

All of these properties are in good condition.

Table II – Property, Plant and Equipment (consolidated)

(Amounts in Thousand PhP)	December 31, 2019	December 31, 2018
Main Engine of Power Plant Structures and Others	₱30,678,044	₱19,183,589
Plant Mechanical, Switchyard and Desulfurization Equipment	7,239,101	4,649,048
Land, Buildings and Leasehold Improvements	574,049	554,953
Machinery and Other equipment	1,398,804	915,938
Right of Use	810,204	-
Construction in Progress	35,274	12,425,399
Total	40,735,476	37,728,927
Less: Accumulated Depreciation and Amortization	(11,638,510)	(10,591,286)
Net Book Value	₱29,096,966	₱27,137,641

Item 3. RISKS

Through prudent management and cautious investment decisions, ACR constantly strives 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. 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 currencies. The spare parts and insurance of SPPC and WMPC are denominated in U.S. Dollars. The Company keeps a portion of its short-term investments in foreign currency to serve as a hedge in foreign exchange fluctuations.

2. Interest Rate Risks

The Company's interest rate risk management policy centers on reducing overall interest expense and on 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.

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

3. Liquidity Risks

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 restructuring or re-financing of existing loans to avail of better terms and conditions.

4. Credit Risks

ACR and subsidiaries transact only with companies and institutions that are in a sound financial position and have demonstrated good credit standing. The power companies' receivables are from various electric cooperatives and the collection of which has been current and up to-date except for SPPC's long-outstanding receivables from NPC amounting to ₱123 million. These receivables pertain to the portion of accounts that was disputed by 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. On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On September 6, 2019, SPPC filed with ERC a Manifestation with Urgent Motion to Resolve, praying that the commission: (1) resolve and grant SPPC's Omnibus Motion for Issuance of Writ of Execution and Notice of Garnishment dated July 18, 2018; and (2) resolve the issue of NPC's liability for interest in favor of SPPC under the Energy Conversion Agreement.

On December 4, 2019, while awaiting the ERC's resolution on SPPC's motion, SPPC's Executive Vice President, Tirso G. Santillan, wrote a letter to the NPC stating that "SPPC agreed

to collect the principal amount of ₱68.64 million and US\$5.77 million, and waive the interests amounting to ₱52.98 million and US\$3.43 million.”

On December 9, 2019, the NPC, through its president and CEO Pio J. Benavidez, signified its agreement to SPPC’s waiver of its claim of interest.

On December 27, 2019, SPPC filed with the ERC an Omnibus Motion to (a) Resolve and (b) Withdraw Claim for Interest. On the other hand, Receivables of the property companies come from installment sales of industrial/residential lots and housing units.

Receivable balances are monitored regularly and allowance provisions are reviewed to ensure limited exposure to bad debts.

Further discussion on the Company’s financial risk management objectives and policies is contained in Note 31 of the Consolidated Financial Statements.

Item 4. LEGAL PROCEEDINGS

SPPC has a long-outstanding receivable from NPC, which NPC disputed. The parties brought their dispute to the ERC for arbitration. On June 3, 2013, ERC decided in favor of SPPC, and NPC appealed the ERC decision to the Court of Appeals (CA), which affirmed the ERC decision. On August 17, 2015, the CA denied NPC’s motion for reconsideration. On September 18, 2015, NPC petitioned the Supreme Court (SC) to review the ERC and CA decisions. On July 16, 2016, the SC rendered a decision holding NPC liable to pay SPPC for the capacity and other fees arising from the additional 5 MW nominated by SPPC from 2005 to 2010. On November 23, 2016, the SC denied NPC’s motion for reconsideration, rendering the ERC decision final.

Some of the subsidiaries or affiliates of the Company are also from time to time involved in routine litigation as well as various legal actions incidental to their respective operations. 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. Refer to Note 34 of the Consolidated Notes to Financial Statements attached to this report for detailed description.

Item 5. 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.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. MARKET FOR REGISTRANT’S COMMON EQUITY and RELATED STOCKHOLDER MATTERS

1. Market Information

All the common shares of the company are listed in the Philippine Stock Exchange.

The following are the high and low market prices of the Company’s shares for the past three years:

Table 1 – Market Price of ACR Shares

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020	High Low	₱1.37 0.61			
2019	High Low	1.58 1.28	₱1.48 1.36	₱1.42 1.29	1.34 1.21
2018	High Low	1.38 1.23	1.35 1.18	1.30 1.14	1.31 1.22
2017	High Low	1.59 1.23	1.94 1.35	1.48 1.35	1.43 1.34

Stock Price as of April 30, 2020 was at ₱0.92 per share.

2. Stockholders

As of December 31, 2019, ACR has 6,291,500,000 shares outstanding held by 453 stockholders, inclusive of the two (2) accounts under PCD Nominee Corporation. The list of the top twenty stockholders of the Company as recorded by Prime Stock Transfer Services, Inc., the Company's stock transfer agent, are as follows:

Table 1 – Top Twenty (20) Stockholders

	<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
1.	Alsons Corporation	2,592,524,072	41.21%
2.	Alsons Power Holdings Corp.	1,249,999,599	19.87%
3.	Alsons Development and Investment Corp.	1,188,524,026	18.89%
4.	PCD Nominee Corporation (Filipino)	1,154,555,050	18.35%
5.	PCD Nominee Corporation (Non-Filipino)	74,874,001	1.19%
6.	SEC Account No. 2 fao various Customers of Guoco	2,090,000	0.03%
7.	All Asia Capital Trust & Investment Division	1,830,000	0.03%
8.	EBC Securities Corporation	1,030,000	0.02%
9.	Crisostomo, Emily A.	1,000,000	0.02%
9.	Cruz, Felipe Jr. A.	1,000,000	0.02%
9.	Nora T. Go	1,000,000	0.02%
10.	First Integrated Capital Securities, Inc. (555300)	900,000	0.01%
11.	First Integrated Capital Securities, Inc. (555200)	795,000	0.01%
12.	Ansald, Godinez & Co., Inc.	755,000	0.01%
13.	George Go	750,010	0.01%
14.	AACTC FAO Trinity Investment	680,000	0.01%
15.	EstebanYau	600,000	0.01%
16.	Roy C. Tia	513,000	0.01%
17.	S. J. Roxas & Co., Inc.	507,000	0.01%
18.	Antonio Co	500,000	0.01%
18.	Mendoza, Marites &/or Alberto Mendoza	500,000	0.01%
18.	Roqueza, Ricardo S.	500,000	0.01%
18.	San Jose, Roberto V.	500,000	0.01%
18.	Vega, Luis &/or Eliseo C. Ocampo, Jr.	500,000	0.01%

19.	Mendoza Albert G. &/or Jeannie C. Mendoza	450,000	0.01%
20	Guillermo F. Gili, Jr.	430,000	0.01%
Total shares of top 20		6,277,306,758	99.77%

3. Dividends

Declaration of dividends is subject to approval by the Board of Directors.

The historical dividend declarations are follows:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2019	May 30, 2019	₱125,830,000	₱0.020	June 30, 2019	July 24, 2019
2018	May 24, 2018	230,894,000	0.036	June 30, 2018	July 25, 2018
2017	May 25, 2017	100,664,000	0.016	June 30, 2017	July 25, 2017

Dividends on preferred shares amounting to ₱4 million in 2019, 2018 and 2017 were applied against the Company's subscriptions receivable from Alsons Corporation.

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.

4. Sales of Unregistered Securities Within the Last Two (2) Years

There are no other securities sold for cash by the Company within the last two (2) years that were not registered under the Securities Regulation Code.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

REVIEW OF CURRENT YEAR 2019 vs. 2018 OPERATIONS

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

1. Revenues and Profitability

ACR and Subsidiaries posted a slight increase in its consolidated revenues during the year at ₱6,796 million, a 2% improvement from the ₱6,666 million reported in the previous year. This improvement was due mainly to SEC 2's commercial operations which started on October 10, 2019. It generated 186,609 megawatts of power during the year.

Cost of services decreased by 9% at ₱4,237 million from ₱4,673 million in 2018. The decrease was due mainly to the lower cost of fuel caused by lower energy dispatched by the diesel plants and the delay in SEC 2's commercial operations.

General and administrative expenses increased by 23% at ₱598 million from ₱487 million in 2018. The increase was due mainly to the expenses recognized by SEC 2 as well as those of Siguil Hydro Power Corporation which began construction in the 3rd quarter of 2019 and expected commercial operations by the first half of 2022. Operating profit also improved by 31% at ₱1,958 million from ₱1,499 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved from ₱2,698 million to ₱3,081 million this year. The EBITDA margin is also higher at 45% this year versus the 40% earned in 2018.

Meanwhile, finance charges decreased by 9% from ₱1,186 million to ₱1,081 million. The partial pre-payment by ACR Parent debt in April 2018 amounting to P1billion and amortization of SEC 1 project loans, caused the decrease in interest expense. The interest incurred for SEC 2 was capitalized as part of project cost up to the time the Company declared commercial operations.

The Company realized a negative Other Income of ₱25 million from ₱294 million in 2018. The Company recognized a dividend from its investment in preferred shares amounting to ₱264 million in 2018 which is partly offset by higher equity in net earnings from an associate of ₱71 million in 2019, from ₱33 million last year.

As a result of the foregoing, the consolidated net income posted a better performance of ₱974 million in 2019, 73% better than the ₱563 million in 2018. The income attributable to Parent is 58% better from last year's ₱94 million to ₱148 million this year and posting an earnings per share of ₱0.023 from ₱0.014 last year.

2. Financial Position

As of December 31, 2019, total resources of ACR and Subsidiaries remained strong at ₱45,609 million, increased by 5% versus the ₱43,492 million level reported in 2018.

Current assets posted a slight decrease, from ₱8,904 million to ₱8,840 million. The decrease came largely from the use of cash and cash equivalents for the construction and completion of SEC 2. Siguil Hydro Power Plant likewise began construction during the year and Company made advances to its EPC Contractor during the year. Noncurrent assets rose by 6%, mostly on the capital expenditures incurred for the completion of the construction of SEC 2 and Siguil.

Current liabilities increased significantly by 92% from ₱6,280 million to ₱12,051 million, largely on account of higher current portion of long-term debt. The first tranche of Company's Fixed Rate Corporate Note (FXCN) which will mature in December 2020 has been recognized as current during the year. The Company is currently working on refinancing this maturing obligation. Noncurrent liabilities, on the other hand, decreased by 18% due to the reclassification of above maturing obligation and partly offset by the recognition of additional decommissioning liability related to SEC 2.

ACR posted a current ratio of 0.73:1 for 2019 as compared to 1.42:1 in 2018 mainly due to the reclassification of its maturing obligation. The Company is already in discussion with the existing lenders for the refinancing and majority of them have obtained management clearance to refinance the same.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities decreased from ₱5,310 million to ₱3,083 million this year due mainly to the completion of SEC 2. Net cash

outflows from financing activities amounted to ₱33 million in 2019 largely due to the lower loan drawdown amounting to ₱5,324 versus the ₱9,821 million in 2018. The total available funds of ₱7,890 million in 2019, from which ₱2,876 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached ₱2,815 million, 19% lower than the ₱3,475 million in the previous year.

3. Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2019 showed stable gross income at ₱2,556 million compared to last year's ₱1,986 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Table 2 – Comparative KPIs (2019 Vs. 2018)

Financial KPI	Definition	Calendar Year	
		2019	2018
Profitability			
Revenues		₱6,796	₱6,666
EBITDA		₱3,081	₱2,698
EBITDA Margin	EBITDA ÷ Net Sales	45%	40%
Return on Equity	Net Income ÷ Total Stockholders' Equity	7%	4%
Net Earnings Attributable To Equity Holders		₱148	₱94
Efficiency			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	29%	32%
Liquidity			
Net Debt Coverage	Cash Flow from Operating Activities ÷ Net Financial Debt	10%	13%
Debt-To-Equity Ratio		2.82:1	2.62:1
Current Ratio	Current Assets ÷ Current Liabilities	0.73:1	1.42:1

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from ₱2,698 million to ₱3,081 million in 2019 due mainly to the improved performances of SEC and WMPC. EBITDA Margin was also up from 40% in the previous year to 45% this year as a result of higher income.

Return on equity (ROE) was also up from last year's 4% to 8% this year while the net income attributable to the equity holders of the parent increased significantly to ₱148 million from last

year's ₱94 million. The second section of SEC started commercial operations on October 10, 2019 contributing ₱1,046 million in total revenues during the year.

Efficiency

The Company's operating expense ratio decreased to 29% in 2019 from 32% in 2018. The continued operating performance of the Company's operations led to the decrease in operating expense ratio.

Liquidity

As a result of additional project loan drawdown for the completion of Sarangani Energy section 2 during the year, financial debt increased by 8%. Consequently, net debt coverage ratio decreased to 11% from last year's 13%. Current ratio on the other hand decreased to 0.73:1 from last year's 1.42:1. The first tranche of Company's Five-Year Fixed Rate Corporate Note (FXCN) which matures on December 2020 has been recognized as current during the year. The Company is currently working on the refinancing of this maturing obligation and majority of the noteholders have signified their concurrence.

DESCRIPTION OF KEY PERFORMANCE INDICATORS:

1. **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.
2. **EBITDA.** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation, and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
3. **Net Earnings Attributable to Equity Holders of Parent.** Net income attributable to shareholders is one more step down from net income on the 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 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.

Significant Disclosures

Please refer to **Annex D** of this report for the significant disclosures made by the Company during the year. Other than those mentioned in Annex D and the disclosures made by the Company in its Audited Consolidated Financial Statements, it is not aware of the following:

1. Unusual items that materially affect the Company's assets, liabilities, equity, net income or cash flows because of their nature, size or incidence;
2. Issuance and repurchase of equity securities;
3. Segment revenues and segment results for business segments and geographical segments;
4. Changes in contingent liabilities or contingent assets since the annual balance sheet date;
5. Existence of material contingencies and other transaction events that are material to an understanding of the current period;
6. Known trends, commitments, events and uncertainties that will result in or likely to decrease its liquidity in a material way. ACR does not anticipate having, within the next twelve (12) months, any cash flow or liquidity problem nor does it anticipate any default or breach of any of its existing notes, loans, other indebtedness or financial arrangements requiring it to make payments. With the improvement in the Company's operating performance, ACR expects to meet all financial loan covenants for the next interim period;
7. Events that will trigger direct or contingent material financial obligations to the Company;
8. Material off-balance sheet transactions, arrangements, obligations (direct or contingent), and other relationships of the Company with unconsolidated entities or other persons created during the year;
9. Known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable impact on net sales, revenues, net income from continuing operations;
10. Significant elements of income or loss that did not arise from the Company's continuing operations;
11. Material events subsequent to the end of the reporting period that have not been reflected in the consolidated financial statements;
12. Material changes in the composition of the Company, including any business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations.

Notes to Consolidated Financial Statements

Accounting Policies and Principles

The consolidated financial statements of ACR and its Subsidiaries for the years ended December 31, 2019 and 2018 are presented in accordance with Philippine Financial Reporting Standards (PFRS) applied on a consistent basis.

Seasonality Aspects of the Business

The operations of ACR and its subsidiaries were not affected by seasonality or cyclicity.

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

1. Cash and cash equivalents, 19% Decrease and Short-term investments, 31% decrease

The decrease in cash and cash equivalents (2019: P2,815 million vs. 2018: P3,475 million) was due to the usage of cash for the completion of the SEC 2 power plant as well as the on-going construction of Siguil Hydro Power Plant. SEC 2 has started commercial operations on October 10 while Siguil is expected to be completed and to commence commercial operations in 2022.

2. Trade and other receivables, 22% Increase

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

3. Spare parts and supplies, 6% decrease

The decline was due mainly to the lower coal consumption of Sarangani Energy Corporation during the year.

4. Prepaid expenses and other current assets, 12% Increase

The increase was due to the higher interest reserve account of Sarangani Energy Corporation required for its loan facility used for the construction of SEC 2.

5. Advances to Constructors, 306% Increase

The increase was due to the additional advances made during the year for our first renewable energy project that began construction in 2019 and target completion in 2022.

6. Property, plant and equipment, 7% Increase

The increase in is due mainly to expenditures incurred for the completion of SEC 2 power plant.

7. Contract Asset, 5% Increase

The Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset.

8. Deferred Financing Cost, 100% Decrease

The decrease was due to reclassification of SEC 2 financing costs into property plant and equipment account.

9. Deferred Tax Assets, 75% Increase

The increase is due largely to the deferred tax impact of the additional recognized contract assets.

10. Accounts payable and other current liabilities, 4% Decrease

The decrease was due mainly to the payment of dividend declared by Sarangani Energy in the previous year.

11. Loans payable and short-term notes payable, 285% Increase

The short-term notes payable represents negotiable commercial paper registered with the Securities and Exchange Commission of the Company, which security is listed in the Philippine Dealing System (PDEX). The increase was due mainly to the additional issuance during the year.

12. Income tax payable, 571% Increase

The increase was due to the higher taxable income earned during the year.

13. Lease Liability, 100% Increase

The increase was due to the adoption of PFRS 16 on Leases. The standard provides a single lessee accounting model, requiring lessees to recognize the assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The corresponding asset – right of use is included as part of property plant and equipment amounting to ₱24 million net of accumulated depreciation.

14. Current Portion of Long-term Debt, 397% Increase
Long-term debts – net of Current portion, 19% Decrease

The first tranche of Company's Five-Year Fixed Rate Corporate Note (FXCN) which matures on December 2020 has been recognized as current during the year. The Company is currently working on the refinancing of this maturing obligation and majority of the noteholders have signified their concurrence.

15. Deferred Tax Liabilities, 16% Decrease

The decline in deferred tax liabilities was due to the increase capitalized interest of the SEC 2 Power Plant which is under construction during the year.

REVIEW OF CURRENT YEAR 2018 vs. 2017 OPERATIONS

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

Revenues and Profitability

ACR and Subsidiaries posted a slight increase in its consolidated revenues during the year at ₱6,666 million, a 2% improvement from the ₱6,519 million reported in the previous year. This improvement was due mainly to Sarangani Energy Section 1 operations.

Cost of services also increased by 2% at ₱4,673 million from ₱4,574 million in 2016. The increase was due mainly to the higher energy dispatched of SEC 1 generating 521,304 megawatts of power from last years' 489,029 megawatts due to higher utilization this year.

General and administrative expenses decreased by 13% at ₱487 million from ₱562 million in 2017. The decline was due to one time expenses recognized by SEC 1 in 2017 for prior year's administrative charges. Operating profit also improved 9% at ₱1,499 million from ₱1,374 million reported in the previous year.

Earnings before interest, taxes, depreciation and amortization (EBITDA) improved from ₱2,363 million to ₱2,698 million this year. The EBITDA margin is higher at 40% this year versus the 36% earned in 2017.

Meanwhile, finance charges slightly decreased by 1% from ₱1,200 million to ₱1,186 million. The partial pre-payment by ACR Parent debt in April 2018 amounting to P1billion, caused the slight decrease in interest expense. The interest incurred for SEC 2 was capitalized as part of project cost.

On the other hand, the Company realized an other income of ₱326 million from ₱70 million in 2017. The Company recognized a dividend from its investment in preferred shares amounting to ₱264 million and equity in net earnings from an associate of ₱33 million during the year.

As a result of the foregoing, the consolidated net income jumped 444% from last year's ₱103 million to ₱563 million. The income attributable to Parent is turnaround from a loss of ₱21 million in the previous year to an income of ₱94 million this year and posting an earnings per share of ₱0.015 from (₱0.004) last year.

Financial Position

As of December 31, 2018, total resources of ACR and Subsidiaries remained strong at ₱43,492 million, increased by 14% versus the ₱38,237 million level reported in 2017.

Current assets posted a 4% decrease, from ₱9,257 million to ₱8,904 million. The decrease came largely from the use of cash and cash equivalents for the construction of SEC 2 and partial prepayment of the the Company's Fixed Rate Corporate Note (FXCN). Noncurrent assets rose by 19%, mostly on the capital expenditures incurred for the completion of the second phase of Sarangani Energy's power plant and the contract asset resulting from the application of Philippine Financial Reporting Standards 15 wherein revenues of Sarangani Energy should be is recognized over time based on contract period (straight-line basis). The details of this are disclosed in our Notes to Financial Statements.

Current liabilities also increased by 12% from ₱5,590 million to ₱6,280 million, largely on account of higher accounts payable and accrued expenses. Noncurrent liabilities increase by 20%, due to the additional drawdown of project loan for the second phase of Sarangani Energy's power plant.

ACR's balance sheet remained strong with a current ratio at 1.42:1 in 2018 versus the 1.66:1 level in 2017, while its debt-to-equity ratio increased at 2.03:1 from 1.79:1, due to availment of additional debts for SEC 2 power plant.

Net cash inflows from operating activities remain stable and continue to be the source of payment of maturing obligations and trade payables. Net cash used for investing activities increased significantly from ₱1,050 million to ₱5,212 million this year due mainly to the construction of SEC 2. Together

with net cash inflows from financing activities amounting to ₱1,738 million, largely from loan availments, available funds totaled ₱11,117 million in 2018, from which ₱5,534 were used for power plant project construction during the year. The net cash balance after accounting for the above changes reached ₱3,475 million, 21% lower than the ₱4,384 million in the previous year.

Key Performance Indicators (KPI)

The Company's operations for the year ended December 31, 2018 showed stable gross income at ₱1,498 million compared to last year's ₱3,74 million. KPI of the Company are as follows: (Amounts in million pesos, except ratios).

Table 3 – Comparative KPIs (2018 Vs. 2017)

Financial KPI	Definition	Calendar Year	
		2018	2017
Profitability			
Revenues		₱6,666	₱6,519
EBITDA		₱2,695	₱2,325
EBITDA Margin	EBITDA ÷ Net Sales	40%	36%
Return on Equity	Net Income ÷ Total Stockholders' Equity	4%	1%
Net Earnings Attributable To Equity Holders		₱94	(₱21)
Efficiency			
Operating Expense Ratio	Operating Expenses ÷ Gross Operating Income	32%	41%
Liquidity			
Net Debt Coverage	Cash Flow from Operating Activities ÷ Net Financial Debt	13%	15%
Debt-To-Equity Ratio		2.62:1	1.74:1
Current Ratio	Current Assets ÷ Current Liabilities	1.42:1	1.66:1

Profitability

The earnings before interest, taxes, depreciation and amortization (EBITDA) of the Company increased from ₱2,325 million to ₱2,695 million in 2018 due mainly to higher utilization of SEC 1. EBITDA Margin was also up from 36% in the previous year to 40% this year as a result of higher income.

Return on equity (ROE) was also up from last year's 1% to 4% this year while the net income attributable to the equity holders of the parent was a turnaround at ₱94 million from a loss of ₱21 million in 2017. The loss in 2017 was attributable to the higher finance charges availed for the

project loan of SEC 1 and the lower performance of the diesel plants. The Company is currently exploring opportunities on how its diesel assets are best utilized.

Efficiency

The Company's operating expense ratio decreased to 32% in 2018 from 41% in 2017. The last year's recognition of a non-recurring administrative cost resulted to a higher general and administrative expenses in 2017.

Liquidity

As a result of additional project loan for the construction of Sarangani 2 during the year, financial debt increased by 18%. Consequently, net debt coverage decreased to 13% from last year's 15%. Current ratio on the other hand decreased to 1.42:1 from last year's 1.66:1 due largely to the higher accounts payable and accrued expenses in 2018.

Notes to Consolidated Financial Statements

Accounting Policies and Principles

The consolidated financial statements of ACR for the years ended December 31, 2018 and 2017 are presented in accordance with PFRS applied on a consistent basis.

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

1. **Cash and cash equivalents, 21% Decrease**

The decrease in cash and cash equivalents (2018: ₱3,474 million vs. 2017: ₱4,384 million) was due to the usage of cash for partial pre-payment of Parent Company's long-term debt in April 2018.

2. **Trade and other receivables, 4% Increase**

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

3. **Prepaid expenses and other current assets, 59% Increase**

The increase was due to the higher interest reserve account of Sarangani Energy Corporataion required for its loan facility used for the construction of SEC 2.

4. **Advances to Constructors, 100% Increase**

The increase was advances for the upgrade of transmission Line for SEC 2. The advances will be applied against future future payments.

5. **Property, plant and equipment, 19% Increase**

The increase in is due mainly to expenditures incurred for the construction of SEC 2 power plant.

6. **Equity instruments designated through fair value other than comprehensive income, 100% Increase**

The increase is a change in classification from AFS financial assets in 2017 to the above account in compliance with Accounting Standards.

7. Contract Asset, 100% Increase

The Contract asset represents asset recognized through the application of PFRS 15. This Accounting Standards simply recognizes the revenues of SEC relative to its Capital Recovery Fee equally over the life of its PSA. Thus, applying the average method in calculating the CRF Revenue. The increment is presented as Contract Asset.

8. Deferred Tax Assets, 22% Increase

The increase is due largely to the deferred tax impact of the recognized contract assets.

9. Other Noncurrent Assets, 18% Increase.

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

10. Accounts payable and other current liabilities, 25% Increase

The increase was due mainly to the unpaid dividend declared by Sarangani Energy in 2018 payable in 2019.

11. Loans payable, 64% Decrease

The decrease was due the settlements of short-term working capital facility of ACR Parent, SPPC and WMPC during the year.

12. Short-term Notes Payable, 100% Increase.

The short-term notes payable represents ₱ 100 million negotiable commercial paper registered with the Securities and Exchange Commission of the Company, which security is listed in the Philippine Dealing System (PDEX). The first issuance is part of the first tranche of ₱ 1.5 billion of commercial paper.

13. Income tax payable, 50% Decrease

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

14. Current Portion of Long-term Debt, 34% Increase
Long-term debt-net of Current Portion, 21% Increase

The increase in long-term debt was due to additional loan drawdown for the construction of SEC 2 Power Plant. While the maturing principal of the project loan availed for SEC 1 caused the 34% increase in current portion of long-term debt.

15. Deferred Tax Liabilities, 15% Increase

The incline in deferred tax liabilities was due to the increase capitalized interest of the SEC 2 Power Plant which is under construction during the year.

Item 8. FINANCIAL STATEMENTS

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

1. SyCip Gorres Velayo & Co. (SGV) is the Company's external auditors 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 the rotation of external auditors, SGV's previous engagement partner was replaced in 2014.
3. Fees for the years ended December 31, 2019 and 2018 were ₱550,000 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 2019 and 2018. The fees and services were approved by the Audit, Risk Oversight, and Related Party Transaction Committee (Audit Committee) in compliance with the Code of Corporate Governance for Publicly Listed Companies.

The other fees billed by SGV pertain to an engagement of SGV in 2018 to conduct a tax seminar exclusively for the Group on the Tax Reform for Acceleration and Inclusion (TRAIN). For this separate engagement, SGV billed the Company ₱112,000 as professional fee, inclusive of any applicable taxes.

4. There have been no disagreements with SGV 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.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

1. Board of Directors and Executive Officers

a. 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:

Table V- Board of Directors

Office	Name	Nationality
Director, President, Chairman of the Board	Tomas I. Alcantara	Filipino
Director, Vice-Chairperson and Treasurer	Editha I. Alcantara	Filipino
Director, Executive Vice President, Chief Operating Officer	Tirso G. Santillan, Jr.	Filipino
Director	Alejandro I. Alcantara	Filipino
Director	Ramon T. Diokno	Filipino
Director	Arturo B. Diago, Jr.	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
Independent Director	Thomas G. Aquino	Filipino

Tomas I. Alcantara, 73, 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 Masters 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 & 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 Aidx 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 & 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 & Cultural Office from March 2001 to August 2010.

Editha I. Alcantara, 71, Filipino, has served as 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., 76, 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 Masters 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, 65, 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 & General Manager of Sarangani Agriculture Company, Inc. since 1986 and of Alsons Aquaculture Corporation since 1998. He also became a Director of other companies in the Alcantara Group in 1986. Mr. Alcantara also served as a Director and the Treasurer of the Federation of Cattle Raisers Association of the Philippines from 1997 to December 2009.

Ramon T. Diokno, 72, 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 Masters 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, 47, 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 & Sons, Inc. in July 2006 and of Alsons Land Corporation in July 2009.

Jacinto C. Gavino, Jr., 70, 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, Professorial Chair in 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, 80, 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 & 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 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, 74, 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).

Dr. Thomas G. Aquino, 71, 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 & 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 Philippines-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.

He obtained a 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.

Arturo B. Diago, Jr. 68, 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 Golf Corporation since 2007. Mr. Diago has been the Vice-President-Comptroller of MG Exeo Network, Inc. since 1991. He has been an 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. Mr. Diago served as the President of Lodestar Investment Holdings Corp. since May 2006. He held various positions in the Alcantara Group of Companies involved in manufacturing, marketing and shipping operations. He has been the Vice Chairman of Asian Media Development Group, Inc. since 2003. Mr. Diago serves as a Director of Directories Philippines Corporation and MG Exeo Network Inc., among other corporations. He has been a Director of Alsons Consolidated Resources, Inc. since August 24, 2017. He serves as a Director of Cebuana Lhuillier Bank, Cybersoft Information Technology, Inc., 911 Alarm, Inc. and Vinnell Belvoir Corp. He served as a Director of Lodestar Investment Holdings Corp. from March 10, 2006 to December 2007 and its Globalport 900, Inc. (a/k/a MIC Holdings Corp.). Mr. Diago served as a Director of PLDT Communications and Energy Ventures, Inc. (Former Name: Pilipino Telephone Corporation) from April 24, 1991 to May 9, 2011. He obtained his Master's Degree in Business Management from the Asian Institute of Management and his Bachelor of Science Degree in Commerce from the De La Salle University. He also attended the Strategic Business Economics Program of the Center for Research and Communication (now University of Asia and the Pacific).

b. The Executive Officers

The following Company executive officers do not own more than 2% of ACR:

Table VI – Executive Officers

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	Tirso G. Santillan, Jr.	Filipino

Operating Officer		
Corporate Secretary	Roberto V. San Jose	Filipino
Assistant Corporate Secretary	Angel M. Esguerra III	Filipino

Roberto V. San Jose, 78, 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 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, 58, 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.

2. 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.

3. Independent Directors

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

- a. Jacinto C. Gavino, Jr.
- b. Jose Ben R. Laraya
- c. Thomas G. Aquino

4. Warrants and Options Outstanding

There are no warrants or options granted by the Company to any of its Directors or executive Officers.

5. Pending Legal Proceedings

None of the directors and officers was involved in any bankruptcy proceedings as of March 31, 2020 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.

6. 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.

7. Legal Proceedings where Property is the Subject

There are no material pending legal proceedings to which the Company or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

Item 11. EXECUTIVE COMPENSATION

A director's compensation represents a per diem of ₱30,000 for every attendance of a Board meeting, and ₱15,000 for every attendance of a meeting of the Executive and Corporate Governance Committee (Executive Committee) and the Audit Committee.

The aggregate amounts paid by the Company to its Directors and Executive Officers as a group were ₱2,985,000 and ₱5,256,000 for the years 2019 and 2018, and ₱3,705,000 in 2017, respectively. For 2020, the Company estimates that it will pay an aggregate amount of ₱4,257,000 as compensation to its Directors and Executive Officers.

Table VII - Summary of Compensation of Directors and Executive Officers

Name and Principal Position	Year (With 2020 Estimates)	Bonus (₱)	Other Annual Compensation Income (₱)
1. Tomas I. Alcantara Chairman and President	2020	₱ -	₱ 330,000
	2019	-	165,000
	2018	-	434,000
	2017	-	330,000
2. Editha I. Alcantara Director & Treasurer	2020	-	405,000
	2019	-	285,000
	2018	-	509,000
	2017	-	330,000
3. Tirso G. Santillan, Jr. Director, EVP & COO	2020	-	405,000
	2019	-	315,000
	2018	-	509,000
	2017	-	330,000
4. Jose Ben R. Laraya Director	2020	-	405,000
	2019	-	330,000
	2018	-	509,000
	2017	-	330,000
5. Ramon T. Diokno Director	2020	-	375,000
	2019	-	255,000
	2018	-	464,000
	2017	-	330,000

All other Officers and Directors as a group unnamed	2020	-	2,355,000
	2019	-	1,635,000
	2018	-	2,831,000
	2017	-	1,500,000

Other Annual Compensation received from ACR represents per diems given for every attendance in a Board, an Executive Committee (Excom) meeting or an Audit Committee meeting. The disclosure on the compensation of Key Management Personnel is presented in Note 20 of the 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:

Position	Name
Chairman	Tomas I. Alcantara
Member	Honorio A. Poblador III
Member (Independent Director)	Jose Ben R. Laraya
Member	Tirso G. Santillan, Jr.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The above named executive officers of the Company are not employees of ACR and are not covered by any existing employment contracts. They only receive per diems if they attend a meeting of the Board, or its Executive, or Audit, Committee.

Warrants and Options Outstanding: Repricing

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

Item 12. SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

1. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2018, Alsons Consolidated Resources, Inc. knows of no one who beneficially owns in excess of 5% of its common stock except as set forth in the following table:

Table VIII - 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	<u>Alsons Corporation¹</u> (AC) Alsons Bldg., 2286 Don Chino Roces Avenue, Makati City	Affiliate	Alsons Corporation ²	Filipino	2,592,524,072	41.21%
Common	Alsons Power Holdings Corp¹ (APHC) Alsons Bldg., 2286 Don Chino Roces, Avenue Makati City	Affiliate	Alsons Power Holdings Corporation ²	Filipino	1,249,999,599	19.87%
Common	Alsons Development & Investment Corp¹ (ALDEVINCO) 329 Bonifacio St., Davao City	Affiliate	Alsons Development and Investment Corporation ²	Filipino	1,188,524,026	18.89%
Common	PCD Nominee Corporation³ (Fil) MSE Bldg., Ayala Ave., Makati City	None	Various ⁴	Filipino	1,147,422,476	18.13%

2. Security Ownership of Management

The following table shows the securities beneficially owned by all directors, nominees and executive officers of ACR as of December 31, 2018:

Table IX - Security Ownership of Management

Directors:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	r	0.00%
Common	Editha I. Alcantara	100,000	Filipino	r	0.00%
Common	Alejandro I. Alcantara	1	Filipino	r	0.00%
Common	Jacinto C. Gavino, Jr.	1	Filipino	r	0.00%

¹ The President and CEO of the Corporation, Tomas I. Alcantara, is the Chairman of the Board of Directors of the Company.

² The respective Boards of Directors of each of AC, APHC and Aldevinco has power to decide how the shares are to be voted.

³ The PCD Nominee Corporation is not related to the Company.

⁴ 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.

Common	Ramon T. Diokno	1	Filipino	r	0.00%
Common	Jose Ben R. Laraya	100	Filipino	r	0.00%
Common	Conrado C. Alcantara	1	Filipino	r	0.00%
Common	Honorio A. Poblador III	100	Filipino	r	0.00%
Common	Thomas G. Aquino	100	Filipino	r	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	r	0.00%
Total		100,406			0.00%

Officers:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Registered (r) or Beneficial (b)	Percent of Ownership
Common	Tomas I. Alcantara	1	Filipino	R	0.00%
Common	Editha I. Alcantara	100,000	Filipino	R	0.00%
Common	Tirso G. Santillan, Jr.	1	Filipino	R	0.00%
Common	Roberto V. San Jose	500,000	Filipino	R	0.00%
Total		600,002			0.00%

3. Voting Trust Holder of 5% or More

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

4. Changes in Control

There are no arrangements which may result in a change in control of the registrant.

Item 13. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

During the last three (3) years, the Company was not a party in 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 among the other 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):

- In October 2015, the Company subscribed to 22 million redeemable preferred shares of Alsons Development and Investment Corporation (ALDEVINCO), a shareholder, through a conversion of its advances to ALDEVINCO amounting to ₱2.2 billion. These shares have a par value of ₱100 per share and a cumulative dividend of 4% per annum, and are non-participating. The Parent Company accounts for its investment in redeemable preferred shares as part of AFS investment in the Financial Statements.
- On March 21, 2013, ALDEVINCO and ACIL (collectively, AG) and Ayala Land, Inc. (ALI) entered into a joint venture agreement, where ALI would own 60%, and AG would own 40%, of the outstanding capital stock of a joint venture corporation, Aviana Development Corporation (ADC), which would develop the Lanang property in Davao City. Thereafter, ALDEVINCO assigned to ACR all of its rights and obligations in the agreement. On September 17, 2013, ADC was incorporated, and ACR has subscribed to, and now owns, 34% of ADC's outstanding capital stock.

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. In 2019, and 2018, ACR paid this law firm fees of ₱360,000.00 and ₱5,135,548.08, respectively. Included in the for 2018 is the ₱4,722,338.88 payment for legal advice and services on the partial divestment of Alsons Thermal Energy Corporation in 2017. The Company believes that these fees are reasonable for the services rendered.

List all parents of the registrant showing the basis of control and as to each parent, the percentage of voting securities owned or other basis of control by its immediate parent, if any.

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 & Investment Corporation - 18.89%.

PART IV – CORPORATE GOVERNANCE

Item 14. CORPORATE GOVERNANCE

In compliance with the directives of the SEC, please find attached the latest Integrated Annual Corporate Governance Report by the Company filed with the SEC.

PART V - EXHIBITS AND SCHEDULES

Item 15. EXHIBITS AND REPORTS

15.1 Consolidated Financial Statements

The Audited Consolidated Financial Statements for the years ended December 31, 2019 and 2018 are attached as Exhibit 1:

- Management's Responsibility to the Financial Statements
- Independent Auditor's Report
- Consolidated Balance Sheets December 31, 2019 and 2018
- Consolidated Statements of Income for the three years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Comprehensive Income for the three years ended December 31, 2019, 2018 and 2017
- Consolidated Statements of Cash Flows for the three years ended December 31, 2019, 2018 and 2017.
- Notes to Consolidated Financial Statements

15.2 Supplementary Schedules

Independent Auditor's Report on Supplementary Schedules SRC Annex 68-E Schedules

- A. Financial Assets – (Cash equivalents, Short-term cash investments, and Available for Sale Financial Assets)
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties

- and Principal Stockholders
- C. Amounts receivable from related parties which are eliminated during the consolidation of financial statements
- D. Intangible Assets - Other Assets
- E. Long-term Debt
- F. Indebtedness to Related Parties
- G. Guarantees of Securities of Other Issuers
- H. Capital Stock
 - Schedule of Retained Earnings Available for Dividend Declaration
 - Conglomerate Map
 - Schedule of All Effective Standards and Interpretations

15.3 Reports on SEC Form 17-C

- Report on SEC Form 17-C filed during the year ended December 31, 2019 is attached together with this report and presented in Exhibit 6:

SIGNATURES

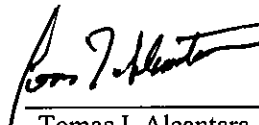
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Makati on _____.

ALSONS CONSOLIDATED RESOURCES, INC.

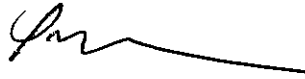
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capacities and on the date indicated.

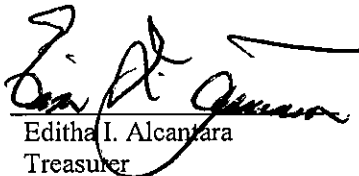
By:


Tomas I. Alcantara
Chairman and President

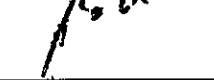
Date : 5/28/20


Tirso G. Santillan, Jr.
Executive Vice-
President and Chief
Operating Officer

Date : 5/28/20


Editha I. Alcantara
Treasurer

Date : 5/28/20

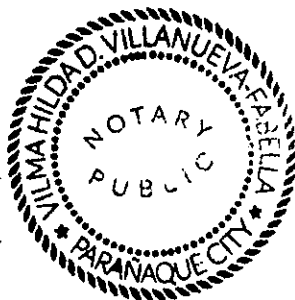

Roberto V. San Jose
Corporate Secretary

Date : 5/28/20


SUBSCRIBED AND SWORN to before me this MAY 28, 2020 day of _____ affiants exhibiting to me competent evidence of their respective identity as follows:

<u>NAMES</u>	<u>IDENTIFICATION NO.</u>	<u>DATE & PLACE OF ISSUE</u>
Tomas I. Alcantara	UMID#CRN-0111-0521374-6	
Tirso G. Santillan, Jr.	DL#N17-72-000977	Valid until 2/12/2023 LTO QC
Editha I. Alcantara	EC4769595	07/29/2015 / DFA NCR South
Roberto V. San Jose	PP#P1329913A	12-20-16 / DFA NCR South

Doc. No. 279
Page No. 57
Book No. 08
Series of 2020



Angel M. Esguerra III
Notary Public
for Makati City until December 31, 2021
Commission No. M-218; Roll No. 34787; 06/01/87
IBP Lifetime No. 00259; 06/01/95; Pasay Chapter
PTR OR No. 8121644; 01-06-2020; Makati City
Alsons Bldg., 2286 Chino Roces Ave., Makati City


ATTY. VILMA HILDA VILLANUEVA-FABELLA
NOTARY PUBLIC
Until December 31, 2020
IBP No. 101004/1-03-2020/PPLM
PTR No. 2216225/1-02-2020/Paranaque
Roll No. 41901
Not. Com. No. 119-2019/1-07-2019
55 Molave Ave., Marville, Paranaque City

ALSONS CONSOLIDATED RESOURCES, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULES
FORM 17-A, Item 7

Exhibit No.

Consolidated Financial Statements

Exhibit 1

Statement of Management's Responsibility
Report of Independent Public Accountants
Consolidated Balance Sheets as of December 31, 2019, 2018 and 2017
Consolidated Statements of Income for the three years ended December 31,
2019, 2018 and 2017
Consolidated Statements of Comprehensive Income for the three
Years ended December 31, 2019, 2018 and 2017
Consolidated Statements of Cash Flows for the three years ended December
31, 2019, 2018 and 2017
Notes to Consolidated Financial Statements

Supplementary Schedules

Exhibit 2

Independent Auditor's Report on Supplementary Schedules
SRC Annex 68-E Schedules
A. Financial Assets – (Cash equivalents, Short-term cash investments, and
Available for Sale Financial Assets)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties
and Principal Stockholders
C. Amounts receivable from related parties which are eliminated during the
consolidation of financial statements
D. Intangible Assets - Other Assets
E. Long-term Debt
F. Indebtedness to Related Parties
G. Guarantees of Securities of Other Issuers *
H. Capital Stock
Schedule of Retained Earnings Available for Dividend Declaration
Conglomerate Map
Schedule of All Effective Standards and Interpretations

INDEX TO EXHIBITS

Form 17-A

	<u>Page No.</u>
Plan of Acquisition, Reorganization, Arrangement, Liquidation, or Succession	*
Instruments Defining the Rights of Security Holders, Including Indentures	**
Voting Trust Agreement	*
Material Contracts	**
Annual Report to Security Holders, Form 11-Q or Quarterly Report to Security Holders	*
Letter re: Change in Certifying Accountant	*
Report Furnished to Security Holders	*
Published Report Regarding Matters Submitted to Vote of Security Holders	*
Consent of Experts and Independent Counsel	*
Power of Attorney	*

-
- * These Exhibits are either not applicable to the Company or require no answer.
** There were no changes or additions to those already provided in our SEC Form 11-A and in our succeeding filing.

EXHIBIT 1

AUDITED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018 And Years Ended December 31, 2019, 2018 and 2017

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						5	9	3	6	6
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COMPANY NAME

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

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

A	l	s	o	n	s		B	u	i	l	d	i	n	g	,		2	2	8	6		C	h	i	n	o		
R	o	c	e	s		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y	,			
M	e	t	r	o		M	a	n	i	l	a	,		P	h	i	l	i	p	p	i	n	e	s				

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, If Applicable

N	A
---	---

COMPANY INFORMATION

<p>Company's Email Address</p> <p style="text-align: center;">legal@alcantaragroup.com</p>	<p>Company's Telephone Number</p> <p style="text-align: center;">(02) 8982-3000</p>	<p>Mobile Number</p> <p style="text-align: center;">N/A</p>
<p>No. of Stockholders</p> <p style="text-align: center;">464</p>	<p>Annual Meeting (Month / Day)</p> <p style="text-align: center;">May 30</p>	<p>Fiscal Year (Month / Day)</p> <p style="text-align: center;">December 31</p>

CONTACT PERSON INFORMATION

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

<p>Name of Contact Person</p> <p style="text-align: center;">Robert F. Yenko</p>	<p>Email Address</p> <p style="text-align: center;">ryenko@alcantaragroup.com</p>	<p>Telephone Number/s</p> <p style="text-align: center;">(02) 8982-3000</p>	<p>Mobile Number</p> <p style="text-align: center;">N/A</p>
---	--	--	--

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, 2019 and 2018, 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
Chairman and President


TIRSO G. SANTILLAN, JR.
Executive Vice-President


EDITHA I. ALCANTARA
Treasurer

SUBSCRIBED AND SWORN to before me this **MAY 28 2020** affiants exhibiting to me their Identifications, as follows:

Name

Identification No.

Date & Place of Issue

Tomas I. Alcantara
Tirso G. Santillan, Jr.
Editha I. Alcantara

UMID#CRN-0111-0521374-6
DL#N17-72-000977
EC4769595


Valid until 2/12/2023 LTO QC
07-29-15 / DFA NCR South



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ANGEL M. ESGUERRA, II
Notary Public

for Makati City until December 31, 2021
Commission No. M-218; Roll No. 34787; 06/01/87
IBP Lifetime No. 00259; 06/01/1995; Pasay Chapter
PTR OR No. 8121644; 01/06/20; Makati City
Alsons Bldg., 2286 Chino Roces Ave., Makati City


ATTY. VILMA HILDA VILLANUEVA-FABELLA
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Until December 31, 2020
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PTR No. 2216225/1-02-2020/Parañaque
Roll No. 41901
Not. Com. No. 119-2019/1-07-2019
35 Molave Ave., Marville, Parañaque City

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 statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 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 each 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 matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Recoverability of Goodwill

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required to annually test the amount of goodwill for impairment. As at December 31, 2019, the Group's goodwill that is attributable to its two power generation cash-generating units (CGUs) amounted to ₱807 million, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically the contracted and dispatchable capacities, tariff rates 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, specifically on discount rates. We compared the other key assumptions used, such as contracted and dispatchable capacities 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, ancillary services procurement agreements and other relevant external data. 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.

Valuation of Unquoted Investment in Alsons Development & Investment Corporation (Aldevinco)

The Group's investment on equity securities designated at fair value through other comprehensive income (FVOCI) include an investment in unquoted preferred shares of Aldevinco amounting to ₱2,200 million, comprising 5% of total consolidated assets as at December 31, 2019. This matter is significant to our audit because determining the fair value of an unquoted equity investment is inherently subjective as it involves the use of valuation inputs that are not market observable. Management also applied judgment in selecting the valuation technique and assumptions to be used considering the information available to the Group.

The Group's disclosures about its investment in unquoted equity securities designated at FVOCI are included in Note 13 to the consolidated financial statements.

Audit Response

We reviewed the valuation technique and the assumptions used, which include the fair values of the investee's identifiable assets and liabilities, such as the fair values of real estate inventories, appraised values of real properties and fair values of investments in listed and unlisted securities of the investee company's underlying assets and discount for lack of marketability. We compared the key assumptions used against market values and other relevant external data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the valuation is most sensitive; specifically, those that have the most significant effect on the determination of the fair value of the unquoted equity investment.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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.

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 Manolito R. Elle.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle

Manolito R. Elle

Partner

CPA Certificate No. 106471

SEC Accreditation No. 1618-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 220-881-929

BIR Accreditation No. 08-001998-128-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125233, January 7, 2020, Makati City

March 19, 2020



ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱2,814,560,639	₱3,474,561,841
Short-term cash investments (Note 7)	181,632,086	262,952,916
Trade and other receivables (Notes 8 and 20)	3,180,128,360	2,611,221,442
Spare parts and supplies - at cost (Note 9)	642,939,891	682,741,033
Real estate inventories (Note 10)	632,070,639	631,565,395
Prepaid expenses and other current assets (Notes 15 and 18)	1,388,195,478	1,240,571,129
Total Current Assets	8,839,527,093	8,903,613,756
Noncurrent Assets		
Noncurrent portion of installment receivables (Note 8)	1,967,393	4,019,641
Contract assets (Notes 6 and 8)	1,131,664,236	1,080,416,000
Investments in real estate (Note 10)	191,394,011	191,436,343
Investments in associates (Note 11)	2,198,140,844	2,209,533,587
Property, plant and equipment (Note 12)	29,096,966,060	27,137,641,252
Equity investments designated at fair value through other comprehensive income (FVOCI) [Note 13]	2,350,666,222	2,358,327,598
Advances to contractors	398,404,368	97,932,769
Goodwill (Note 14)	806,687,320	806,687,320
Net retirement benefits assets (Note 28)	18,271,750	20,450,756
Deferred financing cost (Note 18)	—	39,796,992
Deferred income tax assets - net (Note 29)	75,807,239	43,393,316
Other noncurrent assets	499,717,049	598,573,648
Total Noncurrent Assets	36,769,686,492	34,588,209,222
TOTAL ASSETS	₱45,609,213,585	₱43,491,822,978
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 16)	₱4,480,650,789	₱4,657,904,845
Loans payable (Note 17)	112,291,726	354,895,860
Short-term notes payable (Note 17)	1,618,725,542	95,163,413
Income tax payable	68,454,301	10,207,718
Current portion of long-term debts (Note 18)	5,770,565,644	1,161,893,431
Total Current Liabilities	12,050,688,002	6,280,065,267
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 18)	17,528,929,060	21,619,760,478
Deferred income tax liabilities - net (Note 29)	711,388,178	849,195,409
Net retirement benefits liabilities (Note 28)	74,604,824	37,952,129
Lease liability - net of current portion (Note 30)	13,991,345	—
Decommissioning liability (Notes 12 and 19)	374,915,615	199,409,217
Total Noncurrent Liabilities	18,703,829,022	22,706,317,233
Total Liabilities	30,754,517,024	28,986,382,500

(Forward)



December 31		
	2019	2018
Equity (Note 21)		
Capital stock	₱6,335,683,333	₱6,331,283,333
Equity reserves	2,494,321,789	2,518,570,606
Retained earnings:		
Unappropriated	1,562,270,564	1,344,989,831
Appropriated	1,100,000,000	1,300,000,000
Attributable to equity holders of the Parent Company	11,492,275,686	11,494,843,770
Non-controlling interests (Notes 1 and 21)	3,362,420,875	3,010,596,708
Total Equity	14,854,696,561	14,505,440,478
TOTAL LIABILITIES AND EQUITY	₱45,609,213,585	₱43,491,822,978

See accompanying Notes to Consolidated Financial Statements.



ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Revenue from contract with customers (Notes 6 and 33)	₱6,785,917,506	₱6,654,220,237	₱--
Rental income (Note 30)	10,178,592	12,050,882	12,158,045
Energy fees (Note 33)	—	—	6,494,068,927
Real estate sales (Note 33)	—	—	12,673,806
	6,796,096,098	6,666,271,119	6,518,900,778
COSTS AND EXPENSES			
Cost of services (Note 22)	(4,236,965,190)	(4,672,776,589)	(4,573,651,777)
Cost of real estate sold (Note 10)	(3,198,806)	(7,478,621)	(9,498,425)
General and administrative expenses (Note 23)	(597,891,399)	(487,134,253)	(562,111,244)
	(4,838,055,395)	(5,167,389,463)	(5,145,261,446)
OTHER INCOME (CHARGES)			
Finance charges (Note 26)	(1,081,013,732)	(1,185,892,672)	(1,200,295,515)
Interest income (Notes 7 and 18)	118,193,175	62,966,406	37,863,224
Equity in net earnings of associates (Note 11)	70,629,805	32,888,825	—
Others - net (Note 27)	(24,660,862)	293,839,536	70,152,948
	(916,851,614)	(796,197,905)	(1,092,279,343)
INCOME BEFORE INCOME TAX	1,041,189,089	702,683,751	281,359,989
PROVISION FOR (BENEFIT FROM)			
INCOME TAX (Note 29)			
Current	211,948,807	86,586,212	143,551,013
Deferred	(144,912,544)	53,144,742	34,331,187
	67,036,263	139,730,954	177,882,200
NET INCOME	₱974,152,826	₱562,952,797	₱103,477,789
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱147,510,733	₱93,500,832	(₱21,033,147)
Non-controlling interests	826,642,093	469,451,965	124,510,936
	₱974,152,826	₱562,952,797	₱103,477,789
Basic/diluted earnings (loss) per share attributable to equity holders of the Parent Company (Note 21)	₱0.023	₱0.014	(₱0.004)

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
NET INCOME	₱974,152,826	₱562,952,797	₱103,477,789
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains (losses) on defined benefit plan (Note 28)	(28,223,858)	1,638,226	(3,141,328)
Effect of changes in asset ceiling	—	—	3,056,014
Tax effect (Note 29)	4,757,333	(4,666,611)	(246,394)
	(23,466,525)	(3,028,385)	(331,708)
Net changes in fair values of equity investments designated at FVOCI (Note 13)	(7,661,376)	12,024,309	—
	(31,127,901)	8,995,924	(331,708)
<i>Items that will be reclassified to profit or loss:</i>			
Unrealized gains on fair valuation of AFS financial assets	—	—	9,602,718
Translation adjustments	(4,838,842)	15,311,495	1,155,929
	(4,838,842)	15,311,495	10,758,647
TOTAL OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(35,966,743)	24,307,419	10,426,939
TOTAL COMPREHENSIVE INCOME	₱938,186,083	₱587,260,216	₱113,904,728
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱123,261,916	₱119,870,916	(₱10,023,797)
Non-controlling interests	814,924,167	467,389,300	123,928,525
	₱938,186,083	₱587,260,216	₱113,904,728

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, 2019, 2018 AND 2017

	Attributable to Equity Holders of the Parent Company									
	Other Equity Reserves					Retained Earnings (Note 21)				
	Capital Stock (Note 21)	Remeasurement Gains (Losses) on Defined Benefit Plan (Notes 21 and 28)	Unrealized Gains (Losses) on FVOCI / AFS Financial Assets (Notes 13 and 21)	Cumulative Translation Adjustments (Note 21)	Equity Reserves (Note 21)	Sub-total	Unappropriated	Appropriated	Sub-total	Non-controlling Interests (Note 1)
BALANCES AS AT DECEMBER 31, 2016	P6,322,483,333	P4,756,234	(P52,922,963)	P1,677,199,965	P145,480,697	P1,774,513,933	P1,013,611,249	P1,300,000,000	P10,410,608,515	P301,386,276
Net income (loss)	-	-	-	-	-	-	(21,033,147)	-	(21,033,147)	124,510,936
Other comprehensive income (loss)	-	(105,414)	9,602,718	1,153,833	-	10,651,137	358,213	-	11,009,350	(582,411)
Total comprehensive income (loss)	-	(105,414)	9,602,718	1,153,833	-	10,651,137	(20,674,934)	-	(10,023,797)	123,928,525
Collection of subscriptions receivable	4,400,000	-	-	-	-	-	-	-	4,400,000	-
Cash dividends declaration (Note 21)	-	-	-	-	-	-	(105,064,000)	-	(105,064,000)	(225,000,000)
Additional investment in a subsidiary (Note 1)	-	-	-	-	-	-	-	-	-	1,125,000,000
Disposal of interest in a subsidiary without loss of control (Note 1)	-	-	-	-	709,140,065	709,140,065	-	-	709,140,065	1,495,267,800
BALANCES AS AT DECEMBER 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
Effect of adoption of PFRS 15, <i>Revenue from Contracts with Customers</i> (Note 5)	-	-	-	-	-	-	592,406,071	-	592,406,071	248,624,801
BALANCES AS AT JANUARY 1, 2018	6,326,883,333	4,650,820	(43,320,245)	1,678,353,798	854,620,762	2,494,305,135	1,480,278,386	1,300,000,000	11,601,466,854	3,069,207,402
Net income	-	-	-	-	-	-	93,500,832	-	93,500,832	469,451,965
Other comprehensive income (loss)	-	(109,316)	12,024,309	14,896,210	-	26,811,203	(441,119)	-	26,370,084	(2,062,665)
Total comprehensive income (loss)	-	(109,316)	12,024,309	14,896,210	-	26,811,203	93,059,713	-	119,870,916	467,389,300
Collection of subscriptions receivable	4,400,000	-	-	-	-	-	-	-	4,400,000	-
Transfer of realized gain from OCI (Note 13)	-	-	(2,545,732)	-	-	(2,545,732)	2,545,732	-	-	-
Cash dividends declaration (Note 21)	-	-	-	-	-	-	(230,894,000)	-	(230,894,000)	(525,999,994)
BALANCES AS AT DECEMBER 31, 2018	6,331,283,333	4,541,504	(33,841,668)	1,693,250,008	854,620,762	2,518,570,606	1,344,989,831	1,300,000,000	11,494,843,770	3,010,596,708
Net income	-	-	-	-	-	-	147,510,733	-	147,510,733	826,642,093
Other comprehensive loss	-	(11,880,441)	(7,661,376)	(4,707,000)	-	(24,248,817)	-	-	(11,717,926)	(35,966,743)
Total comprehensive income (loss)	-	(11,880,441)	(7,661,376)	(4,707,000)	-	(24,248,817)	147,510,733	-	123,261,916	814,924,167
Collection of subscriptions receivable	4,400,000	-	-	-	-	-	-	-	4,400,000	-
Cash dividends declaration (Note 21)	-	-	-	-	-	-	(130,230,000)	-	(130,230,000)	(463,100,000)
Reversal of appropriated retained earnings	-	-	-	-	-	-	200,000,000	(200,000,000)	-	-
BALANCES AS AT DECEMBER 31, 2019	P6,335,683,333	(P7,338,937)	(P41,503,044)	P1,688,543,008	P854,620,762	P2,494,321,789	P1,562,270,564	P1,100,000,000	P11,492,275,686	P3,362,420,875
										P14,854,696,561

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,041,189,089	₱702,683,751	₱281,359,989
Adjustments for:			
Finance charges (Note 26)	1,081,013,732	1,185,892,672	1,200,295,515
Depreciation (Note 25)	1,076,834,280	871,947,014	881,533,932
Interest income (Notes 7 and 18)	(118,193,175)	(62,966,406)	(37,863,224)
Share in earnings of associate (Note 11)	(70,629,805)	(32,888,825)	—
Unrealized foreign exchange loss - net	42,545,740	19,831,361	1,474,920
Movements in net retirement assets and retirement benefits liabilities (Notes 24 and 28)	10,607,843	14,400,380	1,962,756
Gain on sale of property, plant and equipment and investments in real estate (Note 27)	(1,168,423)	(866,268)	(1,829,595)
Recovery of impairment loss on real estate inventories due to sale (Notes 10 and 27)	(663,673)	(483,328)	(1,172,249)
Dividend income (Note 27)	—	(264,000,000)	—
Gain on sale of investment (Notes 11 and 27)	—	—	(34,339,109)
Recovery of impairment loss on investment due to sale (Note 27)	—	—	(13,725,000)
Operating income before working capital changes	3,061,535,608	2,433,550,351	2,277,697,935
Decrease (increase) in:			
Trade and other receivables	(284,185,625)	(193,160,226)	(93,699,757)
Contract assets	(51,248,236)	(192,236,514)	—
Real estate inventories	158,429	7,478,620	9,498,425
Spare parts and supplies	39,801,142	4,589,914	(35,681,892)
Prepaid expenses and other current assets	(86,707,479)	18,908,947	1,504,811
Increase (decrease) in accounts payable and other current liabilities	(27,319,059)	1,042,683,391	2,262,457,072
Cash generated from operations	2,652,034,780	3,121,814,483	4,421,776,594
Income taxes paid including creditable withholding taxes	(185,661,723)	(132,455,874)	(194,705,758)
Net cash flows from operating activities	2,466,373,056	2,989,358,609	4,227,070,836
CASH FLOWS FROM INVESTING ACTIVITIES			
Grant (collection) of advances to related parties	(283,139,830)	368,617,121	(253,993,200)
Interest received	118,193,175	62,966,406	32,527,366
Dividend received (Note 11)	83,000,000	—	—
Additions to:			
Property, plant and equipment (Notes 12 and 35)	(2,875,644,571)	(5,533,532,154)	(4,633,150,298)
Investments in real estate (Note 10)	(94,468)	(10,469,468)	(5,019,774)
Investments in associates (Note 11)	(2,977,452)	—	(1,000,000)
Computer software	(4,003,566)	(2,004,952)	(8,604,103)
Proceeds from disposals of:			
Property, plant and equipment	6,609,830	3,749,744	2,117,591
Equity investments designated at FVOCI	—	6,929,732	—
Interest in a subsidiary without loss of control (Note 1)	—	—	2,116,805,184
Investment in associate (Note 11)	—	—	48,064,109
Withdrawal of (additions to) short-term cash investments (Note 7)	77,032,800	(14,657,135)	(199,877,387)
Proceeds from disposal of (additions to) other noncurrent assets	98,020,769	(93,716,753)	(57,043,578)
Additions to advances to contractors	(300,471,599)	(97,932,769)	—
Proceeds from insurance claims	—	—	29,538,950
Net cash flows used in investing activities	(3,083,474,912)	(5,310,050,228)	(2,929,635,140)

(Forward)



	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans and long-term debts (Notes 17, 18 and 35)	₱5,324,436,224	₱9,820,762,994	₱3,979,777,962
Payments of:			
Loans and long-term debts (Note 35)	(3,495,991,558)	(6,191,165,896)	(1,860,220,000)
Interest expense (Notes 30 and 35)	(1,068,765,898)	(1,164,350,296)	(1,497,323,519)
Dividends (Notes 21 and 35)	(629,930,000)	(567,493,994)	(325,664,000)
Debt issue costs (Note 18)	(103,131,983)	(40,272,212)	(206,030,383)
Principal portion of lease liability (Note 30)	(10,274,664)	—	—
Additions to interest reserve account (Notes 15 and 18)	(49,508,647)	(442,770,196)	(183,468,889)
Proceeds from additional investment in a subsidiary (Note 1)	—	—	1,125,000,000
Net cash flows from (used in) financing activities	(33,166,526)	1,414,710,400	1,032,071,171
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(650,268,382)	(905,981,219)	2,329,506,867
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,732,820)	(3,258,988)	3,708,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,474,561,841	4,383,802,048	2,050,586,516
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	₱2,814,560,639	₱3,474,561,841	₱4,383,802,048

See accompanying Notes to Consolidated Financial Statements.



ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES **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:

Subsidiaries	Nature of business	Percentage of Ownership			
		2019		2018	
		Direct	Indirect	Direct	Indirect
Alsons Thermal Energy Corporation (ATEC)	Investment holding	50.00*	—	50.00*	—
Sarangani Energy Corporation (Sarangani)	Power generation	—	37.50	—	37.50
ACES Technical Services Corporation (ACES)	Management services	—	50.00	—	50.00
San Ramon Power Inc. (SRPI)	Power generation	—	50.00	—	50.00
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
Bago Hydro Resources Corporation (Bago)	Power generation	—	80.00	—	—
Sindangan Zambo-River Power Corp. (Sindangan)	Power generation	—	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.

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

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 was completed in October 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, 2019 and 2018, 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. As at March 19, 2020, the Company has not started the construction of the ZAM 100 power plant. The proposals for the Engineering, Procurement and Construction (EPC) rebidding were submitted on August 30, 2018. Selection of the contractor who will handle the construction of the project is expected to be concluded in March 2020. Meanwhile, the signing of contract and awarding of the Limited Notice to Proceed to the winning bidder is estimated to be in August 2020, with the issuance of Final Notice to Proceed in September 2020. The project is expected to be completed in May 2023.

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

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.

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).

AREC and Subsidiaries

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%.



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 15 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. In July 2019, Siguil has commenced its construction and expected to be completed in July 2022. As at March 19, 2020, Siguil and Kalaong have not yet started commercial operations.

Bago and Sindangan. AREC organized and incorporated Bago and Sindangan on February 26, 2018 and August 31, 2018, respectively, as wholly owned subsidiaries. Bago and Sindangan were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Bago's 42 MW Hydro Power Project is in Negros Occidental while Sindangan's 20 MW Hydro Power Project is in Siayan and Duminag, Zamboanga Del Norte. These projects are expected to augment power supply in the provinces of Negros Occidental and Zamboanga Del Norte, respectively, once they are completed. As at March 19, 2020, Bago and Sindangan have not yet started commercial operations.

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 19, 2020, 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 were authorized for issuance by the BOD on March 19, 2020.

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 equity investments designated at fair value through other comprehensive income (FVOCI)/available-for-sale (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), which include the availment of the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as discussed in Note 4.

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 statement of financial position, separately from equity attributable to the equity holders of the Parent Company.



Material Partly-Owned Subsidiaries

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

Name of Subsidiary	Place of Incorporation and Operation	Principal Activity	Proportion Ownership Interest and Voting Rights Held by Non-controlling Interests		
			2019	2018	2017
SPPC	Philippines	Power generation	45.0%	45.0%	45.0%
WMPC	Philippines	Power generation	45.0%	45.0%	45.0%
ATEC	Philippines	Holding Company	50.0%	50.0%	100.0%
Sarangani	Philippines	Power generation	62.5%	62.5%	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 statements of financial position as at December 31 are as follows:

	2019			2018		
	SPPC	WMPC	ATEC*	SPPC	WMPC	ATEC*
	<i>(Amounts in Thousands)</i>					
Current assets	₱146,633	₱650,033	₱4,010,757	₱181,366	₱701,101	₱3,940,237
Noncurrent assets	268,987	374,544	28,196,622	316,737	447,237	25,870,607
Current liabilities	(37,516)	(211,434)	(7,971,094)	(38,092)	(538,524)	(6,685,461)
Noncurrent liabilities	(76,741)	(100,717)	(16,470,124)	(84,525)	(91,311)	(15,856,382)
Equity	₱301,363	₱712,426	₱7,766,161	₱375,486	₱518,503	₱7,269,001
Equity attributable to:						
Equity holders of the Parent Company	₱164,435	₱380,032	₱5,077,425	₱205,203	₱273,374	₱4,730,633
Non-controlling interests	136,928	332,394	2,688,736	170,283	245,129	2,538,368
	₱301,363	₱712,426	₱7,766,161	₱375,486	₱518,503	₱7,269,001

*Based on consolidated balances of ATEC and its subsidiaries.

Summarized statements of comprehensive income for each of the three years in the period ended December 31 are as follows:

	2019			2018			2017		
	SPPC	WMPC	ATEC*	SPPC	WMPC	ATEC*	SPPC	WMPC	ATEC*
	<i>(Amounts in Thousands)</i>								
Revenue and other income	₱318	₱1,147,694	₱4,785,056	₱160,831	₱1,394,881	₱4,728,173	₱522,471	₱1,454,871	₱4,168,083
Expenses	(87,379)	(869,249)	(3,482,135)	(200,603)	(1,366,385)	(3,866,115)	(391,061)	(1,341,781)	(3,756,956)
Benefit from (provision for) income tax	12,265	(83,133)	(77,573)	(8,134)	(24,407)	(57,899)	(35,056)	(42,391)	(33,452)
Net income	(74,796)	195,312	1,225,348	(47,906)	4,089	804,159	96,354	70,699	377,675
Other comprehensive income (loss)	673	(1,389)	(13,187)	3,926	(10,215)	917	(876)	(498)	(470)
Total comprehensive income (loss)	(₱74,123)	₱193,923	₱1,212,161	(₱43,980)	(₱6,126)	₱805,076	₱95,478	₱70,201	₱377,205
Equity holders of the Parent Company	(₱40,768)	₱106,658	₱450,896	(₱24,189)	(₱3,369)	₱299,414	₱52,513	₱38,611	₱261,663
Non-controlling interests	(33,355)	87,265	761,265	(19,791)	(2,757)	505,662	42,965	31,590	115,542
	(₱74,123)	₱193,923	₱1,212,161	(₱43,980)	(₱6,126)	₱805,076	₱95,478	₱70,201	₱377,205

*Based on consolidated balances of ATEC and its subsidiaries.



Summarized statements of cash flows for each of the three years in the period ended December 31 are as follows:

	2019			2018			2017		
	SPPC	WMPC	ATEC*	SPPC	WMPC	ATEC*	SPPC	WMPC	ATEC*
	<i>(Amounts in Thousands)</i>								
Operating	(P30,689)	P214,731	P1,908,551	P7,117	P73,588	P1,508,653	P263,694	P70,659	P1,777,377
Investing	6,776	(55,912)	(2,299,504)	20,357	(84,212)	(4,529,582)	176,389	158,143	(4,940,797)
Financing	2,388	(200,589)	(84,962)	(102,912)	(9,516)	4,290,802	(407,779)	(157,804)	2,666,911
Net increase (decrease) in cash and cash equivalents	(P21,525)	(P41,770)	(P475,915)	(P75,438)	(P20,140)	P1,269,873	P32,304	P70,998	(P496,509)
Dividends paid to non-controlling interests	P-	P-	P185,000	P-	P22,500	P497,500	P157,500	P67,500	P-

*Based on consolidated balances of ATEC and its subsidiaries.

3. Changes in Accounting Policies and Disclosures

New Standards Effective Starting January 1, 2019

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise indicated.

- PFRS 16, *Leases*

PFRS 16, *Leases*, supersedes PAS 17, *Leases*, Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 4, *Determining whether an Arrangement contains a Lease*, Standing Interpretations Committee (SIC) 15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

The Group adopted PFRS 16 using the modified retrospective approach in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC 4.

The effect of adoption of PFRS 16 as of January 1, 2019 is as follows:

Increase in consolidated statement of financial position:

Right-of-use assets (Note 12)	P35,274,144
Lease liability (Note 30)	35,274,144

The Group has lease contracts for office spaces. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 4 for the accounting policy beginning January 1, 2019.



Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at January 1, 2019:

- Right-of-use assets of ₱35.27 million were recognized and presented as part of “Property, plant and equipment”.
- Lease liability of ₱35.27 million was recognized.
- Deferred tax liability on right-of-use assets increased by ₱10.58 million while deferred tax asset on lease liability increased by the same amount.

The lease liability as at January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018	₱42,053,783
Less: Short-term lease commitments	(1,877,508)
Operating lease commitments as at January 1, 2019	40,176,275
Incremental borrowing rate at January 1, 2019	8.76%
Lease liabilities recognized at January 1, 2019	₱35,274,144

Due to the adoption of PFRS 16, the Group’s operating profit in 2019 will improve, while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 will not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

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

Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*, addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

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

The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined, based on its assessment, that it is probable that its income tax treatments will be accepted by the taxation authorities or if not probable, the impact is not significant to the consolidated financial statements.

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest (SPPI) on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

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

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

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

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



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

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments did not have significant impact on the consolidated financial statements of the Group.

- Annual Improvements to PFRSs 2015-2017 Cycle

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

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

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.



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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no significant impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

The adoption of this amendment resulted to additional capitalized borrowing costs relating to general borrowings amounting to ₱197 million in 2019.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

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

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

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

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



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

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

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

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

Deferred effectivity

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

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



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

4. Summary of Significant Accounting and Financial Reporting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position 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 statement of financial position 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 changes in value.

Short-term Cash Investments

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

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

Financial Instrument

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

Financial Assets

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.



In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Subsequent measurement of financial assets

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

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

The Group has financial instruments classified as financial assets at FVOCI but has no financial assets at FVPL.

Financial assets at amortized cost

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents, short-term cash investments, receivables, deposits in interest reserve account, due from related parties and retention receivable.

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and unquoted equity investments under this category.



Financial Liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment. For receivables from real estate sales, ECL is computed using vintage analysis.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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



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

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 profit or loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to 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.

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

Date of recognition

The Group recognizes a financial asset in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date



accounting. 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 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 prior to January 1, 2018.

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 prior to January 1, 2018.

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 EIR. 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 profit or loss 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, short-term notes payable and long-term debts.

Impairment of Financial Assets

The Group assesses at each statement of financial position 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 EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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.

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.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to 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.

Derivative Financial Instrument

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

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

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

Embedded derivatives

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

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.

Spare Parts and Supplies

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

When the circumstances that previously caused the spare parts and supplies to be written down below cost no longer exist, or when there is clear evidence of an increase in NRV because of changes in 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.

Repossessed inventories are measured at cost at the time of original sale. The Company avails of the relief granted by SEC to defer the adoption of accounting for cancellation of real estate sales as discussed in PIC Q&A No. 2018-14, which requires repossessed inventories to be measured at either fair value less cost to repossess or fair value plus repossession cost.

Investments in Real Estate

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

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

Building and improvements are depreciated using the straight-line method over the estimated useful life of five (5) years to fifteen (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 statement of financial position 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

The Group's property, plant and equipment consist of land, buildings, leasehold improvements, machinery and equipment, construction in progress and right-of-use asset that do not qualify as investment properties.

Property, plant and equipment, except for land, are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including borrowing costs. 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 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 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 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 separately.

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

	Number of Years
Main engine, transmission lines and sub-station	12 - 28
Plant mechanical, electrical, switchyard and desulfurization equipment	28
Plant structures and others	28

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

	Number of Years
Buildings	10
Leasehold improvements	5 or term of the lease, whichever period is shorter



	Number of Years
Machinery and other equipment:	
Machinery and equipment	5 - 10
Office furniture, fixtures and equipment	3 - 5
Transportation equipment	3 - 5

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 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.

Right-of-use assets (Effective January 1, 2019)

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term.

Right-of-use assets are subject to impairment.

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 PFRS 9 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 PFRS 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 or group of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Computer Software

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

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

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

Impairment of Nonfinancial Assets

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is



reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates after application of the equity method. The Group determines at each statement of financial position 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 investment, 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 (Upon Adoption of PFRS 15 Beginning January 1, 2018)

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

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

The contracted capacity as agreed in the PSA and the energy delivered to customers are separately identified. These two performance obligations are combined and considered as one performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

Real estate sales. The Group derives its real estate sales from sale of lots. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

Contract balances

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

Contract assets. Contract assets pertain to the Group's conditional right over the consideration for the completed performance for which revenue was already recognized but not yet billed to the customers. The amounts recognized as contract assets from energy sales will be reduced gradually at the time the related amount billed, billable and/or collected from the customers under the contract is greater than the revenue earned and recognized.

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



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

Revenue Recognition (Prior to Adoption of PFRS 15)

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

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

Real estate sales. Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with PIC Q&A 2006-01, the percentage-of-completion method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the physical proportion of contract work. The percentage of completion is determined by the Group's project engineers.

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

Rental Income

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

Interest Income

Interest income is recognized as the interest accrues using the EIR.

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 statement of financial position 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 OCI.

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 statement of financial position date.

Lease Liability (Effective January 1, 2019)

At the commencement date of the lease, the Group recognizes lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Effective prior to January 1, 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating leases are recognized as expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 statement of financial position 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 statement of financial position 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 statement of financial position. 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 statement of financial position.

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 below.

- 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position 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 statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

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

Decommissioning liability

The decommissioning liability arose from the WMPC's, SPPC's and Sarangani'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 its business activities into two main 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.

Determination of appropriate deferred income tax rate

Sarangani is entitled to a 5% gross income tax (GIT) rate on its total power sales provided that, as a Filipino company, 50% of its power output is sold to a Philippine Economic Zone Authority (PEZA)-registered export enterprises and qualified constructive exporters (see Note 33). Management believes that they will be able to meet the required sales of power output to a PEZA-registered export enterprises and qualified constructive exporters and will continue to preserve its entitlement to use the 5% GIT rate.

Evaluating revenue from contracts with customers

The Group applied the following judgements in the determination of the amount and timing of revenue recognition:

- *Identifying performance obligations*
Under PFRS 15, for energy sales, the contracted capacity as agreed in the PSA and the energy delivered to customers are separately identified. These two performance obligations are combined and considered as one performance obligation since these are not distinct within the context of PFRS 15 as the buyer cannot benefit from the contracted capacity without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.
- *Determining method to estimate variable consideration and assessing the constraint*
Some contracts with customers provide unspecified quantity of energy, provisional Energy Regulatory Commission (ERC) rates, volume or prompt payment discounts and foreign exchange and consumer price index (CPI) adjustments in the monthly billing. Under PFRS 15, such provisions give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.



For prompt payment discount, the Group determined that the most likely method is the appropriate method to use in estimating the variable consideration given that there are few possible outcomes.

Foreign exchange adjustments in monthly fixed/variable overhead and fee for actual energy delivered (fuel cost, subject to consumer price index and forex adjustments) will be constrained since the amount of consideration is highly susceptible to factors outside the Group's influence (e.g., market movements for forex and consumer price index, and actual demand of the customer for energy) and the contract has a large number and broad range of possible consideration amounts. Reassessment will be made as the contract progresses.

Amount for the variable consideration will be included in the specific month the adjustments had occurred.

- *Allocation of variable consideration*

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

- *Timing of revenue recognition*

The Group concluded that revenue from energy sales is to be recognized over time because the customers simultaneously receives and consumes the benefits as the Group supplies power.

- *Identifying methods for measuring progress of revenue recognized over time*

The Group determined that the output method is the best method in measuring progress as actual electricity is supplied to customers. The Group recognizes revenue based on:

- a. For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term; and
- b. For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.

As a result of the adoption of PFRS 15 in 2018, the Group recognized adjustment to the retained earnings on January 1, 2018 amounting to ₱592 million and to non-controlling interest amounting to ₱249 million representing the difference between the amount that should be recognized as revenue on a straight-line basis as compared to the revenue based on billings.

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 by virtue of a contractual agreement.

Assessment of significant influence on investment with less than 20% of voting rights

Prior to 2015, 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.

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 ₱1,216 million and ₱1,213 million as at December 31, 2019 and 2018, respectively (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.

As at December 31, 2019 and 2018, the carrying values of the Group's investments in real estate and real estate inventories amounted to ₱823 million (see Note 10).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position 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.

Provision for expected credit losses on trade receivables (PFRS 9)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future. Trade receivables and contract assets amounted to ₱2,760 million, net of allowance for impairment losses of ₱65 million and ₱2,406 million, net of allowance for impairment losses of ₱65 million as of December 31, 2019 and 2018, respectively (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 net realizable value requires the determination of cash flows from the expected sale of the asset less cost of marketing. The determination of net realizable value requires the Group to make estimates and assumptions that may materially affect the consolidated financial statements such as the estimated selling prices of the real estate inventories and estimated cost of marketing. 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 ₱643 million and ₱683 million as at December 31, 2019 and 2018, respectively (see Note 9). The carrying values of real estate inventories amounted to ₱632 million as at December 31, 2019 and 2018 (see Note 10).

Estimation of useful lives of property, plant and equipment and investments in real estate

The useful lives of the property, plant and equipment and investments in real estate are 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 and investments in real estate 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 and investments in real estate. 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 and investments in real estate would increase the recorded expenses and decrease the carrying values of the property, plant and equipment and investments in real estate.

The carrying values of property, plant and equipment and investments in real estate totalled to ₱29,288 million and ₱27,329 million as at December 31, 2019 and 2018, respectively (see Notes 10 and 12).

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

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 2019 and 2018, the Group's nonfinancial assets with carrying values as at December 31 as follows are not impaired:

	2019	2018
	<i>(In Millions)</i>	
Property, plant and equipment (Note 12)	₱29,097	₱27,138
Investments in associates (Note 11)	2,198	2,210
Investments in real estate (Note 10)	191	191
	₱31,486	₱29,539

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 2019 and 2018. The carrying amount of goodwill amounted to ₱807 million as at December 31, 2019 and 2018 (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 2019 and 2018. Total net retirement assets of SPPC and WMPC amounted to ₱18 million and ₱20 million as at December 31, 2019 and 2018, respectively, and net retirement liability of APMC amounted to ₱12 million and ₱3 million as at December 31, 2019 and 2018, respectively (see Note 28). Total retirement benefits liabilities of the Parent Company, ALC, MPC and Sarangani amounted to ₱62 million and ₱35 million as at December 31, 2019 and 2018, respectively (see Note 28). Retirement benefits costs recognized in the consolidated statements of income amounted to ₱15 million in 2019 and 2018 and ₱13 million in 2017, respectively (see Notes 24 and 28). Accrued compensated absences amounted to ₱20 million and ₱14 million as at December 31, 2019 and 2018, respectively (see Note 28).

Estimation of decommissioning liability

The decommissioning liability arises from WMPC's, SPPC's and Sarangani'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, 2019 and 2018 amounted to ₱375 million and ₱199 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 prior years, 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. Starting 2018, SPPC and WMPC reverted to the use of itemized deduction because based on management's estimate, the use of OSD is no longer beneficial to SPPC and WMPC. Accordingly, the tax rate used in determining deferred income tax is at 30%.

Deferred income tax assets amounted to ₱76 million and ₱43 million as at December 31, 2019 and 2018, respectively. Also, the Group has unrecognized NOLCO, excess MCIT and deductible temporary differences as at December 31, 2019 and 2018 as disclosed in Note 29.

Valuation of unquoted equity investments designated as financial assets at FVOCI

In valuing the Group's unquoted investments at FVOCI especially the Group's investment in Aldevino in compliance with PFRS 9, management applied judgment in selecting the valuation technique and used assumptions in estimating the fair value of its equity investments considering the information available to the Group. The key assumptions used in the valuation are disclosed in Notes 13 and 32.

As of December 31, 2019 and 2018, the Group's unquoted equity investment in Aldevinco amounted to ₱2,200 million (see Note 13 and 32).

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).

Recognition of contingent assets

The Group evaluates contingent assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, an entity discloses the contingent assets.

As of December 31, 2019 and 2018, management believes that the Group's claim from NPC is not yet virtually certain as it requires further review of the Commission on Audit (COA) and



appropriation of funds for NPC to settle the amount of the claim. However, the inflow of economic benefits relating to the said claim has been assessed as probable. Hence, the contingent asset has been disclosed in Note 8.

6. Segment Information and Revenue from Contracts with Customers

Segment Information

The Group conducts its business activities in two main 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:

2019

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
<i>(Amounts in Thousands)</i>						
Earnings Information						
Revenues						
External customer	₱6,781,110	₱12,986	₱-	₱6,796,096	₱-	₱6,796,096
Inter-segment	261,187	5,098	420,732	687,017	(687,017)	-
Total revenues	7,042,297	18,084	420,732	7,481,113	(685,017)	6,796,096
Interest income	74,374	851	43,964	119,189	(996)	118,193
Finance charges	737,904	-	561,729	1,299,633	(218,619)	1,081,014
Provision for (benefit from) income tax	141,766	497	(23,347)	118,916	(51,880)	67,036
Net income (loss)	1,306,099	(14,518)	(189,616)	1,101,965	(127,812)	974,153
Other Information						
Investments in associates and due from related parties	696,388	826,832	6,462,431	7,985,651	(4,387,767)	3,597,884
Segment assets	37,434,694	2,046,803	14,686,837	54,168,334	(8,559,120)	45,609,214
Segment liabilities	27,052,718	319,802	7,261,921	34,634,441	(3,879,924)	30,754,517
Depreciation	1,028,507	897	1,586	1,030,990	45,844	1,076,834
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	2,316,549	28,642	(199,750)	2,145,441	320,932	2,466,373
Investing activities	(2,255,429)	(2,555)	56,207	(2,201,777)	(881,698)	(3,083,475)
Financing activities	(683,303)	433	119,399	(563,471)	530,304	(33,167)

2018

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
<i>(Amounts in Thousands)</i>						
Earnings Information						
Revenues						
External customer	₱6,632,711	₱33,560	₱-	₱6,666,271	₱-	₱6,666,271
Inter-segment	154,400	-	236,501	390,901	(390,901)	-
Total revenues	6,787,111	33,560	236,501	7,057,172	(390,901)	6,666,271
Interest income	36,183	1,263	49,337	86,783	(23,817)	62,966
Finance charges	820,634	-	616,765	1,437,399	(251,506)	1,185,893
Provision for (benefit from) income tax	83,720	377	9,740	93,837	45,894	139,731
Net income (loss)	754,258	(4,249)	952,469	1,702,478	(1,139,525)	562,953
Other Information						
Investments in associates and due from related parties	278,075	898,856	6,220,988	7,397,919	(4,071,782)	3,326,137
Segment assets	34,324,006	2,128,053	21,650,685	58,102,744	(14,610,921)	43,491,823
Segment liabilities	21,588,204	386,520	10,296,094	32,270,818	(3,284,435)	28,986,383
Depreciation	(833,638)	(886)	(81)	(834,605)	(37,342)	(871,947)

(Forward)



	Power and Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
<i>(Amounts in Thousands)</i>						
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	P1,667,751	P7,924	P442,825	P2,118,500	P870,859	P2,989,359
Investing activities	(4,767,164)	(12,993)	480,900	(4,299,257)	(1,010,793)	(5,310,050)
Financing activities	4,159,716	(1,646)	(2,890,530)	1,267,540	147,170	1,414,710

2017

	Power and Energy	Property Development	Other Investments	Total	Eliminations	Consolidated
<i>(Amounts in Thousands)</i>						
Earnings Information						
Revenues						
External customer	P6,488,971	P29,930	P-	P6,518,901	P-	P6,518,901
Inter-segment	403,950	-	399,415	803,365	(803,365)	-
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	(852,252)	(743)	(101)	(853,096)	(28,438)	(881,534)
Cash Flow Information						
Net cash flows from (used in):						
Operating activities	2,157,299	23,098	19,938	2,200,335	2,026,736	4,227,071
Investing activities	(4,139,429)	(5,851)	2,840,914	(1,304,366)	(1,625,269)	(2,929,635)
Financing activities	1,626,630	(4,871)	(185,950)	1,435,809	(403,738)	1,032,071

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:

	2019	2018	2017
<i>(Amounts in Thousands)</i>			
Assets			
Total assets for reportable segments	P46,182,683	P50,704,825	P45,082,617
Investments in shares of stock of subsidiaries and associates and due from related parties	7,985,651	7,397,919	7,466,397
Eliminations	(8,559,120)	(14,610,921)	(14,312,301)
Consolidated assets	P45,609,214	P43,491,823	P38,236,713
Liabilities			
Total liabilities for reportable segments	P4,468,741	P2,698,272	P1,870,957
Long-term debts	23,299,495	22,781,654	18,709,922
Due to related parties	5,657,803	5,274,991	5,211,683
Loans payable	112,292	354,896	975,709
Deferred income tax liabilities - net	711,388	849,195	315,401
Income tax payable	68,454	10,208	19,368
Accrued interest payable	316,268	301,601	220,293
Eliminations	(3,879,924)	(3,284,434)	(2,916,263)
Consolidated liabilities	P30,754,517	P28,986,383	P24,407,070



Revenue from Contracts with Customers

Disaggregated Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers for the year ended December 31:

Type of contract	2019	2018
Revenue from power supply agreements	₱6,783,110,581	₱6,637,809,579
Revenue from contract to sell of residential lots	2,806,925	16,410,658
	₱6,785,917,506	₱6,654,220,237

Contract Balances

The Group's receivables as at December 31, 2019 is disclosed in Note 8. The Group's contract assets as at December 31, 2019 and 2018 amounted to 1,182 million and 1,080 million, respectively, representing excess of revenue earned and recognized over the amount billed, billable and/or collected from the customers under the contract (see Note 8).

As of December 31, 2019, the Group's contract liability amounted to ₱26 million, which pertains to down payment in relation to a contract entered into by KAED with a third party (nil in 2018) [see Note 16].

7. Cash and Cash Equivalents and Short-term Cash Investments

	2019	2018
Cash on hand	₱382,500	₱355,500
Cash in banks	2,113,520,593	2,672,453,236
Cash equivalents	700,657,546	801,753,105
	₱2,814,560,639	₱3,474,561,841

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 ₱182 million and ₱263 million as at December 31, 2019 and 2018, 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% and 3.00% to 6.00% in 2019 and 2018, respectively. Interest income from cash and cash equivalents and short-term cash investments amounted to ₱103 million, ₱55 million and ₱23 million in 2019, 2018 and 2017, respectively.

8. Trade and Other Receivables

	2019	2018
Trade:		
Power	₱1,611,601,143	₱1,359,055,132
Real estate	82,317,559	94,922,081
Product distribution and others	31,730,458	31,730,458
Due from related parties (Note 20)	1,399,743,565	1,116,603,735
Contract assets (Note 6)	1,182,196,755	1,080,416,000
Retention receivables	24,455,481	44,455,481
Others	65,150,848	51,910,016
	4,397,195,809	3,779,092,903

(Forward)



	2019	2018
Less noncurrent portion of:		
Installment receivables	₱1,967,393	₱4,019,641
Contract assets (Note 6)	1,131,664,236	1,080,416,000
	1,133,631,629	1,084,435,641
	3,263,564,180	2,694,657,262
Less allowance for impairment losses	83,435,820	83,435,820
	₱3,180,128,360	₱2,611,221,442

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, 2019 and 2018. 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. On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On October 19, 2018, SPPC filed an Urgent Motion to Resolve the pending issue on the NPC's liability for interest, and SPPC's motion for issuance of writ of execution against NPC for the payment of the principal amounts owed by NPC to SPPC.

On September 6, 2019, SPPC filed with ERC a Manifestation with Urgent Motion to Resolve, praying that the commission: (1) resolve and grant SPPC's Omnibus Motion for Issuance of Writ of Execution and Notice of Garnishment dated July 18, 2018; and (2) resolve the issue of NPC's liability for interest in favor of SPPC under the Energy Conversion Agreement.

On December 4, 2019, while awaiting the ERC's resolution on SPPC's motion, SPPC's Executive Vice President, Tirso G. Santillan, wrote a letter to the NPC stating that "SPPC agreed to collect the principal amount of ₱68.64 million and US\$5.77 million, and waive the interests amounting to ₱52.98 million and US\$3.43 million."

On December 9, 2019, the NPC, through its president and CEO Pio J. Benavidez, signified its agreement to SPPC's waiver of its claim of interest.

On December 27, 2019, SPPC filed with the ERC an Omnibus Motion to (a) Resolve and (b) Withdraw Claim for Interest. As at March 19, 2020, the motion remains pending with the ERC.

The allowance for impairment loss of ₱34 million as at December 31, 2019 and 2018, 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 ₱57 million and ₱61 million as at



December 31, 2019 and 2018, respectively, which are collectible in monthly installment over a period of two (2) to ten (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 ₱2 million and ₱4 million as at December 31, 2019 and 2018, respectively.

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, 2019 and 2018.

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.

9. Spare Parts and Supplies

	2019	2018
Coal	₱313,554,548	₱301,874,872
Spare parts	189,863,596	208,831,693
Fuel	111,729,021	138,141,012
Oil, lubricants and chemicals	18,393,050	24,701,162
Operating supplies and consumables	9,399,676	9,192,294
	₱642,939,891	₱682,741,033

10. Real Estate Inventories and Investments in Real Estate

Real Estate Inventories

	2019	2018
Eagle Ridge Project (General Trias, Cavite)		
- at cost (Note 33)	₱616,887,120	₱616,887,120
Campo Verde Project (Lipa and Malvar, Batangas)		
- at NRV (Note 33)	15,183,519	14,678,275
	₱632,070,639	₱631,565,395



A summary of the movements in real estate inventories is set out below:

	2019	2018
Cost		
Balances at beginning of year	₱650,499,759	₱657,978,380
Repossession of inventories	3,040,377	–
Cost of real estate sold	(3,198,806)	(7,478,621)
Balances at end of year	650,341,330	650,499,759
Allowance for Impairment Loss		
Balances at beginning of year	18,934,364	19,417,692
Recovery of impairment loss due to sale (Note 27)	(663,673)	(483,328)
Balances at end of year	18,270,691	18,934,364
	₱632,070,639	₱631,565,395

Recovery of impairment loss on sold real estate inventories previously provided with allowance for impairment amounting to ₱0.7 million, ₱0.5 million and ₱1 million in 2019, 2018 and 2017, respectively, 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 ₱18 million and ₱19 million as at December 31, 2019 and 2018, respectively.

Investments in Real Estate

	2019	2018
ALC Property (Pasong Tamo, Makati)	₱133,921,044	₱133,963,376
Batangas Project (Lipa and Malvar, Batangas)	52,787,031	52,787,031
Laguna Project (Cabuyao, Laguna)	4,685,936	4,685,936
	₱191,394,011	₱191,436,343

A summary of the movements in investments in real estate is set out below:

	December 31, 2019		
	Land	Building and Improvements	Total
Cost			
Balances at beginning of year	₱182,472,973	₱33,346,307	₱215,819,280
Additions	–	94,468	94,468
Balances at end of year	182,472,973	33,440,775	215,913,748
Accumulated Depreciation			
Balances at beginning of year	–	24,382,937	24,382,937
Depreciation (Note 25)	–	136,800	136,800
Balances at end of year	–	24,519,737	24,519,737
Net Book Value	₱182,472,973	₱8,921,038	₱191,394,011



	December 31, 2018		
	Land	Building and Improvements	Total
Cost			
Balances at beginning of year	P172,097,973	P33,251,839	P205,349,812
Additions	10,375,000	94,468	10,469,468
Balances at end of year	182,472,973	33,346,307	215,819,280
Accumulated Depreciation			
Balances at beginning of year	–	24,247,442	24,247,442
Depreciation (Note 25)	–	135,495	135,495
Balances at end of year	–	24,382,937	24,382,937
Net Book Value	P182,472,973	P8,963,370	P191,436,343

Fair Value

The estimated fair value of the investment properties as of December 31, 2019 and 2018 amounted to ₱1,035 million and ₱934 million, respectively. This was determined by an SEC-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.

The significant unobservable inputs to valuation of investment properties ranges from ₱22,484 - ₱77,000 per sqm in 2019 and 2018. Significant increases (decreases) in estimated price per square meter in isolation would result in higher (lower) fair value of the properties.

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, 2019 and 2018. The Company has determined that the highest and best use of these properties is its current use.

11. Investments in Associates

	Percentage of Ownership		2019	2018
	2019	2018		
At equity:				
Acquisition costs:				
Indophil Resources Philippines, Inc. (IRPI)	2.00	2.00	₱1,216,310,412	₱1,213,332,960
Aviana Development Corporation (Aviana)	34.00	34.00	963,311,802	963,311,802
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
			2,326,667,214	2,323,689,762
Accumulated equity in net earnings:				
Balances at beginning of year			32,888,825	–
Share in net earnings for the year			70,629,805	32,888,825
Dividends declared for the year			(85,000,000)	–
Balances at end of year			18,518,630	32,888,825
Accumulated impairment loss at beginning and end of the year			(147,045,000)	(147,045,000)
			₱2,198,140,844	₱2,209,533,587

IRNL and IRPI

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



On January 23, 2015, IRNL implemented the Scheme of Arrangement between APIC and IRNL shareholders wherein APIC acquired all of the remaining outstanding shares from existing shareholders of IRNL. Accordingly, IRNL became a subsidiary of APIC starting January 2015.

In July 2015, APIC was no longer part of the Alcantara Group as it was bought by a third party. Accordingly, the Joint Voting Agreement of IRNL shares between the Parent Company, APIC and AC was deemed terminated.

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

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

On September 30, 2019, the Parent company increased its investment in IRPI amounting to ₱3 million to maintain its percentage of share over IRPI of 2% as the latter increased its authorized capital stock.

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%. Dividends receivable from Aviana amounted to ₱2 million as at December 31, 2019 (nil as at December 31, 2018).

The aggregate financial information of IRPI and Aviana as at and for the years ended December 31 are as follows:

	2019	2018
	<i>(Amounts in Thousands)</i>	
Current assets	₱4,953,555	₱2,774,390
Noncurrent assets	20,790,653	21,502,472
Current liabilities	2,433,483	1,207,623
Noncurrent liabilities	285,116	162,968
Revenue and other income	1,225,547	690,024
Net income (loss)	203,631	(1,528,031)
Total comprehensive income (loss)	203,631	(1,528,031)



Aggregate financial information of IRPI and Aviana as at December 31, 2019 and 2018 and reconciliation with the carrying amount of the investment in consolidated financial statements are set out below:

	IRPI		Aviana	
	2019	2018	2019	2018
	<i>(In Thousands)</i>			
Current assets	₱2,447,591	₱1,501,838	₱2,505,964	₱1,272,552
Noncurrent assets	18,836,087	19,610,588	1,954,566	1,891,884
Current liabilities	(241,817)	(230,710)	(2,191,666)	(976,913)
Noncurrent liabilities	(294)	(1,752)	(284,822)	(161,216)
Equity	21,041,567	20,879,964	1,984,042	2,026,307
Equity interest of the Parent Company	2%	2%	34%	34%
Share in net assets of the acquiree	420,831	417,599	674,574	688,944
Goodwill, translation adjustments and others	795,479	795,734	307,257	307,257
Carrying value of investments	₱1,216,310	₱1,213,333	₱981,831	₱996,201

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 ₱48 million. The Parent Company recognized gain amounting to ₱34 million, net of transaction costs totalling to ₱8 million (see Note 27).



12. Property, Plant and Equipment

As at December 31, 2019:

		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	Right-of-use Asset - Building	Total
Cost								
Balances at December 31, 2018	₱19,183,589,380	₱4,649,048,437	₱554,953,296	₱915,937,534	₱12,425,398,524	₱-	₱37,728,927,171	
Adoption of PFRS 16 (Note 3)	-	-	-	-	-	-	35,274,144	35,274,144
Balances at January 1, 2019	19,183,589,380	4,649,048,437	554,953,296	915,937,534	12,425,398,524	-	37,764,201,315	
Additions	3,148,787	205,025	167,888	13,623,458	3,529,763,639	-	3,546,908,797	
Disposals	(19,018,825)	-	-	(12,195,209)	-	-	(31,214,034)	
Reclassification	11,349,345,051	2,589,847,457	18,927,446	481,438,528	(15,144,957,822)	-	(705,399,340)	
Adjustment to decommissioning liability (Note 19)	160,979,727	-	-	-	-	-	160,979,727	
Balances at end of year	30,678,044,120	7,239,100,919	574,048,630	1,398,804,311	810,204,341	35,274,144	40,735,476,465	
Accumulated Depreciation								
Balances at beginning of year	6,391,817,513	3,672,826,153	189,100,053	337,542,200	-	-	10,591,285,919	
Depreciation for the year:								
Expensed (Note 25)	878,088,209	59,423,215	134,271	122,772,125	-	11,440,263	1,071,858,083	
Capitalized	-	-	-	1,139,030	-	-	1,139,030	
Disposals	(15,694,274)	-	-	(10,078,353)	-	-	(25,772,627)	
Balances at end of year	7,254,211,448	3,732,249,368	189,234,324	451,375,002	-	11,440,263	11,638,510,405	
Net Book Value	₱23,423,832,672	₱3,506,851,551	₱384,814,306	₱947,429,309	₱810,204,341	₱23,833,881	₱29,096,966,060	



As at December 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	₱19,173,981,691	₱4,647,085,159	₱552,089,119	₱726,585,794	₱7,425,077,226	₱32,524,818,989
Additions	108,746,622	1,963,278	2,864,177	191,948,043	5,000,321,298	5,305,843,418
Disposals	(72,352,062)	-	-	(2,596,303)	-	(74,948,365)
Adjustment to decommissioning liability (Note 19)	(26,786,871)	-	-	-	-	(26,786,871)
Balances at end of year	19,183,589,380	4,649,048,437	554,953,296	915,937,534	12,425,398,524	37,728,927,171
Accumulated Depreciation						
Balances at beginning of year	5,824,223,254	3,521,523,708	174,247,978	275,117,168	-	9,795,112,108
Depreciation for the year:						
Expensed (Note 25)	630,235,949	151,302,445	14,852,075	71,267,880	-	867,658,349
Capitalized	-	-	-	580,351	-	580,351
Disposals	(62,641,690)	-	-	(9,423,199)	-	(72,064,889)
Balances at end of year	6,391,817,513	3,672,826,153	189,100,053	337,542,200	-	10,591,285,919
Net Book Value	₱12,791,771,867	₱976,222,284	₱365,853,243	₱578,395,334	₱12,425,398,524	₱27,137,641,252



Construction in progress

Included in construction in progress are the capitalized costs related to the 15 MW run-of-river hydro power plant project of Siguil located at Sitio Siguil, Brgy. Tinoto, Maasim, Sarangani. The costs include project site preparation, legal fees and other direct costs attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

In June 2019, the construction of the 15 MW run-of-river hydro power plant project commenced. Total commitments representing the project costs amounted to ₱1,467 million and US\$34 million. The project is expected to be completed in July 2022.

Capitalized borrowing costs

Capitalized borrowing costs amounted to ₱805 million in 2019 and ₱658 million in 2018. The rates used to determine the amount of borrowing costs eligible for capitalization are 6.46% to 6.93% in 2019 and 7.72% to 10.37% in 2018, which are the effective interest rates of the specific borrowing.

In addition, the rate used to determine the amount of borrowing cost eligible for capitalization for Phase 2 relating to general borrowings is 6.93%, which is the weighted average capitalization rate.

13. Equity Investments Designated at FVOCI

As of December 31, this account consists of:

	2019	2018
Quoted		
Balance at beginning of year	₱136,158,830	₱131,064,253
Fair value gain (loss) during the year	(7,661,376)	12,024,309
Disposals during the year	—	(4,384,000)
Transfers of realized gain from OCI	—	(2,545,732)
Balance at end of year	128,497,454	136,158,830
Unquoted		
Balance at beginning and end of year	2,222,168,768	2,222,168,768
	₱2,350,666,222	₱2,358,327,598

The investment in unquoted securities consists of investment in 22 million preferred shares of Aldevinco. The fair value of the investment in unquoted equity securities was based on the adjusted net asset value (NAV) approach. Under the NAV approach, the fair value was derived by determining the fair value of each identifiable assets and liabilities of the investee company.

Significant assumptions included in the NAV calculation are as follows:

- Net realizable value of real estate inventories which is calculated by estimated selling price less cost to sell
- Fair value adjustment for investment property based on appraised value; and
- Fair value adjustment for investment in shares of listed stock based on market closing price of listed associate as at statement of financial position date and net asset value of unlisted securities.
- Discount for lack of marketability



The movements in net unrealized losses on equity investments designated at FVOCI follows:

	2019	2018
Balance at beginning of year	₱33,841,668	₱43,320,245
Fair value loss (gain)	7,661,376	(12,024,309)
Transfer of realized gain from OCI	–	2,545,732
Balance at end of year	₱41,503,044	₱33,841,668

The fair value of investments in shares of listed companies was based on their closing prices as of December 31, 2019 and 2018.

In 2018, the Group recognized dividend income from Aldevinco amounting to ₱264 million (nil in 2019 and 2017; see Note 27).

14. Goodwill

Goodwill acquired through business combinations has been allocated to the power generation CGUs consisting of the operations of SPPC and WMPC. As at December 31, 2019 and 2018, the carrying amount of goodwill of SPPC and WMPC amounted to ₱229 million and ₱578 million, respectively.

Key assumptions used in value-in-use calculations

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

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 management's forecast, and provisionally approved PSAs and agreed Ancillary Services Procurement Agreement (ASPA) with NGCP for WMPC. For SPPC, the tariff rate is based on applied ASPA with NGCP, which is aligned with the tariff rate offered by NGCP to other power companies.

Contracted and dispatchable capacities. Contracted capacity reflects the agreed capacity with electric cooperatives and distribution utilities based on PSA and ASPA for WMPC and estimated contracted capacities based on applied ASPA for SPPC. 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 capacities used in the value-in-use computation are shown below.

	2019		2018	
	Contracted Capacity	Dispatchable Capacity	Contracted Capacity	Dispatchable Capacity
SPPC	55%	2%	55%	2%
WMPC	50%-60%	14%	50%-60%	11%

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 13.7% and 15.71%%, in 2019 and 2018, respectively, for SPPC and 19.6% and 16.66% in 2019 and 2018, for WMPC, respectively.



Sensitivity to Changes in Assumptions

Management believes that the value-in-use is most sensitive to the start of cash flow period for SPPC which is forecasted to start in 2021. A delay in the start of the cash flow would result in impairment.

15. Prepaid Expenses and Other Current Assets

	2019	2018
Deposits in interest reserve account (Note 18)	₱968,735,875	₱919,227,228
Creditable withholding taxes	242,339,158	253,747,381
Prepayments	172,220,990	64,761,955
Input VAT	4,899,455	2,834,565
	₱1,388,195,478	₱1,240,571,129

16. Accounts Payable and Other Current Liabilities

	2019	2018
Accounts payable	₱2,624,697,461	₱2,775,058,065
Accrued expenses (Note 28)	807,102,864	754,554,604
Interest payable (Note 18)	316,267,945	301,601,399
Dividends payable	144,000,000	185,000,000
Output tax and withholding tax payable	217,256,721	86,787,902
Retention payable	102,775,438	102,402,285
Contract liability (Note 6)	26,432,000	—
Advances from customers	30,508,363	35,239,313
Current portion of lease liability (Note 30)	11,008,135	—
Other current liabilities	200,601,862	417,261,277
	₱4,480,650,789	₱4,657,904,845

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 as part of consideration for the sale of the Parent Company's investment in ATEC (see Note 1). This payable to GBPC amounting to ₱1,880 million included as part of accounts payable is noninterest-bearing and payable on demand.

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

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

17. Loans Payable and Short-term Notes Payable

Loans Payable

Parent Company

In 2019 and 2018, the Company availed of unsecured short-term loans from local banks totaling to ₱494 million and ₱1,071 million, respectively. These loans are subject to annual interest rates ranging from 3.50% to 6.00% per annum and are payable on various dates within one year. Upon maturity in 2019, these loans were renewed by the Company. As at December 31, 2019 and 2018, outstanding short-term loans amounted to ₱62 million and ₱115 million, respectively.



MPC

MPC availed of unsecured bank loans from Development Bank of the Philippines (DBP), Philippine National Bank and Chinabank amounting to ₱270 million and ₱40 million for the years ended December 31, 2019 and 2018, respectively. The loans bear interest rates ranging from 4.25% to 6.00%. Outstanding balance from the related bank loans amounted to ₱50 million and ₱40 million as at December 31, 2019 and 2018.

WMPC

WMPC availed of unsecured bank loans from DBP and UBP totalling to ₱310 million and ₱150 million for the years ended December 31, 2019 and 2018, respectively, with interest rates ranging from 6.85% to 7.50% and 3.875% to 4.400% per annum in 2019 and 2018, respectively. Outstanding balance from the related bank loans amounted ₱200 million as at December 31, 2018 (nil as of December 31, 2019).

SPPC

SPPC availed of unsecured bank loans from China Banking Corporation, UBP and DPB totalling to ₱100 million for the year ended December 31, 2018 and was also paid in 2018, with interest rates ranging from 2.64% to 3.875%.

Interest expense from loans payable incurred in 2019 and 2018 related to these short-term loans amounted to ₱30 million and ₱24 million, respectively (see Note 26).

Short-term Notes Payable

Parent Company

In 2018, the Parent Company initiated a ₱3 billion Commercial Paper Program with the Multinational Investment Bancorporation acting as the sole issue manager, lead arranger and underwriter of such commercial papers to be listed publicly through the Philippine Dealing & Exchange Corporation. The issuance was divided into two tranches. The first and second tranches shall amount to issuances totaling ₱1,500 million and ₱1,000 million, respectively.

In October 2018, the Company has listed a total of ₱100 million worth of commercial papers, which was part of the first tranche, with a tenor of 360 days, maturing in October 2019. These were issued at discounted amounts with net proceeds amounting to ₱94 million.

In 2019, the Company has listed a total of ₱1,880 million worth of commercial papers with a tenor of 90 to 360 days. These were issued at discounted amounts with net proceeds amounting to ₱1,806 million. Outstanding balance from the commercial papers amounted to ₱974 million and ₱95 million as at December 31, 2019 and 2018, respectively.

Sarangani

Sarangani availed of loan from local banks to be used as working capital amounting to ₱645 million and ₱1,600 million for the years ended December 31, 2019 and 2018, respectively, with nominal interest rates ranging from 5.50% to 6.25% and 4.21% to 8.25% in 2019 and 2018, respectively. Outstanding balance from the related bank loans amounted to ₱645 million as at December 31, 2019 (nil as of December 31, 2018).

Interest expense from short-term notes payable incurred in 2019 and 2018 amounted to ₱68 million and ₱25 million, respectively (see Note 26).



18. Long-term Debts

This account consists of U.S. dollar and Philippine peso-denominated obligations as follows:

	2019	2018
Parent Company		
Philippine peso-denominated debt:		
Five-year fixed rate corporate note	₱4,554,666,667	₱4,554,666,667
Seven-year fixed rate corporate note	1,469,333,333	1,488,333,333
Sarangani		
Thirteen and a half-year peso-denominated floating rate debt	7,175,780,000	7,965,750,000
Ten and a half-year peso-denominated floating rate debt	10,500,000,000	8,900,000,000
MPC		
Six-year peso-denominated fixed rate debt	—	244,080,000
	23,699,780,000	23,152,830,000
Less unamortized transaction costs	400,285,296	371,176,091
	23,299,494,704	22,781,653,909
Less current portion	5,770,565,644	1,161,893,431
Noncurrent portion	₱17,528,929,060	₱21,619,760,478

Movement in the unamortized transaction costs are as follows:

	2019	2018
Balances at beginning of year	₱371,176,091	₱292,498,053
Additions	102,595,312	153,595,341
Amortization (Note 26)	(73,486,107)	(74,917,303)
Balances at end of year	₱400,285,296	₱371,176,091

Parent Company

The loans of the Parent Company consist of the following:

- 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. In 2018, the Company has prepaid a part of the loan amounting to ₱1,400 million. The Company incurred loss on prepayment amounting to ₱75 million (see Note 26).

ACR shall maintain certain financial ratios such as debt-to-equity ratio of not more than 2.9 and 2.61, and interest coverage ratio of not less than 1.58 and 1.95 as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, ACR is in compliance with the debt covenants. 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, 2019 and 2018, the remaining balance of interest reserve account amounted to ₱230 million and ₱239 million, respectively (see Note 15). Interest income earned from interest reserve account amounted to ₱15 million, ₱8 million and ₱6 million in 2019, 2018 and 2017, respectively.

Movement in the unamortized transaction costs of the long-term debts as follows:

	2019	2018
Balances at beginning of year	₱65,329,696	₱102,864,020
Amortization of transaction costs (Note 26)	(29,382,329)	(37,534,324)
Balances at end of year	₱35,947,367	₱65,329,696

Interest expense recognized in 2019 and 2018 amounted to ₱468 million and ₱316 million, respectively (see Note 26). Interest payable amounted to ₱35 million as at December 31, 2019 and 2018 (see Note 16).

As of March 19, 2020, the Group has on-going negotiation regarding refinancing and received two proposals from reputable banks (see Note 31).

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 machinery, office and transportation equipment with a carrying value of ₱18 million and ₱32 million as at December 31, 2019 and 2018, 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. As at December 31, 2019 and 2018, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios calculated using Sarangani's stand-alone financial statements such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10. As at December 31, 2019 and 2018, 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, 2019 and 2018 are shown below:

	2019		
	Series I	Series II	Total
Long-term debts	₱6,683,820,000	₱491,960,000	₱7,175,780,000
Less unamortized debt issue costs	86,923,857	7,183,211	94,107,068
	6,596,896,143	484,776,789	7,081,672,932
Less current portion of long-term debt - net of unamortized transaction costs	763,140,670	67,997,229	831,137,899
	₱5,833,755,473	₱416,779,560	₱6,250,535,033

	2018		
	Series I	Series II	Total
Long-term debts	₱7,408,830,000	₱556,920,000	₱7,965,750,000
Less unamortized debt issue costs	87,452,985	29,271,396	116,724,381
	7,321,377,015	527,648,604	7,849,025,619
Less current portion of long-term debt - net of unamortized transaction costs	704,417,553	63,300,745	767,718,298
	₱6,616,959,462	₱464,347,859	₱7,081,307,321

Interest incurred (including capitalized borrowing costs) and amortized debt issue cost after completion of Phase 1 are shown below and as disclosed in Note 26.

	2019	2018
Interest expense	₱681,304,790	₱713,228,664
Amortization of debt issue costs	22,617,313	23,611,008
	₱703,922,103	₱736,839,672

Interest payable as at December 31, 2019 and 2018 amounted to ₱122 million and ₱143 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, 2019 and 2018, total amount drawn from the facility amounted to ₱10,500 million and ₱8,900 million, respectively.

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 ₱22 million and ₱30 million as at December 31, 2019 and 2018, respectively (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. As at December 31, 2019 and 2018, Sarangani is in compliance with the loan covenants.

Sarangani shall also maintain certain financial ratios calculated using Sarangani's stand-alone financial statements such as debt-to-equity ratio of not more than 2.33 and debt service coverage ratio of at least 1.10. As at December 31, 2019 and 2018, 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 host contract.



Details of the Group's long-term debts related to Phase 2 of the project are as follows:

As at December 31, 2019:

	Series I	Series II	Total
Long-term debts	₱8,500,000,000	₱2,000,000,000	₱10,500,000,000
Less unamortized debt issue costs	230,949,643	39,281,218	270,230,861
	8,269,050,357	1,960,718,782	10,229,769,139
Less current portion of long-term debt - net of unamortized transaction costs	316,417,939	77,176,056	393,593,995
	₱7,952,632,418	₱1,883,542,726	₱9,836,175,144

As at December 31, 2018:

	Series I	Series II	Total
Long-term debts	₱6,900,000,000	₱2,000,000,000	₱8,900,000,000
Less unamortized debt issue costs	148,002,376	40,583,048	188,585,424
	6,751,997,624	1,959,416,952	8,711,414,576
Less current portion of long-term debt - net of unamortized transaction costs	102,302,879	29,328,844	131,631,723
	₱6,649,694,745	₱1,930,088,108	₱8,579,782,853

Interest incurred (including capitalized borrowing costs) 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 (see Note 12).

Interest incurred and amortized debt issue cost during construction of Phase 2 are as follows:

	2019	2018
Interest expense	₱747,643,251	₱419,322,567
Amortization of debt issue costs	21,486,465	10,978,657
	₱769,129,716	₱430,301,224

Accrued interest as at December 31, 2019 and 2018 amounted to ₱157 million and ₱117 million, respectively (see Note 16).

Interest expense recognized in 2019 and 2018 amounted to ₱426 million and ₱657 million, respectively (see Note 26).

The loan agreement requires Sarangani to maintain debt service reserve account. As at December 31, 2019 and 2018, the balance of debt service reserve account amounted to ₱738 million and ₱680 million, respectively (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.



The deferred financing costs pertain to the documentary stamp taxes, mortgage fees, legal and other fees (debt issue costs) incurred by the Company in relation to the Omnibus Loan and Security Agreement (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 consolidated statement of financial position. The allocation shall be based on the amount of the principal drawn over the total facility. Debt issue costs allocated to drawn facility in 2019 and 2018 amounted to ₱91 million and ₱152 million, respectively, and were presented against long-term debts. As at December 31, 2018, the unutilized deferred financing cost of Sarangani amounted to ₱40 million (nil as at December 31, 2019).

Deferred financing costs as at December 31, 2019 and 2018 are shown below:

	2019	2018
Balance at beginning of year	₱39,796,992	₱157,956,627
Additions	63,334,910	34,274,844
	103,131,902	192,231,471
Less amount allocated to drawn facility	(103,131,902)	(152,434,479)
Balance at end of year	₱—	₱39,796,992

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 outstanding loan balance of ₱244 million as of December 31, 2018 was fully paid in 2019.

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. As at December 31, 2018, MPC was unable to meet the required debt service coverage ratio and certain nonfinancial ratios. Although MPC was not able to meet the required certain financial and nonfinancial ratios as at December 31, 2018, management was able to settle its full outstanding balance on February 14, 2019.

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 host contract.

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 2019 and 2018.

Under the terms of the OLSA, MPC shall provide collateral security which shall consist of mortgage on the MPC's land and CHC's IDPPs I and II. As at December 31, 2019 and 2018, the carrying amount of MPC's land mortgaged as collateral amounted to ₱62 million.

Interest expense related to long-term debt charged to operations, excluding amortization of transaction costs, amounted to ₱22 million in 2018 (nil in 2019) [see Note 26]. Interest payable on this long-term debt amounted to ₱6 million as at December 31, 2018 (nil as at December 31, 2019). [see Note 16].

Amortization of transaction costs amounted to ₱2 million in 2018 (nil in 2019) [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:

	2019	2018
Balances at beginning of year	₱199,409,217	₱205,731,535
Accretion (Note 26)	14,526,671	13,521,814
Effects of changes in estimated future decommissioning costs and discount rate:		
Recognized in the consolidated statement of income	–	6,942,739
Recognized as adjustment to property, plant and equipment (Note 12)	160,979,727	(26,786,871)
Balances at end of year	₱374,915,615	₱199,409,217

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 provisions recognized represent the best estimate of the expenditures required to settle the present obligation at the current statement of financial position date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted using the discount rates ranging 5.17% to 5.22% and 7.51% at December 31, 2019 and 2018, respectively. The Group assesses the best estimate of cash flows required to settle the obligation annually every end of the year.

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.

All related party transactions shall be disclosed to the Group's Audit Committee ("the Committee") of the BOD and all transactions will be reviewed and approved by the Committee to ensure that a conflict of interest does not exist, a proper assessment of such transaction is made, and all necessary information is properly documented. Material related party transaction shall mean any individual related party transaction, or series of related party transactions over twelve (12) months, and with the same related party, amounting to, or exceeding, individually, or in the aggregate, the materiality threshold. Materiality threshold shall mean ten percent (10%) of the total assets of any of the parties to a transaction, based on that party's latest audited financial statements, and if the transaction is a material related party transaction, and one of the related parties is a parent of the other, the total assets shall pertain to the parent's total consolidated assets.

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	2019	₱213,682,148	₱1,188,665,441	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2018	₱62,941,349	₱1,011,520,388		
Subsidiaries of major stockholders	2019	93,797,324	140,471,962	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2018	4,003,487	47,258,947		
Affiliates	2019	12,781,762	70,606,162	Payable upon demand, noninterest-bearing	Unsecured, no impairment
	2018	45,679,259	57,824,400		
Total	2019	₱320,261,234	₱1,399,743,565		
	2018	₱112,624,095	₱1,116,603,735		

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.

Compensation of key management personnel amounted to ₱89 million, ₱91 million and ₱79 million in 2019, 2018 and 2017, respectively, representing short-term employee benefits.



21. Equity

Capital Stock

	2019		2018	
	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		(10,816,667)		(15,216,667)
		₱6,335,683,333		₱6,331,283,333

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:

- 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.
- 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. There were no dividend in arrears for 2019 and 2018.
- 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.
- 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, 2019 and 2018, subscriptions receivable from AC amounted to ₱10 million and ₱15 million, net of the 8% dividends declared for preferred shares in 2019 and 2018, 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	

Retained Earnings

The BOD approved the appropriation of its retained earnings for its equity contributions to the following projects:

As of December 31, 2019:

Project Name	Nature/Project Description	Amount (in millions)	Timeline (Year)
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	₱600	2022
Siguil	Hydro-electric power in Maasim, Sarangani	370	2022
Bago	Hydro-electric power in Negros Occidental	130	2024
		₱1,100	

As of December 31, 2018:

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	₱800	2015
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	300	2016
Siguil	Hydro-electric power in Maasim, Sarangani	70	2017
Bago	Hydro-electric power in Negros Occidental	30	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	100	2019
		₱1,300	

*Completion of Phase 2 has been extended to 2019.

The Company declared the following cash dividends on its common shares:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2019	May 30, 2019	₱125,830,000	₱0.020	June 30, 2019	July 24, 2019
2018	May 24, 2018	226,494,000	0.036	June 30, 2018	July 25, 2018
2017	May 25, 2017	100,664,000	0.016	June 30, 2017	July 25, 2017

Dividends on preferred shares amounting to ₱4.4 million for years 2019, 2018 and 2017 were applied against the Company's subscriptions receivable from AC (see Note 35).

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 interest in 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.

Basic/diluted earnings (loss) per share

Earnings (loss) per share attributable to equity holders of the Parent Company is computed as follows:

	2019	2018	2017
Net income (loss) attributable to equity holders of the parent	₱143,110,733	₱89,100,832	(₱25,433,147)
Average number of shares outstanding for the year	6,291,500,000	6,291,500,000	6,291,500,000
Basic/diluted earnings (loss) per share	₱0.023	₱0.014	(₱0.004)

*net of ₱4.4 million dividends on preferred shares

22. Cost of Services

The Group's cost of services are as follows:

	2019	2018	2017
Coal, fuel, oil and lubricants	₱2,490,010,567	₱3,108,956,357	₱3,134,962,268
Depreciation and amortization (Notes 12 and 25)	1,005,873,416	816,573,811	819,444,633
Repairs and maintenance	287,935,819	348,936,579	256,573,959
Personnel costs (Notes 24 and 28)	166,659,153	148,584,120	140,994,972
Insurance expense	104,923,244	107,040,051	126,500,269
Utilities	46,929,800	12,113,058	4,428,770
Contracted services	35,734,560	4,535,345	3,865,806
Taxes and licenses	1,178,104	1,192,365	1,182,518
Property administration	285,621	2,083,611	1,921,042
Others	97,434,906	122,761,292	83,777,540
	₱4,236,965,190	₱4,672,776,589	₱4,573,651,777



23. General and Administrative Expenses

The Group's general and administrative expenses are as follows:

	2019	2018	2017
Personnel costs (Notes 24 and 28)	₱213,161,127	₱187,408,697	₱169,603,937
Outside services	71,456,162	57,079,097	61,295,823
Depreciation and amortization (Notes 12 and 25)	70,960,864	55,373,203	62,089,299
Taxes and licenses	59,629,323	56,082,162	61,368,057
Marketing expense	42,596,992	33,576,608	11,152,070
Transportation and travel	25,567,750	23,381,873	19,512,535
Utilities	15,722,075	14,915,093	19,460,181
Directors and executive fees and bonuses	5,331,445	5,258,889	3,915,000
Customer relations	4,778,474	7,747,011	4,552,018
Supplies	4,114,859	1,662,900	2,118,594
Telephone, telegraph and postage	4,108,967	5,589,509	6,326,510
Representation	1,576,682	3,875,875	4,291,787
Insurance	956,697	1,074,151	1,375,056
Commissions (Note 33)	185,000	221,052	648,539
Others	77,744,982	33,888,133	134,401,838
	₱597,891,399	₱487,134,253	₱562,111,244

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:

	2019	2018	2017
Cost of services (Note 22)	₱166,659,153	₱148,584,120	₱140,994,972
General and administrative expenses (Note 23)	213,161,127	187,408,697	169,603,937
	₱379,820,280	₱335,992,817	₱310,598,909

	2019	2018	2017
Salaries, wages and bonuses	₱312,993,194	₱269,899,195	₱261,690,360
Retirement benefits costs (Note 28)	15,524,596	14,735,101	13,000,707
Other employee benefits	51,302,490	51,358,521	35,907,842
	₱379,820,280	₱335,992,817	₱310,598,909

25. Depreciation and Amortization

	2019	2018	2017
Cost of services (Note 22)	₱1,005,873,416	₱816,573,811	₱819,444,633
General and administrative expenses (Note 23)	70,960,864	55,373,203	62,089,299
	₱1,076,834,280	₱871,947,014	₱881,533,932



	2019	2018	2017
Property, plant and equipment (Note 12)	₱1,071,858,083	₱867,658,349	₱873,795,125
Amortization of software costs	4,839,396	4,153,170	7,545,328
Investments in real estate (Note 10)	136,800	135,495	193,479
	₱1,076,834,279	₱871,947,014	₱881,533,932

26. Finance Charges

	2019	2018	2017
Interest on long-term debts, loans payable and short-term notes payable (Notes 17 and 18)	₱991,946,957	₱1,022,278,057	₱1,130,424,317
Amortization of transaction costs and debt issue costs (Note 18)	73,486,107	74,917,303	59,492,437
Interest on decommissioning liability (Note 19)	14,526,671	13,521,814	10,378,761
Loss on prepayment of long-term debts (Note 18)	—	75,175,498	—
Others	1,053,997	—	—
	₱1,081,013,732	₱1,185,892,672	₱1,200,295,515

27. Other Income (Charges)

	2019	2018	2017
Foreign exchange gain (loss) - net	(₱42,545,740)	₱20,400,818	(₱5,529,475)
Dispatch discharge	8,690,038	—	—
Reversal of accrual for compensated absences	4,665,169	—	110,001
Gain on sale of property, plant and equipment and investment in real estate	1,168,423	866,268	1,829,595
Recovery of impairment losses on real estate inventories due to sale (Note 10)	663,673	483,328	1,172,249
Dividend income (Note 13)	—	264,000,000	—
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
Input VAT income	—	—	994,461
Others	2,697,575	8,089,122	10,603,182
	(₱24,660,862)	₱293,839,536	₱70,152,948

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, 2019.

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 in the next page summarize the movements in net retirement assets of SPPC, WMPC and APMC.

As at December 31, 2019:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Assets
At January 1, 2019	₱71,774,395	₱89,336,864	(₱17,562,469)
Retirement benefits cost recognized in profit or loss:			
Current service cost	5,284,205	—	5,284,205
Net interest income	5,042,998	6,300,893	(1,257,895)
	10,327,203	6,300,893	4,026,310
Remeasurements losses (gains) recognized in OCI:			
Return on plan assets (excluding amount included in net interest)	—	2,142,213	(2,142,213)
Arising from changes in financial assumptions	6,123,348	—	6,123,348
Due to experience adjustments	8,473,149	—	8,473,149
	14,596,497	2,142,213	12,454,284
Contributions paid	—	4,774,688	(4,774,688)
At December 31, 2019	₱96,698,095	₱102,554,658	(₱5,856,563)

As at December 31, 2018:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Retirement Assets
At January 1, 2018	₱77,280,028	₱100,798,951	(₱23,518,923)
Retirement benefits cost recognized in profit or loss:			
Current service cost	7,188,957	—	7,188,957
Net interest income	3,732,805	5,294,553	(1,561,748)
	10,921,762	5,294,553	5,627,209
Remeasurements losses (gains) recognized in OCI:			
Return on plan assets (excluding amount included in net interest)	—	(8,809,553)	8,809,553
Arising from changes in financial assumptions	(1,368,345)	—	(1,368,345)
Due to experience adjustments	(7,111,963)	—	(7,111,963)
	(8,480,308)	(8,809,553)	329,245
Benefits paid	(7,947,087)	(7,947,087)	—
At December 31, 2018	₱71,774,395	₱89,336,864	(₱17,562,469)



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:

	2019	2018
Cash and cash equivalents	0.00%	5.46%
Investments in unit investment trust fund (UITF)	8.64%	58.66%
Investments in shares of stock	68.50%	2.61%
Investments in debt and other securities	19.76%	16.88%
Investments in government securities	2.35%	14.93%
Others	0.75%	1.46%
	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.

ACR, ALC, MPC and Sarangani

The following tables summarize the movements in retirement benefits liabilities of the Parent Company, ALC, MPC and Sarangani:

	2019	2018
Balances at beginning of year	₱35,063,842	₱28,258,142
Retirement benefits cost charged in profit or loss:		
Current service cost	8,789,156	7,469,761
Interest cost	2,567,065	1,637,731
	11,356,221	9,107,492
Remeasurements losses (gains) recognized in OCI arising from:		
Changes in financial assumptions	17,926,055	(4,198,169)
Experience adjustments	(2,824,676)	2,230,698
Changes in demographic assumptions	668,195	-
	15,769,574	(1,967,471)
Benefits paid	-	(334,321)
Balances at end of year	₱62,189,637	₱35,063,842



The net retirement assets and liabilities in the consolidated statements of financial position are as follows:

	Net retirement assets		Retirement benefits liabilities	
	2019	2018	2019	2018
Funded	₱18,271,750	₱20,450,756	₱12,415,187	₱2,888,287
Unfunded	—	—	62,189,637	35,063,842
Total	₱18,271,750	₱20,450,756	₱74,604,824	₱37,952,129

Actuarial Assumptions

The principal assumptions used in determining retirement benefits obligation as at December 31 are as follows:

SPPC, WMPC and APMC:

	2019	2018
Discount rates	4.24%-4.96%	5.71%-6.97%
Future salary increases	5%	4-5%

ACR, ALC, MPC, APSC and Sarangani:

	2019	2018
Discount rates	4.96%-5.20%	5.71%-7.36%
Future salary increases	5%-10%	4%-10%

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 below 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, 2019:

	Increase (Decrease)	Amount	Increase (Decrease)	Amount
Discount rates	+0.5%	(₱1,575,442)	+0.5%	(₱5,119,611)
	-0.5%	1,715,466	-0.5%	5,899,116
Salary increase rates	+1.0%	3,361,300	+1.0%	10,479,170
	-1.0%	(2,806,287)	-1.0%	(8,468,030)

As at December 31, 2018:

	Increase (Decrease)	Amount	Increase (Decrease)	Amount
Discount rates	+0.5%	(₱967,894)	+0.5%	(₱1,445,304)
	-0.5%	1,048,068	-0.5%	1,619,533
Salary increase rates	+1.0%	2,106,079	+1.0%	3,390,359
	-1.0%	(1,827,787)	-1.0%	(2,747,012)



Shown below is the maturity analysis of the undiscounted benefit payments:

	2019	2018
Less than 1 year	₱87,294,786	₱67,432,245
More than 1 year to 5 years	15,141,151	16,774,464
More than 5 years to 10 years	67,947,267	45,095,128
More than 10 years to 15 years	59,796,725	58,970,176
More than 15 years to 20 years	133,250,496	106,980,922
More than 20 years	1,236,492,790	1,231,065,772

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:

	2019	2018
Balances at beginning of year	₱13,537,097	₱11,768,307
Current service cost	13,629,566	3,450,334
Benefits paid	(7,405,858)	(1,681,544)
Balances at end of year	₱19,760,805	₱13,537,097

29. Income Taxes

a. Provision for current income tax consists of:

	2019	2018	2017
RCIT	₱210,563,944	₱86,299,878	₱143,228,838
MCIT	1,384,863	286,334	322,175
Total	₱211,948,807	₱86,586,212	₱143,551,013

b. Following is the reconciliation between the statutory tax rate on income before income tax and the effective tax rates:

	2019	2018	2017
Statutory income tax rate	30.0%	30.0%	30.0%
Increase (decrease) in income tax rate resulting from:			
Unrecognized deferred income tax assets	18.0%	23.0%	53.0%
Translation adjustments, effect of change in tax rate, income of certain subsidiaries enjoying tax holidays and others - net	(41.6%)	(33.0%)	(19.8%)
Effective income tax rate	6.4%	20.0%	63.2%



c. Deferred income tax assets (liabilities) pertain to the income tax effects of the following:

	2019		2018	
	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities	Net Deferred Income Tax Assets	Net Deferred Income Tax Liabilities
Deferred Income Tax Assets				
NOLCO	P—	P30,800,025	P—	P3,484,391
Decommissioning liability	28,762,188	27,852,418	—	28,983,463
Unrealized intercompany transactions	30,994,356	—	28,762,188	60,363
Lease liability	—	7,499,844	—	—
Allowance for impairment loss	1,518,887	4,666,342	1,518,887	916,517
Impairment losses on projects costs	4,274,186	—	4,274,186	—
Actuarial loss recognized in equity	4,129,064	—	2,418,280	429,375
Accrued vacation and sick leaves	3,777,339	1,491,654	3,197,201	1,147,565
Net retirement plan assets	2,996,277	570,532	—	3,204,189
Unamortized past service cost	2,219,448	—	3,222,574	—
Unrealized foreign exchange losses	88,688	81,743	—	84,218
	78,760,433	72,962,558	43,393,316	38,310,081
Deferred Income Tax Liabilities				
Capitalized interest	—	(434,812,257)	—	(483,567,818)
Fair value adjustment on real estate inventories, net of impairment	—	(147,368,957)	—	(147,368,957)
Difference between financial and tax depreciation	—	(81,122,190)	—	(93,894,856)
Contract assets	—	(59,109,837)	—	(54,020,800)
Effect of change in functional currency	(1,880,849)	(37,624,860)	—	(44,340,918)
Difference between tax and financial amortization of transaction costs	—	(10,784,210)	—	(19,759,886)
Right-of-use asset	—	(7,150,164)	—	—
Actuarial gains recognized in equity	(472,178)	(4,200,647)	—	(5,390,704)
Capitalized decommissioning asset	—	(2,000,584)	—	—
Unrealized foreign exchange gains	—	(177,030)	—	(6,021,843)
Equity in undistributed net earnings of a foreign subsidiary	(600,167)	—	—	(28,188,462)
Retirement plan assets	—	—	—	(4,951,246)
	(2,953,194)	(784,350,736)	—	(887,505,490)
	P75,807,239	(P711,388,178)	P43,393,316	(P849,195,409)

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:

	2019	2018
NOLCO	P1,953,694,739	P1,835,403,219
Impairment losses on property, plant and equipment	149,244,117	149,244,117
Allowance for doubtful accounts	31,730,458	44,893,549
Unrealized foreign exchange losses	11,263,399	9,331,949
Excess MCIT	5,060,024	3,915,731
Others	10,847,494	8,698,960



Movements of NOLCO and excess MCIT follow:

	2019		2018	
	NOLCO	Excess MCIT	NOLCO	Excess MCIT
Balances at beginning of year	₱1,847,017,856	₱3,915,731	₱2,099,196,484	₱3,643,790
Additions	711,264,655	4,371,318	693,160,180	286,334
Utilization and expiration	(501,921,022)	(3,227,025)	(945,338,808)	(14,393)
Balances at end of year	₱2,056,361,489	₱5,060,024	₱1,847,017,856	₱3,915,731

As at December 31, 2019, 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
2017	2020	₱712,015,455	₱402,372
2018	2021	633,081,379	286,334
2019	2022	711,264,655	4,371,318
		₱2,056,361,489	₱5,060,024

30. Lease Commitments

Long-term Lease

On December 1, 2011, the Group entered into a 5 year lease agreement with Alphaland Development Inc. commencing on February 1, 2012 up to January 31, 2017 for office space. Upon expiration, the lease was renewed for another five years.

Set out below, are the amounts recognized in the consolidated statements of income:

	2019	2018	2017
Depreciation expense of right-of-use assets	₱11,440,263	₱—	₱—
Interest expense on lease liability	2,418,712	—	—
Included under "General and administrative expenses" (Note 23):			
Rent expense - short-term leases	1,877,508	—	—
Rent expense - PAS 17	—	3,382,420	5,169,041
	₱15,736,483	₱3,382,420	₱5,169,041

Total cash outflow for leases amounted to ₱15 million in 2019.

Recoverable deposits related to the lease agreement amounted to ₱4.16 million and ₱3.95 million as of December 31, 2019 and 2018, respectively.



Set out below, is the rollforward analysis of lease liabilities during the year ended December 31, 2019:

As at January 1, 2019, as previously reported	P=
Effect of adoption of PFRS 16 (Note 2)	35,274,144
At January 1, 2019, as restated	35,274,144
Non-cash changes:	
Interest expense	2,418,712
Payments of:	
Principal portion	(10,274,664)
Interest	(2,418,712)
	24,999,480
Less current portion	11,008,135
Noncurrent portion	P13,991,345

Shown below is the maturity analysis of the undiscounted lease payments for the year ended December 31, 2019:

Within one year	P12,762,956
More than 1 years to 2 years	13,581,912
More than 2 years to 3 years	1,138,030

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 P10 million, P12 million and P12 million in 2019, 2018 and 2017, respectively.

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, short-term cash investments, equity investments designated at FVOCI, 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 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 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.

	2019	2018
Cash and cash equivalents*	₱2,814,178,139	₱3,474,206,341
Short-term cash investments	181,632,086	262,952,916
Trade and other receivables		
Trade receivables		
Power	1,578,133,517	1,325,587,506
Real estate**	69,154,468	81,758,990
Due from related parties	1,399,743,565	1,116,603,735
Contract assets	1,182,196,755	1,080,416,000
Retention receivables	24,455,481	44,455,481
Other receivables***	38,320,708	43,601,492
Deposits in interest reserve account	968,735,875	919,227,228
	₱8,256,550,594	₱8,348,809,689

*Excludes cash on hand amounting to ₱0.4 million as at December 31, 2019 and 2018.

**Includes noncurrent portion of installment receivables amounting to ₱2.0 million and ₱4.0 million as at December 31, 2019 and 2018, respectively.

***Excludes advances for business expenses and advances to employees totaling to ₱21.8 million and ₱41.8 million as at December 31, 2019 and 2018, respectively.

Trade receivables and contract assets

The Group's trade receivables and contract assets are monitored on a regular basis. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. For trade receivables from real estate sales, expected credit loss is computed using vintage analysis.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade and other receivables from customers and contract assets are written-off when deemed unrecoverable and are not subject to enforcement activity. The maximum credit exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

Due from related parties

The Group considers its due from related parties as high grade due to assured collectability through information from the related parties' sources of funding.

Other financial assets

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty limits are reviewed and approved by the BOD, and are updated when necessary.



The Group does not hold any collateral from its customers; thus, the carrying amounts of cash and cash equivalents and refundable deposits approximate the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Cash and cash equivalents, short-term cash investments and deposits in interest rate reserve accounts are placed in various banks. Material amounts are held by banks which belong to top five (5) banks in the country. The rest are held by local banks that have good reputation and low probability of insolvency. These are considered to be low credit risk investments.

The following tables below summarize the credit quality of the Group's financial assets (gross of allowance for impairment losses) as at December 31:

	2019					
	Minimal Risk	Current Average Risk	High Risk	Past Due (1-90 Days)	Credit Impaired	Total
Cash and cash equivalents*	P2,814,178,139	P-	P-	P-	P-	P2,814,178,139
Short-term cash investments	181,632,086	-	-	-	-	181,632,086
Trade and other receivables						
Trade receivables						
Power	1,578,133,517	-	-	-	33,467,626	1,611,601,143
Real estate	13,675,823	-	-	55,478,645	13,163,091	82,317,559
Product distribution and others	-	-	-	-	31,730,458	31,730,458
Due from related parties	1,399,743,565	-	-	-	-	1,399,743,565
Contract asset	1,182,196,755	-	-	-	-	1,182,196,755
Retention receivables	24,455,481	-	-	-	-	24,455,481
Other receivables**	38,320,708	-	-	-	5,074,645	43,395,353
Deposits in interest reserve account	968,735,875	-	-	-	-	968,735,875
	P8,201,071,949	P-	P-	P55,478,645	P83,435,820	P8,339,986,414

*Excludes cash on hand amounting to P0.4 million as at December 31, 2019.

**Excludes advances for business expenses and advances to employees totaling to P21.8 million as at December 31, 2019.

	2018					
	Minimal Risk	Current Average Risk	High Risk	Past Due (1-90 Days)	Credit Impaired	Total
Cash and cash equivalents*	P3,474,206,341	P-	P-	P-	P-	P3,474,206,341
Short-term cash investments	262,952,916	-	-	-	-	262,952,916
Trade and other receivables						
Trade receivables						
Power	655,756,453	-	-	669,831,053	33,467,626	1,359,055,132
Real estate**	15,502,426	-	-	66,256,564	13,163,091	94,922,081
Product distribution and others	-	-	-	-	31,730,458	31,730,458
Due from related parties	1,116,603,735	-	-	-	-	1,116,603,735
Contract asset	1,080,416,000	-	-	-	-	1,080,416,000
Retention receivables	44,455,481	-	-	-	-	44,455,481
Other receivables***	43,601,492	-	-	-	5,074,645	48,676,137
Deposits in interest reserve account	919,227,228	-	-	-	-	919,227,228
	P7,612,722,072	P-	P-	P736,087,617	P83,435,820	P8,432,245,509

*Excludes cash on hand amounting to P0.4 million as at December 31, 2018.

**Includes noncurrent portion of installment receivables amounting to P4.0 million as at December 31, 2018.

***Excludes advances for business expenses and advances to employees totaling to P41.8 million as at December 31, 2018.

The Group classifies credit quality risk as follows:

Minimal risk - accounts with a high degree of certainty in collection, where counterparties have consistently displayed prompt settlement practices, and have little to no instance of defaults or discrepancies in payment.

Average risk - active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues, but where the likelihood of collection is still moderate to high as the counterparties are generally responsive to credit actions initiated by the Group.



High risk - accounts with low probability of collection and can be considered impaired based on historical experience, where counterparties exhibit a recurring tendency to default despite constant reminder and communication, or even extended payment terms.

The following tables below summarize the staging considerations (other than trade receivables and contract assets subject to provision matrix) of the Group's financial assets as at December 31:

2019				
	Stage 1 (12-Month ECL)	Stage 2 (Life time ECL)	Stage 3 (Credit Impaired)	Total
Cash and cash equivalents*	₱2,814,178,139	₱-	₱-	₱2,814,178,139
Short-term cash investments	181,632,086	-	-	181,632,086
Trade and other receivables:				
Trade receivables				
Power	-	-	33,467,626	33,467,626
Real estate**	-	-	13,163,091	13,163,091
Product distribution and others	-	-	31,730,458	31,730,458
Due from related parties	1,399,743,565	-	-	1,399,743,565
Retention receivables	24,455,481	-	-	24,455,481
Other receivables***	38,320,708	-	5,074,645	43,395,353
Deposits in interest reserve account	968,735,875	-	-	968,735,875
	₱5,427,065,854	₱-	₱83,435,820	₱5,510,501,674

*Excludes cash on hand amounting to ₱0.4 million as at December 31, 2019.

**Includes noncurrent portion of installment receivables amounting to ₱2.0 million as at December 31, 2019.

***Excludes advances for business expenses and advances to employees totaling to ₱21.8 million as at December 31, 2019.

2018				
	Stage 1 (12-Month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Credit-impaired)	Total
Cash and cash equivalents*	₱3,474,206,341	₱-	₱-	₱3,474,206,341
Short-term cash investments	262,952,916	-	-	262,952,916
Trade and other receivables:				
Trade receivables				
Power	-	-	33,467,626	33,467,626
Real estate**	-	-	13,163,091	13,163,091
Product distribution and others	-	-	31,730,458	31,730,458
Due from related parties	1,116,603,735	-	-	1,116,603,735
Retention receivables	44,455,481	-	-	44,455,481
Other receivables***	43,601,492	-	5,074,645	48,676,137
Deposits in interest reserve account	919,227,228	-	-	919,227,228
	₱5,861,047,193	₱-	₱83,435,820	₱5,944,483,013

*Excludes cash on hand amounting to ₱0.4 million as at December 31, 2018.

**Includes noncurrent portion of installment receivables amounting to ₱4.0 million as at December 31, 2018.

***Excludes advances for business expenses and advances to employees totaling to ₱41.8 million as at December 31, 2018.

Set out below is the information about the credit risk exposure on trade receivables and contract assets using a provision matrix as of December 31:

2019					
Contract Assets	Current	Days Past Due		Total	
		1-90 Days	> 90 Days		
Expected credit loss rate	0%	0%	0%		
Estimated total gross carrying amount at default	₱1,182,196,755	₱1,578,133,517	₱-	₱-	₱2,760,330,272
Expected credit loss	-	-	-	-	-
Credit impaired	-	-	33,467,626	33,467,626	33,467,626
Total expected credit loss	₱-	₱-	₱-	₱33,467,626	₱33,467,626



2018					
	Contract Assets	Current	Days Past Due		Total
			1-90 Days	> 90 Days	
Expected credit loss rate	0%	0%	0%	0%	
Estimated total gross carrying amount at default	P1,080,416,000	P655,756,453	P669,831,053	P-	P2,406,003,506
Expected credit loss	-	-	-	-	-
Credit impaired	-	-	-	33,467,626	33,467,626
Total expected credit loss	P-	P-	P-	P33,467,626	P33,467,626

Set out below is the credit risk exposure on the Group's trade receivables from real estate sales using vintage analysis:

	2019	2018
Expected credit loss rate	0%	0%
Estimated total gross carrying amount at default	P69,154,468	P81,758,990

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.

As of March 19, 2020, the Group has on-going negotiations regarding refinancing of its currently maturing long-term debt and received two proposals from reputable banks.

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):

2019						
	Due and Demandable	Less than 3 Months	3-12 Months	More than 1 Year to 3 Years	4-5 Years	5 Years onwards
Financial Liabilities:						
Accounts payable and other current liabilities*	P3,595,407,928	P309,134,039	P1,067,657	P-	P-	P-
Short-term notes and loans payable**	-	820,220,868	998,000,000	-	-	-
Long-term debts**	-	-	7,770,359,789	10,512,353,668	6,366,892,939	7,488,610,922
Lease liability**	-	-	12,762,956	14,719,942	-	-
	P3,595,407,928	P1,129,354,907	P8,782,190,402	P10,527,073,610	P6,366,892,939	P7,488,610,922
						P37,889,530,708
2019						
	Due and Demandable	Less than 3 Months	3-12 Months	More than 1 Year to 3 Years	4-5 Years	5 Years onwards
Financial Assets:						
Cash and cash equivalents	P2,814,560,639	P-	P-	P-	P-	P-
Short-term cash investments	-	-	181,632,086	-	-	-
Receivables	909,647,132	652,097,279	123,864,282	-	-	-
Deposits in interest reserve account	-	-	968,735,875	-	-	-
Due from related parties	1,399,743,565	-	-	-	-	-
Retention receivable	-	-	24,455,481	-	-	-
Equity investments designated at FVOCI	-	-	-	-	-	2,350,666,222
	P5,123,951,336	P652,097,279	P1,298,687,724	P-	P-	P2,350,666,222
						P9,425,402,561

* Excluding accrued interest, payable to government agencies, current portion of lease liability and advances from customers totaling to P575,041,164

** Including interest payable computed using prevailing rate as at December 31, 2019



	2018						Total
	Due and Demandable	Less than 3 Months	3-12 Months	More than 1 Year to 3 Years	4-5 Years	5 Years onwards	
Financial Liabilities:							
Accounts payable and other current liabilities*	P3,613,643,415	P619,305,121	P1,327,695	P—	P—	P—	P4,234,276,231
Short-term notes and loans payable**	40,000,000	431,401,536	100,000,000	215,701	—	—	571,617,237
Long-term debts**	—	—	3,310,479,733	13,823,546,387	7,470,791,140	9,456,917,720	34,061,734,979
	P3,653,643,415	P1,050,706,657	P3,411,807,428	P13,823,762,088	P7,470,791,140	P9,456,917,720	P38,867,628,447
Financial Assets:							
Cash and cash equivalents	P3,474,561,841	P—	P—	P—	P—	P—	P3,474,561,841
Short-term cash investments	—	—	262,952,916	—	—	—	262,952,916
Receivables	722,030,358	574,241,332	58,656,130	96,020,168	—	—	1,450,947,988
Deposits in interest reserve account	—	—	919,227,228	—	—	—	919,227,228
Due from related parties	1,116,603,735	—	—	—	—	—	1,116,603,735
Retention receivable	—	—	—	44,455,481	—	—	44,455,481
Equity investments designated at FVOCI	—	—	—	2,358,327,598	—	—	2,358,327,598
	P5,313,195,934	P574,241,332	P1,240,836,274	P2,498,803,247	P—	P—	P9,627,076,787

* Excluding accrued interest, payable to government agencies and advances from customers totaling to P423,628,614

** Including interest payable computed using prevailing rate as at December 31, 2018

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.

	2019		2018	
	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	(P173,114,421)	P173,114,421	(P165,604,402)	P165,604,402



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:

	2019		2018	
	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	₱1,292,575	(₱1,292,575)	₱1,369,188	(₱1,369,188)

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 ₱50.64 to US\$1.0 and ₱52.58 to US\$1.0 for December 31, 2019 and 2018, 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.

	2019		2018	
	In U.S. Dollar	In Philippine Peso	In U.S. Dollar	In Philippine Peso
Financial assets:				
Cash and cash equivalents	\$3,320,293	₱168,123,036	\$1,026,641	₱53,980,784
Short-term cash investments	2,204,643	111,632,098	2,025,376	106,494,270
Trade and other receivables	2,023,067	102,437,998	5,227,160	274,844,073
	7,548,003	382,193,132	8,279,177	435,319,127
Financial liabilities -				
Trade payables	(3,984,844)	(201,772,576)	(8,710,275)	(457,986,260)
	\$3,563,159	₱180,420,556	(\$431,098)	(₱22,667,133)



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 data within the last five years as at the reporting period. The methods and assumptions used remained unchanged over the reporting periods being presented.

	2019		2018	
	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	₱1,804,206	(₱1,804,206)	(₱226,671)	₱226,671

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 statement of financial position 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 2019 and 2018.

The Group monitors its capital based on debt to equity ratio as required by its loans agreements with financial institutions. The Group includes debt interest bearing loans and borrowings. Capital includes equity attributable to the equity holders of the parent less the other equity reserves. The Group monitors capital on the basis of the debt-to-equity ratio and interest coverage ratio in compliance for its long-term debts. Debt-to-equity ratio is calculated as total liabilities over total equity, excluding accounts payable and other current liabilities arising from operations and other reserves. Interest coverage ratio is calculated as earnings before interest, taxes, depreciation and amortization over total interest expense.

The Group's strategy, which was unchanged from prior year, was to maintain the debt-to-equity ratio and interest coverage ratio at manageable levels.

The Parent Company's debt-to-equity ratio and interest coverage ratio as required by its own long-term debt are as follows:

a. Debt-to-equity Ratio:

	2019	2018
Loans payable and short-term notes payable	₱1,731,017,268	₱450,059,273
Long-term debts	23,299,494,704	22,781,653,909
Interest payable	316,267,945	301,601,399
Total debt	25,346,779,917	23,533,314,581

(Forward)



	2019	2018
Total equity	₱11,492,275,686	₱11,494,843,770
Less equity reserves	2,494,321,789	2,518,570,606
Adjusted equity	₱8,997,953,897	₱8,976,273,164
Debt-to-equity ratio	2.82:1	2.62:1

b. Interest Coverage Ratio:

	2019	2018
Income before income tax	₱1,041,189,089	₱702,683,751
Add depreciation, amortization and interest expense	2,068,781,236	1,894,225,071
Less: Interest income	(118,193,175)	(62,966,406)
Total cash available for interest expense	2,991,777,150	2,533,942,416
Divided by interest expense	991,946,957	1,022,278,057
	3.02:1	2.48:1

Sarangani

Sarangani separately monitors its debt-to-equity ratio and debt service coverage ratio between Phase 1 and Phase 2 of the Project.

Sarangani's debt-to-equity ratio and debt service coverage ratios calculated using Sarangani's stand-alone financial statements are as follows:

a. Debt-to-equity Ratio:

	2019	2018
Current liabilities	₱4,614,442,864	₱3,448,479,818
Noncurrent liabilities	16,470,124,044	15,856,380,255
Total liabilities	21,084,566,908	19,304,860,073
Equity (including cash advances for future equity conversion)	10,754,944,541	10,153,471,625
Debt-to-equity ratio	1.96:1	1.90:1

b. Debt Service Coverage Ratio:

Phase 1

	2019	2018
Income before income tax	₱1,325,807,778	₱874,553,095
Add depreciation, amortization and interest expense	1,451,062,463	1,348,271,939
Total cash available for debt service	2,776,870,241	2,222,825,034
Divided by debt service	2,235,320,352	1,230,360,625
	1.24:1	1.81:1

Phase 2

As at December 31, 2019 and 2018, the Debt Service Coverage Ratio for loans related to Phase 2 is not yet applicable.



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, 2019:

	Carrying value	Total	Fair Value		
			Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value -					
Equity investments					
designated as FVOCI	₱2,350,666,222	₱2,350,666,222	₱41,287,453	₱88,110,000	₱2,221,268,769
Non-financial Assets					
Fair value is disclosed -					
Investments in real estate	191,394,011	1,035,405,000	—	—	1,035,405,000
	₱2,542,060,233	₱3,386,071,222	₱41,287,453	₱88,110,000	₱3,256,673,769
Financial Liabilities					
Fair value is disclosed -					
Long-term debts	₱23,299,494,704	₱23,119,355,208	₱—	₱—	₱23,119,355,208

As at December 31, 2018:

	Carrying value	Total	Fair Value		
			Level 1	Level 2	Level 3
Financial Assets					
Measured at fair value -					
Equity investments					
designated as FVOCI	₱2,358,327,598	₱2,358,327,598	₱48,048,830	₱88,110,000	₱2,222,168,768
Non-financial Assets					
Fair value is disclosed -					
Investments in real estate	191,436,343	934,050,000	—	—	934,050,000
	₱2,549,763,941	₱3,292,377,598	₱48,048,830	₱88,110,000	₱3,156,218,768
Financial Liabilities					
Fair value is disclosed -					
Long-term debts	₱22,781,653,909	₱21,345,790,304	₱—	₱—	₱21,345,790,304

During the years ended December 31, 2019 and 2018, 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.

Financial assets at FVOCI

The Group's 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 market rate in PSE as at statement of financial position dates. The fair value of investment in golf club shares which are traded in organized financial markets is determined based on any price within the lower selling quotes and higher buyer quotes at the close of business at reporting date.



As of December 31, 2019 and 2018, the Group's investment in unquoted equity investments is measured at fair value using the adjusted net asset value approach as of December 31, 2019 and 2018, respectively (see Note 13).

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis are shown below:

As at December 31, 2019:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount
Price per square meter for Investment properties	₱22,484 - ₱77,000	+1% -1%	₱1,154,616 (1,154,616)
Multiplier to arrive at the estimated net realizable value for real estate inventories	2.39 times	+1% -1%	41,779,319 (41,779,319)
Discount for lack of marketability	10%	+10% -10%	(220,000,000) 220,000,000

As at December 31, 2018:

Significant unobservable inputs	Inputs	Increase (Decrease)	Amount
Price per square meter for Investment properties	₱22,484 - ₱77,000	+1% -1%	₱1,154,616 (1,154,616)
Multiplier to arrive at the estimated net realizable value for real estate inventories	2.29 times	+1% -1%	6,561,279 (6,561,279)
Discount for lack of marketability	10%	+10% -10%	(220,000,000) 220,000,000

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

Refer to Note 10 for the basis of fair value.



33. Significant Agreements and Commitments

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.

No billings to PTMP in 2019, 2018 and 2017.

b. PSAs and ASPA

Starting December 13, 2015 and April 29, 2016, WMPC, and SPPC, respectively, arranged for PSAs with the following electric cooperatives and distribution utilities, for a period of 10 years:

WMPC

Contracting Party	Contracted Capacity (in Megawatts)
Zamboanga City Electric Cooperatives, Inc. (ZAMCELCO)	50
Cagayan Electric Power and Light Company, Inc. (CEPALCO)	30
	80

On September 25, 2017, CEPALCO requested to suspend its PSA starting October 2017 because based on the current supply-demand condition within its franchise area, CEPALCO will not be requiring the 30 megawatts capacity from WMPC for the meantime. Consequently, on September 26, 2017, WMPC agreed to the requested suspension. The unexpired term of the PSA between WMPC and CEPALCO shall be preserved and will resume upon prior written notice from the latter.

On September 8, 2018, WMPC filed an application with the ERC for the approval of ASPA between WMPC and National Grid Corporation of the Philippines (NGCP). On April 22, 2019, it was provisionally approved by the Energy Regulatory Commission (ERC) for a period of 5 years.

Revenue amounted to ₱1,158 million in 2019, ₱1,381 million in 2018 and ₱1,375 million in 2017.

SPPC

Contracting Party	Contracted Capacity (in Megawatts)
Davao Light Power Company (DLPC)	50
Cotabato Light and Power Company, Inc. (CLPC)	5
	55

The PSAs with CLPC and DLPC expired on April 28, 2018 and April 29, 2018, respectively, which were neither extended nor renewed. As of March 19, 2020, the SPPC has no operations.

Revenue amounted to ₱121 million in 2018 and ₱405 million in 2017.

As of March 19, 2020, SPPC's application for ASPA is with the Office of the President of NGCP for further review and approval.



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:

Contracting Party	Contracted Capacity (in Megawatts)	
	2019	2018
CEPALCO	30	30
Surigao Del Sur I Electric Cooperative, Inc. (SURSECO I)	4	4
	34	34

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.

The PSAs with ZAMCELCO and ZANECO expired on March 3, 2018 and July 31, 2018, respectively, which were not extended nor renewed. On April 29, 2019, SURSECO I decided to fully terminate their contract with MPC effective December 26, 2019.

Revenue amounted to ₱440 million in 2019, ₱446 million in 2018 and ₱545 million in 2017.

Sarangani

Sarangani entered into PSAs with the following parties for a period of 25 years.

Phase 1 of the Project

Contracting Party	Contracted Capacity (in Megawatts)
SOCOTECO II	70
Iligan Light and Power Inc.	15
Agusan del Norte Electric Cooperative	10
Agusan del Sur Electric Cooperative	10
	105

Phase 2 of the Project

Contracting Party	Contracted Capacity (in Megawatts)
Cagayan Electric Power and Light Company, Inc.	20
Davao del Norte Electric Cooperative, Inc.	15
Davao del Sur Electric Cooperative, Inc.	15
Cotabato Electric Cooperative, Inc.	10
South Cotabato I Electric Cooperative, Inc.	10
Zamboanga del Sur I Electric Cooperative Inc.	5
Zamboanga del Norte Electric Cooperative Inc.	5
	80

Revenue amounted to ₱5,411 million in 2019, ₱4,728 million in 2018 and ₱4,168 million in 2017.

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, the Energy Regulation Commission approved the above PSA. As at March 19, 2020, the Company has not started the construction of the ZAM 100 power plant. The



proposals for the Engineering, Procurement and Construction (EPC) rebidding were submitted on August 30, 2018. Selection of the contractor who will handle the construction of the project is expected to be concluded in March 2020. Meanwhile, the signing of contract and awarding of the Limited Notice to Proceed to the winning bidder is estimated to be in August 2020, with the issuance of Final Notice to Proceed in September 2020. The project is expected to be completed in May 2023.

c. 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 statements of financial position.

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.

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.

d. 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.

e. 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.

- f. 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, 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.
- g. Joint Crediting Mechanism Grant (the JCM Grant) by the Ministry of Environment of Japan (MEJ)

On September 22, 2017, ACR, AREC, Toyota Tsusho Corporation (TTC) and the Company entered into agreement on International Consortium (the Consortium Agreement) in order to form a consortium and jointly develop and implement the 14.5 MW mini Hydro Power Plant Project in Siguil River in Mindanao which was granted Joint Crediting Mechanism Grant (the JCM Grant) by the Ministry of Environment of Japan (MEJ), for a maximum grant of JPY732.25 million, which was awarded, approved and announced by MEJ on October 20, 2017.

On November 14, 2017, the parties have entered into Memorandum of Agreement (MOA) and the parties have agreed that the Company shall pay TTC its service fee in relation to the JCM Grant. The service fee equivalent to JPY22 million for fiscal years March 31, 2019 and 2020, related to services to be rendered by TTC for the purpose of implementing the project such as, but not limited to: preparation of monthly and annual report in accordance with the JCM rules and submit the same to Global Environment Center Foundation (GEC); attendance to GEC meetings; arranging GEC's final inspection of the usage of the JCM Grant and the scheduled completion of the project, etc. For the year ended December 31, 2019, the Company paid ₱5.4 million to TTC.

Under the MOA, TTC shall remit the JCM Grant it received from MEJ within 30 days after the issuance of the Certificate of Provisional Acceptance (CPA) as defined in the Engineering, Procurement and Construction (EPC) contract and COD which means the date that the Company has declared to South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) or any other off-



taker that, it is ready to deliver, and SOCOTECO II or any other off-taker is ready to accept, the contracted capacity and dispatchable energy mentioned in the Power Sales Agreement (PSA) between parties, which is still pending as of date. As of March 19, 2020, the Company has not yet received any fund from this grant agreement.

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 and estimate of potential liability are not reflected in the consolidated financial statements as management believes that it is not probable that the contingent liabilities will materialize affecting 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:

	2019	2018	2017
Financing activities:			
Amortization of debt issue cost	₱73,486,107	₱74,907,303	₱55,904,550
Application of dividends to subscriptions receivable (Note 21)	(4,400,000)	(4,400,000)	(4,400,000)
Allocation of debt issue costs to undrawn portion of OLSA	—	(118,159,635)	157,956,627
Investing activities:			
Noncash additions to property, plant and equipment (reclassifications, unpaid portions, etc.)	(671,264,226)	(227,688,736)	(242,731,888)
Share in earnings of associates (Notes 11 and 27)	70,629,805	32,888,825	—
Unpaid dividend from an associate	2,000,000	—	—
Disposal of subsidiary without loss of control (Note 1)	—	—	1,495,267,800

- b. Reconciliation of the movement of liabilities arising from financing activities as at and for the years ended December 31, 2019 and 2018 are as follows:

	2019		
	Loans payable	Short-term notes payable	Long-term debts
Beginning balance	₱354,895,860	₱95,163,413	₱22,781,653,909
Cash movements:			
Availment of additional debt	1,273,380,919	2,451,055,305	1,600,000,000
Settlement of debt	(1,515,985,053)	(927,493,176)	(1,052,513,329)
Payment of debt issue costs	—	—	(103,131,983)
Noncash movements:			
Amortization of debt issue costs	—	—	73,486,107
Ending balance	₱112,291,726	₱1,618,725,542	₱23,299,494,704



	2018		
	Loans payable	Short-term notes payable	Long-term debts
Beginning balance	₱975,708,681	₱—	₱18,709,921,947
Cash movements:			
Availment of additional debt	3,270,762,994	100,000,000	6,450,000,000
Settlement of debt	(3,891,575,815)	—	(2,299,590,081)
Payment of debt issue costs	—	(5,997,368)	(34,274,844)
Noncash movements:			
Amortization of debt issue costs	—	1,160,781	73,756,522
Allocation of debt issue costs to undrawn portion of OLSA	—	—	(118,159,635)
Ending balance	₱354,895,860	₱95,163,413	₱22,781,653,909

- c. Reconciliation of the movement of interest payable and dividend payable arising from financing activities as at and for the years ended December 31, 2019 and 2018 are as follows:

	2019	
	Interest payable	Dividend payable
Beginning balance	₱301,601,399	₱185,000,000
Cash movements:		
Payment	(1,066,347,186)	(629,930,000)
Noncash movements:		
Declaration	—	593,330,000
Application of dividends to subscriptions receivable (Note 21)	—	(4,400,000)
Interest expense	1,081,013,732	—
Ending balance	₱316,267,945	₱144,000,000

	2018	
	Interest payable	Dividend payable
Beginning balance	₱280,059,023	₱—
Cash movements:		
Payment	(1,164,350,296)	(567,493,994)
Noncash movements:		
Declaration	—	756,893,994
Application of dividends to subscriptions receivable (Note 21)	—	(4,400,000)
Interest expense	1,185,892,672	—
Ending balance	₱301,601,399	₱185,000,000

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:

- The unbundling of the generation, transmission, distribution and supply and other disposable assets, including its contracts with IPP and electricity rates;
- Creation of a Wholesale Electricity Spot Market within one year; and
- 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 complied with the applicable provisions of the Clean Air Act and the related IRR as at December 31, 2019 and 2018.

c. Subsequent Event

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an Enhanced Community Quarantine (ECQ) throughout the island of Luzon until April 12, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Group activated its business continuity plan pursuant to the aforementioned pronouncements.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. As of March 19, 2020, management is still assessing the impact of the COVID-19 pandemic. However, management has preliminarily assessed that power plant operations and expansion projects in the pipeline are still on track for completion amid the ECQ imposed in Luzon.



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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated March 19, 2020. 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 the Revised Securities Regulation Code Rule 68, 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 financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle

Manolito R. Elle

Partner

CPA Certificate No. 106471

SEC Accreditation No. 1618-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

Tax Identification No. 220-881-929

BIR Accreditation No. 08-001998-128-2019,

November 27, 2019, valid until November 26, 2022

PTR No. 8125233, January 7, 2020, Makati City

March 19, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 19, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Manolito R. Elle

Manolito R. Elle

Partner

CPA Certificate No. 106471

SEC Accreditation No. 1618-AR-1 (Group A),

November 11, 2019, valid until November 10, 2022

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March 19, 2020



ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

Supplementary schedules required by the Revised Securities Regulation Code Rule 68:

- Reconciliation of retained earnings available for dividend declaration
- Map of the conglomerate or group of companies within which the reporting entity belongs