COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	E	0	2	5	3	6				

COMPANY NAME

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

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

32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines

Form Type	Department requiring the report	Secondary License Type, If Applicable
ACFS	CFD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.aboitiz.com.ph	(2) 886-2800	None

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
9,002	May 21	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Melinda R. Bathan	melinda.bathan@aboitiz.com	(032) 411-1710	Not available

CONTACT PERSON's ADDRESS

c/o Aboitiz Equity Ventures, Inc., 32nd Street, Bonifacio Global City, Taguig 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.

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aboitiz
Equity Ventures

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Aboitiz Equity Ventures, Inc.** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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 or members.

Sycip Gorres Velayo & Co., the independent auditor 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 or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JON RAMON M. ABOITIZ
Chairman of the Board

ERRAMON I. ABOITIZ
President & Chief Executive Officer

MANUEL R. LOZANO
Senior Vice President - Chief Financial Officer

Signed this 8th day of March, 2018.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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Republic of the Philippines)
Taguig City) S.S.

Before me, a notary public in and for the city named above, personally appeared:

Name	Passport/CTC	Date/Place Issued
Jon Ramon M. Aboitiz	EB9718353	November 29, 2013, Cebu City
	11860761	February 09, 2018, Cebu City
Erramon I. Aboitiz	EB7151577	January 14, 2013, Cebu City
	26936151	January 15, 2018, Cebu City
Manuel R. Lozano	EC1926563	August 18, 2014, NCR South
	14226194	February 20, 2018, Taguig City

who are personally known to me and to me known to be the same persons who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

TAGUIG CITY
Witness my hand and seal this _____ day of MAR 20 2018 2018.

Doc. No. 195;
Page No. 40;
Book No. LXXVI;
Series of 2018.

ATTY. MELBIAN JEROME E. LARAÑO
Notary Public for Taguig, Roll No. 59294
Commission no. 26, until 31 Dec. 2019
PTR No. A-3693788/ 01.03.18 / Taguig City
IBP No. 1063530 / 11.23.17 / Cavite
MCLE Compliance No. V-0015571 / 03.14.16
3/F Bonifacio Technology Center 31st Street
corner 2nd Avenue Crescent Park West
Global City Taguig City, Philippines

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

Opinion

We have audited the consolidated financial statements of Aboitiz Equity Ventures, Inc. and its subsidiaries (the Group), which comprise the consolidated balance sheets as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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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.

Accounting for Business Combination: Finalization of purchase price allocation for the acquisition of GNPower Mariveles Coal Plant Ltd. Co. (GMCP)

In 2017, the Group finalized the fair value of the net assets acquired from its acquisition of partnership interests in GMCP on October 4, 2016. PFRS 3, *Business Combinations*, allows the fair value of assets acquired to be continually refined for a period of one year after the acquisition date in cases where judgment is required to ensure the adjustments made reflect new information obtained about facts and circumstances that existed as of acquisition date. The adjustments resulted in an increase in goodwill of ₱3.1 billion. Based on the quantitative materiality of the adjustment and degree of management judgment in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about finalization of purchase price allocation for the acquisition of GMCP are included in Note 9 to the consolidated financial statements.

Audit Response
We obtained understanding on the Group's process of purchase price allocation which includes the identification of the fair value of the net assets. We reviewed the measurement of fair value of the net assets and adjustments made by the Group. Where the Group used an appraiser to perform valuation of its assets, we assessed the competence, capabilities and objectivity of the Group's specialist. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Accounting for Business Combination: Increased ownership in San Carlos Sun Power, Inc. (SACASUN)

On December 27, 2017, the Group through AboitizPower International Pte. Ltd., acquired the remaining 50% ownership interest in SACASUN from SunE Solar B.V. Consequently, SACASUN became a wholly owned subsidiary of the Group and was consolidated as of the acquisition date. Provisional bargain purchase gain amounting to ₱328.7 million was recognized as of December 31, 2017. Based on the quantitative materiality of the transaction and degree of management judgment in remeasuring of previously held interest and in assessing the fair value of the net assets, we have determined this to be a key audit matter.

The Group's disclosures about increased ownership in SACASUN are included in Note 9 to the consolidated financial statements.

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Audit Response
We reviewed the agreement covering the acquisition. We involved our internal specialist in reviewing the valuation methodology and assumptions used in valuing acquired assets, including the fair value of the previously-held interest. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Impairment of Aseagas Corporation's (Aseagas) Property, Plant and Equipment

In November 2017, Aseagas temporarily ceased the operations of its biomass plant. In January 2018, after a full assessment of the biomass plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of Aseagas's assets, which are primarily comprised of its property, plant and equipment, may not be recoverable. As of December 31, 2017, the Group performed an impairment test review which resulted to an impairment loss of ₱2.6 billion on its property, plant and equipment. We consider the impairment loss as a key audit matter due to the materiality of the amount and the significant management assumptions and judgment involved in estimating the recoverable amount of the property, plant and equipment.

The Group's disclosures about the impairment of assets of Aseagas are included in Notes 13 to the consolidated financial statements.

Audit Response
We obtained an understanding of management's process in estimating the recoverable amount of the property, plant and equipment. Since the Group engaged an independent appraiser to determine the estimated recoverable amount of Aseagas' property, plant and equipment, we assessed the competence, capabilities and objectivity of the independent appraiser. We reviewed the assumptions used in estimating the recoverable amount. We involved our internal specialist in reviewing the valuation methodology. We also evaluated the presentation and the disclosure of the transaction in the consolidated financial statements.

Recoverability of Goodwill

As of December 31, 2017, the goodwill amounted to ₱41.3 billion, which is attributable to several cash-generating units, which is considered significant to the consolidated financial statements. We consider the recoverability of goodwill as a key audit matter due to the materiality of the amount involved and the significant management assumptions and judgment involved, which includes cash-generating unit identification, discount and growth rate, revenue assumptions and material price inflation.

The Group's disclosures about goodwill are included in Note 12 to the consolidated financial statements.

Audit Response
We obtained an understanding of management's process in estimating the recoverable amount of goodwill and evaluate the related control. We involved our internal specialist in assessing the methodology and assumptions used by the Group in estimating value-in-use. We compared significant assumptions, such as growth rate, revenue assumptions and material price inflation, against historical data and industry outlook. Our internal specialist reviewed the discount rates by performing an independent testing on the derivation of the discount rates using market-based parameters. We performed sensitivity analyses to understand the impact of reasonable changes in the key assumptions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive.

Revenue Recognition of Distribution Utilities

The Group's revenue from the sale of electricity accounts for 29% of the Group's consolidated revenue and is material to the Group. This matter is significant to the audit because the revenue recognized depends on the electric consumption captured, the rates applied across different customers and the systems involved in the billing process. Electric consumption captured is based on the meter readings taken on various dates for the different types of customers (i.e., industrial, commercial, and residential customers) within the franchise areas of operations of the distribution utilities.

Disclosures related to this matter are provided in Note 25 to the consolidated financial statements.

Audit Response
We obtained an understanding and evaluated the design and tested the controls over the billing and revenue process which includes the capture and accumulation of meter data in the billing system and calculation of billed amounts, and uploading of billed amounts from the billing system to the financial reporting system. We performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, then compared them with the rates used in billing statements.

Accounting for Investment in an Associated Company

Aboitiz Equity Ventures, Inc. (AEV) exercises significant influence over Union Bank of the Philippines (UBP), a universal bank publicly listed in the Philippine Stock Exchange. AEV's investment in UBP is accounted for under the equity method. UBP's income is significantly affected by the level of provisioning of its loans and receivables, which requires significant management judgment.

The Group's disclosure on investments in associates is in Note 10 to the consolidated financial statements.

Audit Response
Our audit procedures included, among other things, requesting the statutory auditor of UBP to perform an audit on the relevant financial information of UBP for the purpose of the consolidated financial statements of the Group. We met with the statutory auditor of UBP and discussed the risk assessment, audit strategy and significant developments in UBP. We reviewed the working papers at the statutory

auditor's office, focusing on loans and receivables of UBP including the inputs and assumptions for specific and collective impairment assessment. We recomputed the Group's share in the net income of UBP and assessed the disclosures on the investment in associate in the consolidated financial statements.

Consolidation Process

AEV owns a significant number of domestic and foreign entities at varying equity interests. We considered the consolidation process as a key audit matter because it required significant auditor attention, particularly on the following areas: (a) fair value adjustments arising from business combinations, (b) numerous intercompany transactions, (c) alignment of accounting policies of the investees with the Group's policy on property, plant and equipment and investment properties, (d) translation of investees' foreign-currency-denominated financial information to the Group's functional currency and (e) other equity adjustments.

The Group's disclosure on the basis of consolidation is in Note 2 to the consolidated financial statements.

Audit Response
We obtained an understanding of the consolidation process and the related controls, the Group's process for identifying related parties and related party transactions, as well as the reconciliation of intercompany balances. We also checked the entities included in the consolidation. We reviewed the eliminating entries recorded, including fair value adjustments. In addition, we reviewed the currency translation adjustments, as well as the alignment of accounting policies on property, plant and equipment and investment properties.

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, 2017, 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, 2017 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.

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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 Maria Veronica Andresa R. Pore.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

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LARGE TAXPAYERS DIVISION-CEBU
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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱64,870,214	₱63,857,528
Trade and other receivables (Note 5)	24,192,785	21,732,203
Inventories (Note 6)	12,453,335	10,221,448
Derivative asset (Note 36)	228,644	188,417
Other current assets (Notes 7 and 8)	12,442,516	9,579,230
Total Current Assets	114,187,494	105,578,826
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	213,232,540	202,237,611
Investments and advances (Note 10)	91,922,376	86,950,461
Investment properties (Notes 14 and 29)	6,844,633	5,372,390
Intangible asset - service concession rights (Note 15)	3,062,307	3,222,123
Land and improvements (Note 13)	3,689,677	3,525,381
Goodwill (Notes 9 and 12)	41,308,689	41,249,629
Deferred income tax assets (Note 31)	1,525,630	1,893,878
Trade receivables - net of current portion (Note 5)	580,925	277,771
Derivative asset - net of current portion (Note 36)	113,297	103,443
Available-for-sale (AFS) investments (Note 3)	772,794	563,748
Held-to-maturity (HTM) investments	189,216	–
Net pension assets (Note 30)	176,952	115,264
Other noncurrent assets (Notes 8 and 16)	14,637,951	15,217,184
Total Noncurrent Assets	378,056,987	360,728,883
TOTAL ASSETS	₱492,244,481	₱466,307,709
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 17)	₱23,701,140	₱8,259,028
Trade and other payables (Notes 18, 34 and 39)	24,536,584	22,210,909
Derivative liability (Note 36)	47,577	127,442
Current portions of:		
Long-term debts (Note 19)	20,722,330	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	40,000	40,000
Obligations under finance lease (Notes 13 and 22)	3,316,165	2,968,491
Income tax payable	703,489	685,215
Total Current Liabilities	73,067,285	41,989,346

(Forward)

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands)

	December 31, 2017	December 31, 2016 (As Restated; Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱64,870,214**	₱63,857,528
Trade and other receivables (Note 5)	**24,192,785**	21,732,203
Inventories (Note 6)	**12,453,335**	10,221,448
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Other current assets (Notes 7 and 8)	**12,442,516**	9,579,230
Total Current Assets	**114,187,494**	105,578,826
Noncurrent Assets		
Property, plant and equipment (Notes 13 and 19)	**213,232,540**	202,237,611
Investments and advances (Note 10)	**91,922,376**	86,950,461
Investment properties (Notes 14 and 29)	**6,844,633**	5,372,390
Intangible asset - service concession rights (Note 15)	**3,062,307**	3,222,123
Land and improvements (Note 13)	**3,689,677**	3,525,381
Goodwill (Notes 9 and 12)	**41,308,689**	41,249,629
Deferred income tax assets (Note 31)	**1,525,630**	1,893,878
Trade receivables - net of current portion (Note 5)	**580,925**	277,771
Derivative asset - net of current portion (Note 36)	**113,297**	103,443
Available-for-sale (AFS) investments (Note 3)	**772,794**	563,748
Held-to-maturity (HTM) investments	**189,216**	–
Net pension assets (Note 30)	**176,952**	115,264
Other noncurrent assets (Notes 8 and 16)	**14,637,951**	15,217,184
Total Noncurrent Assets	**378,056,987**	360,728,883
TOTAL ASSETS	**₱492,244,481**	₱466,307,709
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Bank loans (Note 17)	**₱23,701,140**	₱8,259,028
Trade and other payables (Notes 18, 34 and 39)	**24,536,584**	22,210,909
Derivative liability (Note 36)	**47,577**	127,442
Current portions of:		
Long-term debts (Note 19)	**20,722,330**	7,698,261
Long-term obligation on Power Distribution System (PDS) (Note 15)	**40,000**	40,000
Obligations under finance lease (Notes 13 and 22)	**3,316,165**	2,968,491
Income tax payable	**703,489**	685,215
Total Current Liabilities	**73,067,285**	41,989,346

(Forward)

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	December 31, 2017	December 31, 2016 (As Restated; Note 9)
Noncurrent Liabilities		
Noncurrent portions of:		
Obligations under finance lease (Notes 13 and 22)	**₱45,909,089**	₱49,371,713
Long-term debts (Note 19)	**168,364,717**	189,184,633
Long-term obligations on PDS (Note 15)	**186,071**	197,248
Trade payables (Notes 18 and 34)	**880,943**	578,892
Derivative liability - net of current portion (Note 36)	**–**	233,435
Customers' deposits (Note 20)	**6,269,383**	7,040,347
Asset retirement obligation (Note 21)	**2,959,060**	1,821,577
Deferred income tax liabilities (Note 31)	**1,623,915**	1,567,411
Net pension liability (Note 30)	**400,306**	347,699
Total Noncurrent Liabilities	**226,593,484**	250,342,955
Total Liabilities	**299,660,769**	292,332,301
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 23)	**5,694,600**	5,694,600
Additional paid-in capital (Note 23)	**13,013,197**	13,013,197
Other equity reserves:		
Gain on dilution (Note 2)	**5,043,152**	5,376,176
Excess of book value over acquisition cost of an acquired subsidiary (Note 9)	**469,540**	469,540
Acquisition of non-controlling interests (Note 2)	**(1,577,075)**	(1,577,075)
Accumulated other comprehensive income (loss):		
Net unrealized mark-to-market gains on AFS investments	**17,280**	9,106
Cumulative translation adjustments (Note 36)	**189,465**	34,262
Actuarial losses on defined benefit plans (Note 30)	**(657,754)**	(783,891)
Share in actuarial losses on defined benefit plans of associates and joint ventures (Note 10)	**(537,099)**	(513,132)
Share in cumulative translation adjustments of associates and joint ventures (Note 10)	**(107,913)**	(95,378)
Share in net unrealized mark-to-market losses on AFS investments of associates (Note 10)	**(3,237,987)**	(3,938,424)
Retained earnings (Note 24)		
Appropriated	**1,622,000**	2,717,000
Unappropriated	**135,600,929**	120,390,178
Treasury stock at cost (Note 23)	**(521,132)**	(521,132)
	155,011,203	140,275,027
Non-controlling Interests	**37,572,509**	33,700,381
Total Equity	**192,583,712**	173,975,408
TOTAL LIABILITIES AND EQUITY	**₱492,244,481**	₱466,307,709

See accompanying Notes to Consolidated Financial Statements.

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ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share Amounts)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Sale of:			
Power and electricity (Note 25)	**₱118,759,149**	₱88,585,890	₱84,874,038
Goods	**23,819,250**	21,848,393	20,982,378
Real estate (Notes 13 and 25)	**3,613,388**	2,440,854	2,732,878
Fair value of swine (Note 8)	**2,410,542**	1,854,053	1,786,095
Service fees (Note 39)	**1,620,401**	1,453,336	827,222
Others (Note 34)	**198,875**	232,554	57,357
	150,421,605	116,415,080	111,259,968
COSTS AND EXPENSES			
Cost of generated and purchased power (Notes 6, 26, 27 and 39)	**63,949,850**	46,226,259	46,426,239
Cost of goods sold (Notes 6 and 27)	**21,700,262**	18,886,189	18,011,108
Operating expenses (Notes 27, 34, 38 and 39)	**26,255,915**	21,187,182	17,972,039
Cost of real estate sales (Note 6)	**1,825,570**	1,084,740	1,328,650
Overhead expenses (Note 27)	**113,864**	109,671	103,532
	113,845,461	87,494,041	83,841,568
OPERATING PROFIT	**36,576,144**	28,921,039	27,418,400
Share in net earnings of associates and joint ventures (Note 10)	**9,053,733**	9,651,787	6,589,452
Interest expense (Notes 22 and 35)	**(13,117,362)**	(9,567,997)	(7,881,566)
Interest income (Notes 4, 34 and 35)	**1,375,695**	1,436,933	1,132,001
Other income (expense) - net (Notes 5, 29 and 34)	**(26,134)**	2,501,026	224,010
INCOME BEFORE INCOME TAX	**33,862,076**	32,942,788	27,482,297
PROVISION FOR INCOME TAX (Note 31)	**4,583,055**	4,289,663	4,324,819
NET INCOME	**₱29,279,021**	₱28,653,125	₱23,157,478
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
Non-controlling interests	**7,670,326**	6,179,667	5,478,362
	₱29,279,021	₱28,653,125	₱23,157,478
EARNINGS PER SHARE (Note 32)			
Basic and diluted, for net income for the year attributable to ordinary equity holders of the parent	**₱3.836**	₱4.017	₱3.184

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
Non-controlling interests	**7,670,326**	6,179,667	5,478,362
	29,279,021	28,653,125	23,157,478
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to consolidated statements of income:			
Movement in net unrealized mark-to-market losses on AFS investments	**(2,413)**	(5,848)	(439)
Movement in cumulative translation adjustments, net of tax	**199,556**	(203,067)	174,906
Share in movement in cumulative translation adjustments of associates and joint ventures (Note 10)	**(16,305)**	128,173	119,113
Share in movement in net unrealized mark-to-market gains (losses) on AFS investments of associates (Note 10)	**702,564**	(189,693)	(2,245,010)
	883,402	(270,435)	(1,951,430)
Items that will not be reclassified to consolidated statements of income:			
Movement in actuarial gains (losses) on defined benefit plans, net of tax	**126,137**	12,076	(87,519)
Share in movement in actuarial losses on defined benefit plans of associates and joint ventures, net of tax	**(22,788)**	(178,244)	(8,751)
	103,349	(166,168)	(96,270)
TOTAL COMPREHENSIVE INCOME	**₱30,265,772**	₱28,216,522	₱21,109,778
ATTRIBUTABLE TO:			
Equity holders of the parent	**₱22,562,144**	₱22,068,509	₱15,543,938
Non-controlling interests	**7,703,628**	6,148,013	5,565,840
	₱30,265,772	₱28,216,522	₱21,109,778

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Thousands, Except Dividends Per Share Amounts)

	Attributable to equity holders of the parent																
												Retained Earnings					
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Appropriated (Note 24)	Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2017	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	21,608,695	–	21,608,695	7,670,326	29,279,021
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	8,174	–	–	–	–	–	–	–	–	8,174	(10,587)	(2,413)
Movement in cumulative translation adjustments	–	–	–	–	–	–	155,203	–	–	–	–	–	–	–	155,203	44,353	199,556
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	126,137	–	–	–	–	–	–	126,137	–	126,137
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(23,967)	–	–	–	–	–	(23,967)	1,179	(22,788)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	(12,535)	–	–	–	–	(12,535)	(3,770)	(16,305)
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	700,437	–	–	–	700,437	2,127	702,564
Total comprehensive income (loss) for the year	–	–	–	–	–	8,174	155,203	126,137	(23,967)	(12,535)	700,437	–	21,608,695	–	22,562,144	7,703,628	30,265,772
Gain on dilution	–	–	(333,024)	–	–	–	–	–	–	–	–	–	–	–	(333,024)	–	(333,024)
Cash dividends - ₱1.33 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	–	(7,492,944)	–	(7,492,944)	–	(7,492,944)
Reversal of appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	(1,095,000)	1,095,000	–	–		–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(3,077,223)	(3,077,223)
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(754,277)	(754,277)
Balances at December 31, 2017	₱5,694,600	₱13,013,197	₱5,043,152	₱469,540	(₱1,577,075)	₱17,280	₱189,465	(₱657,754)	(₱537,099)	(₱107,913)	(₱3,237,987)	₱1,622,000	₱135,600,929	(₱521,132)	₱155,011,203	₱37,572,509	₱192,583,712

	Attributable to equity holders of the parent																
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings: Appropriated (Note 24)	Retained Earnings: Unappropriated (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest (As Restated; Note 9)	Total
Balances at January 1, 2016	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱–	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	–	22,473,458	–	22,473,458	6,179,667	28,653,125
Other comprehensive income																	
Movement in net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(5,082)	–	–	–	–	–	–	–	–	(5,082)	(766)	(5,848)
Movement in cumulative translation adjustments	–	–	–	–	–	–	(142,117)	–	–	–	–	–	–	–	(142,117)	(60,950)	(203,067)
Actuarial gains on defined benefit plans, net of tax	–	–	–	–	–	–	–	12,076	–	–	–	–	–	–	12,076	–	12,076
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(178,676)	–	–	–	–	–	(178,676)	432	(178,244)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	98,543	–	–	–	–	98,543	29,630	128,173
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(189,693)	–	–	–	(189,693)	–	(189,693)
Total comprehensive income (loss) for the year	–	–	–	–	–	(5,082)	(142,117)	12,076	(178,676)	98,543	(189,693)	–	22,473,458	–	22,068,509	6,148,013	28,216,522
Cash dividends - ₱1.06 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	–	(5,887,522)	–	(5,887,522)	–	(5,887,522)
Appropriation during the year	–	–	–	–	–	–	–	–	–	–	–	2,717,000	(2,717,000)	–	–	–	–
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,456,950)	(4,456,950)
Sale of treasury shares	–	5,329,629	–	–	–	–	–	–	–	–	–	–	–	544,453	5,874,082	–	5,874,082
Acquisition of a subsidiary (Note 9)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,164,230	3,164,230
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	80,604	80,604
Balances at December 31, 2016	₱5,694,600	₱13,013,197	₱5,376,176	₱469,540	(₱1,577,075)	₱9,106	₱34,262	(₱783,891)	(₱513,132)	(₱95,378)	(₱3,938,424)	₱2,717,000	₱120,390,178	(₱521,132)	₱140,275,027	₱33,700,381	₱173,975,408

	Attributable to equity holders of the parent														
	Capital Stock: Common (Note 23)	Additional Paid-in Capital (Note 23)	Gain on Dilution (Note 2)	Excess of Book Value Over Acquisition Cost of an Acquired Subsidiary (Note 9)	Acquisition of Non-controlling Interest (Note 2)	Net Unrealized Mark-to-Market Gains on AFS Investments	Cumulative Translation Adjustment (Note 36)	Actuarial Losses on Defined Benefit Plans, net of tax (Note 30)	Share in Actuarial Losses on Defined Benefit Plans of Associates and Joint Ventures (Note 10)	Share in Cumulative Translation Adjustments of Associates and Joint Ventures (Note 10)	Share in Net Unrealized Mark to-Market Losses on AFS Investments of Associates (Note 10)	Retained Earnings (Note 24)	Treasury Stock (Note 23)	Total	Non-controlling Interest	Total
Balances at January 1, 2015	₱5,694,600	₱6,911,044	₱5,376,176	₱469,540	(₱1,577,075)	₱14,627	₱35,533	(₱708,448)	(₱315,444)	(₱277,293)	(₱1,496,305)	₱94,995,596	(₱1,178,397)	₱107,944,154	₱26,990,810	₱134,934,964
Net income for the year	–	–	–	–	–	–	–	–	–	–	–	17,679,116	–	17,679,116	5,478,362	23,157,478
Other comprehensive income																
Movement in net unrealized mark-to-market losses on AFS investments	–	–	–	–	–	(439)	–	–	–	–	–	–	–	(439)	–	(439)
Movement in cumulative translation adjustments	–	–	–	–	–	–	140,846	–	–	–	–	–	–	140,846	34,060	174,906
Actuarial losses on defined benefit plans, net of tax	–	–	–	–	–	–	–	(87,519)	–	–	–	–	–	(87,519)	–	(87,519)
Share in movement in actuarial losses on defined benefit plan of associates and joint ventures	–	–	–	–	–	–	–	–	(19,012)	–	–	–	–	(19,012)	10,261	(8,751)
Share in cumulative translation adjustment of associates and joint ventures	–	–	–	–	–	–	–	–	–	83,372	–	–	–	83,372	35,741	119,113
Share in movement in unrealized mark-to-market losses on AFS investments of associates	–	–	–	–	–	–	–	–	–	–	(2,252,426)	–	–	(2,252,426)	7,416	(2,245,010)
Total comprehensive income (loss) for the year	–	–	–	–	–	(439)	140,846	(87,519)	(19,012)	83,372	(2,252,426)	17,679,116	–	15,543,938	5,565,840	21,109,778
Cash dividends - ₱1.11 per share (Note 24)	–	–	–	–	–	–	–	–	–	–	–	(6,153,470)	–	(6,153,470)	–	(6,153,470)
Cash dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(4,243,450)	(4,243,450)
Sale of treasury shares	–	772,524	–	–	–	–	–	–	–	–	–	–	112,812	885,336	–	885,336
Changes in non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	451,284	451,284
Balances at December 31, 2015	₱5,694,600	₱7,683,568	₱5,376,176	₱469,540	(₱1,577,075)	₱14,188	₱176,379	(₱795,967)	(₱334,456)	(₱193,921)	(₱3,748,731)	₱106,521,242	(₱1,065,585)	₱118,219,958	₱28,764,484	₱146,984,442

See accompanying Notes to Consolidated Financial Statements.

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱33,862,076**	₱32,942,788	₱27,482,297
Adjustments for:			
Interest expense (Note 35)	**13,117,362**	9,567,997	7,881,566
Depreciation and amortization (Note 27)	**8,455,978**	6,829,395	4,956,308
Impairment loss on property, plant and equipment, goodwill and other assets (Notes 2, 12 and 13)	**3,127,413**	169,469	–
Net unrealized foreign exchange losses	**746,648**	1,532,081	1,392,912
Write-off / provision for decline in value of project costs and various assets	**207,986**	372,828	138,553
Loss (gain) on sale of:			
Property, plant and equipment (Note 13)	**52,164**	(50,125)	71,402
AFS investments (Note 3)	**(1,549)**	(25,105)	–
Gain on redemption of shares	**–**	(16,051)	–
Provision for impairment loss on investments and advances (Note 10)	**–**	–	13,937
Dividend income (Note 29)	**(5,946)**	(250)	(1,810)
Unrealized mark-to-market losses (gains) on derivatives	**(367,868)**	3,316	(317,645)
Unrealized excess of fair value over historical acquisition cost (Notes 9 and 29)	**(392,340)**	(350,939)	–
Net unrealized valuation gain on investment property (Notes 14 and 29)	**(862,219)**	(166,476)	(186,512)
Interest income	**(1,375,695)**	(1,436,933)	(1,132,001)
Share in net earnings of associates and joint ventures (Note 10)	**(9,053,733)**	(9,651,787)	(6,589,452)
Operating income before working capital changes	**47,510,277**	39,720,208	33,709,555
Decrease (increase) in:			
Trade and other receivables	**(4,444,457)**	(894,679)	(499,797)
Inventories	**(1,565,400)**	(810,917)	(638,947)
Pension asset	**(82,030)**	–	24,942
Other current assets	**(2,426,441)**	(1,559,481)	(2,669,217)
Increase (decrease) in:			
Trade and other payables (Note 9)	**(1,235,398)**	(24,234)	311,764
Pension liability	**(98,406)**	(59,559)	123,329
Customers' deposits	**(708,720)**	510,517	953,714
Net cash generated from operations	**36,949,425**	36,881,855	31,315,343
Income and final taxes paid	**(4,267,206)**	(4,868,433)	(4,056,356)
Net cash flows from operating activities	**32,682,219**	32,013,422	27,258,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Note 10)	**6,060,299**	8,608,988	5,126,894
Interest received	**1,480,887**	1,472,936	1,123,646
Proceeds from sale of:			
AFS investments	**26,731**	37,155	214,555
Property, plant and equipment	**414,606**	168,381	145,378

(Forward)

	Years Ended December 31		
	2017	2016	2015
Acquisition through business combination, net of cash acquired (Note 9)	**₱747,150**	(₱44,572,591)	₱101,374
Proceeds from sale of common shares and redemption of preferred shares of associates and joint ventures (Note 10)	**–**	51,976	2,649,204
Additions to:			
AFS investments	**(417,987)**	(213,931)	–
Land and improvements (Note 13)	**(444,907)**	(438,962)	(685,642)
Property, plant and equipment and investment properties (Notes 13 and 14)	**(18,317,445)**	(31,024,798)	(19,514,009)
Investments in and advances to associates (Note 10)	**(1,766,819)**	(12,408,168)	(24,229,823)
Increase in intangible asset - service concession rights (Note 15)	**(131,502)**	(45,875)	(20,046)
Decrease (increase) in other noncurrent assets	**599,306**	(6,303,485)	(1,504,063)
Net cash flows used in investing activities	**(11,749,681)**	(84,668,374)	(36,592,532)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term debts - net of transaction costs (Note 19)	**43,968,605**	74,674,514	44,494,653
Net proceeds from (settlements of) bank loans	**15,424,292**	(625,532)	1,055,647
Proceeds from issuance of treasury shares (Note 23)	**–**	5,874,083	885,336
Interest paid	**(8,858,875)**	(5,002,512)	(3,350,218)
Cash dividends paid and other changes to non-controlling interest	**(3,077,223)**	(4,434,075)	(4,243,450)
Cash dividends paid to equity holders of the parent (Note 24)	**(7,492,944)**	(5,887,523)	(6,153,470)
Payments of:			
Long-term debts (Note 19)	**(51,545,504)**	(4,232,593)	(2,813,140)
Obligations under finance lease (Note 21)	**(7,877,292)**	(7,517,917)	(7,482,447)
Net cash flows from (used in) financing activities	**(19,458,941)**	52,848,445	22,392,911
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,473,597**	193,493	13,059,366
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(460,911)**	82,151	40,952
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**63,857,528**	63,581,884	50,481,566
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱64,870,214**	₱63,857,528	₱63,581,884

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value, Earnings Per Share, Number of Shares, and When Otherwise Indicated)

1. Corporate Information

Aboitiz Equity Ventures, Inc. (the Company) was originally incorporated in the Philippines as Cebu Pan Asian Holdings, Inc. and registered with the Securities and Exchange Commission on September 11, 1989. The Company changed its corporate name to the present one on December 29, 1993 and its ownership was opened to the general public through an initial public offering of its shares on November 16, 1994 (see Note 23).

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in various business activities mainly in the Philippines, including power generation and distribution, food manufacturing, banking and financial services, real estate development, and infrastructure (see Note 33). The Company is the publicly-listed holding and management company of the Group. The parent and the ultimate parent of the Company is Aboitiz & Company, Inc. (ACO).

The registered office address of the Company is 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines.

The consolidated financial statements of the Group were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) of the Company on March 8, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, quoted AFS investments and investment properties which are measured at fair value, and agricultural produce and biological assets which are measured at fair value less estimated costs to sell. The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency, and all values are rounded to the nearest thousands, except for earnings per share and exchange rates and as otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for certain amendments which were applied starting January 1, 2017. These amendments did not have any significant impact on the Group's consolidated financial statements:

- Amendment to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014-2016 cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

- Amendments to Philippine Accounting Standards (PAS) 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Group has provided the required information in Note 37 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

New Standards and Interpretations Issued and Effective after December 31, 2017
The Group will adopt the standards enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements.

Effective January 1, 2018

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

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

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

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

  The Group's activities are not predominantly connected with insurance. These amendments will not have any significant impact on the Group's consolidated financial statements.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method. In 2016, the Group performed a preliminary assessment of PFRS 15 which was continued with a more detailed analysis in 2017.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's consolidated financial position, performance and disclosures:

Power Segment

- Identification of performance obligations

  Sale of power and electricity
  Contract with customers for the Group's power segment generally includes power generation, ancillary services, power distribution, and retail supply.

  For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation is expected to qualify as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

  Under the current standards, revenue from power generation is recognized in the period actual capacity is generated. Under PFRS 15, the Group expects the revenue recognition to occur over time wherein the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, the fixed capacity payments for the entire contract period determined at contract inception will be recognized over time. Adoption of PFRS 15 is expected to have an impact on the Group's revenue and profit or loss, specifically on contracts where capacity payments are fixed but escalates throughout the contract period without any reference to market indices. The fixed escalation will be recognized on a straight-line basis over the contract period.

  Power distribution and retail supply are also expected to qualify as series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. The Group expects revenue to be recognized over time based on amounts billed.

- Variable considerations
  Some contracts with customers include unspecified quantity of energy, provisional Energy Regulatory Commission (ERC) rates, and volume and prompt payment discounts. Such provisions give rise to variable consideration under PFRS 15 and will be required to be estimated at contract inception and updated thereafter.

However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint will result in the same revenue recognized under PAS 18.

Real Estate Segment

- Identification of performance obligations

  Real estate sales
  Contract with customers for the Group's real estate segment generally includes sale of developed lot, sale of house and lot, sale of unfurnished and fully-furnished condominium units.

  For sale of developed lots, lot and land development are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract as the land development is used as an input to deliver a combined output (i.e. developed lot). The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the lot.

  For sale of house and lot, house and lot are separately identifiable promises but are expected to be combined as one performance obligation since these are not distinct within the context of the contract. The obligation to deliver the house duly constructed in a specific lot is fully integrated in the lot in accordance with the approved plan. If sale occurs upon completion, the Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the house and lot. If sale occurs prior to completion, the Group expects the revenue recognition to occur over time when satisfying the criterion of which 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.

- Significant financing component in relation to advance payments received from customers
  Contracts with customers provide two alternative options: spot cash payment and installment payments after the contracts are signed. For both payment options, the Group concluded that there is a significant financing component because the timing between when the customer pays for the property and when the Group transfers the property to the customer do not match and the period between transfers are more than a year. The transaction price for such contracts will be determined by discounting the amount of promised consideration using the appropriate discount rate. The Group is currently quantifying the impact of the significant financing component in its consolidated financial statements.

- Incremental costs to obtain contracts
  The Group's real estate segment incurs incremental sales commissions to obtain contracts with customers. Under legacy standards, the Group recognized the sales commission as expense when incurred. Under PFRS 15, these are capitalized as contract asset if the costs are expected to be recoverable.

The Group expects to amortize these costs on a systematic basis that is consistent with the Group's transfer of the related goods/services to the customer (i.e., percentage-of-completion). The Group also expects to apply the practical expedient wherein contract costs shall be immediately expensed when the asset that would have resulted from capitalizing such costs would have been amortized within one year or less.

Food Manufacturing Segment

- Identification of performance obligations

  Sale of goods
  For contract with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of PFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods.

- Variable considerations
  Some contracts with customers include volume discounts. Currently, the Group recognizes revenue measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and allowances granted by the Group. For the volume discounts, the Group recognizes these once the quantity of products purchased during the period exceeds a threshold specified in the contract. These are being determined and recorded on a monthly basis. Under PFRS 15, such provisions give rise to variable consideration under PFRS 15, and will be required to be estimated at contract inception and updated thereafter.

  However, PFRS 15 also requires the estimated variable consideration to be constrained to prevent a significant reversal in the amount of cumulative revenue recognized. The Group expects that application of the constraint, will result in the same accounting revenue as recognized in PAS 18.

Group
In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

  (a) Classification and measurement

  PFRS 9 requires that the Group classifies debt instruments based on the contractual cash flow characteristics of the assets and the business model for managing those assets. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

  The Group assessed that the contractual cash flows of its debt financial assets are solely payments of principal and interest and are expected to be held to collect all contractual cash flows until their maturity. As a result, these debt financial assets are still expected to be measured at amortized cost.

  Investments in unquoted equity shares currently carried at cost under PAS 39 are expected to be measured at FVTPL. The Group is in the process of determining how to measure the fair value of these unquoted investments.

  Quoted equity shares currently held as AFS investments are expected to be measured at either FVTPL (at default), which will increase volatility in profit or loss, or at FVOCI with no recycling to profit or loss (upon irrevocable election).

  (b) Impairment

  PFRS 9 requires the Group to record ECL for all loans and other debt financial assets not classified as at FVTPL, together with contract assets, loan commitments and financial guarantee contracts. The Group plans to apply the simplified approach and record lifetime ECL on all trade receivables and contract assets. For other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. The Group is currently quantifying the impact of the change in measuring ECL.

(c) Hedge accounting

The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's consolidated financial statements.

The Group expects that adoption of PFRS 9 will have an impact on its equity take up of its share in net earnings and movements in other comprehensive income in an associate. The Group has applied its existing governance framework to ensure that appropriate controls and validations are in place over key processes and judgments in implementing PFRS 9. The Group is continuously refining its internal controls and processes which are relevant in the proper implementation of PFRS 9.

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

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

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

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

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

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

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

  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

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

Effective January 1, 2019

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

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

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

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date.

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

  The Group expects that adoption of these amendments will not have any impact consolidated financial statements and plans to adopt these on the required effective date.

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

  The Group expects that adoption of these amendments will not have any impact on the consolidated financial statements and plans to adopt these on the required effective date.

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

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

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

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

Deferred effectivity

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

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

Basis of Consolidation
The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in the following table:

			Percentage of Ownership			
	Nature of		2017		2016	
	Business	Place of Incorporation	Direct	Indirect	Direct	Indirect
Aboitiz Power Corporation (AP) and Subsidiaries	Power	Philippines	76.88%	–	76.88%	–
Aboitiz Energy Solutions, Inc. (AESI)	Power	Philippines	–	100.00	–	100.00
Balamban Enerzone Corporation (BEZ)	Power	Philippines	–	100.00	–	100.00
Mactan Enerzone Corporation (MEZ)	Power	Philippines	–	100.00	–	100.00
East Asia Utilities Corporation (EAUC)	Power	Philippines	–	100.00	–	100.00
Lima Enerzone Corporation (LEZ)	Power	Philippines	–	100.00	–	100.00
Subic Enerzone Corporation (SEZ)	Power	Philippines	–	100.00	–	100.00
Cotabato Light & Power Co., Inc. (CLP)	Power	Philippines	–	99.94	–	99.94
Cotabato Ice Plant, Inc.	Manufacturing	Philippines	–	100.00	–	100.00
Davao Light & Power Co., Inc. (DLP)	Power	Philippines	–	99.93	–	99.93
Maaraw Holdings San Carlos, Inc. (MHSCI, see Note 9)	Power	Philippines	–	100.00	–	–
San Carlos Sun Power, Inc. (Sacasun, see Note 9)	Power	Philippines	–	100.00	–	–
Sunedison Philippines Helios B.V. (see Note 9)	Holding	Netherlands	–	100.00	–	–
Visayan Electric Co., Inc. (VECO)	Power	Philippines	–	55.26	–	55.26
Aboitiz Renewables Inc. (ARI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
AP Renewables, Inc. (APRI)	Power	Philippines	–	100.00	–	100.00
Hedcor, Inc. (HI)	Power	Philippines	–	100.00	–	100.00
Hedcor Mt. Province, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Benguet, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Bukidnon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kabayan, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Ifugao, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Kalinga, Inc. *	Power	Philippines	–	100.00	–	100.00
Hedcor Itogon, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Manolo Fortich, Inc.*	Power	Philippines	–	100.00	–	100.00
Hedcor Sabangan, Inc. (Hedcor Sabangan)	Power	Philippines	–	100.00	–	100.00
Hedcor Sibulan, Inc. (HSI)	Power	Philippines	–	100.00	–	100.00
Hedcor Tamugan, Inc. (HTI)*	Power	Philippines	–	100.00	–	100.00
Hedcor Tudaya, Inc. (Hedcor Tudaya)	Power	Philippines	–	100.00	–	100.00
Aboitiz Power Distributed Renewables, Inc. (formerly Kookaburra Equity Ventures, Inc.) *	Power	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2017 Direct	2017 Indirect	2016 Direct	2016 Indirect
Aboitiz Power Distributed Energy, Inc. *	Power	Philippines	–	100.00	–	–
Mt. Apo Geopower, Inc. *	Power	Philippines	–	100.00	–	100.00
Cleanergy, Inc. (CI)*	Power	Philippines	–	100.00	–	100.00
Hydro Electric Development Corporation	Power	Philippines	–	99.97	–	99.97
Luzon Hydro Corporation (LHC)	Power	Philippines	–	100.00	–	100.00
Bakun Power Line Corporation*	Power	Philippines	–	100.00	–	100.00
AP Solar Tiwi, Inc.*	Power	Philippines	–	100.00	–	100.00
Aseagas Corporation (Aseagas)*	Power	Philippines	–	100.00	–	–
Cordillera Hydro Corporation (CHC)*	Power	Philippines	–	100.00	–	100.00
Negron Cuadrado Geopower, Inc. (NCGI)*	Power	Philippines	–	100.00	–	100.00
Tagoloan Hydro Corporation*	Power	Philippines	–	100.00	–	100.00
Luzon Hydro Company Limited*	Power	Philippines	–	100.00	–	100.00
Therma Power, Inc. (TPI) and Subsidiaries	Power	Philippines	–	100.00	–	100.00
Abovant Holdings, Inc.	Power	Philippines	–	60.00	–	60.00
Mindanao Sustainable Solutions, Inc. *	Services	Philippines	–	100.00	–	–
Therma Power Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Luzon, Inc. (TLI)	Power	Philippines	–	100.00	–	100.00
Therma Marine, Inc. (Therma Marine)	Power	Philippines	–	100.00	–	100.00
Therma Mobile, Inc. (Therma Mobile)	Power	Philippines	–	100.00	–	100.00
Therma South, Inc. (TSI)	Power	Philippines	–	100.00	–	100.00
Therma Central Visayas, Inc. *	Power	Philippines	–	100.00	–	100.00
Therma Subic, Inc.*	Power	Philippines	–	100.00	–	100.00
Therma Mariveles Holdings L.P. (formerly World Power Holdings, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Mariveles, LLC (formerly SG GNPower, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Consulting Services, LLC (formerly Sithe Global Consulting Services, LLC)**	Holding	United States	–	–	–	100.00
Therma Mariveles Holding Cooperatief U.A. (formerly SG Philippines Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles B.V. (formerly Sithe Global Camaya B.V.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Mariveles Holdings, Inc. **	Holding	Netherlands	–	100.00	–	100.00
GNPower Mariveles Coal Plant Ltd. Co. (GMCP) **	Power	Philippines	–	66.07	–	82.82
Therma Dinginin L.P. (formerly Sithe Global Power, L.P.)**	Holding	Cayman Islands	–	–	–	100.00
Therma Dinginin, LLC (formerly SG GNPD, LLC)**	Holding	United States	–	–	–	100.00
Therma Dinginin Offshore Services Inc. (formerly GNPD Offshore Services, Inc.)**	Holding	United States	–	–	–	100.00
Therma Dinginin Holding Cooperatief U.A. (formerly SG GNPD Holding Cooperatief U.A.)**	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin B.V. (formerly Sithe Global GNPD B.V.) **	Holding	Netherlands	–	100.00	–	100.00
Therma Dinginin Holdings, Inc. **	Holding	Philippines	–	100.00	–	100.00
Therma Visayas, Inc. (TVI)*	Power	Philippines	–	80.00	–	80.00
AboitizPower International Pte. Ltd.	Holding	Singapore	–	100.00	–	100.00
Adventenergy, Inc. (AI)	Power	Philippines	–	100.00	–	100.00
Cebu Private Power Corporation (CPPC)	Power	Philippines	–	60.00	–	60.00
Prism Energy, Inc. (PEI)*	Power	Philippines	–	60.00	–	60.00
Pilmico Foods Corporation (PILMICO) and Subsidiaries	Food manufacturing	Philippines	100.00	–	100.00	–
Filagri Holdings, Inc.	Holding	Philippines	–	100.00	–	100.00
Pilmico Animal Nutrition Corporation (PANC)	Food manufacturing	Philippines	–	100.00	–	100.00
Filagri, Inc.	Food manufacturing	Philippines	–	100.00	–	100.00

(Forward)

	Nature of Business	Place of Incorporation	Percentage of Ownership 2017 Direct	2017 Indirect	2016 Direct	2016 Indirect
AboitizLand, Inc. (AboitizLand) and Subsidiaries	Real estate	Philippines	100.00	–	100.00	–
Cebu Industrial Park Developers, Inc. (CIPDI)	Real estate	Philippines	–	60.00	–	60.00
Misamis Oriental Land Development, Inc. (MOLDC)	Real estate	Philippines	–	60.00	–	60.00
Propriedad del Norte, Inc. (PDNI)	Real estate	Philippines	–	100.00	–	100.00
Lima Land, Inc. (LLI) and Subsidiary	Real estate	Philippines	–	100.00	–	100.00
Cebu District Property Enterprise, Inc. (CDPEI)	Real Estate	Philippines	–	60.00	–	60.00
AEV International Pte. Ltd. (AEV International)	Holding	Singapore	100.00	–	100.00	–
Pilmico International Pte. Ltd. (Pilmico International)	Holding	Singapore	–	100.00	–	100.00
Pilmico VHF Joint Stock Company (Pilmico VHF)	Food manufacturing	Vietnam	–	100.00	–	100.00
Pilmico Viet Nam Trading Company, Ltd.	Trading	Vietnam	–	100.00	–	100.00
Pilmico Animal Nutrition Joint Stock Company (PAN JSC)	Food manufacturing	Vietnam	–	70.00	–	–
PT PILMICO Foods Indonesia	Trading	Indonesia	–	67.00	–	–
Archipelago Insurance Pte Ltd (AIPL)	Insurance	Singapore	100.00	–	100.00	–
Aseagas Corporation (Aseagas)*	Biogas Manufacturing	Philippines	–	–	–	100.00
AEV Aviation, Inc. (AEV Aviation)	Service	Philippines	73.31	26.69	73.31	26.69
AEV Properties, Inc.*	Real estate	Philippines	100.00	–	100.00	–
Cebu Praedia Development Corporation (CPDC)	Real estate	Philippines	100.00	–	100.00	–
PETNET, Inc. (PETNET)	Financial services	Philippines	51.00	–	51.00	–
Aboitiz Infracapital ,Inc.	Holding	Philippines	100.00	–	100.00	–
Lima Water Corporation (LWC)	Water	Philippines	–	100.00	–	100.00
Apo Agua Infrastructura, Inc.*	Supply of treated bulk water	Philippines	22.22	47.78	23.21	46.79

**No commercial operations as of December 31, 2017 and December 31, 2016.*
*** Acquired as part of GNPower acquisition (see Note 9).*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31 of each year.

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; and
- 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the 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.

A change in the 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 assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Transactions with Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

Summary of Significant Accounting Policies

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/noncurrent classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in 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 a least twelve months after reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due 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

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities.

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

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

The principal or the most advantageous market must be accessible to 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 economic best interest.

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

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

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

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

- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the 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 input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

The Group's valuation team (the Team) determines the policies and procedures for fair value measurement of its investment properties, and property, plant and equipment. External valuers (the Valuers) are involved in the periodic valuation of these assets. The respective subsidiary's Team decides the selection of the Valuers after discussion with and approval by its Chief Financial Officer (CFO). Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Team also determines, after discussions with the chosen valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the Team analyzes the movements in the values of the investment properties, and property, plant and equipment which are required to be re-measured or re-assessed in accordance with the subsidiary's accounting policies. The Team, in coordination with the Valuers, also compares each of the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

On the re-appraisal year, the Team and Valuers present the valuation results and the major assumptions used in the valuation to its CFO.

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated balance sheet consist of cash on hand and with banks, and short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. They are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet on the date when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on trade date, which is the date that the Group commits to purchase the asset. Regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, HTM investments, and AFS investments. For financial liabilities, the Group also classifies them into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

"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.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as FVPL.

Financial assets and financial 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 in an effective hedge or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of income.

Financial assets and financial liabilities may be designated at initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset or financial liabilities at FVPL, except when the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets and liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Subsequent changes in fair value are recognized in the consolidated statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Financial instruments included in this classification are the Group's derivative asset and derivative liability (see Note 36).

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not reclassified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate (EIR) and transaction costs. 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.

Financial assets included in this classification are the Group's cash in banks and cash equivalents, trade and other receivables and restricted cash (see Note 36).

HTM investments
HTM investments are quoted non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After the initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between the parties to the contract that are integral part of the EIR, transaction costs and all other premiums and discounts. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS investments. Gains and losses are recognized in the consolidated statement of income when the investments are impaired, as well as through the amortization process.

The Group's HTM investments amounted to ₱189.2 million and nil as of December 31, 2017 and 2016, respectively.

AFS investments
AFS financial investments include equity and debt securities. Equity investments classified as available-for sale are those which are neither classified as held for trading nor designated as at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. They are included in noncurrent assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. After initial recognition, AFS financial investments are measured at fair value with unrealized gains or losses being recognized in the other comprehensive income and in equity as "Net unrealized mark-to-market gains on AFS investments". When the investment is disposed of, the cumulative gains or loss previously recorded in equity is recognized in the consolidated statement of income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Interest earned on holding AFS investments are reported as "Interest income" using the effective interest method.

Dividends earned on holding AFS investments are recognized in the consolidated statement of income as "Other income" when the right of payment had been established. The losses arising from impairment of such investments are recognized as "Provision for credit and impairment losses" in the consolidated statement of income. Unquoted equity securities are carried at cost, net of impairment.

The Group's AFS investments as of December 31, 2017 and 2016 include investments in quoted and unquoted shares of stock (see Note 36).

Other financial liabilities
Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of liability. These include liabilities arising from operations or borrowings.

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

Included in other financial liabilities are the Group's debt and other borrowings (bank loans and long-term debts), obligations under finance lease, trade and other payables, customers' deposits, dividends payable, and long-term obligation on PDS (see Note 36).

Impairment of Financial Assets
The Group assesses at each balance sheet date whether 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 an 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 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 debtors or a group of debtors 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 a 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 individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. 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 estimated future cash flows (excluding future expected credit losses that have not yet been incurred). If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk

characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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 based on the original EIR of the financial asset. 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 period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments
In the case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income) is removed from other comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on rate of interest used to discount future cash flows for measuring impairment loss. Such accrual is recorded as part of "Interest income" in the consolidated statement of income. If, in subsequent period, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

HTM investments
The Group reviews the age and status of HTM investments and assesses if it needs to be provided with allowance. The Group maintains allowances for impairment losses at a level considered adequate to provide for potential uncollectible investments.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset 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 the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 consolidated statement of income.

Derivative Financial Instruments

Derivative financial instruments, including 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 FVPL, unless designated as effective hedge. Changes in fair values of derivative instruments not accounted 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.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes party to the contract.

An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid or combined instrument is not recognized as at FVPL.

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.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

As of December 31, 2017 and 2016, the Group has freestanding derivatives in the form of deliverable and non-deliverable foreign currency forward contracts entered into to economically hedge its foreign currency risks (see Note 35). In 2013, the Group applied hedge accounting treatment on its derivative transactions.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements, and the related assets and liabilities are presented at gross in the consolidated balance sheet.

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

A financial instrument is classified as liability 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 its 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.

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.

Redeemable Preferred Shares (RPS)
The component of the RPS that exhibits characteristics of a liability is recognized as a liability in the consolidated balance sheet, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in the consolidated statement of income. On issuance of the RPS, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortized cost basis until extinguished on redemption.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Wheat grains and other raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods and work in process	-	cost of direct materials, labor and a portion of manufacturing overhead based on normal operating capacity but excluding borrowing costs;
Fuel and lubricants	-	purchase cost on a first-in, first-out basis;
Materials, parts and supplies	-	purchase cost on a weighted average method

NRV of wheat grains and other raw materials, work in process and finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV of fuel and lubricants and materials, parts and supplies is the current replacement costs.

Real estate inventories include land and condominium units, land and land improvements and residential lots for sale. Real estate inventories are carried at the lower of cost and NRV (i.e., estimated selling price less estimated costs to complete and sell). Cost includes costs incurred for the acquisition, development and improvement of the properties as well as the borrowing costs allowed to be capitalized.

Agricultural Activity
Agricultural produce
Agricultural produce (livestock and poultry) are measured at fair value less estimated costs to sell at point of harvest.

Biological assets
Biological assets are measured on initial recognition and at each balance sheet date at fair value less estimated costs to sell except when, on initial recognition, market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable. In such cases, those biological assets are measured at accumulated costs less any accumulated depreciation and any accumulated impairment losses. Once the fair value of such biological assets becomes reliably measurable, those biological assets are measured at fair value less estimated costs to sell.

Gains or losses arising on initial recognition of a biological asset (for market hogs, piglets, growing stock, broilers and others) at fair value less estimated costs to sell and from changes in their fair values less estimated costs to sell are included in the consolidated statement of income for the period in which they arise.

Biological assets measured at fair value less estimated costs to sell continue to be measured as such until disposed. Expenditures on biological assets subsequent to initial recognition, excluding the costs of day-to-day servicing, are capitalized.

Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. 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 those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Interest in Joint Operations
A joint arrangement is classified as a joint operation if the parties with joint control have rights to the assets and obligations for the liabilities of the arrangement. For interest in joint operations, the Group recognizes:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

The accounting and measurement for each of these items is in accordance with the applicable PFRSs.

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. 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 acquirer measures the noncontrolling interest in the acquiree pertaining to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interest are measured at fair value unless another measurement basis is required by PFRS. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets 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 acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be 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 Group's interest in the fair values of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit 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.

Impairment of goodwill
Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, 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 groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Common control business combination
Business combination of entities under common control is accounted for similar to pooling of interest method, which is scoped out of PFRS 3, *Business Combinations*. Under the pooling of interest method, any excess of acquisition cost over the net asset value of the acquired entity is recorded in equity.

Land and Improvements
Land and improvements consist of properties for future development and are carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Cost includes those costs incurred for development and improvement of the properties. Cost of land and improvements is transferred to real estate inventories upon commencement of the real estate project.

Property, Plant and Equipment
Except for land, property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. The initial cost of property, plant and equipment comprises its purchase price, including import duties, if any, and nonrefundable taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred and the recognition criteria are met. Repairs and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost less any accumulated impairment in value.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

Depreciation and amortization of the Group's property, plant and equipment and assets under finance leases is calculated on a straight-line basis over the useful lives of the assets as follows:

	Number of Years	
Category	**2017**	2016
Buildings, warehouses and improvements	**10 - 50**	10 - 50
Power plant and equipment	**2 - 50**	2 - 50
Transmission, distribution and substation equipment		
Power transformers	**30**	30
Poles and wires	**20 - 40**	20 - 40
Other components	**12 - 30**	12 - 30
Machinery and equipment	**5 - 30**	5 - 30
Transportation equipment	**5 - 10**	5 - 10
Office furniture, fixtures and equipment	**1 - 20**	1 - 20
Leasehold improvements	**3 - 20**	3 - 20
Electrical equipment	**5 - 25**	5 - 25
Meters and laboratory equipment	**25**	25
Steam field assets	**20 - 25**	20 - 25
Tools and others	**2 - 20**	2 - 20

Leasehold improvements are amortized over the shorter of the lease terms and the lives of the improvements.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are retired or otherwise disposed of, both the cost and related accumulated depreciation and amortization and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations. 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 on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

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

When each 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 satisfied.

Service Concession Arrangements

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls - through ownership, beneficial entitlement or otherwise - any significant residual interest in the infrastructure at the end of the term of the arrangement, are accounted for under the provisions of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of this Interpretation if the conditions in (a) are met.

This interpretation applies to both: (a) infrastructure that the entities in the Group constructs or acquires from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entity in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of this Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of contractual arrangements within the scope of this Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11, *Construction Contracts*, and PAS 18, *Revenue*, for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable shall be allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

When an entity provides construction or upgrades services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entities have contractual obligations it must fulfill as a condition of its license (a) to maintain the infrastructure to a specified level of serviceability or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the balance sheet date.

Borrowing cost attributable to the construction of the asset if the consideration received or receivable is an intangible asset, is capitalized during the construction phase. In all other cases, borrowing costs are expensed as incurred.

<u>Intangible Asset</u>
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of the acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

Service concession right
The Group's intangible asset - service concession right pertains mainly to its right to charge users of the public service in connection with the service concession and related arrangements. This is recognized initially at the fair value which consists of the cost of construction services and the fair value of future fixed fee payments in exchange for the license or right. Following initial recognition, the intangible asset is carried at cost less accumulated amortization and any accumulated impairment losses.

The intangible asset - service concession right is amortized using the straight-line method over the estimated useful economic life which is the service concession period, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life is 25 years. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets - customer contracts
The Group's intangible assets - customer contracts pertain to contracts entered by subsidiaries relating to the provision of utility services to locators within an industrial zone.

These are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The intangible assets - customer contracts are amortized using the straight-line method over the remaining life of the contract, and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The remaining contract life ranges from 6 to 10 years. The amortization period and method are reviewed at least at each financial year end.

The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Franchise
The Group's franchise pertains to VECO's franchise to distribute electricity within an area granted by the Philippine Legislature, acquired in the business combination in 2013. The franchise is initially recognized at its fair value at the date of acquisition. Following initial recognition, the franchise is carried at cost less accumulated amortization and any accumulated impairment losses. The Group's franchise is amortized using the straight-line method over the estimated economic useful life, and assessed for impairment whenever there is an indication that the franchise may be impaired. The estimated economic useful life of the franchise is 40 years. The amortization period and amortization method for franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise are accounted for by changing the amortization period or method, as appropriate, and treated as a change in accounting estimates. The amortization expense on franchise is recognized in the consolidated statement of income in the expense category consistent with its function.

Software and licenses
Software and licenses are initially recognized at cost. Following initial recognition, the software development costs are carried at cost less accumulated amortization and any accumulated impairment in value.

The software development costs are amortized on a straight-line basis over its estimated useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization commences when the software development costs are available for use. The amortization period and the amortization method for the software development costs are reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treating them as changes in accounting estimates. The amortization expense is recognized in the consolidated statement of income in the expense category consistent with the function of the software development costs.

Project development costs
Project development costs include power plant projects in the development phase which meet the "identifiability" requirement under PAS 38, *Intangible Assets*, as they are separable and susceptible to individual sale and are carried at acquisition cost. These assets are transferred to "Property, plant and equipment" when construction of each power plant commences. During the period of development, the asset is tested for impairment annually.

Investment Properties
Investment properties, which pertain to land and buildings, are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in fair values of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment property 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 property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development with a view to sale. For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income. When the Group completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the consolidated statement of income.

Asset Retirement Obligation
The asset retirement obligation arose from the Group's obligation, under its contracts, to decommission, abandon and perform surface rehabilitation at the end of the useful lives of the steam field assets or upon abandonment of the plant. 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 asset retirement obligation. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of income as an "Accretion of asset retirement obligation" under the "Interest expense" account. 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 steam field asset. The amount deducted from the cost of the steam field asset, shall not exceed its carrying amount.

If the decrease in the liability exceeds the carrying amount of the steam field asset, the excess shall be recognized immediately in the consolidated statement of income.

Noncurrent Assets Classified as Held for Sale and Discontinued Operations
Noncurrent assets and disposal groups classified as held for sale are measured at the lower of their carrying mount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of net income after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting net income is reported separately in the consolidated statement of income.

If there are changes to a plan of sale, and the criteria for the asset or disposal group to be classified as held for sale are no longer met, the Group ceases to classify the asset or disposal group as held for sale and it shall be measured at the lower of:

- its carrying amount before the asset was classified as held for sale adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset not been classified as held for sale, and
- its recoverable amount at the date of the subsequent decision not to sell.

The Group includes any required adjustment to the carrying amount of a noncurrent asset or disposal group that ceases to be classified as held for sale in the consolidated statement of income from continuing operations in the period in which the criteria for the asset or disposal group to be classified as held for sale are no longer met. The Group presents that adjustment in the same caption in the consolidated statement of income used to present a gain or loss recognized, if any.

If the Group ceases to classify a component of an entity as held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

Research and Development Expenditure
The Group's policy is to record research expenses in the consolidated statement of income in the period when they are incurred.

Development costs are recognized as an intangible asset on the consolidated balance sheet if the Group can identify them separately and show the technical viability of the asset, its intention and capacity to use or sell it, and how it will generate probable future economic benefits.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of Nonfinancial Assets

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

An assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation, 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. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital

Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Capital stock includes common stock and preferred stock.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are debited to the "Additional paid-in capital" account, net of tax. If additional paid-in capital is not sufficient, the excess is charged against equity.

Retained Earnings

Retained earnings include accumulated earnings of the Company and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the transition provisions of new and amended standards.

Treasury Shares

The Group's own equity instruments which are reacquired (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income.

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

The functional currency of the following power subsidiaries: LHC, Therma Mariveles L.P. and subsidiaries, Therma Dinginin L.P. and subsidiaries; and associates: STEAG State Power, Inc. (STEAG), Western Mindanao Power Corporation (WMPC) and Southern Philippines Power Corporation (SPPC), is the United States (US) dollar; and food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong. As at the balance date, the assets and liabilities of these entities are translated into the presentation currency of the Group (the Philippine peso) at the rate of exchange ruling at the balance sheet date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of the subsidiary and associate, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in the consolidated statement of income.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the 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 arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sales
Revenue from sale of power and electricity is recognized in the period in which actual capacity is generated and earned and upon distribution of power to customers.

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Real estate sales are accounted for under the percentage-of-completion method when: (a) equitable interest and/or legal title to the subject properties is transferred to the buyer; (b) the seller is obliged to perform significant acts after the subject properties are sold; (c) the amount of revenue can be measured reliably; (d) the costs incurred or to be incurred can be measured reliably; and (e) it is probable that the economic benefits will flow to the entity. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work. If any of the criteria under the percentage-of-completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Under the deposit method, no revenue and receivable are recognized, and the Group continues to reflect the property in the consolidated balance sheet. Pending recognition of sale, cash received from buyers are presented under the "Deposits and other liabilities" account in the liabilities section of the consolidated balance sheet.

Rendering of services
Service revenues are recognized when the related services are rendered. Customer payments for which services have not yet been rendered are classified as unearned revenue under "Trade and other payables" account in the consolidated balance sheets.

Once the recorded value of a financial asset or bank of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized based on the original EIR used to discount the future recoverable cash flows.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the related lease terms.

Dividend income
Dividend income is recognized when the Group's right to receive payment is established.

Interest income
Interest income is recognized as it accrues taking into account the effective yield on the asset.

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Pension Benefits
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.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability 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 expense or income 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 consolidated statement of income in subsequent periods.

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.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

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

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset 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 as at the balance sheet date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Input Value-Added Tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

Input VAT, which is presented as part of "Other current assets" and/or "Other noncurrent assets" in the consolidated balance sheets, is recognized as an asset and will be used to offset the Group's current output VAT liabilities and/or applied for claim for tax credit certificates. Input VAT is stated at its estimated NRV.

Output VAT

Output VAT represents VAT due on the sale, lease or exchange of taxable goods or properties or service by any person registered or required to register under Philippine taxation laws and regulations.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated balance sheet.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. 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 provision due to the passage of time is recognized as a borrowing cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed 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 when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Common Share
Basic earnings per common share are computed by dividing net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stock dividends declared and stock rights exercised during the year.

Diluted earnings per share amounts are calculated by dividing the net income for the year attributable to the common shareholders of the parent by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued for outstanding common stock equivalents. The Group does not have dilutive common stock equivalents.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from retained earnings when approved by the respective shareholders of the Group and its subsidiaries. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting period.

Operating Segments
For management purposes, effective September 2015, the Group is organized into five major operating segments (power, food manufacturing, financial services, real estate, infrastructure and parent company/others) according to the nature of the products and the services provided. The Group's identified operating segments are consistent with the segments reported to the BOD which is the Group's Chief Operating Decision Maker (CODM). Financial information on operating segments is presented in Note 33.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the companies in the Group, the functional currency of the companies in the Group has been determined to be the Philippine peso, except for certain subsidiaries and associates whose functional currency is the US dollar (US$) or Vietnamese Dong. The Philippine peso is the currency of the primary economic environment in which the companies in the Group operate and it is the currency that mainly influences the sale of power, goods and services and the costs of power, manufacturing and selling the goods, and the rendering of services. The functional currency of the following power subsidiaries: LHC, Therma Mariveles Holdings L.P. and subsidiaries, Therma Dinginin Holdings L.P. and subsidiaries; and associates: STEAG, WMPC and SPPC, is the US dollar; food subsidiaries: Pilmico VHF, Pilmico Viet Nam Trading Company, Ltd., and PAN JSC, is the Vietnamese Dong.

Determination of control or joint control over an investee company
Control is presumed to exist when an 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 the other hand, joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its majority ownership of voting rights in its subsidiaries as of December 31, 2017 and 2016, the Company had the ability to exercise control over these investees (see Note 2).

Nonconsolidation of certain investees
The Group has 83.33% interest in Manila-Oslo Renewable Enterprise, Inc. (MORE) which has a 60% ownership interest in SN Aboitiz Power-Magat (SNAP-Magat), Inc., SN Aboitiz Power-Benguet (SNAP-Benguet), Inc., SN Aboitiz Power-RES, Inc. (SNAP-RES), and SN Aboitiz Power-Generation, Inc. (SNAP-Generation).

The Group does not consolidate MORE since it does not have the ability to direct the relevant activities which most significantly affect the returns of MORE and its investees. This is a result of the shareholders' agreement which, among others, stipulates the management and operation of MORE. Management of MORE is vested in its BOD and the affirmative vote of the other shareholder is required for the approval of certain corporate actions which include financial and operating undertakings.

The Group has 60% interest in AEV CRH Holdings, Inc. (AEV CRH) which has 99.09% ownership interest in Republic Cement and Building Materials, Inc. (RCBMI), 99.63% ownership interest in Republic Cement Mindanao, Inc. (RCMI), 94.63% ownership interest in Republic Cement Iligan, Inc. (RCII) and 100% ownership interest in Luzon Continental Land Corporation (LCLC).

The Group does not consolidate AEV CRH since it does not have the ability to direct the relevant activities which most significantly affect the returns of AEV CRH and its investees. This is a result of the contractual arrangements that give the other party the power to direct the relevant non-nationalized activities of the subsidiaries of AEV CRH. Consequently, the Group recognizes AEV CRH as an associate that is accounted for using the equity method in the consolidated financial statements.

Determining a joint operation
The Group has 50% interest in PEC. The Group assessed that the joint arrangement is a joint operation as the financial and operating activities of the operation are jointly controlled by the participating shareholders and are primarily designed for the provision of output to the shareholders.

Service concession arrangements - Companies in the Group as Operators
Based on management's judgment, the provisions of Philippine Interpretation IFRIC 12 apply to SEZ's Distribution Management Service Agreement (DMSA) with Subic Bay Metropolitan Authority (SBMA); MEZ's Built-Operate-Transfer (BOT) agreement with Mactan Cebu International Airport Authority (MCIAA) and LHC's Power Purchase Agreement (PPA) with the National Power Corporation (NPC). The service concession agreements of subsidiaries SEZ, MEZ and LHC were accounted for under the intangible asset model. STEAG, an associate, has also determined that the provisions of Philippine Interpretation IFRIC 12 apply to its PPA with NPC. STEAG's service concession agreement was accounted for under the financial asset model. Refer to the accounting policy on service concession arrangements for the discussion of intangible asset and financial asset models.

Finance lease - Group as the lessee
In accounting for its Independent Power Producer Administration Agreement (IPP Administration Agreement) with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group has made a judgment that the IPP Administration Agreement of TLI is an arrangement that contains a lease. The Group has made a judgment that it has substantially acquired all the risks and rewards incidental to ownership of the power plant principally by virtue of its right to control the capacity of the power plant and its right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration. Accordingly, the Group accounted for the agreement as a finance lease and recognized the power plant and finance lease obligation at the present value of the agreed monthly payments to PSALM (see Notes 22 and 36).

The power plant is depreciated over its estimated useful life as there is reasonable certainty that the Group will obtain ownership by the end of the lease term. As of December 31, 2017 and 2016, the carrying value of the power plant amounted to ₱35.8 billion and ₱36.9 billion, respectively (see Note 13). The carrying value of the finance lease obligation amounted to ₱49.2 billion and ₱52.3 billion as of December 31, 2017 and 2016, respectively (see Note 22).

Determining revenue and cost recognition on real estate
When the contract is judged to be for the construction of a property, revenue is recognized using the percentage-of-completion method as construction progresses. The percentage-of-completion is made by reference to the stage of completion of projects and contracts determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Distinction between investment properties, land and improvements and real estate inventories
The Group determines whether a property is classified as investment properties, land and improvements or real estate inventories:

- Investment properties comprise land, land improvements, buildings (principally composed of offices, commercial warehouses and retail properties) and pier facilities 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.
- Land and improvements comprise land and related improvements that are part of the Group's strategic landbanking activities for development or sale in the medium or long-term.
- Real estate inventories comprise properties that are held for sale in the ordinary course of business. Principally, these are residential properties that the Group develops and intends to sell before or on completion of construction.

The Group considers each property separately in making its judgment.

Operating lease commitments - Group as the lessor
The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Determining fair value of customers' deposits
In applying PAS 39 on transformer and lines and poles deposits, the Group has made a judgment that the timing and related amounts of future cash flows relating to such deposits cannot be reasonably and reliably estimated for purposes of an alternative valuation technique in establishing their fair values, since the expected timing of customers' refund or claim for these deposits cannot be reasonably estimated. These customers' deposits amounted to ₱6.3 billion and ₱7.0 billion as of December 31, 2017 and 2016, respectively (see Notes 20 and 36).

Classification of financial instruments
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Estimation Uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Acquisition accounting
The Group accounts for acquired businesses using the purchase method of accounting which requires that the assets acquired and the liabilities assumed be recorded at the date of acquisition at their respective fair values.

The application of the purchase method requires certain estimates and assumptions especially concerning the determination of the fair values of acquired intangible assets and property, plant and equipment as well as liabilities assumed at the date of the acquisition. Moreover, the useful lives of the acquired intangible assets, property, plant and equipment have to be determined. The judgments made in the context of the purchase price allocation can materially impact the Group's future results of operations. Accordingly, for significant acquisitions, the Group obtains assistance from third party valuation specialists. The valuations are based on information available at the acquisition date (see Note 9).

Estimating allowance for impairment losses on trade and other receivables
The Group maintains allowance for impairment of trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Group's relationship with its clients, client's current credit status and other known market factors. The Group reviews the age and status of receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment of trade and other receivables will increase the Group's recorded expenses and decrease current assets.

Allowance for impairment losses as of December 31, 2017 and 2016 amounted to ₱2.0 billion and ₱1.9 billion, respectively. Trade and other receivables, net of valuation allowance, amounted to ₱24.8 billion and ₱22.0 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Estimating allowance for inventory obsolescence
The Group estimates the allowance for inventory obsolescence based on the age of inventories. The amounts and timing of recorded expenses for any period would differ if different judgments or different estimates are made. An increase in allowance for inventory obsolescence would increase recorded expenses and decrease current assets. As of December 31, 2017 and 2016, allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million, respectively. The carrying amount of the inventories, net of valuation allowance, amounted to ₱12.5 billion and ₱10.2 billion as of December 31, 2017 and 2016, respectively (see Note 6).

Estimating allowance for impairment losses on investments and advances
Investments and advances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The cash flows are derived from the projection for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rates. The carrying amounts of the investments in and advances to associates amounted to ₱91.9 billion and ₱87.0 billion as of December 31, 2017 and 2016, respectively. The allowance for impairment losses amounted to ₱680.7 million as of December 31, 2017 and 2016 (see Note 10).

Estimating asset retirement obligation
Under the Geothermal Resource Service Contract (GRSC), the Group has a legal obligation to decommission, abandon and perform surface rehabilitation on its steam field asset at the end of its useful life. The Group also has a legal obligation under its land lease agreements to decommission the power plants at the end of its lease term. The Group recognizes the present value of the obligation to decommission the plant, abandon and perform surface rehabilitation of the steam field asset and capitalizes the present value of this cost as part of the balance of the related property, plant and equipment, which are being depreciated and amortized on a straight-line basis over the useful life of the related asset.

These costs are accrued based on in-house estimates, which incorporates estimates of the amount of obligations and interest rates, if appropriate. Assumptions used to compute the provision are reviewed and updated annually. Each year, the provision is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with charges being recognized as accretion expense, included under "Interest expense" in the consolidated statement of income.

Changes in the asset retirement obligation that result from a change in the current best estimate of cash flows required to settle the obligation or a change in the discount rate are added to (or deducted from) the amount recognized as the related asset and the periodic unwinding of the discount on the liability is recognized in the consolidated statement of income as it occurs.

While the Group has made its best estimate in establishing the decommissioning provision, because of potential changes in technology as well as safety and environmental requirements, plus the actual time scale to complete decommissioning activities, the ultimate provision requirements could either increase or decrease significantly from the Group's current estimates.

The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Asset retirement obligation amounted to ₱3.0 billion and ₱1.8 billion as of December 31, 2017 and 2016, respectively (see Note 21).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has net deferred income tax assets amounting ₱1.5 billion and ₱1.6 billion as of December 31, 2017 and 2016, respectively (see Note 31).

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966.0 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively (see Note 31).

Pension benefits
The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date.

Net benefit expense amounted to ₱350.9 million in 2017, ₱320.5 million in 2016 and ₱356.7 million in 2015. The net benefit asset as at December 31, 2017 and 2016 amounted to ₱177.0 million and ₱115.3 million, respectively (see Note 30). Net pension liabilities as of December 31, 2017 and 2016 amounted to ₱400.3 million and ₱347.7 million, respectively (see Note 30).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 30.

Estimating useful lives of property, plant and equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the factors and circumstances mentioned above. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating residual value of property, plant and equipment
The residual value of the Group's property, plant and equipment is estimated based on the amount that the entity would obtain from disposal of the asset, after deducting estimated costs of disposal, if the asset is already of the age and in the condition expected at the end of its useful life. The estimated residual value of each asset is reviewed periodically and updated if expectations differ from previous estimates. As of December 31, 2017 and 2016, the net book values of property, plant and equipment, excluding land, amounted to ₱213.2 billion and ₱202.2 billion, respectively (see Note 13).

Estimating useful lives of intangible asset - service concession rights
The Group estimates the useful lives of intangible asset arising from service concessions based on the period over which the asset is expected to be available for use which is 18 to 25 years. The Group has not included any renewal period on the basis of uncertainty, as of balance sheet date, of the probability of securing renewal contract at the end of the original contract term. As of

December 31, 2017 and 2016, the net book value of intangible asset - service concession rights amounted to ₱3.1 billion and ₱3.2 billion, respectively (see Note 15).

Estimating useful lives of intangible asset - customer contracts
The Group estimates the useful lives of intangible asset arising from customer contracts based on the period over which the asset is expected to be available for use which is six years. The Group has not included any renewal period on the basis of uncertainty, as of reporting date, of the probability of securing renewal contract at the end of the original contract term. As at December 31, 2017 and 2016, the net book values of intangible assets - customer contracts amounted to ₱42.8 million and ₱64.0 million, respectively (see Note 16).

Estimating useful life of franchise
The Group estimates the useful life of VECO's distribution franchise based on the period over which the asset is estimated to be available for use which is 40 years, consisting of 15 years remaining contract period from date of business combination and expected probable renewal covering another 25 years. As of December 31, 2017 and 2016, the carrying value of franchise amounted to ₱2.7 billion and ₱2.8 billion, respectively (see Note 16).

Assessing impairment of AFS investments
The Group treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than six months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS investments amounted to ₱772.8 million and ₱563.7 million as of December 31, 2017 and 2016, respectively. Net unrealized mark-to-market gains on AFS investments amounted to ₱17.3 million and ₱9.1 million as of December 31, 2017 and 2016, respectively. No impairment loss was recognized in 2017, 2016 and 2015.

Assessing impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. 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. The carrying amount of goodwill as of December 31, 2017 and 2016 amounted to ₱41.3 billion and ₱41.2 billion, respectively (see Note 12). Goodwill impairment recognized in 2016 amounted to ₱169.5 million. No impairment of goodwill was recognized in 2017 and 2015.

Fair value less estimated costs to sell of biological assets
The Group determines the most reliable estimate of fair value less estimated costs to sell of its biological assets. Fair value reflects the most recent market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Point-of-sale cost is estimated based on recent transactions and is deducted from the fair value in order to measure the biological assets at balance sheet date.

As of December 31, 2017 and 2016, the carrying value of the biological assets amounted to ₱1.1 billion and ₱756.3 million, respectively (see Note 8).

Impairment of nonfinancial assets
The Group assesses whether there are any indicators of impairment for nonfinancial assets at each balance sheet date. These nonfinancial assets (other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Determining the recoverable amount of these assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that the other current assets, property, plant and equipment, intangible asset - service concession rights and other noncurrent assets are impaired. Any resulting impairment loss could have a material adverse impact on the consolidated balance sheet and consolidated statement of income. The aggregate net book values of these assets as of December 31 are as follows:

	2017	2016 (As Restated; Note 9)
Property, plant and equipment (see Note 13)	**₱213,232,540**	₱202,237,611
Other current assets (see Note 7)	**8,882,626**	6,849,331
Intangible asset - service concession rights (see Note 15)	**3,062,307**	3,222,123
Other noncurrent assets (see Note 16)	**14,493,687**	12,207,714
	₱239,671,160	₱224,516,779

No impairment loss was recognized in 2017, 2016 and 2015.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the consolidated balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 36 for further disclosures.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows.

Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statement of income. The Group engaged an independent valuation specialist to assess the fair values of these properties. For these assets, the valuation methodology used was Sales Comparison Approach. This method considers the sales of similar or substitute properties and

related market data and establishes a value estimate by processes involving comparison (see Note 14).

Legal contingencies
The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. No provision for probable losses arising from legal contingencies was recognized in the Group's consolidated financial statements for the years ended December 31, 2017, 2016 and 2015.

4. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	**₱13,080,148**	₱13,538,522
Short-term deposits	**51,790,066**	50,319,006
	₱64,870,214	₱63,857,528

Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Interest income earned from cash and cash equivalents amounted to ₱1.3 billion, ₱1.4 billion and ₱1.1 billion in 2017, 2016, and 2015, respectively (see Note 35).

5. Trade and Other Receivables

	2017	2016
Trade receivables (see Note 35)		
Power	**₱16,338,622**	₱13,916,684
Real estate	**3,654,299**	2,855,165
Food manufacturing	**2,344,307**	1,848,628
Financial services	**266,312**	155,028
Holding and others	**646,368**	1,319,883
	23,249,908	20,095,388
Advances to contractors	**105,690**	773,547
Dividends receivable (see Note 10)	**792,000**	748,000
Accrued revenues	**724,820**	595,533
Nontrade receivables	**461,527**	345,099
Others	**1,395,939**	1,331,439
	26,729,884	23,889,006
Less allowance for impairment losses	**1,956,174**	1,879,032
	24,773,710	22,009,974
Less noncurrent portion	**580,925**	277,771
	₱24,192,785	₱21,732,203

Trade receivables, except real estate receivables, are generally non-interest bearing and on 10 - 30 days' terms.

For terms and conditions relating to related party receivables, refer to Note 34.

Contractual maturities of trade receivables from sale of real estate inventories range from 1 to 180 months. Current and noncurrent portion of these receivables amount to ₱3.1 billion and ₱580.9 million, respectively, as of December 31, 2017, and ₱2.6 billion and ₱277.8 million, respectively, as of December 31, 2016.

Other receivables include accrued interest income.

The rollforward analysis of allowance for impairment losses is presented below:

December 31, 2017

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	**₱1,761,636**	**₱109,305**	**₱2,293**	**₱5,798**	**₱1,879,032**
Provisions (see Note 27)	**77,708**	**5,942**	**59,740**	**11,145**	**154,535**
Write-off	**(64,506)**	**(10,487)**	**–**	**–**	**(74,993)**
Reversals/recovery	**–**	**(2,400)**	**–**	**–**	**(2,400)**
At end of year	**₱1,774,838**	**₱102,360**	**₱62,033**	**₱16,943**	**₱1,956,174**

December 31, 2016

	Trade Receivables				
	Power	Food Manufacturing	Real Estate	Holding and Others	Total
At beginning of year	₱1,841,625	₱126,824	₱2,006	₱71,490	₱2,041,945
Provisions (see Note 27)	145,786	412	517	1,308	148,023
Write-off	(225,775)	–	–	–	(225,775)
Reversals/recovery	–	(17,931)	(230)	(67,000)	(85,161)
At end of year	₱1,761,636	₱109,305	₱2,293	₱5,798	₱1,879,032

Allowance for impairment losses as of December 31, 2017 and 2016 pertains to receivables that are either individually or collectively determined to be impaired at reporting date.

These individually determined accounts relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings. These receivables are not secured by any collateral or credit enhancements.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence yet of individual impairment. Impairment losses are estimated by taking into consideration the age of the receivables, past collection experience and other factors that may affect collectability.

Reversals of allowance for impairment losses are presented as part of "Others - net" under "Other income - net" account in the consolidated statements of income.

6. Inventories

	2017	2016
At cost:		
Fuel and lubricants	**₱3,294,622**	₱2,845,119
Materials, parts and supplies	**2,362,186**	1,660,656
Real estate inventories	**2,257,682**	1,984,725
Raw materials	**927,956**	886,340
Finished goods (see Note 27)	**373,665**	507,645
At NRV:		
Wheat grains and other raw materials	**2,416,762**	1,525,839
Materials, parts and supplies	**820,462**	811,124
	₱12,453,335	₱10,221,448

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

	2017	2016
Real estate inventories:		
At January 1	**₱1,984,725**	₱1,992,706
Construction/development costs incurred	**1,191,597**	878,516
Land acquired during the period	**196,679**	51,850
Borrowing costs capitalized	**102,851**	107,822
Disposals (recognized as cost of real estate inventories sold)	**(1,825,570)**	(1,084,740)
Land costs transferred from land and improvements	**184,751**	31,640
Transfers from property and equipment	**422,649**	6,931
At December 31	**₱2,257,682**	₱1,984,725

The cost of inventories recognized as part of cost of generated power in the consolidated statements of income amounted to ₱22.3 billion in 2017, ₱12.2 billion in 2016 and ₱13.6 billion in 2015 (see Notes 26 and 27). The cost of inventories recognized as part of operations and maintenance in the consolidated statements of income amounted to ₱412.1 million in 2017, ₱572.5 million in 2016 and ₱910.5 million in 2015 (see Note 27).

Cost of real estate inventories sold amounted to ₱1.8 billion, ₱1.1 billion and ₱1.3 billion 2017, 2016 and 2015, respectively.

Allowance for inventory obsolescence amounted to ₱64.1 million and ₱52.2 million as of December 31, 2017 and 2016, respectively. The amount of provision for inventory obsolescence and losses recognized as expense amounted to ₱11.9 million in 2017, ₱11.1 million in 2016 and ₱31.1 million in 2015 (see Note 27).

Cost of inventories carried at NRV amounted to ₱3.2 billion and ₱2.3 billion as of December 31, 2017 and 2016, respectively.

Total borrowing costs capitalized as part of the real estate projects amounted to ₱102.9 million and ₱107.8 million in 2017 and 2016, respectively (see Note 19). The general capitalization rates are 3.83% in 2017 and 2.87% in 2016.

7. Other Current Assets

	2017	2016
Prepaid expenses	**₱5,575,689**	₱3,122,523
Restricted cash	**2,642,327**	2,100,611
Input VAT	**2,260,927**	2,216,281
Biological assets (see Note 8)	**917,563**	629,288
Others	**1,046,010**	1,510,527
	₱12,442,516	₱9,579,230

Prepaid expenses consist of unapplied insurance, rent and tax costs for which payments have been made.

Restricted cash represents proceeds from sale of power under the control of trustees of the lenders as per loan agreement (see Note 19). The asset will be used to pay the current portion of loans payable and interest payments in the following period.

"Others" include prepayments to regulatory agencies.

8. Biological Assets

	2017	2016
Presented under Other Current Assets:		
Market hogs	**₱585,216**	₱382,576
Piglets	**251,868**	167,615
Growing stocks	**75,269**	67,021
Poultry - broilers	**5,210**	9,491
Poultry - others	**–**	2,585
	917,563	629,288
Presented under Other Noncurrent Assets:		
Bearers (breeders) (see Note 16)	**144,263**	127,015
	₱1,061,826	₱756,303

As of December 31, 2017 and 2016, biological assets are measured at fair value under Level 2 input. Fair values are determined based on average market selling prices at balance sheet date. Prices used reflect the most recent active market transaction price provided that there has been no significant change in economic circumstances between the date of transaction and balance sheet date. Market hogs, piglets, bearers (breeders), growing stocks, broilers and others are measured at fair value less estimated costs to sell.

As of December 31, 2017 and 2016, the fair value of biological assets measured using quoted prices in active markets (Level 2) amounted to ₱1.1 billion and ₱756.3 million, respectively (see Notes 7 and 16).

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The reconciliation of changes in the carrying amount follows:

	2017	2016
At beginning of year	**₱756,303**	₱667,169
Additions	**1,920,849**	1,684,738
Sales at fair value	**(2,410,542)**	(1,854,053)
Transferred to breeding herd	**(146,915)**	(129,769)
Increase in fair value (see Note 29)	**942,131**	388,218
At end of year	**₱1,061,826**	₱756,303

Consumable biological assets are included under "Other current assets" account while bearers are included under "Other noncurrent assets" account in the consolidated balance sheets (see Notes 7 and 16).

9. Acquisitions and Disposals of Shares of Stock

a. Acquisition of Pilmico Animal Nutrition Joint Stock Company (PAN JSC)

On July 29, 2017, Pilmico International Pte. Ltd. (PILMICO International), a 100%-owned subsidiary of AEV, acquired 70% equity interest in PAN JSC, an animal feeds company organized under the laws of Vietnam, for a total consideration of ₱162.7 million.

The purchase of PAN JSC was treated as a business combination accounted for under the acquisition method. PILMICO International elected to measure the non-controlling interest at its proportionate share in PAN JSC's identifiable net assets.

The following are the provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱23,549
Trade and other receivables	14,008
Inventory	31,167
Other current assets	3,484
Property, plant, and equipment	117,953
Other noncurrent assets	25,205
	215,366
Liabilities:	
Accounts payable and accrued expenses	48,365
Other non-current liabilities	18,888
	67,253
Total identifiable net assets at fair value	₱148,113
Total consideration	₱162,740
Fair value of noncontrolling interest	44,433
	207,173
Goodwill	₱59,060

Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱23,549
Cash paid	(162,740)
Net cash outflow	(₱139,191)

The accounting for this business combination was determined provisionally as PILMICO International is still finalizing the fair valuation of the nonfinancial assets acquired.

In 2017, PAN JSC contributed ₱131.8 million to the consolidated revenue and ₱1.5 million to the net income of the Group from the date of acquisition.

b. Step-acquisition of Sacasun

In 2014, ARI, a 100%-owned subsidiary of AP, entered into a joint framework agreement to develop solar photovoltaic projects in the Philippines. Pursuant to their agreement, SunEdison Inc. (SEI), the ultimate parent company of SunE BV and Helios BV, and ARI invested in MHSCI and Sacasun for the 59-MWp solar project in San Carlos City, Negros Occidental.

On December 4, 2017, AboitizPower International Pte. Ltd. (API), signed a Share Purchase Agreement ("SPA") with SunE Solar B.V. (SunE BV) for the acquisition of 100% equity interest in Sunedison Philippines Helios BV (Helios BV). The offshore execution of the Deed of Transfer is subject to certain closing conditions under the SPA. These conditions were met on December 27, 2017.

The transaction will result in API owning all the issued and outstanding shares of Helios BV, which owns a 40% equity interest in each of MHSCI and Sacasun. This allows AP to increase its indirect ownership interest in MHSCI and Sacasun to 100%. The transaction was accounted for as a business combination achieved in stages.

The provisional fair values of the identifiable assets and liabilities assumed on acquisition date:

Assets:	
Cash and cash equivalents	₱894,655
Trade and other receivables	60,927
Other current assets	52,564
Property, plant, and equipment	2,993,238
Other assets	54,861
	4,056,245
Liabilities:	
Trade and other payables	657,103
Short term loan	2,739,632
	3,396,735
Total identifiable net assets at fair value	659,510
Total consideration	–
Fair value of previously held interest in Sacasun	330,851
Bargain purchase gain	₱328,659
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱894,655
Cash paid	–
Net cash outflow	₱894,655

Remeasurement of the previously held interest in Sacasun as at the date of acquisition follows:

Carrying value of the previously held interest	₱349,312
Fair value of previously-held interest	330,851
Loss on the remeasurement of previously held interest	₱18,461

The accounting for this business combination was determined provisionally as AP is still finalizing the fair valuation of the nonfinancial assets acquired. This will be finalized within one year as allowed by PFRSs.

In 2017, Sacasun contributed nil to the consolidated revenue and a net loss contribution to the Group amounting to ₱307.3 million. If the combination had taken place at the beginning of 2017, the Group's revenue would have been ₱150.4 billion and net income would have been ₱28.7 billion.

c. Acquisition of GNPower

On October 4, 2016, TPI, a 100%-owned subsidiary of AP, finalized the purchase and sale agreements for the acquisition of the partnership interests held by affiliated investment funds of The Blackstone Group L.P. which indirectly owns the majority and minority interests in GMCP and GNPower Dinginin Ltd. Co. (GNPD), respectively, amounting to US$1.22 billion, subject to purchase price adjustments.

The completion of the transaction is subject to certain conditions, including approvals by the Philippine Competition Commission (PCC) and the Board of Investments (BOI), as may be applicable. The PCC and BOI approved the acquisition on December 19, 2016 and November 21, 2016, respectively.

GMCP

GMCP owns and operates the Mariveles subcritical coal-fired power plant, consisting of two units totaling 604 MW. The plant is located in Mariveles, Bataan and started commercial operations in 2014. TPI acquired the 82.82% indirect interest in GMCP through its acquisition of Therma Mariveles Holdings L.P. (see Note 2).

The Group elected to measure the non-controlling interest in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

The fair value of the identifiable assets and liabilities on acquisition date were:

Assets:	
Cash and cash equivalents	₱5,567,064
Trade and other receivables	2,152,589
Inventories	1,321,660
Prepaid expenses	679,956
Property, plant, and equipment	34,004,836
Deferred income tax assets	620,556
Other assets	144,747
	44,491,408
Liabilities:	
Trade and other payables	2,057,368
Long-term debt	28,125,489
Derivative liabilities	351,210
Asset retirement obligation	318,136
Other liabilities	32,925
	30,885,128
Total identifiable net assets	₱13,606,280
Total consideration	₱49,787,176
Fair value of noncontrolling interest	3,164,230
	52,951,406
Goodwill	₱39,345,126
Cash flow on acquisition:	
Net cash acquired with the subsidiary	₱5,567,064
Cash paid	(49,787,176)
Net cash outflow	(₱44,220,112)

The accounting for this business combination was determined provisionally as TPI was still finalizing the fair valuation of the valuation of the assets and liabilities acquired.

In December 2017, the valuation was completed and the acquisition date fair value of property, plant and equipment was ₱34.00 billion, an increase of ₱342.8 million over the provisional value. The fair value of long-term debt was also determined to be ₱28.13 billion, an increase of ₱1.65 billion over the provisional value. The 2016 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, there was a decrease in the deferred tax asset of ₱434.1 million, a decrease in the derivative asset of ₱752.3 million, and an increase in the noncontrolling interest of ₱579.8 million. There was a corresponding increase in goodwill of ₱3.08 billion, resulting in ₱39.35 billion of total goodwill arising on the acquisition. The increased depreciation charge on property, plant and equipment from the acquisition date to December 31, 2016 was not material.

In 2016, GMCP contributed ₱663.8 million to the consolidated revenue and ₱250.7 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱132.7 billion and net income would have been ₱31.4 billion.

GNPD
GNPD is the project company established to develop, finance, design, engineer, construct, complete, maintain, own and operate the proposed supercritical coal-fired power project located also in Bataan. The GNPD project is currently under development and consists of up to two units totaling 668 MW. TPI acquired the 50.00% indirect interest in GMCP through its acquisition of Therma Dinginin L.P. (see Note 2).

The purchase price amounted to US$224.9 million (₱11.2 billion).

d. Step Acquisition of EAUC

EAUC is a Philippine Economic Zone Authority (PEZA) registered power generation company which provides electric power to PEZA economic zones in Lapu-Lapu City and Balamban, province of Cebu. Prior to the acquisition, EAUC was 50% owned by AP and 50% owned by El Paso Philippines Energy Company, Inc. (EPPECI).

In June 2016, TPI acquired 50% ownership interest in EAUC from EPPECI. As a result of the acquisition, EAUC became a wholly owned subsidiary of AP. The transaction was accounted for as a business combination achieved in stages.

The resulting bargain purchase gain of ₱34.2 million and the gain on remeasurement of previously held interest of ₱316.7 million are included in other income in the 2016 consolidated statement of income.

In 2016, EAUC contributed ₱415.8 million to the consolidated revenue and ₱71.1 million to the net income of the Group. If the combination had taken place at the beginning of 2016, the Group's revenue would have been ₱116.7 billion and net income would have been ₱28.7 billion.

In 2017, the purchase price allocation in the step- acquisition of EAUC was finalized. No changes were made on the provisional accounting done in 2016.

e. Acquisition of PETNET

On June 1, 2015, the Company acquired 51% stake in PETNET from Amon Trading Corporation, Strongview Inc. and various individual shareholders for a total consideration of ₱1.0 billion. Out of the 2,461,338 shares acquired by the Company, 1,235,186 shares (equivalent to 25.6%) were acquired from existing PETNET shareholders while the remaining 1,226,152 shares (equivalent to 25.4%) were subscribed from the unissued capital stock of PETNET.

PETNET is a Philippine money remittance business with a national footprint of around 2,500 locations through a mix of own units and business partner agreements, the largest Western Union agent network of the Philippines.

The purchase of PETNET was treated as a business combination accounted for under the acquisition method, and generated a goodwill amounting to ₱523.9 million.

In 2015, PETNET contributed ₱306.7 million to the consolidated revenue and ₱8.2 million to the net income of the Group from the date of acquisition.

10. **Investments and Advances**

	2017	2016
Acquisition cost:		
Balance at beginning of year	**₱62,563,115**	₱50,335,563
Additions during the year	**1,773,729**	12,408,168
Step acquisition of subsidiary	**(878,010)**	(144,691)
Redemptions during the year	**–**	(35,925)
Balance at end of year	**63,458,834**	62,563,115
Accumulated share in net earnings:		
Balances at beginning of year	**28,599,982**	27,072,370
Share in net earnings for the year	**9,053,733**	9,651,787
Step acquisition of subsidiary	**528,698**	(87,437)
Cash dividends received and receivable	**(6,162,263)**	(8,036,738)
Balance at end of year	**32,020,150**	28,599,982
Gain on dilution	**1,014,136**	1,014,136
Share in cumulative translation adjustments of associates and joint ventures	**(144,508)**	(128,203)
Share in actuarial losses on retirement benefit plan of associates and joint ventures	**(569,248)**	(546,459)
Share in net unrealized mark-to-market losses on AFS investments of associates	**(3,200,871)**	(3,903,435)
	92,578,493	87,599,136
Advances to associates	**24,614**	32,056
	92,603,107	87,631,192
Less allowance for impairment losses (see Note 3)	**680,731**	680,731
	₱91,922,376	₱86,950,461

The rollforward of the share in net unrealized mark-to-market losses on AFS investments of an associate follows:

	2017	2016
At January 1	**(₱3,903,435)**	(₱3,713,742)
Unrealized valuation losses	**573,135**	(1,286,690)
Realized valuation gains	**129,429**	1,096,997
At December 31	**(₱3,200,871)**	(₱3,903,435)

The Group's investees and the corresponding equity ownership are as follows:

	Nature of Business	2017	2016	2015
MORE*	Holding	**83.33**	83.33	83.33
AEV CRH	Holding	**60.00**	60.00	60.00
GNPD (see Note 9)**	Power generation	**50.00**	50.00	–
Cebu District Property Enterprise, Inc. (CDPEI)*	Real estate	**50.00**	50.00	50.00
Accuria, Inc.**	Holding	**49.54**	49.54	49.54
Union Bank of the Philippines (UBP)	Banking	**48.83**	48.83	47.97
Hijos	Holding	**46.73**	46.73	46.73
CRH ABOITIZ Holdings, Inc. (CRH ABOITIZ)	Holding	**45.00**	45.00	45.00
San Fernando Electric Light & Power Co., Inc. (SFELAPCO)	Power distribution	**43.78**	43.78	43.78
Pampanga Energy Ventures, Inc. (PEVI)	Holding	**42.84**	42.84	42.84
La Filipina Elektrika, Inc.**	Power generation	**40.00**	40.00	40.00
STEAG	Power generation	**34.00**	34.00	34.00
Cebu Energy Development Corp. (CEDC)	Power generation	**26.40**	26.40	26.40
Redondo Peninsula Energy, Inc. (RP Energy)**	Power generation	**25.00**	25.00	25.00
SPPC	Power generation	**20.00**	20.00	20.00
WMPC	Power distribution	**20.00**	20.00	20.00
Balibago Water Systems, Inc. (BWSI)	Water distribution	**11.14**	–	–
MHSCI (see Note 9)	Power generation	–	60.00	60.00
SACASUN (see Note 9)	Power generation	–	35.00	35.00
EAUC (see Note 9)	Power generation	–	–	50.00

**Joint venture*

***No commercial operations as of December 31, 2017.*

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's associates and joint ventures are in the Philippines.

As of December 31, 2017 and 2016, the undistributed earnings of the associates and joint ventures included in the Group's retained earnings are not available for distribution to the stockholders unless declared by the associates and joint ventures (see Note 24).

2017

In January 2017, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱243.8 million.

In 2017, the Group, through Therma Dinginin BV, made capital contributions to GNPD amounting to US$23.8 million.

In August 2017, the Group, through Aboitiz Infracapital, Inc., acquired an 11.14% ownership in BWSI from SFELAPCO. The consideration amounting to ₱274.7 million was paid in cash. BWSI is primarily engaged to build, operate and manage water system utilities of various local government units.

2016

In December 2016, TPI completed its acquisition of all of Therma Dinginin L.P.'s indirect ownership interests in GNPD as part of the GNPower acquisition (see Note 9).

In April 2016, the Group, through TPI, subscribed and paid for additional shares of Redondo Peninsula Energy, Inc. (RPEI) amounting to ₱169.6 million.

On various dates in 2016, the Group, through ARI, subscribed and paid for additional MORE, MHSCI and SACASUN shares amounting to ₱25.0 million, ₱127.9 million and ₱298.5 million, respectively.

2015

On September 15, 2015, AEV and CRH PLC (CRH), through their investment vehicles, AEV CRH and CRH ABOITIZ, closed the acquisition of Lafarge S.A. Philippine assets. AEV acquired its interest in AEV CRH and CRH ABOITIZ for a total consideration of ₱23.7 billion. Simultaneously, AEV CRH purchased 99.09% of RCBMI and 100% of LCLC shares, while CRH ABOITIZ acquired 100% of the outstanding common shares of Republic Cement Services, Inc. (RCSI) (formerly Lafarge Cement Services (Philippines), Inc.).

In April 2015, ARI acquired shares of San Carlos Sun Power, Inc. (SACASUN) amounting to ₱0.1 million, equivalent to 35% ownership in SACASUN, and subsequently infused additional capital into SACASUN amounting to ₱316.0 million.

On various dates in 2015, the Group infused capital into MHSCI through stock subscription amounting to ₱135.4 million.

The detailed carrying values of investees, which are accounted for under the equity method, follow:

	2017	2016
UBP	**₱33,970,808**	₱30,183,219
AEV CRH	**24,864,898**	24,648,303
GNPD	**12,251,529**	11,200,790
MORE	**9,926,376**	9,764,599
STEAG	**3,787,507**	3,761,763
CEDC	**3,019,192**	3,070,016
CDPEI	**1,476,052**	1,487,279
SFELAPCO/PEVI	**889,166**	834,689
RP Energy	**714,191**	481,759
CRH ABOITIZ	**311,511**	271,352
BWSI	**287,443**	–
WMPC	**112,420**	128,034
SPPC	**86,537**	137,436
SACASUN	**–**	525,391
MHSCI	**–**	223,633
Others	**200,130**	200,140
	₱91,897,760	₱86,918,403

The fair value of the investment in UBP for which there is a published price quotation amounted to ₱44.8 billion and ₱38.6 billion as of December 31, 2017 and 2016, respectively.

Following is the summarized financial information of significant associates and joint ventures:

	2017	2016	2015
UBP			
Total current assets	**₱132,590,855**	₱129,052,429	₱113,826,652
Total noncurrent assets	**482,460,244**	386,790,707	319,477,687
Total current liabilities	**515,959,783**	449,645,054	374,967,776
Total noncurrent liabilities	**32,165,000**	7,200,000	7,200,000
Equity attributable to equity holders of UBP Parent Company	**₱66,871,569**	₱58,977,766	₱51,112,771
Gross revenue	**₱24,586,366**	₱20,105,820	₱16,235,225
Operating profit	**10,679,786**	12,012,290	7,475,404
Net income attributable to equity holders of parent	**8,405,016**	10,094,621	5,315,853
Other comprehensive income attributable to equity holders of the parent	**9,904,656**	9,452,512	480,789
Group's share in net income	**₱4,103,964**	₱4,913,926	₱2,533,581
AEV CRH			
Total current assets	**₱8,777,452**	₱5,885,378	₱7,266,741
Total noncurrent assets	**79,788,878**	74,560,302	63,798,648
Total current liabilities	**25,575,956**	18,189,288	17,864,592
Total noncurrent liabilities	**21,844,669**	21,723,645	14,374,575
Equity attributable to equity holders of AEV CRH Parent Company	**₱41,145,705**	₱40,508,670	₱38,621,267
Gross revenue	**₱24,853,225**	₱26,693,275	₱7,608,815
Operating profit	**4,041,005**	3,973,198	456,829
Net income attributable to equity holders of parent	**360,992**	1,790,981	32,677
Group's share in net income	**₱216,595**	₱1,074,589	₱19,606
Operating profit	**4,041,005**	3,973,198	456,829
Net income attributable to equity holders of parent	**360,992**	1,790,981	32,677
Group's share in net income	**₱216,595**	₱1,074,589	₱19,606
CRH ABOITIZ			
Total current assets	**₱411,074**	₱165,802	₱682,077
Total noncurrent assets	**900,780**	1,085,320	699,526
Total current liabilities	**889,385**	633,968	847,951
Total noncurrent liabilities	**85,308**	203,785	161,968
Equity attributable to equity holders of CRH ABOITIZ Parent Company	**₱337,161**	₱413,361	₱371,684
Gross revenue	**₱–**	₱2,603,500	₱616,616
Operating profit (loss)	**(1,443,313)**	1,175,462	405,428
Net income attributable to equity holders of parent	**89,242**	59,568	124,187
Group's share in net loss	**₱40,159**	₱26,806	₱55,884

	2017	2016	2015
BWSI			
Total current assets	**₱1,012,347**	₱–	₱–
Total noncurrent assets	**1,374,552**	–	–
Total current liabilities	**140,734**	–	–
Total noncurrent liabilities	**639,673**	–	–
Equity	**₱1,606,492**	₱–	₱–
Gross revenue	**₱1,191,595**	₱–	₱–
Gross profit	**705,341**	–	–
Net income	**465,737**	–	–
Group's share in net income	**₱17,763**	₱–	₱–
MORE			
Total current assets	**₱126,125**	₱149,022	₱133,894
Total noncurrent assets	**11,889,592**	11,688,969	15,705,943
Total current liabilities	**56,336**	96,106	91,473
Total noncurrent liabilities	**–**	5,190	260
Equity	**₱11,959,381**	₱11,736,695	₱15,748,104
Gross revenue	**₱170,236**	₱170,236	₱166,636
Operating profit	**4,893,753**	2,601,566	2,557,392
Net income	**4,891,630**	2,573,164	2,552,419
Other comprehensive income	**55,115**	145,426	113,073
Group's share in net income	**₱4,160,480**	₱2,164,217	₱2,127,016
Additional information:			
Cash and cash equivalents	**₱16,134**	₱39,817	₱26,500
STEAG			
Total current assets	**₱2,688,544**	₱2,608,136	₱3,286,363
Total noncurrent assets	**10,348,729**	10,721,862	10,265,755
Total current liabilities	**1,394,855**	2,018,724	1,747,652
Total noncurrent liabilities	**3,453,496**	3,651,920	3,900,707
Equity	**₱8,188,922**	₱7,659,354	₱7,903,759
Gross revenue	**₱4,502,920**	₱4,626,910	₱4,864,480
Operating profit	**1,020,846**	1,205,122	2,060,028
Net income	**516,893**	928,891	1,414,229
Other comprehensive income	**4,750**	10,321	50,338
Group's share in net income	**₱25,744**	₱162,426	₱324,455

	2017	2016	2015
CEDC			
Total current assets	**₱5,419,700**	₱5,666,952	₱5,083,812
Total noncurrent assets	**14,308,208**	14,901,921	15,418,308
Total current liabilities	**2,444,036**	3,840,126	5,250,521
Total noncurrent liabilities	**10,422,073**	9,751,438	9,127,815
Equity	**₱6,861,799**	₱6,977,309	₱6,123,784
Gross revenue	**₱8,751,540**	₱7,965,518	₱8,108,516
Operating profit	**3,183,144**	3,433,767	3,196,976
Net income	**1,686,941**	2,546,339	2,366,296
Other comprehensive income	**2,451**	7,188	39,595
Group's share in net income	**₱742,254**	₱1,120,389	₱1,041,170
SFELAPCO*			
Total current assets	**₱1,576,530**	₱1,406,869	₱1,302,248
Total noncurrent assets	**2,215,130**	1,996,643	2,015,544
Total current liabilities	**770,041**	710,301	742,792
Total noncurrent liabilities	**751,789**	618,579	565,278
Equity	**₱2,269,830**	₱2,074,632	₱2,009,722
Gross revenue	**₱4,211,674**	₱4,255,286	₱4,208,990
Operating profit	**366,492**	310,511	170,695
Net income	**671,268**	272,756	165,094
Other comprehensive income	**334,246**	8,671	–
Group's share in net income	**₱323,674**	₱73,415	₱146,977
WMPC			
Total current assets	**₱695,571**	₱555,637	₱1,256,744
Total noncurrent assets	**418,807**	305,394	414,139
Total current liabilities	**457,032**	222,299	266,259
Total noncurrent liabilities	**82,718**	71,782	93,109
Equity	**₱574,628**	₱566,950	₱1,311,515
Gross revenue	**₱1,439,482**	₱1,636,339	₱1,430,260
Operating profit	**98,838**	130,244	926,475
Net income	**71,933**	91,646	776,764
Other comprehensive income (loss)	**–**	(9,634)	2,270
Group's share in net income	**₱14,387**	₱18,329	₱155,353
SPPC			
Total current assets	**₱344,105**	₱361,706	₱529,902
Total noncurrent assets	**364,649**	351,903	351,948
Total current liabilities	**221,096**	42,285	123,326
Total noncurrent liabilities	**68,326**	66,430	69,638
Equity	**₱419,332**	₱604,894	₱688,886

	2017	2016	2015
Gross revenue	**₱523,854**	₱632,504	₱709,403
Operating profit	**133,508**	204,593	430,392
Net income	**272,756**	272,756	365,512
Other comprehensive income (loss)	–	28,550	(360)
Group's share in net income	**₱19,101**	₱41,034	₱73,030
SACASUN			
Total current assets	**₱–**	₱838,410	₱984,914
Total noncurrent assets	–	3,642,924	2,515,145
Total current liabilities	–	285,178	956,524
Total noncurrent liabilities	–	2,696,727	1,645,852
Equity	**₱–**	₱1,499,429	₱897,683
Gross revenue	₱–	₱101,339	₱–
Operating loss	–	(112,596)	(829)
Net loss	–	(250,887)	(4,099)
Other comprehensive loss	–	–	–
Group's share in net loss	₱–	(₱87,810)	(₱1,434)
Additional information:			
Cash and cash equivalents	**₱–**	₱378,908	₱935,637
Noncurrent financial liabilities	–	2,696,727	1,645,852
GNPD			
Total current assets	**₱2,486,668**	₱533,725	₱–
Total noncurrent assets	**16,762,108**	6,593,952	–
Total current liabilities	**539,651**	131,137	–
Total noncurrent liabilities	**14,242,279**	4,537,895	–
Equity	**₱4,466,846**	₱2,458,645	₱–
Operating loss	**(₱251,703)**	(₱185,945)	₱–
Net loss	**(376,336)**	(5,907)	–
Group's share in net loss	**(₱188,167)**	(₱2,953)	₱–
Additional information:			
Cash and cash equivalents	**₱1,869,486**	₱181,026	₱–
Noncurrent financial liabilities	**14,019,562**	4,489,160	–
Others**			
Total current assets	**₱1,116,846**	₱578,587	₱799,379
Total noncurrent assets	**3,395,270**	3,019,198	2,941,861
Total current liabilities	**16,405**	214,628	121,773
Total noncurrent liabilities	**5,497**	104,248	60,496
Gross revenue	**₱133,022**	₱129,808	₱1,060,238
Net income (loss)	**13,318**	(40,580)	106,400

** Amounts are based on appraised values which are adjusted to historical amounts upon equity take-up of the Group. Using cost method in accounting for property, plant and equipment net income amounted to ₱745.1 million, ₱361.8 million and ₱335.7 million in 2017, 2016, and 2015, respectively, for SFELAPCO.*

***The financial information of insignificant associates and joint ventures is indicated under "Others".*

11. Material partly-owned subsidiary

As of December 31, 2017, the Company has 76.88% interest in AP, a holding company incorporated in the Philippines.

The summarized financial information as of December 31, 2017 and 2016 of AP is provided below:

	2017	2016 (As Restated; Note 9)
Summarized comprehensive income information		
Revenue	**₱119,391,303**	₱89,163,269
Cost of sales	**63,949,850**	46,226,259
Administrative expenses	**21,267,724**	16,626,710
Finance costs - net	**10,320,768**	6,620,476
Profit before tax	**26,846,825**	25,000,246
Income tax	**3,858,398**	3,496,140
Profit for the year from continuing operations	**₱22,988,427**	₱21,504,106
Total comprehensive income	**₱23,366,919**	₱21,575,328
Summarized other financial information		
Attributable to non-controlling interests	**₱2,749,732**	₱1,450,558
Dividends paid to non-controlling interests	**2,313,460**	2,823,782
Summarized balance sheet information		
Total current assets	**₱67,961,596**	₱73,649,187
Total noncurrent assets	**293,515,403**	283,357,707
Total current liabilities	**49,312,291**	32,802,506
Total noncurrent liabilities	**188,186,244**	211,995,168
Equity	**₱123,978,464**	₱112,209,220
Summarized cash flow information		
Operating cash flows	**₱30,235,931**	₱29,887,980
Investing cash flows	**(9,452,925)**	(81,380,348)
Financing cash flows	**(32,122,699)**	47,483,228

12. Impairment Testing of Goodwill

Goodwill acquired through business combinations have been attributed to each business considered as cash-generating unit.

The recoverable amount of the investments has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Key assumptions used in value in use calculation for December 31, 2017 and 2016
The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates and growth rates
The discount rate applied to cash flow projections are from 11.18% to 19.94% in 2017 and from 11.80% to 18.17% in 2016, and cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

Revenue assumptions
Revenue assumptions are based on the expected electricity to be sold. In 2017, revenue growth of -6% in year 1, 6% in year 2, 4% for the next two years and 3% in year 5 was applied for LEZ; -18% in year 1, 3% in the next two years, 1% in year 4 and 0% in year 5 was applied to BEZ; -1% in years 1, 2 and 4, -4% in year 3, and 7% in year 5 for GMCP; and 8% in year 1, 18% in year 2, 7% for the next two years, and -5% in year 5 was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (-38% in year 1, 3% in the next three years, and -54% % in year 5). VHF revenue assumptions are based on projected aqua feeds sales (15% in year 1, 19% in year 2, 12% in year 3, -8% in year 4 and 20% in year 5). PAN JSC revenue assumptions are based on forecast animal feeds sales (365% in year 1, 167% in year 2, and 2% in the next three years). PETNET revenue assumptions are based on income from money remittance and other allied services (no growth in years 1 and 5, and 7% in years 2 to 5).

In 2016, revenue growth of 12% in year 1, 6% in year 2, -11% in year 3, 5% in year 4 and 6% in year 5 for GMCP; 19% in year 1, 8% in year 2 and 6% for the next three years was applied for LEZ; -6% for year 1 and 3% for the next four years for MEZ; -69% in year 1, 9% in year 2, 7% in year 3, 3% in year 4 and -3% in year 5 was applied to BEZ; and 14% in year 1, 17% in year 2, 0% in year 3, and 2% in the next 2 years was applied for HI. Revenue assumptions for LLI are based on sale of existing lots (3% in years 1 and 2, -41% in year 3, -73% in year 4 and 3% in year 5). VHF revenue assumptions are based on projected aqua feeds sales (39% in year 1, 18% in year 2, 2% in year 3, no growth in year 4 and 1% in year 5). PETNET revenue assumptions are based on income from money remittance and other allied services (4% in year 1, 11% in year 2, 10% in year 3, 9% in year 4 and 6% in year 5).

Foreign exchange rates
2017: The assumption used to determine foreign exchange rate is a steady Philippine peso at a rate of ₱51.41 to a dollar from 2018 until 2022.

2016: The assumption used to determine foreign exchange rate is a weakening Philippine peso which starts at a rate of ₱48.55 to a dollar in 2017 and depreciates at 2% annually until 2021.

Materials price inflation
2017: The assumption used to determine the value assigned to the materials price inflation is 3.17% in 2018 and increases to 3.20% in 2019. It then settles at 3.00% for the next 3 years until 2022. The starting point of 2018 is consistent with external information sources.

2016: The assumption used to determine the value assigned to the materials price inflation is 3.14% in 2017 and increases by 15 and 25 basis points in 2018 and 2019, respectively. It then decreases by 9 basis points in 2019, then settles at 3.5% in 2021. The starting point of 2017 is consistent with external information sources.

Based on the impairment testing, no impairment of goodwill was recognized in 2017. With regard to the assessment of value-in-use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

In 2016, impairment of goodwill amounting to ₱169.5 million on the investment in MEZ was recognized. No impairment of goodwill was recognized in 2015.

The carrying amount of goodwill follows:

	2017	2016 (As Restated; Note 9)
GMCP (see Note 9)	**₱39,345,126**	₱39,345,126*
PETNET (see Note 9)	**523,866**	523,866
LEZ	**467,586**	467,586
Pilmico VHF (see Note 9)	**394,217**	394,217
BEZ	**237,404**	237,404
HI	**220,228**	220,228
LLI	**61,202**	61,202
PAN JSC (see Note 9)	**59,060**	–
	₱41,308,689	₱41,249,629

**Restated to consider adjustments as a result of the finalization in 2017 of the purchase price allocation on the 2016 acquisition of GMCP.*

13. Property, Plant and Equipment and Land and Improvements

	December 31, 2017												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱25,605,389	₱137,519,744	₱16,043,761	₱5,997,681	₱1,021,263	₱1,893,621	₱255,589	₱4,498,864	₱3,562,062	₱2,054,603	₱44,469,761	₱1,575,682	₱244,498,020
Acquisition of subsidiaries (see Note 9)	92,197	1,688,302	–	48,396	–	6,297	–	1,884,927	16,185	–	225,053	(18,757)	3,942,600
Additions	140,538	2,225,275	1,293,991	150,788	10,106	536,736	–	515,762	33,119	203,699	15,201,339	100,044	20,411,397
Disposals	(2,687)	(129,841)	(33,439)	(7,895)	(317,694)	(141,507)	–	(39,007)	(3,660)	–	–	(738)	(676,468)
Reclassifications	357,994	25,654	134,534	534,789	–	(1,634)	–	32,888	6,940	3,807	(2,866,228)	4,381	(1,766,875)
At December 31	26,193,431	141,329,134	17,438,847	6,723,759	713,675	2,293,513	255,589	6,893,434	3,614,646	2,262,109	57,029,925	1,660,612	266,408,674
At January 1	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Acquisition of subsidiaries (see Note 9)	6,272	359,311	–	15,666	–	3,046	–	399,150	4,586	–	–	279	788,310
Depreciation and amortization	978,265	5,104,284	514,047	278,472	38,218	240,885	7,327	544,827	138,734	16,813	–	84,597	7,946,469
Disposals	(329)	(69,617)	(33,439)	(7,895)	(136,030)	(103,690)	–	(23,947)	(2,325)	–	–	(1,881)	(379,153)
Reclassifications	(1,946)	(47,058)	(1,215)	(6,508)	–	23,473	–	(40,443)	581	–	–	(14,945)	(88,061)
At December 31	5,304,436	31,991,703	4,671,132	2,927,918	178,290	1,149,352	116,052	3,090,014	729,448	132,107	(722,768)	960,290	50,527,974
Impairment	–	–	–	–	–	2,088	–	792	251	–	2,645,029	–	2,648,160
Net Book Value	₱20,888,995	₱109,337,431	₱12,767,715	₱3,795,841	₱535,385	₱1,142,073	₱139,537	₱3,802,628	₱2,884,947	₱2,130,002	₱55,107,664	₱700,322	₱213,232,540

	December 31, 2016 (As Restated; Note 9)												
	Building, Warehouses and Improvements	Power Plant and Equipment (see Note 21)	Transmission, Distribution Equipment and Substation	Machinery and Equipment	Flight Equipment	Transportation Equipment	Handling Equipment	Office Furniture, Fixtures and Equipment	Leasehold Improvements	Land	Construction in Progress	Others	Total
Cost													
At January 1	₱17,267,337	₱99,606,874	₱14,721,395	₱5,064,989	₱1,013,552	₱1,427,757	₱246,092	₱3,930,852	₱3,502,183	₱1,881,393	₱25,770,746	₱1,171,031	₱175,604,201
Acquisition of subsidiary (see Note 9)	5,441,126	33,537,094	104,542	–	–	325,400	–	330,532	21,244	(58,158)	135,137	80,081	39,916,998
Additions	267,696	250,232	1,051,340	90,938	7,711	267,125	–	396,853	34,016	92,500	29,270,672	316,838	32,045,921
Disposals	–	(156,278)	(772,463)	(12,475)	–	(86,276)	–	(726,851)	(296)	–	–	(6,545)	(1,761,184)
Reclassifications	2,629,230	4,281,822	938,947	854,229	–	(40,385)	9,497	567,478	4,915	138,868	(10,706,794)	14,277	(1,307,916)
At December 31	25,605,389	137,519,744	16,043,761	5,997,681	1,021,263	1,893,621	255,589	4,498,864	3,562,062	2,054,603	44,469,761	1,575,682	244,498,020
Accumulated depreciation and amortization													
At January 1	2,948,202	18,059,450	4,344,340	2,438,197	234,184	794,890	88,310	2,137,054	432,135	103,098	(722,768)	749,407	31,606,499
Acquisition of subsidiary (see Note 9)	556,377	4,096,568	95,758	–	–	139,143	–	169,009	20,162	–	–	62,126	5,139,143
Depreciation and amortization	847,357	4,034,998	438,720	222,435	41,918	181,412	6,165	428,477	135,253	12,196	–	82,408	6,431,339
Disposals	–	(26,583)	(778,294)	(12,449)	–	(74,120)	–	(719,731)	(183)	–	–	(6,504)	(1,617,864)
Reclassifications	(29,762)	480,350	91,215	–	–	(55,687)	14,250	195,618	505	–	–	4,803	701,292
At December 31	4,322,174	26,644,783	4,191,739	2,648,183	276,102	985,638	108,725	2,210,427	587,872	115,294	(722,768)	892,240	42,260,409
Net Book Value	₱21,283,215	₱110,874,961	₱11,852,022	₱3,349,498	₱745,161	₱907,983	₱146,864	₱2,288,437	₱2,974,190	₱1,939,309	₱45,192,529	₱683,442	₱202,237,611

In 2016, an adjustment was made reducing power plant equipment and steam field assets by ₱1.63 billion due to the change in accounting estimate of the asset retirement obligation. In 2015, additions to power plant equipment and steam field assets include asset retirement obligation amounting to ₱560.8 million (see Note 21).

In 2017 and 2016, additions to "Construction in progress" include capitalized borrowing costs amounting to ₱2.62 billion and ₱1.82 billion, respectively (see Note 16).

Property, plant and equipment with carrying amounts of ₱125.41 billion and ₱116.98 billion as of December 31, 2017 and 2016, respectively, are used to secure the Group's long-term debts (see Note 19).

Fully depreciated property, plant and equipment with cost amounting to ₱4.8 billion and ₱5.2 billion as of December 31, 2017 and 2016, respectively, are still in use.

A significant portion of the Group's property, plant and equipment relates to various projects under "Construction in progress" as of December 31, 2017 and 2016, as shown below:

Project Company	Estimated Cost to Complete (in millions Php)		% of Completion	
	2017	2016	**2017**	2016
TVI	**₱10,375**	₱17,813	**73%**	54%
Hedcor Bukidnon	**2,858**	6,229	**75%**	45%
PEC (see Note 10)	**2,294**	8,614	**87%**	61%

In November 2017, Aseagas temporarily ceased the operations of its biomass plant due to unavailability of the supply of organic effluent wastewater from source. In January 2018, after a full assessment of the plant's issues, Aseagas decided to make the plant shutdown permanent. These circumstances indicate that the carrying amount of the Aseagas' assets, which are mainly its property, plant and equipment, may not be recoverable; thus, Aseagas performed an impairment review.

As of December 31, 2017, the recoverable amount of Aseagas' property, plant and equipment was determined based on their fair value less costs of disposal. The fair value of the property, plant and equipment was based on valuation performed by an accredited independent appraiser. The fair value is the prevailing prices in the market which the property, plant and equipment can be sold less costs to be incurred on demolition, clearing and handling fees, among others, and this resulted into an insignificant recoverable amount. This valuation is under Level 3 in the fair value hierarchy. Impairment loss on property, plant and equipment recognized in the consolidated statement of income amounted to ₱2.66 billion in 2017.

Land and Improvements

	2017	2016
Cost		
At January 1	**₱3,525,381**	₱2,960,646
Additions	**444,907**	438,962
Transfers/Adjustments	**(280,611)**	131,070
Disposal	**–**	(5,297)
At December 31	**₱3,689,677**	₱3,525,381

14. Investment Properties - at Fair Value

December 31, 2017

	Land	**Land Improvements**	**Buildings**	**Construction in Progress**	**Total**
At January 1	**₱3,999,741**	**₱238,843**	**₱1,133,806**	**₱–**	**₱5,372,390**
Additions	**186**	**6,996**	**14**	**–**	**7,196**
Gain (loss) on fair valuation	**948,543**	**–**	**(86,325)**	**–**	**862,218**
Disposals	**–**	**–**	**(136,650)**	**–**	**(136,650)**
Transfers/adjustments	**(53,282)**	**(149)**	**(15,587)**	**808,497**	**739,479**
At December 31	**₱4,895,188**	**₱245,690**	**₱895,258**	**₱808,497**	**₱6,844,633**

December 31, 2016

	Land	Land Improvements	Buildings	Total
At January 1	₱3,976,512	₱235,558	₱971,710	₱5,183,780
Additions	13,809	3,196	1,123	18,128
Loss on fair valuation	–	–	(19,407)	(19,407)
Disposals	(423)	–	–	(423)
Transfers/adjustments	9,843	89	180,380	190,312
At December 31	₱3,999,741	₱238,843	₱1,133,806	₱5,372,390

Rental income earned from and direct operating expenses of investment properties amounted to ₱445.9 million and ₱73.5 million, respectively, in 2017; ₱419.3 million and ₱193.4 million, respectively, in 2016; and ₱385.0 million and ₱133.4 million, respectively, in 2015 (see Note 25).

As at December 31, 2017, the fair values of the properties are based on valuations performed by an accredited independent valuer. The valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

The fair values of the Group's investment properties were determined as follows:

- In valuing the land, the Group used the Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The appraiser gathers data on actual sales and/or listings, offers, and renewal options, and identifies the similarities and differences in the data, ranks the data according to their relevance, adjusts the sales prices of the comparable to account for the dissimilarities with the unit being appraised, and forms a conclusion as to the most reasonable and probable market value of the subject property.

The elements of comparison include location, physical characteristics, available utilities, zoning, and highest and best use. The most variable elements of comparison are the site's physical characteristics, which include its size and shape, frontage, topography and location.

Reproduction cost is the current cost of constructing a replica of the existing structures, employing the same design and similar building materials. The current cost of an identical new item.

- In valuing the land improvements and building, the Group used the Cost Approach. This is a comparative approach to the value of property or another asset that considers as a substitute for the purchase of a given property, the possibility of constructing another property that is a replica of, or equivalent to, the original or one that could furnish equal utility with no undue cost resulting from delay. It is based on the reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation. In the context of asset valuation, depreciation refers to the adjustments made to the cost of reproducing or replacing the asset to reflect physical deterioration, functional (technical) obsolescence and economic (external) obsolescence in order to estimate the value of the asset in a hypothetical exchange in the market when there is no direct sales evidence available. Sound value of an asset is determined by applying the two types of depreciation such as physical deterioration and functional obsolescence. Market Value reflects all the three types of depreciation.

Fair value investment properties are estimated under Level 3 inputs.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

	Fair value at December 31, 2017	**Valuation technique**	**Significant unobservable inputs**	**Range (weighted average)**
Land	**₱4,895,188**	**Sales Comparison Approach**	**Price per square meter**	**₱280 - ₱25,706**
Buildings and Land Improvements	**1,140,948**	**Cost Approach**	**Estimated cost, remaining economic life**	**15 - 35 years**

	Fair value at December 31, 2016	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	₱3,999,741	Sales Comparison Approach	Price per square meter	₱4,100 - ₱183,920
Buildings and Land Improvements	1,372,649	Cost Approach	Estimated cost, remaining economic life	15 - 35 years

For land, significant increases (decreases) in price per square meter would result in a significantly higher (lower) fair value of the properties.

For buildings and land improvements, significant increases (decreases) in estimated replacement cost and remaining economic life would result in a significantly higher (lower) fair value of the properties.

15. Intangible Asset - Service Concession Rights

	2017	2016
Cost:		
At January 1	**₱5,199,074**	₱5,011,484
Additions from internal development	**175,607**	45,875
Effect of translation	**15,139**	141,715
	5,389,820	5,199,074
Accumulated amortization:		
At January 1	**1,976,951**	1,784,948
Amortization (see Note 27)	**351,541**	199,342
Reclassifications	**(979)**	(7,339)
	2,327,513	1,976,951
	₱3,062,307	₱3,222,123

The amortization of intangible asset is included in "Depreciation and amortization" under "Operating Expenses" in the consolidated statements of income (see Note 27).

Service concession arrangements entered into by the Group are as follows:

- On November 24, 1996, LHC entered into a PPA with NPC, its sole customer, for the construction and operation of a 70-megawatt hydroelectric power generating facility (the Power Station) in Bakun River in Benguet and Ilocos Sur Provinces on a build-operate-transfer scheme. Under the PPA, LHC shall deliver to NPC all electricity generated over a cooperation period of 25 years until February 5, 2026.

  On the Transfer Date, as defined in the PPA, LHC shall transfer to NPC, free from any lien or encumbrance, all its rights, title and interest in and to the Power Station and all such data as operating manuals, operation summaries/transfer notes, design drawings and other information as may reasonably be required by NPC to enable it to operate the Power Station.

  Since NPC controls the ownership of any significant residual interest of the Power Station at the end of the PPA, the PPA is accounted for under the intangible asset model as LHC has the right to charge users for the public service under the service concession arrangement.

  The Power Station is treated as intangible asset and is amortized over a period of 25 years, which is the service concession period. The intangible asset with a carrying value of ₱2.13 billion and ₱2.39 billion as of December 31, 2017 and 2016 was used as collateral to secure LHC's long-term debt (see Note 19).

- On May 15, 2003, the SBMA, AEV and DLP entered into a DMSA to privatize SBMA Power Distribution System (PDS) on a rehabilitate-operate-and-transfer arrangement; and to develop, construct, lease, lease out, operate and maintain property, structures, and machineries in the Subic Bay Freeport Zone (SBFZ).

  Under the terms of the DMSA, SEZ was created to undertake the rehabilitation, operation and maintenance of the PDS (the Project), including the provision of electric power service to the customers within the Subic Bay Freeport Secured Areas of the SBFZ as well as the collection of the relevant fees from them for its services and the payment by SBMA of the service fees throughout the service period pursuant to the terms of the DMSA. The DMSA shall be effective for a 25-year period commencing on the turnover date.

  For and in consideration of the services and expenditures of SEZ, it shall be paid by the SBMA the service fees equivalent to all the earnings of the Project, provided, however, that SEZ shall remit the amount of ₱40.0 million to the SBMA at the start of every 12-month period throughout the service period, regardless of the earnings of the Project. The said remittances may be reduced by the outstanding power receivables from SBMA, including streetlights power consumption and maintenance, for the immediate preceding year.

  Since SBMA controls ownership of the equipment at the end of the agreement, the PDS are treated as intangible assets and are amortized over a period of 25 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying value of the intangible asset arising from the service concession arrangement amounted to ₱736.4 million and ₱727.0 million as of December 31, 2017 and 2016, respectively.

- The transmission and distribution equipment of MEZ are located within Mactan Export Processing Zone (MEPZ) II. Since MCIAA controls ownership of the equipment at the end of the agreement, the equipment are treated as intangible assets and are amortized over a period of 21 years up to year 2028, in accordance with Philippine Interpretation IFRIC 12.

  The carrying amount of the intangible asset arising from the service concession arrangement amounted to ₱105.3 million and ₱109.1 million as of December 31, 2017 and 2016, respectively.

16. Other Noncurrent Assets

	2017	2016 (As Restated; Note 9)
Input VAT and tax credit receivable, net of impairment loss of ₱50.04 million in 2017 (see Note 29)	**₱6,765,238**	₱6,766,183
Notes receivable (see Note 34)	**–**	2,882,456
Intangible assets:		
Franchise	**2,725,693**	2,802,654
Project development costs	**395,419**	411,499

(Forward)

	2017	2016 (As Restated; Note 9)
Customer contracts	**₱42,838**	₱63,968
Software and licenses	**171,644**	168,712
Prepaid rent and other deposits (see Note 39)	**1,171,570**	933,971
Advances to contractors and projects	**2,215,456**	476,570
Receivable from National Grid Corporation of the Philippines (NGCP)	**–**	146,714
Biological assets (see Note 8)	**144,263**	127,015
Others	**1,005,830**	437,442
	₱14,637,951	₱15,217,184

The customer contracts pertain to agreements between LEZ, LWC and the locators within LiMa Technology Center relating to the provision of utility services to the locators. These contracts are treated as intangible assets and are amortized over a period of 5.25 years since 2014.

Receivable from NGCP pertains to cost of installation and construction of substation and transmission facilities to be reimbursed by NGCP as part of the agreement on the advance implementation of network assets.

In December 2016, SACASUN as the borrower, ARI as the buyer, and BDO Unibank, Inc. (BDO) as the seller, entered into a Memorandum of Understanding wherein buyer and seller agree to an absolute sale and purchase of SACASUN's notes payable to BDO (the "Loan"). The parties agree to the transfer of all of BDO's rights, title, interests, benefits, and obligations in and to the Loan to ARI. The consideration for the purchase of the Loan was ₱2.88 billion, equivalent to the outstanding balance of the Loan (see Note 34).

Rollforward of intangible assets follow:

<u>December 31, 2017</u>

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,802,654	₱411,499	₱63,968	₱168,712
Additions	–	127,655	–	60,097
Business combination	–	–	24,468	141
Transfer from property and equipment	–	–	–	59
Write-off - net of reversal	–	(143,735)	(24,468)	–
Amortization	(76,961)	–	(21,130)	(57,365)
Balances at end of year	₱2,725,693	₱395,419	₱42,838	₱171,644

December 31, 2016

	Franchise	Project development costs	Customer contracts	Software and licenses
Balances at beginning of year	₱2,879,615	₱294,071	₱79,377	₱86,124
Additions	–	180,078	–	115,367
Transfer from property and equipment	–	(9,477)	–	–
Write-off	–	(53,173)	–	–
Amortization	(76,961)	–	(15,409)	(32,779)
Balances at end of year	₱2,802,654	₱411,499	₱63,968	₱168,712

17. **Bank Loans**

	2017	2016
Philippine peso loans	**₱23,112,700**	₱7,907,700
US dollar loans	**124,825**	–
Vietnamese dong loans	**463,615**	351,328
	₱23,701,140	₱8,259,028

The peso loans are unsecured short-term notes payable obtained from local banks with annual interest rates ranging from 2.4% to 4.0% in 2017 and 2016. These loans will mature on various dates in 2018.

The loans are covered by the respective borrower's existing credit lines with the banks and are not subject to any significant covenants and warranties.

Total interest expense on bank loans recognized in 2017, 2016 and 2015 amounted to ₱246.8 million, ₱137.7 million and ₱190.6 million, respectively (see Note 35).

18. **Trade and Other Payables**

	2017	2016
Trade payables (see Note 39)	**₱11,508,221**	₱12,382,792
Nontrade and other payables	**4,595,565**	3,557,662
Accrued expenses	**4,295,309**	3,721,920
Output VAT	**3,003,191**	2,453,604
Amounts due to contractors and other third parties	**1,979,367**	639,994
Unearned revenue	**35,874**	33,829
	25,417,527	22,789,801
Less noncurrent portion (see Note 34)	**880,943**	578,892
	₱24,536,584	₱22,210,909

Trade payables are non-interest bearing and are usually on 30-90 days' terms.

Nontrade payables include amounts due to PSALM pertaining to Generation Rate Adjustment Mechanism (GRAM), Incremental Currency Exchange Rate Adjustment (ICERA), and Universal Charges. Other payables represent withholding taxes, insurance liabilities and other accrual of expenses arising in the ordinary course of business and are generally payable within 12 months from the balance sheet date.

Accrued expenses include interest on borrowings, fuel and lube costs, taxes and licenses, freight expense, materials and supplies, and energy fees that are due within 12 months. These represent ₱4.0 billion and ₱3.3 billion of the total accrued expenses as of December 31, 2017 and 2016, respectively.

Amounts due to contractors and other third parties include liabilities arising from the power plant construction (see Note 13).

19. Long-term Debts

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
Company:				
Financial and non-financial institutions - unsecured	4.41% - 6.02%	₱32,000,000	4.41% - 6.02%	₱32,000,000
Subsidiaries:				
GMCP				
Financial institution - secured	LIBOR + 1.7% - 4.00%	31,946,661	LIBOR + 2.5% - 7.65%	27,116,791
TVI				
Financial institution - secured	5.50% - 6.91%	29,890,000	6.02% – 6.23%	27,570,000
TSI				
Financial institution - secured	4.51% - 5.15%	22,660,043	4.50% - 5.14%	23,970,380
TPI				
Financial institution - unsecured	LIBOR + 1.10%	15,153,755	LIBOR + 1.10%	31,000,420
AP				
Financial and non-financial institutions - unsecured	5.21% - 6.10%	13,000,000	5.21% - 6.10%	10,000,000
APRI				
Financial institution - secured	4.53% to 6.00%	10,624,640	4.53% to 6.00%	11,874,880
Hedcor Bukidnon				
Financial institution - secured	4.75% - 6.78%	9,327,700	4.75% - 6.58%	5,677,700
HSI				
Fixed rate corporate notes	4.11% to 5.42%	4,097,000	4.11% to 5.42%	4,100,000
PILMICO				
Financial institutions - secured	4.50% - 4.75%	2,830,000	5.09% - 5.65%	2,844,000
PANC				
Financial institution - secured	4.50% - 4.75%	2,690,000	4.50% - 5.35%	2,700,000
ASEAGAS				
Financial institution - secured	–	–	4.66% - 5.06%	2,434,209
VECO				
Financial institution - unsecured	4.49% - 4.81%	1,176,000	4.49% - 4.81%	1,379,000
LHC				
Financial institution - secured	2% to 2.75%	1,105,950	2% to 2.75%	1,369,631
DLP				
Financial institutions - unsecured	4.49% - 4.81%	882,000	4.26% - 4.81%	1,034,250
HI				
Financial institution - secured	5.25%	540,000	5.25%	630,000
SEZ				
Financial institutions - unsecured	5.00%	226,000	5.88% - 6.91%	282,500
CLP				
Financial institution - unsecured	4.49% - 4.81%	176,400	4.26% - 4.81%	206,850

(Forward)

	2017		2016 (As Restated; Note 9)	
	Annual Interest Rate	Amount	Annual Interest Rate	Amount
ABOITIZLAND				
Financial institutions:				
Philippine peso - secured	–	₱–	4.67% - 6.89%	₱120,000
US$ - secured	–	–	1.31% - 1.59%	97,252
PAN JSC				
Financial institutions - secured	10.50%	18,560	–	–
Joint Operation:				
PEC				
Financial institution - secured	5.50% - 7.38%	14,066,500	4.70% - 6.68%	11,723,500
Total		192,411,209		198,131,363
Deferred financing costs		(3,324,162)		(2,214,858)
Fair value adjustment		–		959,613
Embedded derivative		–		6,776
		189,087,047		196,882,894
Less current portion		20,722,330		7,698,261
		₱168,364,717		₱189,184,633

The Company

In August 2015, the Company issued a total of ₱24.0 billion bonds, broken down into ₱10.5 billion 5-year, ₱8.5 billion 7-year and ₱5.0 billion 12-year bonds at annual fixed interest rates ranging from 4.47% to 6.02%.

In November 2013, the Company issued a total of ₱8.0 billion bonds, broken down into ₱6.2 billion 7-year and ₱1.8 billion 10-year bonds at fixed interest rates ranging from 4.41% to 4.62%.

The 2015- and 2013-issued retail bonds have been rated PRS Aaa by the Philippine Rating Services Corporation (PhilRatings).

The principal amount of the above bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by the Company based on stipulated early redemption option dates and on agreed early redemption price.

GMCP

On January 18, 2010, GMCP entered into offshore and onshore facility agreements with China Development Bank Corporation (Offshore Loan) as well as BDO, Bank of the Philippine Islands (BPI), China Banking Corporation, Security Bank Corporation, and Standard Chartered Bank - Singapore (collectively for the Onshore Loan) which was fully drawn in 2012. The proceeds of the loan were used solely for the payment of Project Costs.

On August 29, 2017, GMCP entered into a Notes Facility Agreement (NFA) with local banks with BDO Capital and Investment Corporation as Lead Arranger, with the maximum principal amount of US$800.0 million, the proceeds of which will be used to refinance GMCP's existing loan obligation and for other general corporate purposes.

On September 29, 2017, US$600.0 million was drawn from the NFA, out of which US$462.4 million was used to prepay the outstanding loans.

GMCP also has an existing facility agreement with BDO to finance GMCP's working capital requirements.

Loans payable consist of the following dollar denominated loans as of December 31, 2017 (in thousands):

	Amount	Interest Rate Per Annum	Payment Schedule
NFA			
Fixed Rate Loan	$300,000	(i) Fixed rate of 2.5514% plus 1.45% margin for the first seven-year period and (ii) Fixed Rate Loan Benchmark plus 1.45% margin for the subsequent five-year period	24 semi-annual payments starting from the first Interest Payment Date
LIBOR Loan	300,000	Six-month LIBOR plus 1.70% margin	24 semi-annual payments starting from the first Interest Payment Date
Working Capital			
BDO	$15,000	LIBOR plus 1.7% applicable margin	Payable within three months
Total borrowings	615,000		
Less unamortized portion of deferred financing costs	(5,712)		
	609,288		
Less current portion	37,451		
Loans payable - net of current portion	$571,837		

TVI

On June 18, 2015, TVI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱31.97 billion. As of December 31, 2017, ₱29.89 billion has been drawn from the loan facility.

The loan is available in two tranches, as follows:

- Tranche A, in the amount of ₱25.97 billion, with interest rate fixed for the first eight years and will be repriced and fixed for another seven years.
- Tranche B, in the amount of ₱6.00 billion, with a fixed interest rate for fifteen years.

70% of the principal amount of the loan is payable in 22 equal semi-annual installments starting July 2019, with the remaining 30% payable in full on the final maturity date. TVI may prepay the loan in part or in full beginning on the end of the fourth year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

The loan is secured by a mortgage of all its assets with carrying amount of ₱34.01 billion as of December 31, 2017, and a pledge of TVI's shares of stock held by its shareholders.

TSI

On October 14, 2013, TSI entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of ₱24.0 billion, which was fully drawn in 2014.

On October 28, 2015, TSI entered into an additional loan agreement with principal amount of ₱1.68 billion, which was fully drawn in 2016.

The loan is secured by a mortgage of all its assets with carrying amount of ₱36.14 billion as of December 31, 2017, and a pledge of TSI's shares of stock held by AP and TPI.

Interest rate ranging from 4.50% - 5.15% is fixed for the first seven years and will be repriced and fixed for another five years. Fifty percent of the principal amount of the loan is payable at semi-annual installments within 12 years with a two-year grace period, with the remaining 50% payable in full on the final maturity date.

TSI may prepay the loan in part or in full beginning on the end of the third year from the initial advance or on the project completion date, whichever is earlier. Any prepayment shall be subject to a certain percentage of prepayment penalty on the principal to be prepaid.

TPI

In December 2016, TPI executed and availed a US$623.5 million syndicated bridge loan facility to partially finance the GNPower acquisition. The loan is bears a floating interest rate based on a credit spread over applicable LIBOR, repriced every 30 days. The loan will mature on the second anniversary of the initial drawdown date, with an option for a one-year extension.

AP

In September 2014, AP issued a total of ₱10.0 billion bonds, broken down into a ₱6.6 billion 7-year bond due 2021 at an annual fixed rate equivalent to 5.21% and a ₱3.4 billion 12-year bond due 2026 at an annual fixed rate equivalent to 6.10%. The bonds have been rated PRS Aaa by PhilRatings.

In July 2017, AP issued a ₱3.00 billion 10-year bond due 2027 at an annual fixed rate equivalent to 5.34%. The bonds have been rated PRS Aaa by PhilRatings.

The principal amount of the bonds shall be payable on a lump sum basis on the respective maturity date at its face value. These bonds may be redeemed in advance by AP based on stipulated early redemption option dates and on agreed early redemption price.

APRI

On February 29, 2016, APRI entered into an omnibus agreement with BPI, Asian Development Bank (ADB) and Credit Guarantee and Investment Facility (CGIF). This has been certified to have met the requirements of the Climate Bond Standard. The loan proceeds were used for return of equity to shareholders and to fund necessary operating and capital expenditures.

The loan is available in two tranches, as follows:

a. The Notes Facility Agreement, in the amount of ₱10.7 billion, with interest rate already fixed for ten years. 41.6% of the principal amount is payable in ten equal semi-annual installments and the balance payable in another ten semi-annual installments;
b. The ADB Facility Agreement, in the amount of ₱1.8 billion, with interest rate fixed for five years and principal repayments made in ten equal semi-annual installments.

The loan is secured by mortgage of its assets with carrying amount of ₱25.64 billion as of December 31, 2017, and pledge of APRI's shares of stock held by shareholders and assignment of Project Agreements and Project Accounts.

Hedcor Bukidnon
On September 22, 2015, Hedcor Bukidnon entered into an omnibus agreement with local banks for a project loan facility with an aggregate principal amount of up to ₱10.0 billion. As of December 31, 2017, ₱9.33 billion has been drawn from the loan facility based on the agreed schedule.

The term of the loan is 15 years, and the first principal repayment will take place 42 months after the financial close, or six months after project completion. Principal repayments shall be made in equal semi-annual installments, with a balloon payment not to exceed 30% of the loan amount. Interest rate on the loan is computed at the time of each drawdown, as designated under the agreement.

The loan is secured by an assignment of trade receivables, a pledge of all issued share capital of Hedcor Bukidnon, and corporate suretyship from AP to guarantee the debt service until (a) project completion and (b) receipt of Feed-In-Tariff payments or contracting power supply agreements equivalent to at least the break-even capacity.

HSI
On November 17, 2016, HSI entered into a NFA with various institutions with Metrobank - Trust Banking Group as the Notes Facility Agent, for a loan facility with an aggregate principal amount of up to ₱4.10 billion to return equity to shareholders, and for other general corporate purposes.

The unsecured notes were issued in ten tranches with interest payable semi-annually at annual fixed rates ranging from 4.05% - 5.42% with principal maturity as follows:

Tranche	Maturity Date	Principal Amount
1	Fifteen months from issue date	₱96.8 million
2	Two (2) years from issue date	₱96.8 million
3	Three (3) years from issue date	₱84.0 million
4	Four (4) years from issue date	₱84.0 million
5	Five (5) years from issue date	₱284.0 million
6 (Series A&B)	Six (6) years from issue date	₱388.4 million
7 (Series A&B)	Seven (7) years from issue date	₱445.8 million
8	Eight (8) years from issue date	₱451.4 million
9	Nine (9) years from issue date	₱508.1 million
10 (Series A&B)	Ten (10) years from issue date	₱1,660.7 million

Prior to maturity date, HSI may redeem in whole or in part the relevant outstanding notes on any interest payment date plus a one percent prepayment penalty.

PILMICO
PILMICO availed ₱1.0 billion and ₱500 million loans from the NFA it signed on May 5, 2015, with Land Bank of the Philippines as the Note Holder on May 11, 2015 and July 13, 2015, respectively. As provided for in the NFA, the 12-year corporate notes are issued as an exempt security pursuant to Section 9.2 of RA No. 8799 and Rule 9.2(2)(B) of the amended implementing rules of the Securities Regulation Code (SRC). On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 5.19% to 4.50%.

On October 4, 2012, PILMICO availed ₱1.4 billion loan from the NFA it signed on September 25, 2012, with LBP as the Note Holder. The NFA provided for the issuance of 5-year corporate notes in a private placement to not more than 19 institutional investors pursuant to Section 9.2 of the SRC and Rule 9.2(2) of the SRC Rules. On February 21, 2017, the Company availed of the Repricing Option under the NFA, thereby amending the interest rate from 4.75% to 4.18%.

PILMICO may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

PANC

On December 29, 2016, PANC availed of a total of ₱700 million loan from NFA signed on December 28, 2016 with Security Bank Corporation as Note Holder.

On September 22, 2014, PANC availed of a total of ₱2.0 billion loan from NFA signed on September 17, 2014 with LBP as Note Holder.

The 2016 and 2014 notes are redeemable on a lump sum basis on the respective maturity dates at its face value. PANC may early redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If prepayment is made on a different date, a certain fee shall be charged on the principal to be prepaid.

Aseagas

Within the period June 2014 to September 2015, Aseagas availed of ₱2.0 billion loan from the Notes Facility and Security Agreement (NFSA) it signed on June 5, 2014 with Development Bank of the Philippines. The NFSA provided for the issuance of 12-year corporate notes subject to a fixed interest rate ranging from 4.66% to 5.06% for the first seven years and to be repriced and fixed for the remaining five years. Principal repayments are due every six months.

In April 2016, Aseagas obtained an additional loan from DBP amounting to ₱500.0 million with the same terms as the first loan. Interest rate on the new loan is fixed at 4.75%.

The loan was prepaid in December 2017.

VECO

On December 20, 2013, VECO availed of a ₱2.0 billion loan from the NFA it signed on December 17, 2013 with the Land Bank of the Philippines (LBP). The unsecured notes were issued in ten tranches of ₱200 million with interest payable semi-annually at fixed annual rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱200M balloon payment on maturity date
C	December 20, 2016	₱1M each on first 2 years; ₱198M on maturity date
D	December 20, 2017	₱1M each on first 3 years; ₱197M on maturity date
E	December 20, 2018	₱1M each on first 4 years; ₱196M on maturity date
F	December 20, 2019	₱1M each on first 5 years; ₱195M on maturity date
G	December 20, 2020	₱1M each on first 6 years; ₱194M on maturity date
H	December 20, 2021	₱1M each on first 7 years; ₱193M on maturity date
I	December 20, 2022	₱1M each on first 8 years; ₱192M on maturity date
J	December 20, 2023	₱1M each on first 9 years; ₱191M on maturity date

Prior to maturity date, VECO may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

LHC

On April 24, 2012, LHC entered into an omnibus agreement with Philippine National Bank and Banco De Oro to borrow US$43.1 million with maturity on April 26, 2022 and payable in 20 semi-annual installments. Interest is repriced and paid semi-annually. Annual interest rate ranges from 2.00% to 2.75%.

Intangible asset arising from service concession arrangement with carrying value of ₱2.13 billion as of December 31, 2017, was used as collateral to secure LHC's long-term debts (see Note 15).

DLP

On December 20, 2013, DLP availed of a ₱1.5 billion loan from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱150 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱150M balloon payment on maturity date
C	December 20, 2016	₱0.75M each on first 2 years; ₱148.5M on maturity date
D	December 20, 2017	₱0.75M each on first 3 years; ₱147.8M on maturity date
E	December 20, 2018	₱0.75M each on first 4 years; ₱147M on maturity date
F	December 20, 2019	₱0.75M each on first 5 years; ₱146.2M on maturity date
G	December 20, 2020	₱0.75M each on first 6 years; ₱145.5M on maturity date
H	December 20, 2021	₱0.75M each on first 7 years; ₱144.8M on maturity date
I	December 20, 2022	₱0.75M each on first 8 years; ₱144M on maturity date
J	December 20, 2023	₱0.75M each on first 9 years; ₱143.2M on maturity date

Prior to maturity date, DLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

HI

On August 6, 2013, HI availed of a ten-year ₱900 million loan from a local bank. This loan is subject to a semi-annual principal payment with annual interest fixed at 5.25% for the first 5 years. For the remaining five years, interest rate will be repriced and fixed on the fifth anniversary from the drawdown date. The debt is secured by a pledge of HI's shares of stock held by ARI.

SEZ

On July 7, 2011, SEZ issued ₱565.0 million worth of fixed-rate notes to MBTC. Interest on the notes is subject to quarterly payment at 5% annual fixed interest rate. Principal is payable annually over 10 years at an equal amortization of ₱56.5 million.

CLP

On December 20, 2013, CLP availed of ₱300.0 million notes from the NFA it signed on December 17, 2013 with LBP. The unsecured notes were issued in ten tranches of ₱30.0 million with interest payable semi-annually at annual fixed rates ranging from 3.50% - 4.81% and principal amortized as follows:

Tranche	Maturity Date	Principal Repayment Amount
A, B	December 20, 2014 and 2015	₱30M balloon payment on maturity date
C	December 20, 2016	₱0.15M each on first 2 years; ₱29.7M on maturity date
D	December 20, 2017	₱0.15M each on first 3 years; ₱29.6M on maturity date
E	December 20, 2018	₱0.15M each on first 4 years; ₱29.4M on maturity date
F	December 20, 2019	₱0.15M each on first 5 years; ₱29.2M on maturity date
G	December 20, 2020	₱0.15M each on first 6 years; ₱29.1M on maturity date
H	December 20, 2021	₱0.15M each on first 7 years; ₱29M on maturity date
I	December 20, 2022	₱0.15M each on first 8 years; ₱28.8M on maturity date
J	December 20, 2023	₱0.15M each on first 9 years; ₱28.62M on maturity date

Prior to maturity date, CLP may redeem in whole or in part the relevant outstanding notes on any interest payment date without premium or penalty. If it redeems the notes on a date other than an interest payment date, then a certain percentage of prepayment penalty on the principal amount to be prepaid shall be imposed.

ABOITIZLAND

The SBC peso loan is a ten-year loan availed on December 21, 2007. It is subject to 28 quarterly principal amortizations of ₱7.5 million starting at the end of the 13th quarter from initial drawdown date, with the balance of ₱90.0 million payable in full at the end of the 10th year. Interest is payable quarterly at fixed rate of 6.89% for the first five years and at 4.67% for the remaining five years.

The SBC dollar loan is a ten-year loan payable in 28 quarterly principal amortizations of US$122 thousand starting at the end of the 13th quarter from initial drawdown date, with the balance of US$1.5 million due in full at the end of the 10th year. Initial drawdown was made on February 6, 2008. Interest is payable and repriced quarterly based on the prevailing 90-day LIBOR plus 1%.

The SBC peso and dollar loans have been fully repaid in December, 2017.

Long-term debt of Joint Operation

This pertains to TPI's share of the outstanding project debt of its joint operation.

In May 2014, PEC entered into an Omnibus Agreement with various local banks for a loan facility in the aggregate principal amount of up to ₱33.31 billion with maturity period of 15 years. The loan is subject to a semi-annual interest payment at annual fixed rates ranging from 5.50% - 7.38%.

The loans may be voluntarily prepaid in full or in part commencing on and from the third year of the date of initial drawdown with a prepayment penalty.

The loans are secured by a mortgage of all its assets with carrying amount of ₱30.62 billion as of December 31, 2017, and a pledge of the shares of stock held by the joint operators.

Loan covenants
The loan agreements on long-term debts of the Group provide for certain restrictions with respect to, among others, mergers or consolidations or other material changes in their ownership, corporate set-up or management, investment and guaranties, incurrence of additional debt, disposition of mortgage of assets, payment of dividends, and maintenance of financial ratios at certain levels.

These restrictions and requirements were complied with by the Group as of December 31, 2017 and 2016.

20. Customers' Deposits

	2017	2016
Transformers	**₱1,315,127**	₱2,915,591
Bill and load	**3,663,917**	2,138,587
Lines and poles	**1,115,646**	1,777,064
Others	**174,693**	209,105
	₱6,269,383	₱7,040,347

Transformers and lines and poles deposits are obtained from certain customers principally as cash bond for their proper maintenance and care of the said facilities while under their exclusive use and responsibility. These deposits are non-interest bearing and are refundable only after their related contract is terminated and the assets are returned to the Group in their proper condition and all obligations and every account of the customer due to the Group shall have been paid.

Bill deposit serves to guarantee payment of bills by a customer which is estimated to equal one month's consumption or bill of the customer.

Both the Magna Carta and Distribution Services and Open Access Rules (DSOAR) also provide that residential and non-residential customers, respectively, must pay a bill deposit to guarantee payment of bills equivalent to their estimated monthly billing. The amount of deposit shall be adjusted after one year to approximate the actual average monthly bills. A customer who has paid his electric bills on or before due date for three consecutive years, may apply for the full refund of the bill deposit, together with the accrued interests, prior to the termination of his service; otherwise, bill deposits and accrued interests shall be refunded within one month from termination of service, provided all bills have been paid.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Interest expense on customers' deposits amounted to ₱3.2 million in 2017, ₱2.5 million in 2016, and ₱4.2 million in 2015 (see Note 35).

The Group classified customers' deposits under noncurrent liabilities due to the expected long-term nature of these accounts.

Other customer deposits pertain mainly to deposits from real estate buyers.

The portion of customers' deposit to be refunded amounted to ₱1.41 billion as of December 31, 2017, and is presented as part of "Trade and other payables" (see Note 18).

21. Asset Retirement Obligation

Asset retirement obligation includes the estimated costs to decommission, abandon and perform surface rehabilitation on a subsidiary's steam field assets at the end of their useful lives, and the best estimate of the expenditure required to settle the obligation to decommission power plant at the end of its lease term (see Note 13).

	2017	2016
Balances at beginning of year	**₱1,821,577**	₱3,016,528
Acquisition of subsidiaries (see Note 9)	–	334,812
Change in accounting estimate	**1,056,396**	(1,627,192)
Accretion of decommissioning liability (see Note 34)	**81,087**	97,429
Balances at end of year	**₱2,959,060**	₱1,821,577

The actual dismantling and removal cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment or actual time required to complete all dismantling and removal activities. Adjustment, if any, to the estimated amount will be recognized prospectively as they become known and reliably estimable.

22. Finance Lease

TLI

TLI was appointed by PSALM as Administrator under the IPP Administration Agreement, giving TLI the right to receive, manage and control the capacity of the power plant for its own account and at its own cost and risk; and the right to receive the transfer of the power plant at the end of the IPP Administration Agreement for no consideration.

In view of the nature of the IPP Administration Agreement, the arrangement has been accounted for as a finance lease. Accordingly, TLI recognized the capitalized asset and related liability of ₱44.79 billion (equivalent to the present value of the minimum lease payments using TLI's incremental borrowing rates of 10% and 12% for dollar and peso payments, respectively) in the financial statement as "Power plant" and "Finance lease obligation" accounts, respectively (see Notes 3 and 13). The discount determined at inception of the agreement is amortized over the period of the IPP Administration Agreement and is recognized as interest expense in the consolidated statement of income. Interest expense in 2017, 2016 and 2015 amounted to ₱4.76 billion, ₱4.79 billion and ₱5.29 billion, respectively (see Note 35).

Future minimum monthly dollar and peso payments under the IPP Administration Agreement and their present values as of December 31, 2017 and 2016 are as follows:

December 31, 2017

	Dollar payments	Peso equivalent of dollar payments[1]	Peso payments	Total
Within one year	$90,000	₱4,493,700	₱4,320,000	₱8,813,700
After one year but not more than five years	397,500	19,847,175	19,080,000	38,927,175
More than five years	263,000	13,131,590	12,624,000	25,755,590
Total contractual payments	750,500	37,472,465	36,024,000	73,496,465
Unamortized discount	231,130	11,540,344	12,730,867	24,271,211
Present value	519,370	25,932,121	23,293,133	49,225,254
Less current portion				3,316,165
Noncurrent portion of finance lease obligation				₱45,909,089

December 31, 2016

	US dollar payments	Philippine peso equivalent of dollar payments[2]	Philippine peso payments	Total
Within one year	$82,500	₱4,101,900	₱3,960,000	₱8,061,900
After one year but not more than five years	378,000	18,794,160	18,144,000	36,938,160
More than five years	380,000	18,893,600	18,240,000	37,133,600
Total contractual payments	840,500	41,789,660	40,344,000	82,133,660
Unamortized discount	285,051	14,172,757	15,620,699	29,793,456
Present value	555,449	27,616,903	24,723,301	52,340,204
Less current portion				2,968,491
Noncurrent portion of finance lease obligation				₱49,371,713

[1]*USD1= ₱49.93*

[2]*USD1= ₱49.72*

23. Capital Stock

Information on the Company's authorized capital stock follows:

	Number of Shares
Authorized capital stock:	
Common shares, ₱1 par value	9,600,000,000
Preferred shares, ₱1 par value	400,000,000

Outstanding capital stock are as follows:

	Number of Shares	
	2017	2016
Common shares issued	**5,694,599,621**	5,694,599,621
Less treasury shares	**60,807,064**	60,807,064
Balance at end of year	**5,633,792,557**	5,633,792,557

On November 16, 1994, the Company listed with the Philippine Securities Exchange its 3,650,385,204 common shares with a par value of ₱1.00 per share to cover the initial public offering (IPO) of 821,486,204 common shares at an offer price of ₱5.70 per share. Gross proceeds from this issuance of new shares amounted to ₱4.6 billion. Transaction costs incidental to the IPO totaling ₱528.0 million were charged against "Additional paid-in capital" in the parent company balance sheet.

On May 23, 1995 and August 30, 1996, the Company distributed 20% stock dividend equivalent to 730.08 million shares and 30% stock dividend equivalent to 1.31 billion shares, respectively. Both stock dividends were issued at ₱1.00 per share. At the end of 1996, common shares issued totaled 5.69 billion.

The preferred shares are non-voting, non-participating, non-convertible, cumulative re-issuable and redeemable and may be issued from time to time by the BOD in one or more series and fixed before issuance thereof, the number of shares in each series, and all designations, relative rights, preferences and limitations of the shares in each series. Preferred shares that are redeemed by the Company may be re-issued.

There were no preferred shares issued as of December 31, 2017 and 2016.

As of December 31, 2017, and 2016, the Company has 9,002 and 9,177 shareholders, respectively.

Treasury Shares

As of December 31, 2017 and 2016, treasury shares held by AEV totaled 60.8 million with corresponding acquisition cost of ₱521.1 million. In 2016, 79.5 million shares costing ₱544.5 million were sold for ₱5.9 billion while 15.7 million shares costing ₱112.8 million were sold for ₱885.3 million in 2015.

24. Retained Earnings

On March 7, 2017, the BOD approved the following:

a. Declaration of a regular cash dividend of ₱1.33 per share (₱7.49 billion) to all stockholders of record as of March 21, 2017. These dividends were paid on April 10, 2017.

b. Reversal of ₱1.095 billion retained earnings appropriations for funding of additional capital infusions into the following investees (amounts in thousand pesos):

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation	Status of Capital Infusion as of December 31, 2017
AboitizLand, Inc. and Subsidiaries	Land Acquisition	July, 2013	First quarter of 2014	End of 4th quarter of 2017	₱500,000	Deferred
Aseagas, Inc.	Plant Construction	March, 2015	August 2014	Start of 3rd quarter of 2016	345,000	Executed
PetNet, Inc.	Business Expansion	May, 2015	June 2015	December 2016	250,000	Executed
Total					₱1,095,000	

On March 8, 2016, the BOD approved the declaration of a regular cash dividend of ₱1.06 per share (₱5.89 billion) to all stockholders of record as of March 22, 2016. These dividends were paid on April 19, 2016.

On March 10, 2015, the BOD approved the declaration of a regular cash dividend of ₱1.11 per share (₱6.15 billion) to all stockholders of record as of March 24, 2015. These dividends were paid on April 20, 2015.

As mentioned in Note 19, the Company shall not permit its DE ratio to exceed 3:1 calculated based on the Company's year-end debt and consolidated equity.

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint arrangements amounting to ₱108.9 billion and ₱95.9 billion as at December 31, 2017 and 2016, respectively. Such amounts are not available for distribution until such time that the Company receives the dividends from the respective subsidiaries, associates and joint arrangements (see Note 10).

25. Revenues

a. Sale from Distribution of Power

The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that the billing for sale and distribution of power and electricity will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, the Currency Exchange Rate Adjustment and Interclass and Lifeline Subsidies. National and local franchise taxes, the Power Act Reduction (for residential customers) and the Universal Charge are also separately indicated in the customer's billing statements.

Pursuant to Section 43(f) of Republic Act (R.A.) No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and Rule 15, section 5(a) of its Implementing Rules and Regulations (IRR), the ERC promulgated the Distribution Wheeling Rates Guidelines on December 10, 2004. These were subsequently updated and released on July 26, 2006 as the Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Utilities entering Performance Based Regulation (PBR).

Details of the PBR regulatory period and the date of implementation of the approved rates are as follows:

	CLP	DLP	VECO	SEZ
Current regulatory period	April 1, 2009 to March 31, 2013	July 1, 2010 to June 30, 2014	July 1, 2010 to June 30, 2014	October 1, 2011 to September 30, 2015
Date of implementation of approved distribution supply and metering charges	May 1, 2009	August 1, 2010	August 1, 2010	November 26, 2011

A reset process should have been initiated 18 months prior to the start of the third regulatory period of April 1, 2013 to March 31, 2017 for CLP, July 1, 2014 to June 30, 2018 for DLP and VECO, and October 1, 2015 to September 30, 2019 for SEZ. The reset process, however, has been delayed due to the issuance by the ERC in 2013 of an Issues Paper on the Implementation of PBR for distribution utilities under the RDWR, which seeks to revisit various matters relating to the reset process. The ERC has solicited comments from industry participants and has been holding public consultations on the Issues Paper.

Through ERC Resolution No. 25 Series of 2016 dated July 12, 2016, the ERC adopted the Resolution Modifying the RDWR. The resolution also sets forth, the schedule for the Fourth Regulatory Period.

Total sale from distribution of power amounted to ₱43.53 billion, ₱44.59 billion and ₱41.38 billion in 2017, 2016 and 2015, respectively.

b. Sale from Generation of Power and Retail Electricity
Certain subsidiaries are trading participants and direct members under the generator sector of the Wholesale Electricity Spot Market (WESM). These companies are allowed to access the WESM Market Management System through its Market Participant Interface (MPI). The MPI is the facility that allows the trading participants to submit and cancel bids and offers, and to view market results and reports. Under its price determination methodology as approved by the ERC, locational marginal price method is used in computing prices for energy bought and sold in the market on a per node, per hour basis. In the case of bilateral power supply contracts, however, the involved trading participants settle directly with their contracting parties.

Total sale of power to WESM amounted to ₱3.80 billion, ₱2.88 billion and ₱4.59 billion in 2017, 2016 and 2015, respectively.

Certain subsidiaries were issued a FIT Certificate of Compliance from the ERC which entitles them to avail the FIT rate. These subsidiaries also signed agreements with the National Transmission Corporation (NTC), the FIT administrator. These agreements enumerate the rights and obligations under the FIT rules and FIT-All guidelines, in respect to the full payment of the actual energy generation of the generator, at a price equivalent to the applicable FIT rate, for the entire duration of its FIT eligibility period.

Total sale of power under power supply agreements amounted to ₱53.61 billion in 2017, ₱32.81 billion in 2016 and ₱28.78 billion in 2015.

Certain subsidiaries have negotiated contracts with contestable customers. These contracts provide supply and delivery of electricity where capacity fees, fixed operating fees and energy fees are at fixed price/kwh or time of use.

Total sale of power under retail electricity supply agreements amounted to ₱18.07 billion, ₱8.48 billion and ₱10.23 billion in 2017, 2016 and 2015, respectively.

c. Real estate revenues consist of the following:

	2017	2016	2015
Real estate sales	**₱2,915,830**	₱1,700,479	₱2,042,335
Rental income	**445,558**	419,297	385,029
Service fees and others	**252,000**	321,078	305,514
	₱3,613,388	₱2,440,854	₱2,732,878

26. Purchased Power

Distribution
DLP, VECO, CLP and MEZ entered into contracts with NPC/PSALM for the purchase of electricity. The material terms of the contract are as follows:

	Term of Agreement with NPC/PSALM	Contract Energy (megawatt hours/year)
DLP	Ended in December 2015; extended	1,120,918
CLP	Ended in December 2015; extended	126,976

The Group's distribution utilities also entered into Transmission Service Agreements with NGCP for the transmission of electricity.

Total power purchases from the NPC/PSALM and NGCP, net of discounts, amounted to ₱9.08 billion in 2017, ₱7.52 billion in 2016 and ₱9.49 billion in 2015. The outstanding payable to the NPC/PSALM and NGCP on purchased power, presented as part of the "Trade and other payables" account in the consolidated balance sheets amounted to ₱755.7 million and ₱694.2 million as of December 31, 2017 and 2016, respectively (see Note 18).

Generation

Purchased power takes place during periods when power generated from power plants are not sufficient to meet customers' required power as stated in the power supply contracts. Insufficient supply of generated energy results from the shutdowns due to scheduled maintenance or an emergency situation. The Group purchases power from WESM to ensure uninterrupted supply of power and meet the requirements in the power supply contracts. Total purchases from WESM amounted to ₱6.26 billion in 2017, ₱1.42 billion in 2016 and ₱1.21 billion in 2015.

The Group entered into Replacement Power Contracts with certain related parties (see Note 34). Under these contracts, the Group supplies power to counterparties when additional power is needed. Correspondingly, when faced with energy shortfalls, the Group purchases power from counterparties.

Retail Electricity Supply

AESI pays PSALM monthly generation payments using the formula specified in the IPP Administration Agreement. Total generation payments to PSALM amounted to ₱1.82 billion, ₱1.90 billion and ₱1.86 billion in 2017, 2016 and 2015, respectively.

27. Costs and Expenses

Cost of generated power consists of:

	2017	2016	2015
Fuel costs	**₱22,324,825**	₱12,211,477	₱13,598,737
Steam supply costs (see Note 39)	**4,981,187**	4,108,576	3,956,979
Energy fees	**668,558**	627,751	684,279
Ancillary charges	**547,291**	340,869	262,536
Wheeling expenses	**35,895**	27,599	21,528
	₱28,557,756	₱17,316,272	₱18,524,059

Cost of goods sold consists of:

	2017	2016	2015
Raw materials used, purchases and changes in biological assets and inventories (see Notes 6 and 8)	**₱19,406,752**	₱17,065,443	₱16,659,858
Direct labor (see Note 28)	**238,647**	194,453	143,320
Manufacturing overhead			
Depreciation (see Note 13)	**524,660**	427,462	352,639
Power	**344,656**	299,942	260,419
Repairs and maintenance	**254,772**	216,502	162,956
Indirect labor (see Note 28)	**240,484**	203,257	128,345
Fuel and lubricants	**99,817**	80,142	85,519
Outside services	**94,775**	76,686	68,293
Toll milling expenses	**61,005**	54,406	57,185
Freight and handling	**55,253**	48,004	39,878
Taxes and licenses	**39,707**	35,547	34,698
Insurance	**35,506**	32,178	26,050
Medicines and vaccines	**33,931**	28,397	24,227
Pest control	**29,859**	15,342	9,749
Employees' benefits (see Notes 28 and 30)	**21,026**	14,817	8,169
Royalty fee	**11,688**	13,565	7,890
Rental	**9,712**	9,992	5,707
Office and general supplies	**–**	9,476	16,634
Others	**153,162**	114,778	78,772
	2,010,013	1,680,493	1,367,130
Cost of goods manufactured	**21,655,412**	18,940,389	18,170,308
Finished goods inventory (see Note 6)			
Beginning of year	**361,857**	307,657	148,457
End of year	**(317,007)**	(361,857)	(307,657)
	₱21,700,262	₱18,886,189	₱18,011,108

Operating expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	**₱7,869,255**	₱6,357,313	₱4,528,558
Personnel (see Notes 28 and 30)	**6,279,900**	5,206,478	4,467,203
Outside services (see Note 39)	**2,383,152**	1,736,952	1,703,314
Taxes and licenses	**2,196,046**	1,613,411	1,196,605
Repairs and maintenance	**1,704,853**	954,531	744,056
Insurance	**1,058,377**	876,943	763,939
Freight and handling	**834,893**	660,208	633,102
Transportation and travel	**467,606**	416,030	382,333
Rent (see Note 36)	**444,262**	295,615	293,705
Advertising	**425,617**	349,366	320,348
Management and professional fees (see Note 34)	**288,343**	320,176	308,654

(Forward)

	2017	2016	2015
Training and development	**₱160,953**	₱163,375	₱98,866
Utilities	**149,682**	116,685	102,330
Commissions	**145,140**	132,469	145,553
Provision for impairment of trade receivables (see Note 5)	**101,155**	22,284	526,055
Fuel and lubricants	**73,751**	312,044	427,829
Others	**1,672,930**	1,653,302	1,329,589
	₱26,255,915	₱21,187,182	₱17,972,039

Other operating expenses consist of miscellaneous items, the most significant of which are materials and supplies.

Overhead expenses consist of:

	2017	2016	2015
Depreciation and amortization (see Notes 13, 15 and 16)	**₱40,837**	₱44,615	₱42,796
Personnel (see Notes 28 and 30)	**41,061**	38,143	30,138
Repairs and maintenance	**16,986**	9,630	12,258
Fuel	**6,680**	8,918	9,805
Insurance	**4,049**	4,106	4,628
Rent	**2,042**	1,940	1,709
Others	**2,209**	2,319	2,198
	₱113,864	₱109,671	₱103,532

Other overhead expenses include training costs for aircraft personnel.

Sources of depreciation and amortization are as follows:

	2017	2016	2015
Property, plant and equipment (see Note 13)	**₱7,946,469**	₱6,431,339	₱4,465,223
Intangible asset - service concession rights (see Note 15)	**351,541**	199,342	338,031
Bearer biological assets (see Notes 8 and 16)	**–**	63,614	43,200
Other intangible assets (see Note 16)	**157,968**	135,100	109,854
	₱8,455,978	₱6,829,395	₱4,956,308

28. **Personnel Expenses**

	2017	2016	2015
Salaries and wages	**₱5,041,341**	₱4,107,494	₱3,491,083
Employee benefits (see Note 30)	**1,296,940**	1,160,292	1,056,870
	₱6,338,281	₱5,267,786	₱4,547,953

29. Other Income (Expense) - net

	2017	2016	2015
Change in fair value of biological assets (see Note 8)	**₱942,131**	₱388,218	₱425,720
Net unrealized fair valuation gains (see Note 36)	**862,218**	166,476	186,512
Surcharges	**435,428**	403,730	342,871
Gain on step-acquisition (see Note 9)	**310,198**	350,939	–
Non-utility operating income	**145,948**	94,916	114,108
Foreign exchange gains (losses) - net (see Note 35)	**70,221**	(40,877)	(959,461)
Rental income (see Note 34)	**10,617**	1,499	29,155
Dividend income	**5,946**	250	1,810
Gain (loss) on sale of:			
Property, plant and equipment	**(52,164)**	(50,125)	(71,402)
AFS investments	**289**	25,105	–
Loss on impairment of assets (see Notes 13 and 16)	**(3,191,748)**	–	–
Gain on redemption of shares (see Note 10)	–	16,051	–
Impairment loss on goodwill (see Note 12)	–	(169,469)	–
Others - net	**434,782**	1,314,313	154,697
	(₱26,134)	₱2,501,026	₱224,010

Surcharges represent late payment charges of a certain percentage on previous unpaid bills of customers of distribution utilities.

Included in "Net Foreign exchange gains (losses)" are the net gains and losses relating to currency forward transactions (see Note 35). "Others" comprise non-recurring items like sale of scrap and sludge oil, provision on impairment of assets and reversal of provisions. In 2016, "Others" also include income arising from the proceeds from claims of liquidating damages from contractor due to the delay in the completion of TSI's power plant amounting to ₱785.4 million.

30. Defined Retirement Benefit Plans

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. It further states that the employees' 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.

The Company and its subsidiaries have funded, noncontributory, defined retirement benefit plans ("Plan") covering all regular and full-time employees and requiring contributions to be made to separately administered funds. The retirement benefit fund ("Fund") of each subsidiary is in the form of a trust being maintained and managed by AEV, under the supervision of the Board of Trustees (BOT) of the Plan. The BOT, whose members are also corporate officers, is responsible for the investment of the Fund assets. Taking into account the Plan's objectives, benefit obligations and risk capacity, the BOT periodically defines the investment strategy in the form of a long-term target structure.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets for the respective plans.

Net benefit expense (recognized as part of personnel costs under operations)

	2017	2016	2015
Retirement expense recognized in the consolidated statements of income:			
Service cost	**₱338,596**	₱287,743	₱357,728
Net interest cost	**12,257**	32,725	(1,076)
	₱350,853	₱320,468	₱356,652

	2017	2016	2015
Remeasurement gains (losses) recognized in the statements of comprehensive income:			
Actuarial gains (losses) on defined benefit plan	**₱53,381**	(₱54,403)	₱34,364
Return (loss) on assets excluding amount included in net interest cost	**65,865**	77,411	(160,325)
	₱119,246	₱23,008	(₱125,961)

Net pension liabilities

	2017	2016
Present value of obligation	**₱3,609,366**	₱3,386,386
Fair value of plan assets	**(3,386,012)**	(3,153,951)
Pension liability	**₱223,354**	₱232,435

Changes in the present value of the defined benefit obligation are as follows:

	2017	2016
At January 1	₱3,386,386	₱2,916,534
Net benefit costs in the consolidated statements of income		
Current service costs	323,277	284,078
Interest cost	178,630	147,822
Past service costs	15,319	3,665
Benefits paid	(183,060)	(129,174)
Transfers and others	(47,065)	17,866
Remeasurements in other comprehensive income:		
Actuarial losses due to experience adjustments	246,357	126,982
Actuarial gains due to changes in financial assumptions	(299,738)	(72,579)
	(53,381)	54,403
Acquisition of subsidiaries (see Note 9)	(10,740)	91,192
At December 31	₱3,609,366	₱3,386,386

Changes in the fair value of plan assets are as follows:

	2017	2016
At January 1	₱3,153,951	₱2,267,709
Actual contributions	256,329	729,668
Acquisition of subsidiaries (see Note 9)	–	74,413
Interest income included in net interest cost	166,373	115,097
Actual return excluding amount included in net interest cost	65,865	77,411
Transfers and others	(47,062)	17,866
Benefits paid	(209,444)	(128,213)
At December 31	₱3,386,012	₱3,153,951

Changes in net pension liability recognized in the consolidated balance sheets are as follows:

	2017	2016
At January 1	₱232,435	₱648,825
Contribution to retirement fund	(256,329)	(729,668)
Retirement expense for the year	350,853	320,468
Actuarial gain recognized for the year	(119,246)	(23,008)
Transfers and others	(3)	–
Benefits paid from Group operating funds	26,384	(961)
Acquisition of subsidiaries	(10,740)	16,779
At December 31	₱223,354	₱232,435

The fair value of plan assets by each class as at the end of the reporting period are as follows:

	2017	2016
Cash and fixed-income investments	**₱1,612,044**	₱2,153,380
Equity instruments		
Financial institution	**4,661**	200,507
Power	**302,223**	176,674
Holding	**77,839**	213,415
Others	**1,389,245**	409,975
Fair value of plan assets	**₱3,386,012**	₱3,153,951

All equity and debt instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2017, 2016 and 2015 in determining pension benefit obligations for the Group's plans are shown below:

	2017	2016	2015
Discount rate	**5.01% - 5.31%**	3.61% - 5.60%	4.91% - 5.72%
Salary increase rate	**6%**	6%	6%

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017 and 2016, assuming all other assumptions were held constant:

December 31, 2017

	Increase (decrease) in basis points	**Effect on defined benefit obligation**
Discount rates	**100**	**(₱206,159)**
	(100)	**240,006**
Future salary increases	**100**	**231,623**
	(100)	**(222,457)**

December 31, 2016

	Increase (decrease) in basis points	Effect on defined benefit obligation
Discount rates	100	(₱253,755)
	(100)	405,781
Future salary increases	100	403,120
	(100)	(275,707)

The defined retirement benefit plans are funded by the Company and its subsidiaries. The Group expects to contribute approximately ₱217.7 million to the retirement benefit funds in 2018.

The average durations of the defined benefit obligation as of December 31, 2017 and 2016 are 7.78 - 28.76 years and 11.84 - 28.76 years, respectively.

The Board of Trustees reviews the performance of the plans on a regular basis. It assesses whether the retirement plans will achieve investment returns which, together with contributions, will be sufficient to pay retirement benefits as they fall due. The Group also reviews the solvency position of the different member companies on an annual basis and estimates, through the actuary, the expected contribution to the Plan in the subsequent year.

31. Income Taxes

The provision for (benefit from) income tax consists of:

	2017	2016	2015
Current			
Corporate income tax	**₱4,346,711**	₱4,518,530	₱4,630,846
Final tax	**159,077**	240,238	188,998
	4,505,788	4,758,768	4,819,844
Deferred	**77,267**	(469,105)	(495,025)
	₱4,583,055	₱4,289,663	₱4,324,819

A reconciliation of the statutory income tax rate with the Group's effective income tax rates follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Nontaxable equity in net earnings of associates and joint ventures	**(8.02)**	(8.79)	(7.19)
Tax-deductible lease payments	**(7.84)**	(7.84)	(8.87)
Non-deductible interest expense	**5.19**	5.48	6.70
Income subject to ITH	**(7.87)**	(5.33)	(6.48)
Interest income subjected to final tax at lower rates - net	**(0.82)**	(1.06)	(0.98)
Non-deductible depreciation expense	**0.97**	1.00	1.19
Gain on sale of investments already subjected to final tax	**0.00**	(0.12)	–
Non-deductible impairment provisions	**0.11**	(0.07)	1.04
Others	**1.81**	(0.25)	0.33
	13.53%	13.02%	15.74%

Net deferred income tax assets at December 31 relate to the following:

	2017	2016 (As Restated; Note 9)
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**₱238,357**	₱150,966
Unrealized foreign exchange loss	**708,160**	940,832
Allowances for impairment and probable losses	**283,709**	274,326
Unamortized contributions for past service	**143,797**	121,119
MCIT	**–**	11,148
Accrued retirement benefits	**(108,489)**	737
Others	**426,091**	516,004
	1,691,625	2,015,132
Deferred income tax liabilities:		
Pension asset	**68,797**	76,910
Consumable biological assets	**90,971**	35,039
Unrealized foreign exchange gain	**–**	2,738
Others	**6,227**	6,567
	165,995	121,254
	₱1,525,630	₱1,893,878

Net deferred income tax liabilities at December 31 relate to the following:

	2017	2016
Deferred income tax liabilities:		
Unamortized franchise	**₱817,708**	₱840,796
Unrealized gain on investment property	**826,254**	715,504
Percentage-of-completion recognition of real estate sales and related costs	**245,893**	171,049
Unrealized foreign exchange gains	**26,957**	63,753
Unamortized customs duties and taxes capitalized	**30,915**	61,849
Others	**11,374**	35,705
	1,959,101	1,888,656
Deferred income tax assets:		
Tax effects of items in other comprehensive income	**(156,367)**	(14,443)
NOLCO	**179,572**	195,204
Allowances for:		
Impairment and probable losses	**47,376**	55,564
Inventory obsolescence	**20,050**	1,975
Unamortized past service cost	**23,173**	19,606
MCIT	**13,076**	12,581
Unrealized foreign exchange losses	**8,835**	7,650
Others	**199,471**	43,108
	335,186	321,245
	₱1,623,915	₱1,567,411

In computing for deferred income tax assets and liabilities, the tax rates used were 30% and 10%, which are the rates expected to apply to taxable income in the years in which the deferred income tax assets and liabilities are expected to be recovered or settled and considering the tax rate for renewable energy developers as allowed by the Renewable Energy Act of 2008.

The Company did not recognize its deferred income tax assets on NOLCO generated in 2017 and 2016 amounting to ₱966 million and ₱1.1 billion, respectively, and on MCIT paid in 2017 and 2016 amounting to ₱25.2 million and ₱21.4 million, respectively. Likewise, AP parent company did not recognize its deferred income tax assets on NOLCO amounting to ₱647.9 million and ₱228.1 million as of December 31, 2017 and 2016, respectively, and on MCIT amounting to ₱39.1 million and ₱43.8 million as of December 31, 2017 and 2016, respectively.

Management of both entities expect that no sufficient taxable income will be generated in the future to allow all of the corresponding deferred income tax assets to be utilized.

There are no income tax consequences to the Group attaching to the payment of dividends to its shareholders.

32. Earnings per Common Share

Earnings per common share amounts were computed as follows:

		2017	2016	2015
a.	Net income attributable to equity holders of the parent	**₱21,608,695**	₱22,473,458	₱17,679,116
b.	Weighted average number of common shares issued and outstanding	**5,633,793**	5,595,028	5,551,617
c.	Earnings per common share (a/b)	**₱3.836**	₱4.017	₱3.184

There are no dilutive potential common shares as of December 31, 2017, 2016 and 2015.

33. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

For purposes of management reporting, the Group's operating businesses are organized and managed separately according to services provided, with each segment representing a strategic business segment. The Group's identified operating segments, which are consistent with the segments reported to the BOD, the Group's CODM, are as follows:

- power segment, which is engaged in power generation and sale of electricity;

- food manufacturing segment, which is engaged in the production of flour and feeds and swine breeding;
- financial services segment, which is engaged in banking and money remittance operations;
- real estate segment, which is engaged in real property development for sale and lease;
- infrastructure segment, which is engaged in the production of cement and other building materials and in the supply of treated bulk water; and
- the parent company and others, which include the operations of the Company and the service provider subsidiaries that cater mainly to the Group.

The Group has only one geographical segment as the bulk of its assets are located in the Philippines. The Group operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Management monitors the operating results of its segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRS. The presentation and classification of segment revenue and segment expenses are consistent with the consolidated statement of income. Interest expense and financing charges, depreciation and amortization expense and income taxes are managed on a per segment basis.

The Group has inter-segment revenues in the form of management fees as well as inter-segment sales of electricity and other services which are eliminated in consolidation. The transfers are accounted for at competitive market prices on an arm's-length basis.

Segment assets do not include deferred income tax assets, pension asset and other noncurrent assets. Segment liabilities do not include deferred income tax liabilities, income tax payable and pension liability. Capital expenditures consist of additions of property, plant and equipment and intangible asset - service concession rights. Adjustments as shown below include items not presented as part of segment assets and liabilities.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group, and that the revenue can be reliably measured. Sale of power to Manila Electric Company accounted for 24%, 36% and 38% of the power generation revenues of the Group in 2017, 2016, and 2015, respectively. There is no concentration of significant customers on any of the segments.

Financial information on the operations of the various business segments are summarized as follows:

	2017							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱119,134,091	₱742,182	₱26,229,792	₱3,613,388	₱34,061	₱668,091	₱–	₱150,421,605
Inter-segment	257,212	–	–	60,608	–	978,922	(1,296,742)	–
Total revenue	₱119,391,303	₱742,182	₱26,229,792	₱3,673,996	₱34,061	₱1,647,013	(₱1,296,742)	₱150,421,605
RESULTS								
Segment results	₱34,173,729	₱59,705	₱1,520,218	₱618,070	(₱87,498)	₱20,598	₱271,322	₱36,576,144
Unallocated corporate income (expenses)	(1,704,000)	4,265	868,042	748,030	304	328,546	(271,322)	(26,135)
INCOME FROM OPERATIONS								36,550,009
Interest expense	(11,247,780)	(6,147)	(337,471)	(34,473)	–	(1,553,541)	62,050	(13,117,362)
Interest income	927,012	1,515	86,019	5,973	4,472	431,106	(80,402)	1,375,695
Share in net earnings of associates and joint ventures	4,697,864	4,103,964	–	(11,227)	274,517	18,284,670	(18,296,056)	9,053,732
Provision for income tax	(3,858,398)	(20,033)	(438,889)	(220,287)	(913)	(44,533)	–	(4,583,053)
NET INCOME								₱29,279,011
OTHER INFORMATION								
Segment assets	₱67,961,596	₱1,201,961	₱19,534,202	₱7,045,980	₱239,620	₱18,482,290	(₱278,155)	₱114,187,494
Investments and advances	31,248,595	33,970,808	–	1,476,052	25,463,872	108,095,256	(108,332,207)	91,922,376
Unallocated corporate assets	262,266,808	184,640	8,205,912	9,636,511	260,661	5,476,211	103,868	286,134,611
Consolidated total assets								₱492,244,481
Segment liabilities	₱235,578,591	₱363,199	₱22,592,698	₱6,395,724	₱29,590	₱32,645,631	(₱672,374)	₱296,933,059
Unallocated corporate liabilities	1,919,944	371,414	61,084	620,745	3,066	(248,543)	–	2,727,710
Consolidated total liabilities								₱299,660,769
Capital expenditures	₱16,068,050	₱17,934	₱1,218,793	₱897,635	₱9,573	₱105,460	₱–	₱18,317,445
Depreciation and amortization	₱7,596,268	₱35,289	₱576,980	₱94,648	₱6,481	₱146,312	₱–	₱8,455,978

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱88,992,097	₱550,347	₱23,702,446	₱2,440,854	₱–	₱729,336	₱–	₱116,415,080
Inter-segment	171,172	–	–	–	–	851,413	(1,022,585)	–
Total revenue	₱89,163,269	₱550,347	₱23,702,446	₱2,440,854	₱–	₱1,580,749	(₱1,022,585)	₱116,415,080
RESULTS								
Segment results	₱26,310,300	(₱67,207)	₱2,101,337	₱245,577	(₱10,565)	₱88,458	₱253,139	₱28,921,039
Unallocated corporate income (expenses)	1,669,212	85,684	493,150	6,245	1	499,874	(253,139)	2,501,027
INCOME FROM OPERATIONS								31,422,066
Interest expense	(7,704,011)	(7,046)	(296,344)	(5,366)	–	(1,571,520)	16,290	(9,567,997)
Interest income	1,083,535	1,526	64,393	22,668	662	285,424	(21,276)	1,436,932
Share in net earnings of associates and joint ventures	3,641,210	4,913,926	–	(3,232)	1,101,394	17,384,303	(17,385,814)	9,651,787
Provision for income tax	(3,496,140)	(16,250)	(626,833)	(25,464)	(132)	(124,844)	–	(4,289,663)
NET INCOME								₱28,653,125
OTHER INFORMATION								
Segment assets	₱73,649,187	₱1,044,046	₱7,863,363	₱5,777,703	₱106,810	₱18,062,204	(₱924,487)	₱105,578,826
Investments and advances	30,595,989	30,183,220	–	1,487,299	24,919,655	97,268,613	(97,504,315)	86,950,461
Unallocated corporate assets	252,761,718	181,305	7,165,361	8,042,819	108,058	5,355,296	163,865	273,778,422
Consolidated total assets								₱466,307,709

	2016							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
Segment liabilities	₱242,851,899	₱226,242	₱10,689,191	₱5,074,129	₱23,772	₱32,125,426	(₱1,258,683)	₱289,731,976
Unallocated corporate liabilities	1,945,775	243,259	68,830	446,523	–	(104,062)	–	2,600,325
Consolidated total liabilities								₱292,332,301
Capital expenditures	₱28,203,292	₱35,693	₱1,792,762	₱593,616	₱83,358	₱316,078	₱–	₱31,024,799
Depreciation and amortization	₱6,043,527	₱31,253	₱534,042	₱66,845	₱355	₱153,373	₱–	₱6,829,395

	2015							
	Power	Financial Services	Food Manufacturing	Real Estate	Infrastructure	Parent Company and Others	Eliminations	Consolidated
REVENUES								
Third parties	₱85,072,152	₱306,677	₱22,768,473	₱2,732,878	₱–	₱379,788	₱–	₱111,259,968
Inter-segment	101,800	–	–	–	–	969,954	(1,071,754)	–
Total revenue	₱85,173,952	₱306,677	₱22,768,473	₱2,732,878	₱–	₱1,349,742	(₱1,071,754)	₱111,259,968
RESULTS								
Segment results	₱24,686,577	(₱27,183)	₱2,104,899	₱484,682	(₱2,360)	(₱42,746)	₱214,531	₱27,418,400
Unallocated corporate income (expenses)	(336,639)	53,871	501,230	106,642	–	113,437	(214,531)	224,010
INCOME FROM OPERATIONS								27,642,410
Interest expense	(6,633,858)	(6,090)	(248,779)	(49,899)	–	(942,940)	–	(7,881,566)
Interest income	846,293	1,132	45,487	36,562	386	202,141	–	1,132,001
Share in net earnings of associates and joint ventures	3,979,947	2,533,581	–	(1,497)	75,491	15,943,715	(15,941,785)	6,589,452
Provision for income tax	(3,589,669)	(5,736)	(685,085)	4,132	(77)	(48,384)	–	(4,324,819)
NET INCOME								₱23,157,478
OTHER INFORMATION								
Segment assets	₱70,409,021	₱1,009,831	₱8,601,197	₱6,237,888	₱70,191	₱11,383,619	(₱678,328)	₱97,033,419
Investments and advances	22,551,845	25,813,716	–	1,490,531	23,818,261	91,188,162	(91,427,454)	73,435,061
Unallocated corporate assets	149,528,380	179,504	5,811,722	6,955,600	14,188	6,637,345	522,642	169,649,381
Consolidated total assets								₱340,117,861
Segment liabilities	₱138,399,444	₱180,213	₱10,311,032	₱4,713,271	₱11,410	₱36,841,079	(₱643,877)	₱189,812,572
Unallocated corporate liabilities	2,476,235	188,278	189,274	475,562	–	(8,500)	–	3,320,849
Consolidated total liabilities								₱193,133,421
Capital expenditures	₱15,701,414	₱40,236	₱1,948,168	₱319,303	₱2,848	₱1,502,040	₱–	₱19,514,009
Depreciation and amortization	₱4,322,000	₱11,920	₱433,363	₱40,128	₱5	₱148,892	₱–	₱4,956,308

34. Related Party Disclosures

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

In the normal course of business, the Group enters into transactions with related parties, principally consisting of the following:

a. Service contracts of certain associates with AEV or AP at fees based on agreed rates. Professional and technical fees paid by these associates and joint ventures to AEV and AP totaled ₱650.0 million, ₱655.1 million and ₱327.9 million in 2017, 2016 and 2015, respectively.

b. Cash deposits and placements with UBP. At prevailing rates, the deposits and money market placements earned interest income amounting to ₱316.4 million, ₱308.5 million and ₱135.8 million in 2017, 2016 and 2015, respectively.

c. Aviation services rendered by AEV Aviation to ACO and certain associates. Total aviation service income generated from these related parties amounted to ₱11.2 million in 2017, ₱10.7 million in 2016 and ₱11.0 million in 2015.

d. Lease of commercial office units by ACO and certain associates from CPDC for a period of three years. Rental income amounted to ₱8.1 million in 2017, ₱6.7 million in 2016 and ₱5.8 million in 2015.

e. Purchase of lots for residential and commercial project development by AboitizLand from ACO in 2012. The purchase was for a total consideration of ₱595.8 million, a portion of which was paid upon execution of the Contract to Sell. The remaining balance is payable on quarterly installments for the next 10 years. The current and noncurrent portion of the related liability amounted to ₱36.2 million and ₱210.8 million, respectively, as at December 31, 2017, and to ₱47.2 million and ₱245.3 million, respectively, as at December 31, 2016 (see Note 18).

f. Power sales to and purchases from certain associates and joint ventures based on the Group's power supply and purchase agreements, respectively (see Note 39).

g. Services rendered by Aboitiz Construction, Inc. (ACI), a wholly owned subsidiary of ACO, to the Group for various construction projects.

The above transactions are settled in cash.

Significant outstanding account balances with related parties as of December 31, 2017 and 2016 are as follows:

<u>Revenue - Management, Professional and Technical Fees</u>

	Revenue			Accounts Receivable			
	2017	2016	2015	**2017**	2016	Terms	Conditions
Ultimate Parent							
ACO	**₱10,966**	₱19,145	₱8,898	**₱227**	₱727	30-day; interest-free	Unsecured; no impairment
Associates and Joint Ventures							
RCBM (see Note 10)	**298,612**	327,203	85,800	**67,193**	66,339	30-day; Interest-free	Unsecured; no impairment
CEDC	**101,367**	103,945	110,157	**7,978**	13,972	30-day; interest-free	Unsecured; no impairment
RCMI (see Note 10)	**69,780**	76,462	19,450	**15,701**	15,497	30-day; interest-free	Unsecured; no impairment
SFELAPCO	**72,158**	58,119	66,274	**41,266**	21,827	30-day; interest-free	Unsecured; no impairment
RCII (see Note 10)	**45,418**	49,767	13,650	**10,219**	10,086	30-day; interest-free	Unsecured; no impairment
GNPD	**40,556**	–	–	**40,556**	–	30-day; interest-free	Unsecured; no impairment
RP Energy	**–**	5,882	–	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**3,653**	5,806	1,531	**326**	177	30-day; interest-free	Unsecured; no impairment

(Forward)

	Revenue			Accounts Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
SNAP-Benguet	₱2,027	₱5,630	₱1,692	₱308	₱177	30-day; interest-free	Unsecured; no impairment
MORE	2,825	2,863	2,037	445	595	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	1,394	206	43	14	–	30-day; interest-free	Unsecured; no impairment
UBP	1,050	67	540	613	211	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	–	–	4,790	–	–	30-day; interest-free	Unsecured; no impairment
CSB	–	–	1,570	–	–	30-day; interest-free	Unsecured; no impairment
CSB Land, Inc.	–	–	142	–	–	30-day; interest-free	Unsecured; no impairment
RCSI	120	–	–	159	–	30-day; interest-free	Unsecured; no impairment
	₱649,926	₱655,095	₱316,574	₱185,005	₱129,608		

Cash Deposits and Placements with UBP

	Interest Income			Outstanding Balance			
	2017	2016	2015	2017	2016	Terms	Conditions
AP	₱195,457	₱251,694	₱99,962	₱12,366,610	₱9,601,952	90 days or less; interest-bearing	No impairment
AEV	90,082	33,942	11,371	8,789,407	540,487	90 days or less; interest-bearing	No impairment
PILMICO	14,380	11,935	9,940	6,530,729	309,435	90 days or less; interest-bearing	No impairment
AIPL	6,982	4,728	4,992	141,960	382,162	90 days or less; interest-bearing	No impairment
AboitizLand	2,785	2,680	6,677	351,324	245,742	90 days or less; interest-bearing	No impairment
ASEAGAS	–	1,718	1,484	–	–	90 days or less; interest-bearing	No impairment
AEV AVIATION	1,632	621	439	309,006	53,092	90 days or less; interest-bearing	No impairment
CPDC	1,099	439	538	38,857	88,468	90 days or less; interest-bearing	No impairment
Petnet	214	319	56	74,014	49,163	90 days or less; interest-bearing	No impairment
APO Agua	–	231	386	–	55,220	90 days or less; interest-bearing	No impairment
ABOITIZ INFRACAPITAL	3,795	166	–	163,055	50,760	90 days or less; interest-bearing	No impairment
Weather Solutions, Inc.	–	–	–	2,500	–	90 days or less; interest-bearing	No impairment
	₱316,426	₱308,473	₱135,845	₱28,767,462	₱11,376,481		

Revenue - Aviation Services

	Revenue			Accounts Receivable			
	2017	2016	2015	2017	2016	Terms	Conditions
Associates and Joint Ventures							
SNAP-Magat	₱5,735	₱6,511	₱5,584	₱–	₱80	30-day; interest-free	Unsecured; no impairment
SNAP-Benguet	1,234	2,363	1,261	–	–	30-day; interest-free	Unsecured; no impairment
UBP	1,500	1,633	1,763	–	559	30-day; interest-free	Unsecured; no impairment
SNAP-Generation	2,719	98	2,368	–	–	30-day; interest-free	Unsecured; no impairment
	₱11,188	₱10,605	₱10,976	₱–	₱639		

Revenue - Rental

	Revenue			Accounts Receivable		Terms	
	2017	2016	2015	**2017**	2016		
Ultimate Parent							
ACO	**₱3,488**	₱3,405	₱2,644	**₱378**	₱–	30-day; interest-free	Unsecured; no impairment
Associates							
UBP	**3,507**	3,340	3,181	**13**	13	30-day; interest-free	Unsecured; no impairment
RCSI	**1,116**	–	–	**823**	–	30-day; interest-free	Unsecured; no impairment
EAUC (see Note 10)	**–**	–	14	**–**	–	30-day; interest-free	Unsecured; no impairment
	₱8,111	₱6,745	₱5,839	**₱1,214**	₱13		

Land Acquisition

	Purchase			Payable			
	2017	2016	2015	**2017**	2016	Terms	Conditions
Ultimate Parent							
ACO	**₱-**	₱–	₱–	**₱246,930**	₱292,495	Quarterly installment	Unsecured

Revenue - Sale of Power

	Revenue (see Note 26)			Receivable			
	2017	2016	2015	**2017**	2016	Terms	Conditions
Associate and Joint Ventures							
SFELAPCO	**₱2,487,557**	₱2,669,036	₱2,654,128	**₱150,888**	₱196,912	30-day; interest-free	Unsecured; no impairment
SNAP-RES	**14,209**	–	–	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Benguet	**–**	18,291	–	**–**	–	30-day; Interest-free	Unsecured; no impairment
SNAP-Magat	**–**	13,868	–	**–**	–	30-day; interest-free	Unsecured; no impairment
RCBM	**101,092**	–	–	**20,114**	–	30-day; interest-free	Unsecured; no impairment
Investees of ACO							
Tsuneishi Heavy Industries (Cebu), Inc.	**406,366**	545,344	589,082	**41,200**	45,266	30-day; interest-free	Unsecured; no impairment
Metaphil International, Inc.	**2,410**	10,868	6,722	**261**	429	30-day; interest-free	Unsecured; no impairment
	₱3,011,634	₱3,257,407	₱3,249,932	**₱212,463**	₱242,607		

Cost of Purchased Power

	Purchases (see Note 26)			Payable			
	2017	**2016**	2015	**2017**	2016	Terms	Conditions
Associates and Joint Ventures							
CEDC	**₱4,540,798**	₱4,552,650	₱4,593,202	**₱383,308**	₱395,904	30-day; interest-free	Unsecured
SPPC	**158,015**	219,272	216,525	**–**	21,702	30-day; interest-free	Unsecured
SNAP-Magat	**126,731**	–	84,744	**8,252**	–	30-day; interest-free	Unsecured
SFELAPCO	**23,592**	–	–	**5,237**	–	30-day; interest-free	Unsecured
WMPC	**–**	328,000	–	**–**	32,900	30-day; interest-free	Unsecured
SNAP-Benguet	**–**	136,500	–	**–**	–	30-day; interest-free	Unsecured
EAUC (see Note 10)	**–**	–	87,411	**–**	–	30-day; interest-free	Unsecured
	₱4,849,136	₱5,236,422	₱4,981,882	**₱396,797**	₱450,506		

Capitalized Construction and Rehabilitation Costs

	Purchases			Payable			
	2017	**2016**	2015	**2017**	2016	Terms	Conditions
Fellow Subsidiary							
Aboitiz Construction, Inc.	**₱727,378**	₱388,172	₱–	**₱1,735**	₱2,583	30-day; interest-free	Unsecured

Notes Receivable

	Interest Income			Receivable			
	2017	2016	2015	**2017**	2016	Terms	Conditions
Joint venture							
SACASUN (see Note 16)	**₱151,040**	₱847	₱–	**₱–**	₱2,882,456	Loan agreement; interest-bearing	Unsecured

Retirement Benefit Fund

The Company's retirement benefit fund is in the form of a trust being maintained and managed by ACO under the supervision of the BOT of the plan.

The Fund has a carrying amount and a fair value of ₱771.8 million and ₱732.5 million as of December 31, 2017 and 2016, respectively. The assets and investments of the Fund are as follows:

	2017	2016
Cash and fixed-income investments	**₱292,490**	₱204,058
AFS investments	**479,344**	529,211
	₱771,834	₱733,269

Fixed-income investments represent money market placements with maturities ranging from less than a year up to five years. AFS investments mainly comprise quoted equity securities which are carried at their fair values.

The Company's retirement benefit fund for its employees has investments in the equities of the Company and one of its subsidiaries. The carrying values of these investments as of December 31, 2017 and 2016 and the gains of the Fund arising from such investments for the years then ended are as follows:

	2017		2016	
	Carrying Value	**Gain**	Carrying Value	Gain
AEV common shares	**₱77,795**	**₱20,959**	₱200,465	₱6,756
AP common shares	**192,261**	**12,506**	91,523	7,982

The above investments of the Fund were approved by the BOT. The voting rights over these equity securities are exercised by the chairman of the BOT.

Compensation of Key Management Personnel

	2017	2016	2015
Short-term benefits	**₱305,642**	₱239,477	₱213,607
Post-employment benefits	**20,261**	15,436	14,556
	₱325,903	₱254,913	₱228,163

35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, AFS investments, bank loans, long-term debts, obligations under finance lease and non-convertible, cumulative, redeemable preferred shares. The main purpose of these financial instruments is to raise finances for the Group's operations and its investments in existing subsidiaries and associates and in new projects. The Group has other financial assets and liabilities such as trade and other receivables, trade and other payables and customer deposits which arise directly from operations.

The Group also enters into derivative transactions, particularly foreign currency forwards, to economically hedge its foreign currency risk from foreign currency denominated liabilities and purchases.

Risk Management Structure

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and principles of the Group.

Financial risk committee

The Financial Risk Committee has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to risk issues in order to make relevant decisions.

Treasury service group
The Treasury Service Group is responsible for the comprehensive monitoring, evaluating and analyzing of the Group's risks in line with the policies and limits.

The main risks arising from the Group's financial instruments are interest rate risk resulting from movements in interest rates that may have an impact on outstanding long-term debts; credit risk involving possible exposure to counter-party default on its cash and cash equivalents, AFS investments and trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments; and foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings.

Market Risk
The risk of loss, immediate or over time, due to adverse fluctuations in the price or market value of instruments, products, and transactions in the Group's overall portfolio (whether on or off-balance sheet) is market risk. These are influenced by foreign and domestic interest rates, foreign exchange rates and gross domestic product growth.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations. To manage this risk, the Group determines the mix of its debt portfolio as a function of the level of current interest rates, the required tenor of the loan, and the general use of the proceeds of its various fund raising activities. As of December 31, 2017, 16.5% of the Group's long-term debt had floating interest rates ranging from 2.0% to 10.5%, and 83.50% are with fixed rates ranging from 4.0% to 6.91%. As of December 31, 2016, 20.50% of the Group's long-term debt had floating interest rates ranging from 1.65% to 3.0%, and 79.50% are with fixed rates ranging from 3.50% to 7.65%.

The following tables set out the carrying amount, by maturity, of the Group's financial instruments that are exposed to cash flow interest rate risk:

December 31, 2017

	Less than 1 year	**1-5 years**	**More than 5 years**	**Total**
Long-term debts				
Floating rate	**₱15,376,379**	**₱4,836,681**	**₱10,993,807**	**₱31,206,867**

December 31, 2016

	Less than 1 year	1-5 years	More than 5 years	Total
Long-term debts				
Floating rate	₱1,705,889	₱38,308,318	₱-	₱40,014,207

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the Group that are not included in the above tables are either fixed-rate or non-interest bearing, and are therefore not subject to interest rate risk. Its derivative assets and liabilities are subject to fair value interest rate risk.

The interest expense recognized during the period is as follows:

	2017	2016	2015
Long-term debts (see Note 19)	**₱8,059,734**	₱4,583,953	₱2,250,258
Obligations under finance lease (see Note 22)	**4,757,379**	4,794,801	5,287,369
Bank loans (see Note 17)	**246,789**	137,683	190,568
Long-term obligation on PDS and others	**50,229**	49,066	149,130
Customers' deposits (see Note 20)	**3,231**	2,494	4,241
	₱13,117,362	₱9,567,997	₱7,881,566

The interest income recognized during the period is as follows:

	2017	2016	2015
Cash and cash equivalents (see Note 4)	**₱1,348,935**	₱1,419,681	₱1,123,155
Others	**26,760**	17,252	8,846
	₱1,375,695	₱1,436,933	₱1,132,001

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) as of December 31, 2017, 2016 and 2015:

	Increase (decrease) in basis points	Effect on income before tax
2017	**200**	**(₱624,137)**
	(100)	**312,069**
2016	200	(₱800,284)
	(100)	400,142
2015	200	(₱33,364)
	(100)	16,682

The Group's sensitivity to an increase/decrease in interest rates pertaining to derivative instruments is expected to be insignificant in 2017 and 2016 due to their short-term maturities and immateriality relative to the total assets and liabilities of the Group.

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Foreign exchange risk

The foreign exchange risk of the Group pertains significantly to its foreign currency denominated borrowings, including obligations under finance lease. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. As of December 31, 2017 and 2016, foreign currency denominated borrowings account for 27.84% and 33.75%, respectively, of total consolidated borrowings.

The following table presents the Group's foreign currency denominated assets and liabilities:

	2017		2016	
	US dollar	**Philippine peso Equivalent[1]**	US dollar	Philippine peso Equivalent[2]
Loans and receivables				
Cash and cash equivalents	**$572,576**	**₱28,588,732**	$43,569	₱2,166,248
AFS investments	**5,863**	**292,740**	6,419	319,153
Trade and other receivables	**49,715**	**2,482,288**	3,260	162,092
Derivative assets	**–**	**–**	1,098	54,595
Total financial assets	**628,154**	**31,363,760**	54,346	2,702,088
Other financial liabilities				
Bank loans	**11,785**	**588,440**	7,066	351,328
Trade and other payables	**62,033**	**3,097,290**	30,731	1,527,961
Long-term debts	**303,872**	**15,172,315**	625,456	31,097,672
Obligations under finance lease	**519,370**	**25,932,144**	555,448	27,616,875
Total financial liabilities	**897,060**	**44,790,189**	1,218,701	60,593,836
Net foreign currency denominated liabilities	**($268,906)**	**(₱13,426,429)**	($1,164,355)	(₱57,891,748)

[1]$1= ₱49.93

[2]$1= ₱49.72

The following table demonstrates the sensitivity to a reasonable possible change in the US dollar exchange rates, with all other variables held constant, of the Group's profit before tax as of December 31, 2017, 2016 and 2015.

	Increase (decrease) in US dollar rate against the Philippine peso	Effect on income before income tax
2017	**US dollar strengthens by 5%**	**(₱671,321)**
	US dollar weakens by 5%	**671,321**
2016	US dollar strengthens by 5%	(₱2,894,587)
	US dollar weakens by 5%	2,894,587
2015		
	US dollar strengthens by 5%	(₱1,251,425)
	US dollar weakens by 5%	1,251,425

The increase in US dollar rate represents depreciation of Philippine peso while the decrease in US dollar rate represents appreciation of Philippine peso.

The following table presents LHC's and GMCP's foreign currency denominated assets and liabilities:

	2017		2016	
	Philippine Peso	**US Dollar Equivalent[1]**	Philippine Peso	US Dollar Equivalent[2]
Loans and receivables:				
Cash and cash equivalents	**₱784,566**	**$15,713**	₱1,513,927	$30,449
Trade and other receivables	**383,606**	**7,683**	583,160	11,729
	1,168,172	**23,396**	2,097,087	42,178
Other financial liabilities:				
Trade and other payables	**487,004**	**9,754**	893,586	17,973
Net foreign currency denominated assets (liabilities)	**₱681,168**	**$13,642**	₱1,203,501	$24,205

[1]US$1 = ₱49.93
[2]US$1 = ₱49.72

The following tables demonstrate the sensitivity to a reasonable possible change in the US dollar exchange rate in relation to Philippine peso, with all variables held constant, of the Group's income before tax as of December 31:

	Effect on income before tax
2017	
US dollar appreciates against Philippine peso by 5.0%	($682)
US dollar depreciates against Philippine peso by 5.0%	682
2016	
US dollar appreciates against Philippine peso by 5.0%	($1,216)
US dollar depreciates against Philippine peso by 5.0%	1,204

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Equity price risk

Equity price risk is the risk that the fair value of traded equity instruments decreases as the result of the changes in the levels of equity indices and the value of the individual stock.

As of December 31, 2017 and 2016, the Group's exposure to equity price risk is minimal.

Credit Risk

For its cash investments, AFS investments, derivative assets, and receivables, the Group's credit risk pertains to possible default by the counterparty, with a maximum exposure equal to the carrying amount of these financial assets. With respect to cash and AFS investments, the risk is mitigated by the short-term and or liquid nature of its cash investments mainly in bank deposits and placements, which are placed with financial institutions and entities of high credit standing. With respect to receivables, credit risk is controlled by the application of credit approval, limit and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales are made to customers with appropriate credit history and has internal mechanism to monitor the granting of credit and management of credit exposures.

Concentration risk
Credit risk concentration of the Group's receivables according to the customer category as of December 31, 2017 and 2016 is summarized in the following table:

	2017	2016
Power distribution:		
Industrial	**₱4,573,703**	₱3,589,973
Residential	**1,083,524**	1,324,289
Commercial	**1,198,568**	545,173
City street lighting	**31,680**	31,196
Power generation:		
Power supply contracts	**7,815,795**	6,945,891
Spot market	**1,676,552**	1,480,162
	₱16,379,822	₱13,916,684

The above receivables were provided with allowance for doubtful accounts amounting to ₱1.77 billion and ₱1.76 billion as of December 31, 2017 and 2016, respectively (see Note 5).

Maximum exposure to credit risk after collateral and other credit enhancements
The maximum exposure of the Group's financial instruments is equivalent to the carrying values as reflected in the consolidated balance sheets and related notes, except that the credit risk associated with the receivables from customers is mitigated because some of these receivables have collaterals.

Maximum exposure to credit risk for collateralized loans is shown below:

	2017			2016		
	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk	Carrying Value	Financial Effect of Collateral in Mitigating Credit Risk	Maximum Exposure to Credit Risk
Trade receivables:						
Power distribution	₱6,887,475	₱6,887,475	₱–	₱5,490,631	₱5,490,631	₱–

Financial effect of collateral in mitigating credit risk is equivalent to the fair value of the collateral or the carrying value of the loan, whichever is lower.

Credit quality

The credit quality per class of financial assets that are neither past due nor impaired is as follows:

December 31, 2017

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱64,870,214	₱–	₱–	₱–	₱64,870,214
Restricted cash	2,642,327	–	–	–	2,642,327
Trade and other receivables					
Trade receivables					
Power	11,991,483	44,623	–	4,302,516	16,338,622
Food manufacturing	133,135	854,686	369,852	986,634	2,344,307
Real estate	1,491,846	505,713	–	1,656,740	3,654,299
Holding and others	605,144	169,196	14,456	123,884	912,680
Other receivables	3,179,071	58,876	–	242,029	3,479,976
AFS investments					
Quoted shares of stock	760,724	–	–	–	760,724
Unquoted shares of stock	12,070	–	–	–	12,070
HTM investments	189,216	–	–	–	189,216
Derivative asset	341,941	–	–	–	341,941
	₱86,217,171	₱1,633,094	₱384,308	₱7,311,803	₱95,546,376

December 31, 2016

	Neither past due nor impaired			Past due or individually impaired	
	High grade	Standard grade	Sub-standard grade		Total
Cash and cash equivalents	₱63,857,528	₱–	₱–	₱–	₱63,857,528
Restricted cash	2,100,611	–	–	–	2,100,611
Trade and other receivables					
Trade receivables					
Power	9,402,997	155,379	–	4,358,308	13,916,684
Food manufacturing	84,867	765,397	348,517	649,847	1,848,628
Real estate	2,361,300	214,626	455	278,784	2,855,165
Holding and others	1,345,040	17,336	39,449	73,086	1,474,911
Other receivables	3,520,960	56,766	504	215,388	3,793,618
AFS investments					
Quoted shares of stock	233,765	–	–	–	233,765
Unquoted shares of stock	329,983	–	–	–	329,983
Derivative asset	291,860	–	–	–	291,860
	₱83,528,911	₱1,209,504	₱388,925	₱5,575,413	₱90,702,753

High grade - pertain to receivables from customers with good favorable credit standing and have no history of default.

Standard grade - pertain to those customers with history of sliding beyond the credit terms but pay a week after being past due.

Sub-standard grade - pertain to those customers with payment habits that normally extend beyond the approved credit terms, and has high probability of being impaired.

The Group evaluated its cash and cash equivalents as high quality financial assets since these are placed in financial institutions of high credit standing.

With respect to AFS investments and derivative asset, the Group evaluates the counterparty's external credit rating in establishing credit quality.

The aging analysis per class of financial assets that are past due but not impaired is as follows:

December 31, 2017

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱64,870,214	₱64,870,214	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,642,327	2,642,327	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	16,338,622	12,036,106	1,038,459	1,489,219	–	–	1,774,838
Food manufacturing	2,344,307	1,357,673	577,815	306,459	–	–	102,360
Real estate	3,654,299	1,997,559	255,975	1,338,732	–	–	62,033
Holding and others	912,680	788,796	–	107,264	–	–	16,620
Other receivables	3,479,976	3,237,947	127,831	113,875	–	–	323
AFS investments							
Quoted shares of stock	760,724	760,724	–	–	–	–	–
Unquoted shares of stock	12,070	12,070	–	–	–	–	–
HTM investments	189,216	189,216	–	–	–	–	–
Derivative asset	341,941	341,941	–	–	–	–	–
	₱95,546,376	₱88,234,573	₱2,000,080	₱3,355,549	₱–	₱–	₱1,956,174

December 31, 2016

	Total	Neither past due nor impaired	Past due but not impaired: Less than 30 days	31 days to 1 year	Over 1 year up to 3 years	Over 3 years	Impaired
Loans and receivables							
Cash and cash equivalents	₱63,857,528	₱63,857,528	₱–	₱–	₱–	₱–	₱–
Restricted cash	2,100,611	2,100,611	–	–	–	–	–
Trade and other receivables							
Trade receivables							
Power	13,916,684	9,558,376	1,463,997	1,132,675	–	–	1,761,636
Food manufacturing	1,848,628	1,198,781	379,608	160,934	–	–	109,305
Real estate	2,855,165	2,576,381	–	276,491	–	–	2,293
Holding and others	1,474,911	1,401,825	–	67,288	–	–	5,798
Other receivables	3,793,618	3,578,230	11,178	204,210	–	–	–
AFS investments							
Quoted shares of stock	233,765	233,765	–	–	–	–	–
Unquoted shares of stock	329,983	329,983	–	–	–	–	–
Derivative asset	291,860	291,860	–	–	–	–	–
	₱90,702,753	₱85,127,340	₱1,854,783	₱1,841,598	₱–	₱–	₱1,879,032

Trade and other receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments and accounts under dispute and legal proceedings.

Liquidity Risk
Liquidity risk is the risk that an entity in the Group will be unable to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital

expenditure and cash flows, making use of a centralized treasury function to manage pooled business unit cash investments and borrowing requirements.

Currently, the Group is maintaining a positive cash position, conserving its cash resources through renewed focus on working capital improvement and capital reprioritization. The Group meets its financing requirements through a mixture of cash generated from its operations and short-term and long-term borrowings. Adequate banking facilities and reserve borrowing capacities are maintained.

The Group is in compliance with all of the financial covenants per its loan agreements, none of which is expected to present a material restriction on funding or its investment policy in the near future. The Group has sufficient undrawn borrowing facilities, which could be utilized to settle obligations.

In managing its long-term financial requirements, the policy of the Group is that not more than 25% of long term borrowings should mature in any twelve-month period. As of December 31, 2017 and 2016, the portion of the total long-term debt, inclusive of customers' deposits, that will mature in less than one year is 9.83% and 4.19%, respectively. For its short-term funding, the policy of the Group is to ensure that there are sufficient working capital inflows to match repayments of short-term debt.

Cash and cash equivalents and trade and other receivables, which are all short-term in nature, have balances of ₱64.9 billion and ₱24.2 billion as of December 31, 2017, respectively and of ₱64.0 billion and ₱21.7 billion as of December 31, 2016, respectively (see Notes 4 and 5). These financial assets will be used to fund short-term and operational liquidity needs of the Group.

The table below analyzes the financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

December 31, 2017

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱21,636,503	₱21,636,503	₱1,573,803	₱19,465,764	₱596,936	₱–
Customers' deposits	6,269,383	6,269,383	–	600	89,703	6,179,080
Financing						
Bank loans	23,701,140	23,711,309	–	23,711,309	–	–
Long-term debts	189,087,047	240,997,376	–	26,867,224	117,503,925	96,626,227
Obligations under finance lease	49,225,254	73,496,465	–	8,813,700	38,927,175	25,755,590
Long-term obligation on PDS	226,071	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	47,577	47,577	–	47,577	–	–
	₱290,192,975	₱366,598,613	₱1,573,803	₱78,946,174	₱157,317,739	₱128,760,897

**Excludes statutory liabilities*

December 31, 2016

	Total carrying value	Contractual undiscounted payments				
		Total	On demand	Less than 1 year	1-5 years	> 5 years
Financial liabilities:						
Operating						
Trade and other payables*	₱18,757,325	₱18,757,325	₱233,245	₱18,278,797	₱231,106	₱14,177
Customers' deposits	7,040,347	7,040,347	–	–	33,648	7,006,699
Financing						
Bank loans	8,259,028	8,267,154	–	8,267,154	–	–
Long-term debts	196,882,894	220,807,423	–	12,312,633	98,696,279	109,798,511
Obligations under finance lease	52,340,204	82,133,660	–	8,061,900	36,938,160	37,133,600
Long-term obligation on PDS	237,248	440,000	–	40,000	200,000	200,000
Others						
Derivative liabilities	360,877	360,877	–	127,442	233,435	–
	₱283,877,923	₱337,806,786	₱233,245	₱47,087,926	₱136,332,628	₱154,152,987

**Excludes statutory liabilities*

Capital Management

Capital includes equity attributable to the equity holders of the parent. 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 business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in 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.

Certain entities within the Group that are registered with the Board of Investments (BOI) are required to raise a minimum amount of capital in order to avail of their registration incentives. As of December 31, 2017 and 2016, these entities have complied with this requirement as applicable (see Note 38).

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio at 70% or below at the consolidated level. The Group determines net debt as the sum of interest-bearing short-term and long-term obligations (comprised of long-term debts and obligations under finance lease) less cash and short-term deposits.

Gearing ratios of the Group as of December 31, 2017 and 2016 are as follows:

	2017	2016 (As Restated; Note 9)
Bank loans	**₱23,701,140**	₱8,259,028
Long-term obligations	**238,312,301**	249,223,098
Cash and cash equivalents (including restricted cash)	**(67,512,541)**	(65,958,139)
Net debt (a)	**194,500,900**	191,523,987
Equity	**192,583,712**	173,975,408
Equity and net debt (b)	**₱387,084,612**	₱365,499,395
Gearing ratio (a/b)	**50.25%**	52.40%

Part of the Group's capital management is to ensure that it meets financial covenants attached to long-term borrowings. Breaches in meeting the financial covenants would permit the banks to immediately call loans and borrowings. The Group is in compliance with the financial covenants attached to its long-term debt as of December 31, 2017 and 2016 (see Note 19).

No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.

Financial and Other Risk Relating to Livestock
The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of hogs, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase production cost. The Group monitors the prices of grains regularly. The formulation of feeds at a least cost being done by the Group considers the appropriate nutrients the hogs need. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

36. Financial Instruments

Fair Value of Financial Instruments
Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments whose fair values are different from their carrying amounts.

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities				
Obligations under finance lease	**₱49,225,254**	**₱43,462,850**	₱52,340,204	₱49,699,074
Long-term debt - fixed rate	**157,880,180**	**151,225,731**	155,217,817	155,854,200
Long-term obligation on PDS	**226,071**	**326,655**	237,248	414,135
	₱207,331,505	**₱195,015,236**	₱207,795,269	₱205,967,409

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, trade and other receivables and trade and other payables
The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values due to the relatively short-term maturity of these financial instruments.

Obligations under finance lease
The fair value of the finance lease obligation was calculated by discounting future cash flows using discount rates of 5.86% to 10.05% for dollar payments and 1.79% to 5.99% for peso payments in 2017; and 5.83% to 8.43% for dollar payments and 1.78% to 6.57% for peso payments in 2016. The disclosed fair value is determined using Level 3 inputs.

Fixed-rate borrowings
The fair value of fixed rate interest-bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest-bearing loans were discounted using credit-adjusted interest rates ranging from 3.10% to 6.17% in 2017 and 2.47% to 7.20% in 2016. The disclosed fair value is determined using Level 3 inputs.

Variable-rate borrowings
Where the repricing of the variable-rate interest-bearing instruments is frequent (i.e., three-month repricing), the carrying value approximates the fair value. Otherwise, the fair value is determined by discounting the principal plus the known interest payment using current market rates.

Long-term obligation on PDS
The fair value of the long-term obligations on PDS is calculated by discounting expected future cash flows at prevailing market rates. Discount rates used in discounting the obligation ranges from 2.70% to 4.66% in 2017 and 3.83% to 4.47% in 2016. The disclosed fair value is determined using Level 3 inputs.

Customers' deposits
The fair value of bill deposits approximate their carrying values as these deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines. The timing and related amounts of future cash flows relating to transformer and lines and poles deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

AFS investments
The fair values of AFS investments are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Derivative asset and liabilities
The fair value is calculated by reference to prevailing interest rate differential and spot exchange rate as of valuation date, taking into account its remaining term to maturity. The Group enters into derivative financial instruments with financial institutions with investment grade credit ratings. Derivative valued using a valuation technique with market observable inputs pertains to a foreign exchange forward contract. The most applied valuation technique is forward pricing. The model incorporates various inputs including the credit quality of counterparty and foreign exchange spot and forward rates.

The Group also entered into an interest rate swap agreement to fully hedge its floating rate exposure on its foreign currency-denominated loan and par forward contracts to hedge the floating rate exposure on foreign currency-denominated payments.

Interest rate swaps
In August 2012, LHC entered into an interest rate swap agreement effective October 31, 2012 to fully hedge its floating rate exposure on its US dollar denominated loan. Under the interest rate swap agreement, LHC, on a semi-annual basis, pays a fixed rate of 1.505% per annum and receives variable interest at 6-month LIBOR plus margin. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the interest rate swap has amortizing notional amounts which cover a period up to final maturity. LHC designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$22.2 million and ₱15.8 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$27.7 million and ₱15.2 million, respectively.

GMCP (see Note 9), has an interest rate swap agreement to hedge the variability in the interest cash flows on the entire amount of its Onshore - Tranche B loans (see Note 19). Under the swap agreement, GMCP pays a fixed rate of 4.37% and receives 6-month LIBOR rate, semi-annually from January 29, 2010 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRS agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative liability amounting to US$4.5 million was derecognized in cumulative translation adjustments.

On September 29, 2017, GMCP entered into an IRS agreement to hedge the variability in the interest cash flows on the entire amount of its LIBOR Loan (see Note 19), which bears interest based on six-month US LIBOR. Under the swap agreement, GMCP pays a fixed rate of 2.18% and receives six-month US LIBOR rate, semi-annually from March 29, 2018 until September 27, 2024. The interest rate swap settlement dates coincide with the semi-annual interest payment dates of the NFA. GMCP designated the swap as a cash flow hedge.

As of December 31, 2017, the outstanding notional amount and derivative asset as a result of the swap amounted to US$300.0 million and ₱49.9 million, respectively. As of December 31, 2016, the outstanding notional amount and derivative asset as a result of the swap amounted to US$105.1 million and ₱331.0 million, respectively.

Interest rate cap (IRC)
GMCP (see Note 9), has an interest rate cap to hedge the variability in the interest cash flows above a certain maximum interest rate on the outstanding amount of its Onshore - Tranche A loans (see Note 19). The IRC has an outstanding notional amount of US$34.4 million, and a derivative liability amount of ₱19.5 million, as of December 31, 2016. Under the IRC agreement, GMCP will receive an amount based upon the outstanding notional amount and the excess of the 6-month LIBOR over the 2.00% cap rate and pays a fixed interest of 0.69% as a premium for the IRC on each settlement date. If the 6-month LIBOR is below 2.00%, no payment will be received by GMCP. The settlement dates shall be on semi-annual basis from March 29, 2015 until March 29, 2021. GMCP designated the swap as a cash flow hedge. On September 29, 2017, the IRC agreement was terminated following the prepayment of the loan (see Note 19). As a result of the termination, the outstanding value of the derivative asset was derecognized in cumulative translation adjustments.

Foreign currency forward contracts
On November 26, 2015, Hedcor Bukidnon entered into a deliverable forward contract to manage its foreign currency risks associated with its Euro denominated purchases. As of December 31, 2017 and 2016, the outstanding sell U.S. Dollar buy Euro forward contract has an aggregate notional of €2.5 million and €6.4 million, respectively. The maturity of the derivatives begins on December 21, 2015 until April 25, 2018.

On November 26, 2015, Hedcor Bukidnon also entered into a non-deliverable forward contract to manage its exposure to exchange rate fluctuations associated with US dollar denominated purchases. As of December 31, 2017 and 2016, the contract has an aggregate notional amount of US$2.6 million and US$6.9 million, respectively that will be fully settled within 2018.

Hedcor Bukidnon designated these foreign currency hedging transactions as cash flow hedges.

Par forward contracts
AP enters into short-term forward contracts with counterparty banks to manage foreign currency risks associated with foreign currency-denominated liabilities and purchases. As of December 31, 2017 the aggregate notional amount of the par forward contract is US$39.0 million.

In 2015, TVI entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the Engineering, Procurement Construction (EPC) contract related to the construction of a power plant. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is US$23.7 million and US$47.6 million, respectively.

In 2014, the Group's Joint Operation entered into par forward contracts to hedge the foreign currency risk arising from the forecasted US Dollar denominated payments under the EPC contract related to the construction of a power plant. The par forward contracts were designated as cash flow hedges. As of December 31, 2017 and 2016, the aggregate notional amount of the par forward contracts is ₱254.3 million and ₱700.0 million, respectively.

The movements in fair value changes of all derivative instruments for the year ended December 31, 2017 and 2016 are as follows:

	2017	2016
At beginning of year	**(₱69,016)**	₱563,366
Additions due to business combination (see Note 9)	–	(350,574)
Net changes in fair value of derivatives designated as accounting hedges	**105,483**	36,859
Net changes in fair value of derivatives not designated as accounting hedges	**5,339**	(127,039)
Derecognition recognized in cumulative translation adjustments	**240,960**	–
Fair value of settled instruments	**11,598**	(191,628)
At end of year	**₱294,364**	(₱69,016)

The net gains and losses from the net fair value changes of derivatives not designated as accounting hedges are included as "Foreign exchange losses - net" under "Other income - net".

The changes in the fair value of derivatives designated as accounting hedges were deferred in equity under "Cumulative translation adjustments."

The net movement of changes to cumulative translation adjustment relating to revaluation of derivatives is as follows:

	2017	2016
Balance at beginning of year (net of tax)	**(₱176,936)**	₱147,337
Changes in fair value recorded in equity	**75,935**	62,586
	(101,001)	209,923
Additions due to business combination (see Note 9)	–	(257,500)
Derecognition	**147,881**	–
Transfers to construction in progress	**(57,959)**	(178,646)
Changes in fair value transferred to profit or loss	**127,328**	10,191
Balance at end of year before deferred tax effect	**116,249**	(216,032)
Deferred tax effect	**23,630**	39,096
Balance at end of year (net of tax)	**₱139,879**	(₱176,936)

The Group has not bifurcated any embedded derivatives as of December 31, 2017 and 2016.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2017 and 2016, the Group held the following financial instruments that are measured and carried or disclosed at fair value:

December 31, 2017

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	**₱760,724**	**₱760,724**	**₱–**	**₱–**
Derivative asset	**341,941**	**–**	**341,941**	**–**
Derivative liability	**47,577**	**–**	**47,577**	**–**
Disclosed at fair value:				
Obligations under finance lease	**43,462,850**	**–**	**–**	**43,462,850**
Long-term debt - fixed rate	**151,225,731**	**–**	**–**	**151,225,731**
Long-term obligation on PDS	**326,655**	**–**	**–**	**326,655**

December 31, 2016

	Total	Level 1	Level 2	Level 3
Carried at fair value:				
AFS investments	₱233,765	₱233,765	₱–	₱–
Derivative asset	291,860	–	291,860	–
Derivative liability	360,877	–	360,877	–
Disclosed at fair value:				
Obligations under finance lease	49,699,074	–	–	49,699,074
Long-term debt - fixed rate	155,854,200	–	–	155,854,200
Long-term obligation on PDS	414,135	–	–	414,135

During the years ended December 31, 2017 and 2016, there were no transfers between level 1 and level 2 fair value measurements and transfers into and out of level 3 fair value measurement.

37. Notes to Consolidated Statement of Cash Flows

The following are the cash flow movements of the Group's financing liabilities in 2017:

			Non-cash Changes					
	January 1, 2017	Net cash flows	Amortized deferred financing costs	Foreign exchange movement	Changes in fair values	Accreted interest	Others	December 31, 2017
Current interest-bearing loans and borrowings, excluding obligations under finance leases	₱15,997,289	(₱36,121,212)	₱38,913	₱97,555	₱–	₱ –	₱64,450,925	₱44,463,470
Current obligations under finance leases	2,968,491	(7,877,292)	–	–	–	–	8,224,966	3,316,165
Non-current interest-bearing loans and borrowings, excluding obligations under finance leases	189,381,881	43,968,605	504,732	727,105	(6,776)	28,823	(66,053,583)	168,550,787
Non-current obligations under finance leases	49,371,713	–	–	97,139	–	4,665,203	(8,224,966)	45,909,089
Derivatives	360,877	–	–	–	(313,300)	–	–	47,577
Total liabilities from financing activities	₱258,080,251	(₱29,899)	₱543,645	₱921,799	(₱320,076)	₱4,694,026	(₱1,602,658)	₱262,287,088

38. Registrations with the Department of Energy and BOI

a. Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled to, among others, ITH incentives covering four (4) to seven (7) years. To be able to avail of the incentives, the companies are required to maintain a minimum equity level. As of December 31, 2017 and 2016, these companies have complied with the requirements.

b. On March 19, 2014, the BOI approved the registration of PANC's swine offsite nursery farm as "expanding producer of hogs" on a nonpioneer status under Omnibus Investment Code of 1987. This registration entitles PANC's swine offsite nursery farm to an ITH for a period of three (3) years form the actual start of commercial operations, in July 2014, whoever comes first, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

   On October 9, 2015, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2015-210) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from January 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

c. On June 24, 2016, the BOI approved the registration of Pilmico's feedmill plant expansion as "Expanding Producer of Animal Feeds" (2016-129) on a nonpioneer status under the Omnibus Investment Code of 1987. Said registration entitles PILMICO to an ITH for a period of three years from July 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration. As of December 31, 2017, PILMICO has complied with the terms and conditions indicated in this BOI registration.

d. On April 7, 2015, the BOI approved the registration of PANC's poultry layer farm as "New Producer of Table Eggs and By- Products (Culled Chicken and Manure)" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of four years from October 2015 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

e. On June 16, 2017, the BOI approved the registration of PANC's breeder farm 2 as "New Producer of Hogs and Pork Meat" on a nonpioneer status under the Omnibus Investment Code of 1987. This registration entitles PANC to an ITH for a period of three years from July 2017 or start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. As of December 31, 2017, PANC has complied with the terms and conditions indicated in this BOI registration.

f. The BOI has also approved AboitizLand's application as a new/expanding developer of low cost mass housing projects. It is entitled to, among others, ITH incentives for a period for three (3) to four (4) years. It is also required to maintain certain equity requirements prior to availment of the incentives. As of December 31, 2016, AboitizLand's ITH entitlement has expired.

39. Rate Regulation, Power Supply and Other Agreements

a. Certain subsidiaries are subject to the ratemaking regulations and regulatory policies by the ERC.

b. APRI Agreements
Total steam supply cost incurred by APRI, reported as part of "Cost of generated power" amounted to ₱4.98 billion in 2017, ₱4.11 billion in 2016 and ₱3.96 billion in 2015.

Geothermal Resource Sales Contract
On May 26, 2013, APRI's steam supply contract with Chevron Geothermal Philippines Holdings, Inc. (CGPHI) shifted to a GRSC. The change is due to an existing provision under the government's existing contract with CGPHI when the Tiwi-Makban facilities were bidded out under the former's privatization program. Under the GRSC, the effective steam price of APRI payable to CGPHI will be at a premium to coal.

To ensure that APRI will continue to remain competitive in the market, a two-month interim agreement supplementing the GRSC was implemented on August 4, 2013 and extended until February 25, 2015. Upon expiration in 2015, this was further extended until June 28, 2018.

Lease Agreement with PSALM
On May 25, 2009, APRI entered into a lease agreement with PSALM for a parcel of land owned by the latter on which a portion of the assets purchased under the Asset Purchase Agreement (APA) is situated. The lease term is for a period of twenty-five (25) years commencing from the Closing Date as defined in the APA which falls on May 25, 2009. The rental fees for the whole term of 25 years amounting to ₱492.0 million were paid in full after the receipt by APRI of the Certificate of Effectivity on the lease. Total land lease charged to operations amounted to ₱19.7 million in 2017, 2016 and 2015.

c. Coal Supply Agreements
TLI enters into short-term coal supply agreements. Outstanding coal supply agreements as of December 31, 2017 have aggregate supply amounts of 2,240,000 MT (equivalent dollar value is estimated to be at US$190 million) which are due for delivery from January 2017 to December 2018. Terms of payment are by letter of credit where payment is due at sight against presentation of documents, and by telegraphic transfer where payment is due within 7 days from receipt of original invoice.

GMCP has a current coal supply agreement with PT Arutmin Indonesia (Seller) for the delivery of coal, which is effective until November 2, 2019. In addition, a supply backstop deed was included in the coal supply agreement wherein PT Kaltim Prima Coal (Obligor) irrevocably and unconditionally undertakes for the benefit of GMCP the due and punctual performance of the Seller of each and all of their obligations, duties and undertakings pursuant to the coal supply agreement, when and such obligations, duties and undertakings shall become due and performable according to the terms of the coal supply agreement; provided that the undertaking of the Obligor hereunder shall be limited to 1,000,000 tonnes of substitute coal per delivery year.

d. Construction of civil and electromechanical works, procurement and installation of solar panels and project management related to the construction of the San Carlos Solar Plant. Total purchase commitments entered into by Sacasun from its contracts amounted to ₱526.7 million as of December 31, 2017.

Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

e. PEC enters into EPC contracts with suppliers relating to the construction of the 400MW coal fired power plant. Total EPC contract price for the complete performance of these contracts amount to US$398.0 million and ₱7.00 billion. As of December 31, 2017 and 2016, the joint operation has a retention payable amounting to ₱400.0 million and ₱334.4 million, respectively, which is presented as "Other noncurrent liability" in the balance sheets.

f. GMCP
In August 2007, a 25-year lease agreement with Authority of the Freeport Area of Bataan for land at Bataan Economic Zone, used as an access road and right of way for electric power transmission lines.

In January 2010, a 50-year land lease agreement with PMR Group Retirement Plan, Inc. (PGRPI), used for its power plant facilities. GMCP, upon mutual agreement of PGRPI, has the right and option to extend the lease for a period of twenty-five years. In August 2016, GMCP entered into another lease agreement with PGRPI for land to be used for staff house.

g. Sacasun
Sacasun entered into a contract for lease of land where the power plant is located. The contract pertains to rent for 25 years renewable upon mutual agreement by the parties. Prepaid rent amounts to ₱50.8 million and ₱10.0 million as of December 31, 2017 and 2016, respectively.

h. HI, HTI and HSI
HI, HTI and HSI entered into contracts with various lot owners for lease of land where their power plants are located. Terms of contract are for a period of 1 to 50 years renewable upon mutual agreement by the parties.

i. Therma Mobile
On April 26, 2014, a 10-year lease for portions of the breakwater area of the Navotas Fishport Complex (NFPC), including the mooring facility, marine and land transmission lines.

j. EAUC
Lease agreement with PEZA for a piece of land located inside Mactan Economic Zone for its power plant facilities.

Future minimum lease payments under the non-cancellable operating leases of GMCP, Sacasun, HI, HTI, HSI, Therma Mobile and EAUC are as follows (amounts in millions):

	2017	2016
Not later than 1 year	**₱252.3**	₱166.9
Later than 1 year but not later than 5 years	**736.7**	503.6
Later than 5 years	**5,619.7**	4,036.5

Total lease charged to operations related to these contracts amounted to ₱163.7 million in 2017, ₱38.5 million in 2016, and ₱33.1 million in 2015.

40. Contingencies

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the likely outcome of these proceedings and legal cases will not have a material adverse effect on the Group's financial position and operating results. It is possible, however, that the future results of operations could be materially affected by changes in estimates or in the effectiveness of the strategies relating to these proceedings and legal cases.

AP obtained standby letters of credit (SBLC) and is acting as surety for the benefit of certain associates and a subsidiary in connection with loans and credit accommodations. It provided SBLC for STEAG, SNAP-Magat, SNAP-Benguet, and CEDC in the amount of ₱1.04 billion in 2017, ₱1.15 billion in 2016 and ₱1.49 billion in 2015.

41. Other Matters

a. Renewable Energy Act of 2008
On January 30, 2009, R.A. No. 9513, *An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes*, which shall be known as the "Renewable Energy Act of 2008" (the Act), became effective. The Act aims to (a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy; (b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives; (c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and (d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.

   As provided for in the Act, renewable energy (RE) developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the BOI, shall be entitled to incentives, such as, ITH, duty-free importation of RE machinery, equipment and materials, zero percent VAT rate on sale of power from RE sources, and tax exemption of carbon credits, among others.

The Group expects that the Act may have significant effect on the operating results of some of its subsidiaries and associates that are RE developers. Impact on the operating results is expected to arise from the effective reduction in taxes.

b. EPIRA of 2001
RA No. 9136 was signed into law on June 8, 2001 and took effect on June 26, 2001. The law provides for the privatization of NPC and the restructuring of the electric power industry. The Implementing Rules and Regulations (IRR) were approved by the Joint Congressional Power Commission on February 27, 2002.

R.A. No. 9136 and the IRR impact the industry as a whole. The law also empowers the ERC to enforce rules to encourage competition and penalize anti-competitive behavior.

R.A. No. 9136, the EPIRA, and the covering IRR provides for significant changes in the power sector, which include among others:

i. The unbundling of the generation, transmission, distribution and supply and other disposable assets of a company, including its contracts with IPPs and electricity rates;
ii. Creation of a WESM; and
iii. Open and non-discriminatory access to transmission and distribution systems.

The law also requires public listing of not less than 15% of common shares of generation and distribution companies within 5 years from the effectivity date of the EPIRA. It provides cross ownership restrictions between transmission and generation 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.

c. Temporary Restraining Order (TRO) affecting Power Generation Companies trading in WESM
On December 19, 2013, Bayan Muna representatives filed a Petition for Certiorari against the ERC and the Manila Electric Company (MERALCO) with the Supreme Court (SC). On December 20, 2013, National Association of Electricity Consumers for Reforms filed a Petition for Certiorari and/or Prohibition against MERALCO, ERC and DOE. These cases raised and questioned, among others, the alleged substantial increase in MERALCO's power rates for the billing period of November 2013, the legality of Sections 6, 29 and 45 of the EPIRA, the failure of ERC to protect consumers from the high energy prices and the perceived market collusion of the generation companies.

These cases were consolidated by the SC which issued a TRO for a period of 60 days from December 23, 2013 to February 21, 2014, preventing MERALCO from collecting the increase in power rates for the billing period of November 2013. The TRO was subsequently extended for another 60 days ending April 22, 2014 by the SC. Thereafter, the TRO was extended indefinitely.

MERALCO, in turn, filed a counter-petition impleading generation companies supplying power to the WESM. The SC also ordered all the parties in the consolidated cases to file their respective pleadings in response to MERALCO's counter-petition. The Supreme Court set the consolidated cases for oral arguments last January 21, February 4 and 11, 2014. After hearing, all parties were ordered to file their comments and/or memorandum. The case is now submitted for resolution.

As a result of the TRO, Meralco has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs. As of December 31, 2017, the SC has not lifted the TRO.

d. Imposition of financial penalties on Therma Mobile by the Philippine Electricity Market Corporation (PEMC)

This case involves an investigation of Therma Mobile in the dispatch of its power barges during the November and December 2013 supply period. As a result of the Meralco price hike case brought before the SC, the SC ordered the ERC to investigate anti-competitive behavior and abuse of market power allegedly committed by some WESM participants.

PEMC conducted the investigation under the "Must-Offer" rules of the WESM Rules.

PEMC initially found that Therma Mobile violated the "Must-Offer Rule" during the period under investigation. In its letter dated January 30, 2015, the PEM Board imposed financial penalties amounting to ₱234.9 million on Therma Mobile. According to the PEM Board, the penalties will be collected from Therma Mobile through the WESM settlement process.

Therma Mobile maintains that there is no basis for the PEMC decision. It did not violate the Must-Offer Rule, for the period ended, as it was physically impossible for Therma Mobile to transmit more than 100MW to Meralco. Although Therma Mobile's rated capacity is 234 MW (Net), it could only safely, reliably and consistently deliver 100MW during the November and December 2013 supply period because of transmission constraints. Therma Mobile's engines and transmission lines were still undergoing major repairs to address issues on post rehabilitation.

Last February 13, 2015, Therma Mobile filed a notice of dispute with the PEMC to refer the matter to dispute resolution under the WEM Rules and the WESM Dispute Resolution Market Manual.

Therma Mobile also filed a Petition for the Issuance of Interim Measures of Protection with the Regional Trial Court (RTC) of Pasig to hold off enforcement of the payment of the penalties during the pendency of the Therma Mobile and PEMC dispute resolution proceedings. Last February 24, 2015, the RTC issued in favor of Therma Mobile an ex parte 20-day Temporary Order of Protection directing PEMC to refrain from (a) demanding and collecting from Therma Mobile the ₱234.9 million financial penalty; (b) charging and accruing interest on the financial penalty; and (c) transmitting the PEMC-ECO investigation report to the ERC.

On April 1, 2015, the RTC granted the prayer for the issuance of Writ of Preliminary Injunction, which ruling was assailed by the PEMC and elevated to the Court of Appeals (CA) via Petition for Review. On December 15, 2015, the CA issued a Decision confirming the RTC's findings. Therma Mobile is in receipt of PEMC's Motion for Reconsideration, and in compliance with a Resolution of the CA, has filed a comment on the said motion.

e. Therma Marine Case

In 2013, ERC issued Final Approval of various ESAs of Therma Marine with some modifications on ERC's provisionally approved rates which directed both parties to devise a scheme for the refund of the difference between the final and the provisionally approved rates.

On November 25, 2013, ERC issued its order for Therma Marine to refund the amount of ₱180.0 million to its customers for a period of 6 months with equal installments per month.

On August 27, 2014, ERC issued an order directing NGCP to refund its customers the amount of ₱12.7 million and the corresponding VAT for a period of twelve months. As such, Therma Marine will refund the said amount to NGCP and the latter will refund the same to its customers.

In 2015, ERC issued Provisional Approvals (PA) on ESA contracts extensions with capacity fees lower than the previously approved rates. Therma Marine filed MRs on these PAs. During the last quarter of 2015, ERC issued Final Approvals on some of these ESA's sustaining the decision in the PA's, thus Therma Marine filed MRs on the final decisions. To date, there has been no resolution on the MRs on the Final Approvals.

f. ERC Case No. 2013-077 MC

On August 29, 2013, MERALCO filed a petition for dispute resolution against TLI/APRI , among other Successor Generating Companies ("SGCs") under ERC Case No. 2013-077 MC. The case arose from a claim of refund of the alleged over charging of transmission line losses pursuant to the ERC Order dated March 4, 2013 and July 1, 2013 in ERC Case No. 2008-083 MC.

On September 20, 2013, TLI, together with the other SGCs, filed a Joint Motion to Dismiss arguing that MERALCO's petition should be dismissed for failure to state a cause of action and ERC's lack of jurisdiction over the subject matter of the case. The Joint Motion to Dismiss has since then been submitted for resolution with the ERC. To date, the ERC has yet to render its decision on the Joint Motion to Dismiss.

g. Sergio Osmena III vs. PSALM, Emmanuel R. Ledesma, Jr., SPC Power Corporation (SPC) and Therma Power Visayas, Inc. (TPVI)

In 2009, SPC acquired through a negotiated bid the 153.1MW Naga Land-Based Gas Turbine Power Plant ("Naga Plant") in Naga, Cebu. In the same year, it entered into a Land Lease Agreement (LLA) with PSALM, which includes SPC's right to top (RTT) the price of a winning bidder for the sale of any property in the vicinity of the leased premises.

PSALM subsequently bid out the Naga Plant located in the leased premises. On April 30, 2014 and after two failed biddings, PSALM issued a Notice of Award to TPVI for submitting the highest bid for the Naga Plant. SPC wrote PSALM of its intent to exercise its RTT the winning bid, on the condition that the LLA would be for a term of 25 years from closing date.

Senator Sergio Osmeña III filed with the Supreme Court (SC) a Petition for Certiorari and Prohibition with prayer for issuance of a TRO and/or Writ of Preliminary Injunction dated June 16, 2014 (the "Case") with PSALM, Emmanuel R. Ledesma, SPC and TPVI as respondents to enjoin PSALM from making the award of the Naga Plant to SPC. In his petition, Sen. Osmeña argued that the RTT should be held invalid as it defeats the purpose of a fair and transparent bidding for a government asset and it discourages interested bidders considering the unfair advantage given to SPC.

On July 25, 2014, PSALM awarded the contract to SPC, despite TPVI's objection on the ground that SPC did not validly exercise its right to top because of its qualified offer. Thereafter, an APA for the Naga Plant was executed between PSALM and SPC.

On September 28, 2015, the SC declared in the Case that the RTT and the APA executed in favor of SPC are null and void. The parties thereafter filed various motions for reconsideration which the SC subsequently denied.

On March 16, 2016, TPVI filed its Manifestation/Motion praying that the Notice of Award dated April 30, 2014 be reinstated and that respondent PSALM be ordered to execute the Asset Purchase Agreement ("NPPC-APA"), Land Lease Agreement ("NPPC-LLA") and other documents to implement TPVI's acquisition of the Naga Plant.

On April 6, 2016, the SC issued a Resolution that required PSALM and SPC to comment on TPVI's Manifestation/Motion. In the same Resolution, the SC denied the motion for leave to file and admit SPC's second motion for reconsideration and referral to the SC en banc.

On July 19, 2016, TPVI filed its Manifestation with Omnibus Motion to clarify the motion dated March 16, 2016 and for early resolution. TPVI prayed that the SC Decision dated September 28, 2015 be clarified, and if necessary, be amended to include in its "fallo" that the Notice of Award in favor of TPVI be reinstated.

In response to various motions, the SC issued a Notice of Judgment and Resolution dated October 5, 2016 clarifying that the nullification of SPC's right to top did not invalidate the entire bidding process. Thus, the SC ordered the reinstatement of the Notice of Award dated April 30, 2014 in favor of TPVI. Further, the SC annulled and set aside the APA and the LLA executed between SPC and PSALM and directed PSALM to execute with dispatch the NPPC-APA and the NPPC-LLA in favor of TPVI.

On October 26, 2016, SPC filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc of the SC. SPC reiterated its prayer for the reversal of the October 5, 2016 Resolution, denial of TPVI's Manifestation/Motion and for the conduct of a new round of bidding for the Naga Plant. PSALM also filed its Motion for Reconsideration with Leave and prayed that the SC's October 5, 2016 Resolution be re-examined and/or reconsidered.

In its Resolution dated November 28, 2016, the SC denied SPC's and PSALM's motions for reconsideration (of the October 5, 2016 Resolution) with finality. The SC ordered that no further pleadings, motions, letters, or other communications shall be entertained in the Case, and it ordered the issuance of Entry of Judgment.

Notwithstanding the above SC Resolution, SPC filed its Motion for Leave to File and Admit (Motion for Reconsideration dated 9 December 2016) with attached Motion for Reconsideration dated December 9, 2016. Thereafter, SPC filed its Supplemental Motion/Petition for Referral to the Banc dated January 16, 2017.

On February 14, 2017, TPVI received a copy of the Entry of Judgment which states that the October 5, 2016 Resolution of the SC has become final and executory on November 28, 2016.

h. DLP Case

On December 7, 1990, certain customers of DLP filed before the then Energy Regulatory Board (ERB) a letter-petition for recovery claiming that with the SC's decision reducing the sound appraisal value of DLP's properties, DLP exceeded the 12% Return on Rate Base (RORB). The ERB's order dated June 4, 1998, limited the computation coverage of the refund from January 19, 1984 to December 14, 1984. No amount was indicated in the ERB order as this has yet to be recomputed.

The CA, in Court of Appeals General Register Special Proceeding (CA-GR SP) No. 50771, promulgated a decision dated February 23, 2001 which reversed the order of the then ERB, and expanded the computation coverage period from January 19, 1984 to September 18, 1989.

The SC in its decision dated November 30, 2006 per GR150253 reversed the CA's decision CA-GR SP No. 50771 by limiting the period covered for the refund from January 19, 1984 to December 14, 1984, approximately 11 months. The respondent/customers filed a Motion for Reconsideration with the SC, which was denied with finality by the SC in its Order dated July 4, 2007.

The SC, following its decision dated November 30, 2006, ordered the ERC to proceed with the refund proceedings instituted by the respondents with reasonable dispatch.

On March 17, 2010, the ERC directed DLP to submit its proposed scheme in implementing the refund to its customers. In compliance with the order, the DLP filed its compliance stating that DLP cannot propose a scheme for implementing a refund as its computation resulted to no refund.

A clarificatory meeting was held where DLP was ordered to submit its memoranda.

On October 4, 2010, in compliance with the ERC directive, DLP submitted its memoranda reiterating that no refund can be made. After which, no resolution has been received by DLP from the ERC as of December 31, 2017.

i. LHC Franchise Tax Assessment

In 2007, the Provincial Treasurer of Benguet issued a franchise tax assessment against LHC, requiring LHC to pay franchise tax amounting to approximately ₱40.4 million, inclusive of surcharges and penalties covering the years 2002 to 2007. In 2008, LHC has filed for a petition for the annulment of the franchise tax assessment, based primarily on the fact that LHC is not liable for franchise tax because it does not have a franchise to operate the business. Section 6 of R.A. No. 9136 provides that power generation shall not be considered a public utility operation. As such, an entity engaged or which shall engage in power generation and supply of electricity shall not be required to secure a national franchise. Accordingly, no provision has been made in the consolidated financial statements. To date, the case remains pending.

j. Open Access and Retail Competition

Per EPIRA, the conditions for the commencement of the Open Access and Retail Competition are as follows:

(a) Establishment of the WESM;
(b) Approval of unbundled transmission and distribution wheeling charges;
(c) Initial implementation of the cross subsidy removal scheme;
(d) Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and
(e) Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP administrators.

Under the Open Access and Retail Competition, an eligible contestable customer, which is defined as an end-user with a monthly average peak demand of at least 1 MW for the preceding 12 months, will have the option to source their electricity from eligible suppliers that have secured a Retail Electricity Supplier (RES) license from the ERC.

In June 2011, ERC declared December 26, 2011 as the Open Access Date to mark the commencement of the full operations of the competitive retail electricity market in Luzon and Visayas. However, after careful deliberation, the ERC acknowledged that not all the necessary rules, systems and infrastructures required for the implementation of the Open Access and Retail Competition have been put in place to meet the contemplated timetable for implementation. In October 2011, the ERC announced the deferment of the Open Access Date. In September 2012, the ERC declared the start of Open Access on December 26, 2012. Open Access commercial operations under an interim development system have been implemented starting June 26, 2013.

The implementation of Open Access enabled the Group to increase its contracted capacity through the delivery of power to affiliate and non-affiliate RES companies. The Group has two wholly owned subsidiaries that are licensed RES. Open Access allowed the Group's RES subsidiaries to enter into contracts with the eligible contestable customers.

On December 19, 2013, the ERC issued Resolution 22 Series of 2013, which amended the rules for the issuance of licenses to retail electricity suppliers. Items amended include the following:

- Restriction for Generator, IPPA and DU affiliates in securing license as a RES company;
- Transfer of live Retail Supply Contracts (RSCs) for RES with expired license to another licensed RES;
- Determination of full retail competition to be made by ERC not later than June 25, 2015;
- Contracted capacities of RES affiliates to be included in the grid limitations imposed on Generation Companies;
- End-user affiliate RES limited to supplying up to 50% of its total contestable customer affiliates;
- RES companies are limited to procuring up to 50% of its generation requirements from affiliate Generation Companies;
- Annual submission of 5-year Business Plan; and
- Submission of live RSCs for review by the ERC.

Due to the restrictions placed to qualify for a RES license under Resolution 22, the Retail Electricity Suppliers Association has filed a TRO and injunction with the Pasig RTC. Hearings are being conducted to challenge the legality and constitutionality of the resolution. Currently, ERC is working on revising certain provisions of Resolution 22.

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

42. Events after the Reporting Period

a. To comply with the requirements of Section 43 of the Corporation Code, on March 8, 2018, the BOD approved the following:

- Declaration of a regular cash dividend of ₱1.28 per share (₱7.21 billion) to all stockholders of record as of March 22, 2018. These dividends will be taken out of the unrestricted retained earnings as of December 31, 2017, and will be paid on April 12, 2018. Said declaration is in compliance with the Company's policy of distributing a regular dividend equivalent to at least 33% of previous year's consolidated net income.

- Appropriation of ₱4.2 billion of the retained earnings as of December 31, 2017 for the additional capital infusion into Aboitiz Infracapital, Inc. to finance its capital infusion into Apo Agua Infrastructura, Inc. for the funding of the construction of a bulk water treatment facility, as follows:

Investee	Project to be Funded	Board Approval Date	Estimated Project Start Date	Estimated Project Completion Date	Appropriation (in thousands)
Apo Agua Infrastructura, Inc.	Plant Construction	January 2018	2nd quarter of 2018	1st quarter of 2021	₱4,200,000

- Reversal of ₱1.622 billion retained earnings appropriation that was set up in 2016 for the funding of the ₱1.0 billion purchase price adjustment for the acquisition of the Philippine business of Lafarge S.A. and the ₱622 million capital infusion into Apo Agua Infrastructura, Inc.

b. On February 9, 2018, AEV signed a Share Purchase Agreement for the sale of its 51% stake in PETNET to City Savings Bank, Inc. (CitySavings) and Union Properties, Inc. for a cash consideration of ₱1.2 billion. The sale and the resulting consolidation of all of AEV's existing interests in banking and financial services will unlock shareholder value from the synergies between the core businesses of CitySavings and PETNET.

SGV
Building a better
working world

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6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila
Philippines

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Aboitiz Equity Ventures, Inc. and Subsidiaries included in this Form 17-A and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Maria Veronica Andresa R. Pore

Maria Veronica Andresa R. Pore
Partner
CPA Certificate No. 90349
SEC Accreditation No. 0662-AR-3 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 164-533-282
BIR Accreditation No. 08-001998-71-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621311, January 9, 2018, Makati City

March 8, 2018

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
RECEIVED
APR 06 2018
DPQA SECTION INITIAL:

ABOITIZ EQUITY VENTURES, INC.
AND SUBSIDIARIES

Supplementary Schedules
to the Financial Statements
Required by the Securities and Exchange Commission
For the Year Ended December 31, 2017

and

Independent Auditor's Report

Philippine
Pesos

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

Supplementary Schedules Required
By the Securities and Exchange Commission
As of and for the Year Ended December 31, 2017

NA: NOT APPLICABLE

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Cash In Bank				
Agribank, Song Than branch	Not applicable	P 620	Not applicable	P -
ANZ	Not applicable	59,074	Not applicable	108
Allied Bank	Not applicable	30,852	Not applicable	24
ANZ, Ho Chi Minh City branch	Not applicable	106	Not applicable	-
Asian United Bank	Not applicable	40,012	Not applicable	19
Banco de Oro	Not applicable	3,114,919	Not applicable	69,372
Bank of Commerce	Not applicable	4,650	Not applicable	27
Bank of the Philippine Islands	Not applicable	1,211,543	Not applicable	9,806
BDO Unibank, Inc.	Not applicable	-	Not applicable	20
China Banking Corporation	Not applicable	18,798	Not applicable	119
China Trust Banking Corporation	Not applicable	5,722	Not applicable	8
CIMB Niaga	Not applicable	964	Not applicable	15
Citibank	Not applicable	9,488	Not applicable	-
City Savings Bank	Not applicable	2,513	Not applicable	-
Development Bank of the Philippines	Not applicable	207	Not applicable	3
Eastwest Banking Corporation	Not applicable	5,392	Not applicable	86
Hongkong Shanghai Banking Corporation	Not applicable	302,518	Not applicable	10
HSBC, Ho Chi Minh City branch	Not applicable	155	Not applicable	-
ING Bank N.V.	Not applicable	364,836	Not applicable	7,576
Landbank of the Philippines	Not applicable	69,831	Not applicable	107
Maybank Corporation	Not applicable	8,709	Not applicable	27
Metropolitan Bank and Trust Company	Not applicable	281,862	Not applicable	1,272
Mizuho Corporatet Bank, Ltd.	Not applicable	494	Not applicable	2
Natixis, Ho Chi Minh City branch	Not applicable	-	Not applicable	23
One Network Bank	Not applicable	5,446	Not applicable	-
PB Com	Not applicable	5,527	Not applicable	4
Philippine Business Bank	Not applicable	7,779	Not applicable	11
Philippine National Bank	Not applicable	398,384	Not applicable	219
Philippine Veterans Bank	Not applicable	424	Not applicable	-
Rizal Commercial Banking Corporation	Not applicable	376,418	Not applicable	682
Robinson's Bank	Not applicable	3,284	Not applicable	15
Sacombank, Di Ann branch	Not applicable	1,875	Not applicable	-
Sacombank, Dong Thap branch	Not applicable	1,425	Not applicable	4
SCB, Dong Thap branch	Not applicable	15	Not applicable	8
Security Bank Corporation	Not applicable	229,915	Not applicable	3,612
Standard Chartered Bank	Not applicable	222,856	Not applicable	4,717
Sterling Bank of Asia	Not applicable	6,941	Not applicable	13
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Not applicable	11,603	Not applicable	2
Union Bank of the Philippines	Not applicable	5,725,334	Not applicable	42,954
United Coconut Planters Bank	Not applicable	5,963	Not applicable	22
Vietcombank, Dong Thap branch	Not applicable	1,307	Not applicable	14

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Vietcombank, Ho Chi Minh City branch	Not applicable	1,600	Not applicable	-
Vietcombank, Song Than brabch	Not applicable	10,743	Not applicable	50
Vietinbank, Dong Thap branch	Not applicable	57	Not applicable	5
TOTAL		**P 12,550,161**		**P 140,956**
Money Market Placements				
Allied Banking Corporation	Not applicable	P -	Not applicable	P -
Banco de Oro	Not applicable	975,415	Not applicable	3,506
Bank of the Philippine Islands	Not applicable	1,338,530	Not applicable	110,646
BDO Private Bank, Inc.	Not applicable	50,000	Not applicable	1,552
BDO Unibank, Inc.	Not applicable	123,891	Not applicable	320
China Trust Banking Corporation	Not applicable	1,106,030	Not applicable	558
City Savings Bank	Not applicable	7,898,851	Not applicable	388,102
Deutsche Bank Manila	Not applicable	-	Not applicable	813
Deutsche Global Liquidity Series P.L.C.	Not applicable	-	Not applicable	207
First Metro Investment Corporation	Not applicable	59,000	Not applicable	174,714
Hongkong & Shanghai Banking Corporation	Not applicable	10,005	Not applicable	176
Metropolitan Bank and Trust Company	Not applicable	2,728,030	Not applicable	56,694
Mizuho Corporate Bank, Ltd.	Not applicable	653,978	Not applicable	15,490
Philippine National Bank	Not applicable	6,660	Not applicable	59
Rizal Commercial Banking Corporation	Not applicable	9,161	Not applicable	155
Sacombank, Dong Thap branch - VND	Not applicable	76,261	Not applicable	3,919
Security Bank Corporation	Not applicable	13,127,261	Not applicable	148,456
Standard Chartered Bank	Not applicable	147,856	Not applicable	4,841
Union Bank of the Philippines	Not applicable	23,042,128	Not applicable	273,472
United Coconut Planters Bank	Not applicable	10,212	Not applicable	-
Vietinbank, Dong Thap branch	Not applicable	426,797	Not applicable	10,639
TOTAL		**P 51,790,066**		**P 1,194,319**
Trade Receivables				
Power	Not applicable	P 16,338,622	Not applicable	Not applicable
Real estate	Not applicable	3,654,299	Not applicable	Not applicable
Food manufacturing	Not applicable	2,344,307	Not applicable	Not applicable
Financial services	Not applicable	266,312	Not applicable	Not applicable
Holding and others	Not applicable	646,368	Not applicable	Not applicable
TOTAL		**P 23,249,908**		
Other Receivables				
Advances to contractors	Not applicable	P 105,690	Not applicable	Not applicable
Dividends receivable	Not applicable	792,000	Not applicable	Not applicable
Accrued revenues	Not applicable	724,820	Not applicable	Not applicable
Non-trade receivables	Not applicable	461,527	Not applicable	Not applicable
Others	Not applicable	1,395,939	Not applicable	Not applicable
TOTAL		**P 3,479,976**		
Available-For-Sale (AFS) Investments				

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuing Entity	Number of Shares	Amount Shown in the Balance Sheet	Value Based on Market Quotation at Balance Sheet Date	Income Received or Accrued
Publicly-listed:				
Empire East Land, Inc.	4,377,063	P 2,845	P 2,845	P -
Megaworld Properties, Inc.	1,842,750	9,509	9,509	-
Filinvest Development Corporation	160,316	1,242	1,242	9
Filinvest Land, Inc.	303,515	571	571	19
Others	21,795,453	35,325	-	-
Non-publicly-listed:				
Cebu Holdings, Inc.	1	1,038	-	-
Cebu Country Club	3	9,600	-	-
Equitable Banking Corporation	8,050	793	-	-
Philippine Long Distance and Telephone Company	44,344	560	-	-
Others	2,882	79	-	-
Investment in Bonds/Exchange Traded Funds/Unit Investment Trust Fund				
Banco de Oro	-	507,479	-	15,473
Union Bank of the Philippines	2,050,350	203,753	203,753	127
TOTAL		**P 772,794**	**P 217,920**	**P 15,628**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE CONSOLIDATION
OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

			Deductions				
Name and Designation of Debtor	Beginning Balance	Additions	Amounts Collected	Amounts Written Off	Current	Non-Current	Ending Balance
TRADE							
Pilmico Animal Nutrition Corporation	P (895)	P 2,333	P -	P -	P 1,438	P -	P 1,438
Filagri, Inc.	19	-	(19)	-	-	-	-
AEV Aviation, Inc.	1	-	(1)	-	-	-	-
Cebu Praedia Development Corporation	12	-	(4)	-	8	-	8
Aboitiz Infracapital, Inc.	-	4,127		-	4,127	-	4,127
APO Agua Infrastructura, Inc.	615	-	(615)	-	-	-	-
Lima Water Coporation	92	479	-	-	571	-	571
Weather Solutions, Inc.	-	44	-	-	44	-	44
PETNET, Inc.	902	-	(307)	-	595	-	595
Aboitizland, Inc.	6,473	-	(1,360)	-	5,113	-	5,113
Cebu Industrial Park Developers, Inc.	121	-	(77)	-	44	-	44
Lima Land, Inc.	232	-	(8)	-	224	-	224
Aboitiz Power Corporation	24,063	10,291	-	-	34,354	-	34,354
Aboitiz Energy Solutions, Inc.	286	-	(250)	-	36	-	36
Aboitiz Renewables, Inc.	-	43,211	-	-	43,211	-	43,211
Advent Energy, Inc.	120	-	(120)	-	-	-	-
AP Renewables, Inc.	(1,741)	950	-	-	(791)	-	(791)
Balamban Enerzone Corp.	3,922	-	(3,902)	-	20	-	20
Cebu Private Power Corporation	260	-	(174)	-	86	-	86
Cotabato Ice Plant, Inc.	(724)	-	(3)	-	(727)	-	(727)
Cotabato Light and Power Company	681	-	(237)	-	444	-	444
Davao Light and Power Co., Inc.	3,340	-	(3,637)	-	(297)	-	(297)
East Asia Utilities Corp.	1,180	-	(781)	-	399	-	399
Hedcor Bukidnon, Inc.	10	664	-	-	674	-	674
Hedcor Sabangan, Inc.	-	85	-	-	85	-	85
Hedcor Sibulan, Inc.	298	497	-	-	795	-	795
Hedcor Tudaya, Inc.	12	67	-	-	79	-	79
Hedcor, Inc.	35	2,508	-	-	2,543	-	2,543
Lima Enerzone Corporation	5,363	-	(2,184)	-	3,179	-	3,179
Luzon Hydro Corporation	(19)	406	-	-	387	-	387
Mactan Enerzone Corporation	3,248	-	(2,951)	-	297	-	297
Manila-Oslo Renewable Enterprise, Inc.	595	-	(150)	-	445	-	445
San Carlos Sun Power, Inc.	49	162	-	-	211	-	211
SN Aboitiz Power - Benguet	177	457	-	-	634	-	634
SN Aboitiz Power - Generation	-	14	-	-	14	-	14
SN Aboitiz Power - Magat	177	-	(177)	-	-	-	-
SN Power Philippines, Inc.	14	-	(14)	-	-	-	-
Subic Enerzone Corporation	13,088	-	(10,469)	-	2,619	-	2,619
Therma Luzon, Inc.	6,092	-	(6,912)	-	(820)	-	(820)
Therma Marine, Inc.	476	363	-	-	839	-	839
Therma Mobile, Inc.	710	-	(413)	-	297	-	297
Therma Power Visayas, Inc.	-	4,536	-	-	4,536	-	4,536
Therma Power, Inc.	-	90	-	-	90	-	90
Therma South, Inc.	2,118	1,651	-	-	3,769	-	3,769
Visayan Electric Company	123,447	-	(23,688)	-	99,759	-	99,759
NON-TRADE							
Cebu Praedia Development Corporation	425,484	1,458	(295,484)	-	131,458	-	131,458
Pilmico Foods Corporation	700,000	5,812	(410,000)	-	295,812	-	295,812
Davao Light and Power Co., Inc.	2,541,552	-	(2,541,552)	-	-	-	-
Cotabato Light and Power Company	19,512	-	(19,512)	-	-	-	-
Adventenergy, Inc.	-	300,000	-	-	300,000	-	300,000
Total	P 3,881,397	P 380,205	P (3,325,001)	P -	P 936,601	P -	P 936,601

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS

AS OF DECEMBER 31, 2017
(Amount in Thousands)

Description	Beginning Balance	Additions At Cost	DEDUCTIONS Charged to Costs and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Discontinued Operation	Ending Balance
A. Intangibles							
Goodwill	P 41,249,629	P 59,060	P -	P -	P -	P -	P 41,308,689
Intangible asset - service concession right	3,222,123	175,607	(351,541)	-	16,118	-	3,062,307
B. Other Noncurrent Assets							
Input VAT and tax credit receivable	6,766,183	-	(945)	-	-	-	6,765,238
Intangible assets:							
Franchise	2,802,654	-	(76,961)	-	-	-	2,725,693
Project development costs	411,499	127,655	(143,735)	-	-	-	395,419
Customer contracts	63,968	-	(21,130)	-	-	-	42,838
Software and licenses	168,712	60,097	(57,365)	-	200	-	171,644
Notes receivable	2,882,456	-	-	-	(2,882,456)	-	-
Prepaid rent and other deposits	933,971	237,599	-	-	-	-	1,171,570
Advances to contractors and projects	476,570	1,738,886	-	-	-	-	2,215,456
Receivable from NGCP	146,714	-	(146,714)	-	-	-	-
Bearer biological assets - net	127,015	17,248	-	-	-	-	144,263
Others	437,443	568,387	-	-	-	-	1,005,830
Total	P59,688,937	P2,984,539	(P798,391)	P -	(P2,866,138)	P -	P59,008,947

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Name of Issuer and Type of Obligation	Amount Authorized by Indentures	Amount Shown as Current	Amount Shown as Long-Term	Remarks
Parent Company:				
First Metro Investment Corporation	7,959,742	-	7,959,742	
BPI Capital Corporation	23,856,002	-	23,856,002	
Subsidiaries:				
Aboitiz Power Corporation	12,901,982	-	12,901,982	
AP Renewables, Inc.	10,410,513	1,769,664	8,640,849	
Hedcor, Inc.	537,468	-	537,468	
Hedcor Bukidnon, Inc.	9,204,359	-	9,204,359	
Hedcor Sibulan, Inc.	4,053,196	-	4,053,196	
Cotabato Light and Power Company	176,400	30,150	146,250	
Davao Light & Power Company, Inc.	882,000	150,750	731,250	
Subic Enerzone Corporation	226,000	56,500	169,500	
Pagbilao Energy Corporation	13,781,094	440,995	13,340,099	
Luzon Hydro Corporation	1,102,602	-	1,102,602	
Therma Power, Inc.	14,893,383	14,893,383	-	
Therma South, Inc.	22,456,980	1,281,262	21,175,718	
Therma Visayas, Inc.	29,532,592	1,869,922	27,662,670	
GMCP	30,421,764	-	30,421,764	
Visayan Electric Company	1,173,167	200,125	973,042	
Pilmico Foods Corporation	2,820,474	19,583	2,800,891	
Pilmico Animal Nutrition Corp.	2,678,769	9,996	2,668,773	
Pilmico Animal Nutrition Joint Stock Company (JSC)	18,560	-	18,560	
Total	**P189,087,047**	**P20,722,330**	**P168,364,717**	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

AS OF DECEMBER 31, 2017
(Amounts in Thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
COMMON SHARES	9,600,000	5,633,793	-	2,737,173	383,732	2,512,888
PREFERRED SHARES	400,000	-	-	-	-	-

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE I - TRADE AND OTHER RECEIVABLES FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Sales	Rental	Advances	
TRADE							
Pilmico Foods Corporation	P -	P -	P -	P 286,535	P 1,919	P -	30 days
Pilmico Animal Nutrition Corporation	1,438	-	1,438	13,724	37	-	30 days
Filagri, Inc.	-	-	-	4	-	-	30 days
AEV Aviation, Inc.	-	-	-	2,066	2	-	30 days
Cebu Praedia Development Corporation	8	-	8	2,195		-	30 days
Aboitiz Infracapital, Inc.	4,127	-	4,127	11,249	783	-	30 days
APO Agua Infrastructura, Inc.	-	-	-	3,144	26	-	30 days
Lima Water Coporation	571	-	571	873	-	-	30 days
Weather Solutions, Inc.	44	-	44	-	-	-	30 days
PETNET, Inc.	595	-	595	5,061	21	-	30 days
Aboitizland, Inc.	5,113	-	5,113	29,158	3,216	-	30 days
Cebu Industrial Park Developers, Inc.	44	-	44	2,107	-	-	30 days
Lima Land, Inc.	224	-	224	3,691	-	-	30 days
Misamis Oriental Land Development Corp.	-	-	-	540	-	-	
Aboitiz Power Corporation	34,354	-	34,354	88,603	2,017	-	30 days
Aboitiz Energy Solutions, Inc.	36	-	36	2,315	1	-	30 days
Aboitiz Power Distributed Energy, Inc.	-	-	-	348	-	-	30 days
Aboitiz Renewables, Inc.	43,211	-	43,211	73,640	-	-	30 days
Abovant Holdings, Inc.	-	-	-	72	-	-	30 days
Adventenergy, Inc.	-	-	-	756	-	-	30 days
AP Renewables, Inc.	(791)	-	(791)	15,577	62	-	30 days
Aseagas Corporation	-	-	-	2,391	7	-	30 days
Balamban Enerzone Corp.	20	-	20	1,695	-	-	30 days
Cebu Private Power Corporation	86	-	86	2,934	10	-	30 days
Cotabato Ice Plant, Inc.	(727)	-	(727)	-	-	-	30 days
Cotabato Light and Power Company	444	-	444	3,891	1	-	30 days
Davao Light and Power Co., Inc.	(297)	-	(297)	69,383	16	-	30 days
East Asia Utilities Corp.	399	-	399	2,158	-	-	30 days
Hedcor Bukidnon, Inc.	674	-	674	4,717	12	-	30 days
Hedcor Sabangan, Inc.	85	-	85	645	-	-	30 days
Hedcor Sibulan, Inc.	795	-	795	5,660	-	-	30 days
Hedcor Tudaya, Inc.	79	-	79	586	-	-	30 days
Hedcor, Inc.	2,543	-	2,543	9,896	27	-	30 days
Hijos de F. Escano, Inc.	-	-	-	55	-	-	30 days
Lima Enerzone Corporation	3,179	-	3,179	12,839	-	-	30 days
Luzon Hydro Corporation	387	-	387	2,730	-	-	30 days
Mactan Enerzone Corporation	297	-	297	6,553	-	-	30 days
Manila-Oslo Renewable Enterprise, Inc.	445	-	445	2,844	9	-	30 days
Prism Energy, Inc.	-	-	-	620	-	-	30 days
San Carlos Sun Power, Inc.	211	-	211	1,277	-	-	30 days
SN Aboitiz Power - Benguet	634	-	634	3,242	2	-	30 days
SN Aboitiz Power - Generation	14	-	14	335	-	-	30 days
SN Aboitiz Power - Magat	-	-	-	3,651	2	-	30 days
SN Aboitiz Power - Res, Inc.	-	-	-	5	-	-	30 days
SN Power Philippines, Inc.	-	-	-	513	-	-	30 days
Subic Enerzone Corporation	2,619	-	2,619	19,116	-	-	30 days
Therma Luzon, Inc.	(820)	-	(820)	5,699	38	-	30 days
Therma Marine, Inc.	839	-	839	7,914	23	-	30 days
Therma Mobile, Inc.	297	-	297	3,852	71	-	30 days
Therma Power Visayas, Inc.	4,536	-	4,536	21,826	60		30 days
Therma Power, Inc.	90	-	90	1,071	-	-	30 days
Therma South, Inc.	3,769	-	3,769	22,579	35	-	30 days
Visayan Electric Company	99,759	-	99,759	283,518	16	-	30 days
NON-TRADE							
Cebu Praedia Development Corporation	-	131,458	131,458	-	-	130,000	on demand
Pilmico Foods Corporation	-	295,812	295,812	-	-	290,000	on demand
Adventenergy, Inc.	-	300,000	300,000	-	-	300,000	on demand
Total	P 209,331	P 727,270	P 936,601	P 1,045,853	P 8,413	P 720,000	

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE J- TRADE AND OTHER PAYABLES TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

AS DECEMBER 31, 2017
(Amounts in Thousands)

Related Party	Balances			Volume			Terms
	Trade	Non-trade	Total	Purchases	Rental	Advances	
AEV Aviation, Inc.	P -	P -	P -	P -	P 25,160	P -	on demand
Cebu Praedia Development Corporation	-	555	555	-	7,607	-	on demand
Total	**P -**	**P 555**	**P 555**	**P -**	**P 32,767**	**P -**	

Aboitiz Equity Ventures, Inc.
32nd Street, Bonifacio Global City
Taguig City, Metro Manila

Statement of Reconciliation of Retained Earnings Available for Dividend Declaration
For the year ended December 31, 2017
(Amounts in Philippine Currency and in Thousands)

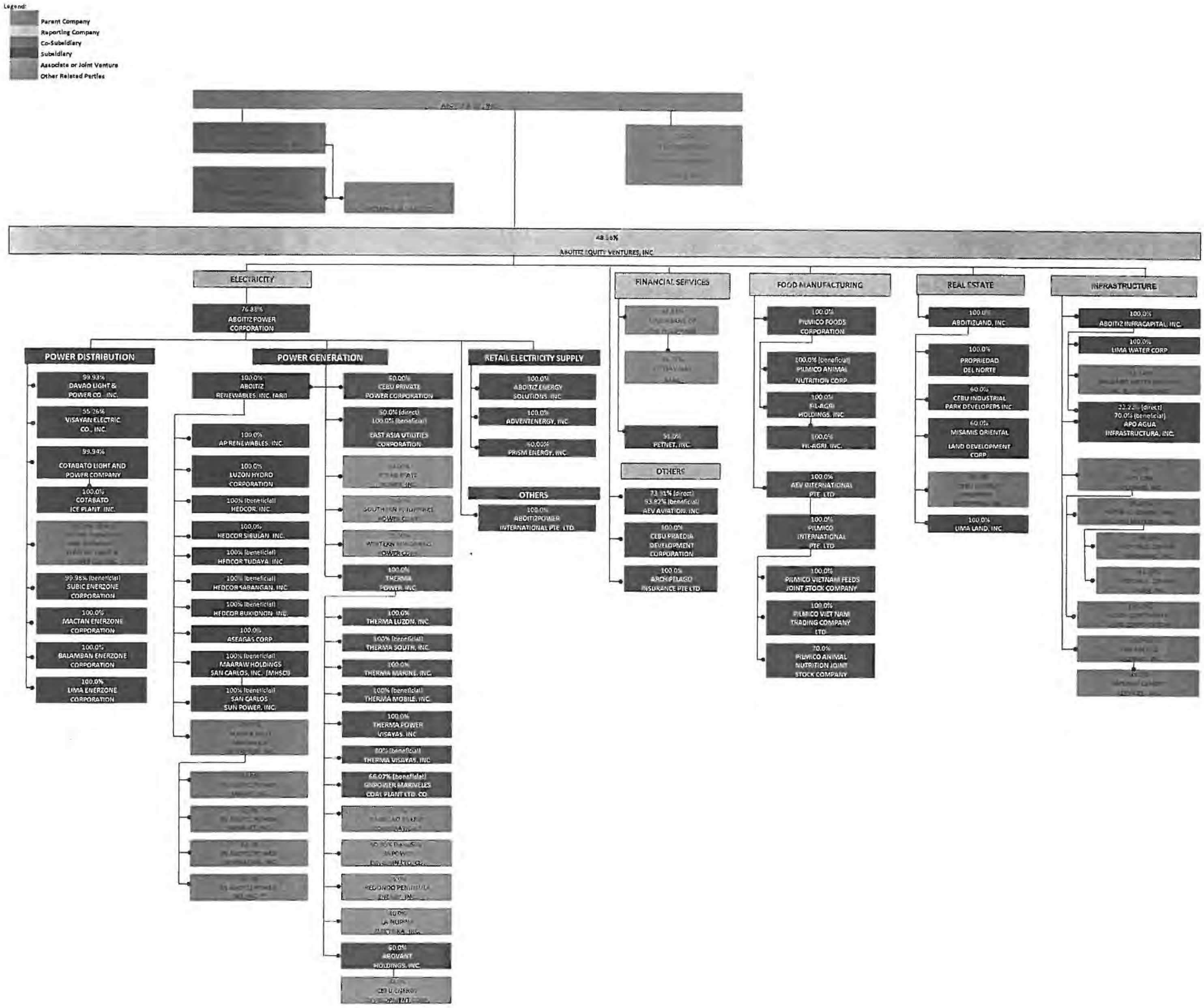
Unappropriated Retained Earnings, beginning	**24,573,776**
Adjustments:	
Less: **Unrealized income, net of tax**	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Add: Effect of changes in accounting for employee benefits (PAS 19)	-
Less: Adjustments directly made to retained earnings:	
Treasury Shares	521,132
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	**24,052,644**
Net Income based on the face of audited financial statements	8,492,206
Less: Unrealized income, net of tax	
Unrealized foreign exchange gains - net (except those attributable to Cash and Cash Equivalents)	-
Net Income Realized	**8,492,206**
Less: Adjustments directly made to retained earnings:	
Cash dividends paid	7,492,944
Appropriations of Retained Earnings during the period	(1,095,000)
Treasury Shares sold	-
Retained Earnings available for Dividend, as of year-end	**26,146,906**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES

SCHEDULE OF RELEVANT FINANCIAL RATIOS

	FORMULA	DEC 2016	DEC 2017
LIQUIDITY RATIOS			
Current ratio	Current assets / Current liabilities	2.51	**1.56**
Acid test ratio	(Cash + Marketable Securities + Accounts Receivable + Other Liquid Assets) / Current liabilities	2.09	**1.25**
SOLVENCY RATIOS			
Debt to equity ratio	Total liabilities / Total equity	1.68	**1.56**
Asset to equity ratio	Total assets / Total equity	2.68	**2.56**
Net debt to equity ratio	Debt - cash & cash equivalents / Total equity	1.11	**1.02**
Gearing ratio	Debt - cash & cash equivalents / Total equity + (Debt - cash & cash equivalents)	52.40%	**50.25%**
Interest coverage ratio	EBIT / Net interest expense	5.05	**3.88**
PROFITABILITY RATIOS			
Operating Margin	Operating Profit / Total revenues	24.8%	**24.3%**
Return on Equity	Net income after tax / Total equity (adjusted for cash dividend)	16.54%	**14.46%**

ABOITIZ EQUITY VENTURES, INC. AND SUBSIDIARIES
CONGLOMERATE MAPPING
As of December 31, 2017



* Joint Operations
** Engages in retail electricity supply business

Aboitiz Equity Ventures, Inc. and Subsidiaries

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Adopted
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Not Applicable
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Not Applicable
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
	Amendments to PFRS 2: Definition of Vesting Condition	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination	Adopted
	Amendments to PFRS 3: Scope Exceptions for Joint Ventures	Adopted
PFRS 4	Insurance Contracts	Adopted
	Amendments to PFRS 4: Financial Guarantee Contracts	Adopted
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Adopted
	Amendment to PFRS 5: Changes in Methods of Disposal	Adopted
PFRS 6	Exploration for and Evaluation of Mineral Resources	Not Applicable
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	See footnote[1]
	Amendments to PFRS 7: Servicing Contracts	Adopted
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	Adopted
PFRS 8	Operating Segments	Adopted
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	Adopted
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not Early Adopted
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not Early Adopted
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote[1]
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote[1]
	PFRS 9, Financial Instruments (2014)	See footnote[1]
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	See footnote[1]
PFRS 10	Consolidated Financial Statements	Adopted
	Amendments to PFRS 10: Transition Guidance	Adopted
	Amendments to PFRS 10: Investment Entities	Adopted
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	Not Applicable

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PFRS 11	Joint Arrangements	Adopted
	Amendments to PFRS 11: Transition Guidance	Adopted
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	Adopted
PFRS 12	Disclosure of Interests in Other Entities	Adopted
	Amendments to PFRS 12: Transition Guidance	Adopted
	Amendments to PFRS 12: Investment Entities	Adopted
	Amendment to PFRS 12, Clarification of the Scope of the Standard	Adopted
PFRS 13	Fair Value Measurement	Adopted
	Amendments to PFRS 13: Short-term Receivables and Payables	Adopted
	Amendments to PFRS 13: Portfolio Exception	Adopted
PFRS 14	Regulatory Deferral Accounts	Not Applicable
PFRS 15	Revenue from Contracts with Customers	See footnote[1]
PFRS 16	Leases	See footnote[1]
Philippine Accounting Standards (PAS)		
PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
	Amendment to PAS 1: Disclosure Initiative	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
	Amendment to PAS 7: Disclosure Initiative	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the Reporting Period	Adopted
PAS 11	Construction Contracts	Adopted
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Adopted
	Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses	Adopted
PAS 16	Property, Plant and Equipment	Adopted
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	Adopted
	Amendments to PAS 16: Bearer Plants	Not Applicable
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19 (Amended)	Employee Benefits	Adopted
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	Adopted
	Amendment to PAS 19: Discount Rate: Regional Market Issue	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Adopted
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
	Amendments to PAS 24: Key Management Personnel Services	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Adopted
PAS 27 (Amended)	Separate Financial Statements	Adopted
	Amendments to PAS 27 (Amended): Investment Entities	Adopted
	Amendments to PAS 27: Equity Method in Separate Financial Statements	Adopted

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	Adopted
	Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception	See footnote[1]
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value	See footnote[1]
	Amendments to PAS 28: Long-term interests in Associates and Joint Ventures	See footnote[1]
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote[1]
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Financial Instruments: Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	Adopted
PAS 36	Impairment of Assets	Adopted
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	Adopted
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	See footnote[1]
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	Adopted
PAS 40	Investment Property	Adopted
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property	Adopted
	Amendments to PAS 40: Investment Property, Transfers of Investment Property	See footnote[1]
PAS 41	Agriculture	Adopted
	Amendments to PAS 41: Bearer Plants	Not Applicable

Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Not Applicable
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	Scope of PFRS 2	Not Applicable

Schedule of Philippine Financial Reporting Standards and Interpretations
Effective as of December 31, 2017

Standards and Interpretations		Remarks
Philippine Financial Reporting Standards (PFRS)		
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	Interim Financial Reporting and Impairment	Adopted
IFRIC 11	Scope of PFRS 2	Not Applicable
IFRIC 12	Service Concession Arrangements	Adopted
IFRIC 13	Customer Loyalty Programmes	Adopted
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Adopted
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Adopted
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Adopted
IFRIC 18	Transfers of Assets from Customers	Adopted
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not Applicable
IFRIC 21	Levies	Adopted
IFRIC 22	Foreign Currency Transactions and Advance Consideration	See footnote[1]
IFRIC 23	Uncertainty over Income Tax Treatments	See footnote[1]

Philippine Interpretations - Standing Interpretations Committee (SIC)

SIC 7	Introduction of the Euro	Not Applicable
SIC 10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC 12	Consolidation - Special Purpose Entities	Adopted
	Amendment to SIC - 12: Scope of SIC 12	Adopted
SIC 13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Adopted
SIC 15	Operating Leases - Incentives	Adopted
SIC 21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	Adopted
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Adopted
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Adopted
SIC 29	Service Concession Arrangements: Disclosures	Adopted
SIC 31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC 32	Intangible Assets - Web Site Costs	Adopted

[1] Effective subsequent to December 31, 2017