COVER SHEET

1 7 5 2 2 2
S.E.C. Registration Number

P.S.E. Control Number

VIVANT CORPORATION

(Company's Full Name)

Suite 907 Ayala Life FGU Center, Cebu Business Park, Cebu City

(Business Address: No. Street City/Town Province)

Contact Persons	Telephone Number of the Contact Person
Atty. Joan Baron	(032) 232-0283, 234-2256 and 234-2285

Fiscal Year (Month)	Fiscal Year (Day)	FORM TYPE	Month	Day
12	31	**SEC FORM 17-A** (AMENDED)	06	02

Secondary license Type, If Applicable

CFD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: **2014**

2. SEC Identification Number **175222** 3. BIR Tax Identification No. 242-603-734-000

4. **VIVANT CORPORATION**
Exact name of issuer as specified in its charter

5. **City of Mandaluyong** (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:

7. **VIVANT CORPORATION**
Suite 907-908 Ayala Life-FGU Center,
Cebu Business Park, Cebu City **6000**
Address of principal office Postal Code

8. **(6332) 234-2256; 234-2285**
Issuer's telephone number, including area code

9. There has been no change since last report.
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	1,023,456,698

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and

141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x]   No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant.

118,101,975 x Php 20.85 = Php 2,462,426,178.75

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1. Business Development

Vivant Corporation (Vivant or the Company) is a publicly listed holding company that, through its subsidiaries and affiliates, has interests in various companies engaged in the electric power generation (renewable and non-renewable energy), electric power distribution, and retail electricity supply business. The Garcia-Escaño family of Cebu (the Family) collectively owns approximately 76% of the outstanding capital stock of Vivant as of December 31, 2014.

Vivant's origins can be traced back to the rich and humble beginnings of Viuda y Hijos de F. Escaño Incorporada, the successor of the enterprise that Don Fernando Escaño founded in 1879, which came to be known as Hijos de F. Escaño Inc. (HDFE). The entry into the power industry dates back to the early 1900s when the Family diversified its business interests (mainly shipping and trade) to include electricity power distribution when it took over the operations of the Visayas Electric Company (VECO). VECO was the power distribution utility serving the electricity requirements of the City of Cebu and its surrounding municipalities.

The Second World War caused significant damage in the facilities of VECO. It was during the close of the war in 1945 that initiatives of VECO, alongside with the US Army, allowed the resumption of its operations to its pre-war levels. Staff levels were beefed up, while investments in new machineries and equipment poured in. Currently, VECO stands as the second largest privately owned electric power distribution utility in the Philippines in terms of annual gigawatt-hour (GWh) sales. As of end-2014, Vivant has an effective equity interest of approximately 35% in VECO (accounting for both direct and indirect shareholdings).

In 2003, the Family acquired 99% of Philstar.com, a company listed in the Philippine Stock Exchange (PSE). Subsequently, the Family's holdings in HDFE and VECO were infused to this company. Philstar.com was afterward renamed Vivant Corporation.

Starting in 2007, Vivant, through its subsidiaries and affiliates, started its foray into the power generation business via equity investments in the following generation companies:

- Cebu Private Power Corporation, owner and operator of a 70 megawatts (MW) diesel-fired power plant located in the island of Cebu;
- Delta P, Inc., owner and operator of a 16 MW diesel-fired power plant in Palawan; and
- Cebu Energy Development Corporation, a project company that owns and operates a 246 MW coal-fired power plant in Toledo City, Cebu.

The Company likewise participated in the government's privatization efforts conducted by the Power Sector Assets and Liabilities Management (PSALM):

- Acquisition of the 0.8 MW Amlan hydroelectric power plant in Negros island in 2009
- Appointment as the Independent Power Producer (IPP) Administrator of the 70 MW Bakun hydroelectric power plant in Alilem, Ilocos Sur in 2009

In 2010, Vivant, through one of its subsidiaries, entered into an agreement with the Provincial Government of La Union (PGLU) for the management and operation of the 225 MW Bauang diesel-fired power plant.

In April 2013, the Company, through one of its associates, broke ground for the construction of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. The plants commenced commercial operations in the last quarter of 2014 and have serviced the power requirements of the local distribution utility via a bilateral agreement.

In November 2013, Vivant, through wholly owned subsidiary Vivant Energy Corporation (VEC), participated in the public bidding process conducted by PSALM for the selection and appointment of the IPP Administrator for the Strips of Energy of the Unified Leyte Geothermal Power Plants (ULGPP) located at Tongonan, Leyte. On January 29, 2014, PSALM has declared and selected VEC as the Winning Bidder for Seventeen (17) Strips of Energy of the ULGPP. This allowed VEC to sell 17 MW of geothermal power from ULGPP beginning January 1, 2015.

In January 2014, Vivant signed an agreement to issue Php 3 billion (bn) in Fixed Rate Corporate Notes (FRCN). The offering was fully subscribed by a consortium of local banks. Proceeds of the issue, which were in two tranches, were earmarked to partly fund the Company's and its subsidiaries' capital projects.

In February 2014, a Memorandum of Understanding was executed by wholly-owned subsidiary Vivant Integrated Generation Corporation (VIGC) and Mindanao Energy Systems, Inc. (Minergy) that involves the possible equity investments by VIGC in Minergy's future power generation projects. Subsequent to this, a Subscription Agreement between VIGC and Minergy Coal Corporation (MCC) was executed, which allowed VIGC to subscribe to 40% of all issued capital and shares of MCC. MCC is the project company that was set up by Minergy to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. The power generation facility is expected to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, by 2017.

On August 27, 2014, a shareholders' agreement between VIGC and Therma Power, Inc. (TPI) was signed. This agreement involves the investment by VIGC in Therma Visayas, Inc. (TVI), the project proponent for the construction and operation of a 300-MW (net) coal-fired power generation facility on a site in Toledo City, Cebu. The agreement involves the entry of VIGC into TVI for a 20% equity stake.

Neither Vivant nor any of its subsidiaries and associates has ever been the subject of any bankruptcy, receivership or similar proceedings.

2. Business of Issuer

Through its equity interests in its subsidiaries and associates, Vivant is in the business of electric power generation, electric power distribution and retail electricity supply in the Philippines, particularly in the islands of Luzon and Visayas (Please see Exhibit "A" for Vivant's Corporate Structure).

(i) Principal Products

POWER GENERATION

As of end-2014, VEC holds all of Vivant's interests in the electric power generation business. To date, the Company has built up a portfolio comprised of both renewable and non-renewable power generation plants with total attributable capacity of 249 MW, up by 9% from year-end 2013's 228 MW. As of December 31, 2014, approximately 67% of Vivant's net income from business segments was accounted for by its power generation business.

The table below summarizes the operating results of the generation companies as of December 31, 2014.

Generation Companies	Energy Sold[1] (in GWh)			Revenue[1] (in Php million)		
	2012	**2013**	**2014**	**2012**	**2013**	**2014**
CPPC	174.9	164.5	140.2	2,099.5	1,801.3	1,703.6
Delta P	64.5	62.4	61.1	812.4	738.0	751.8
CEDC	1,492.3	1,477.4	1,493.8	8,719.0	7,688.0	8,037.1
AHPC[2]	--	0.1	0.9	--	0.4	4.3
NR	37.9	241.2	262.6	198.8	943.3	1,331.0
1590 EC	142.2	175.6	213.6	2,638.6	2,593.0	3,207.7
CIPC	--	0.1	6.8	--	1.0	121.8

Notes:

1. *Figures are at 100%*
2. *AHPC ceased operations in 2012 after plant facilities were damaged by Typhoon Sendong in December 2011. Operation of one unit (out of 2) resumed in November 2013.*
3. *CIPC's Busuanga Power Station and Coron Power Station commenced operations in December 2013 and August 2014, respectively.*

Cebu Private Power Corporation (CPPC)

Incorporated on July 13, 1994, CPPC owns and operates one of the largest diesel power plants in the island of Cebu – the 10 Caterpillar-Mak-powered 70MW Bunker C-fired power plant situated on a 1.8 hectare in the old VECO compound at Bgy. Ermita, Cebu City.

Commissioned in 1998, the CPPC plant was constructed pursuant to a build-operate-transfer (BOT) contract to supply 62 MW of power to VECO.

On April 20, 2007, Vivant acquired from East Asia Utilities Corporation 40% of the outstanding common shares of CPPC. The remaining 60% of the outstanding common shares was acquired by Aboitiz Power Corporation (AP).

In December 2010, CPPC started selling its excess capacity to the Wholesale Electricity Spot Market (WESM).

In July 2013, CPPC and VECO filed an application for a new 10-year Power Supply Agreement (PSA) with the ERC. Upon approval and implementation, the new agreement will redound to a slightly lower electricity rate for VECO.

Delta P, Inc. (DPI)

Established in 1997, DPI is an independent power producer in Palawan operating a 16-MW bunker-fired power plant with four (4) units of 4-MW generator sets. In March 2007, Gigawatt Power Inc. (GPI) acquired the 100% interest of Wärtsilä Technology Oy Ab in DPI. In June 2007, GPI divested and sold a 20% equity stake in DPI to Vivant. Through wholly owned subsidiary VEC, Vivant's equity stake increased to 35% in October 2007 through an additional share acquisition from GPI.

The power plant facility of DPI is located on a 25,981 sq.m. parcel of land leased from the City Government of Puerto Princesa at Kilometer 13, North National Highway, Barangay Santa Lourdes, Puerto Princesa, Palawan. Commercial operations started in May 1997 by virtue of a Lease Agreement with the National Power Corporation (NPC), which was scheduled to expire in April 2009. The power generated by the plant served the electricity requirements of the Palawan Electric Cooperative (PALECO).

On February 6, 2009, DPI and PALECO signed a PSA for DPI to directly supply PALECO'S power requirements for the next 10 years. DPI and PALECO filed a joint petition with the Energy Regulatory Commission (ERC) for the approval of the PSA, which the latter granted on November 9, 2009.

Abovant Holdings, Inc. (Abovant) and Cebu Energy Development Corporation (CEDC)

Abovant was established in 2007 as a joint venture between Vivant and AP. The company's main purpose was to invest in a new power plant to be built in Barangay Daanlungsod, Toledo City, Cebu. Abovant is 40% owned by Vivant (currently through wholly-owned Vivant Integrated Generation Corporation) and 60% owned by AP (currently through 100%-owned Therma Power, Inc.).

Abovant and Global Formosa Holdings, Inc. (Global Formosa), a joint venture between Global Business Power Corporation of the Metrobank Group and Formosa Heavy Industries, Inc., formed CEDC in December 2008 to build, own and operate a $450 million (mn) 3 x 82-MW coal-fired power plant located in Toledo, Cebu utilizing the latest Circulating Fluidized Bed (CFB) technology. Commercial operations commenced in 2011. With Abovant's 44% stake in CEDC (Global Formosa owns the remaining 56%), Vivant's effective interest in CEDC is at 17.6%.

In October 2009, CEDC signed an Energy Power Purchase Agreement (EPPA) with VECO for the supply of 105 MW of electricity for 25 years. The application for approval was filed with the ERC in the same year and was approved in February 2010. To date, CEDC has signed other EPPAs with electric cooperatives and distribution utilities in Cebu and Bohol. The company's EPPAs will provide contracted minimum energy offtake with fuel cost as a pass through.

Amlan Hydroelectric Power Corporation (AHPC)

AHPC is the owner and operator of a 0.8 MW run-of-river hydroelectric power plant in Amlan in the Province of Negros Oriental, approximately 35 kilometers north of the provincial capital, Dumaguete City. Commissioned in 1962, it was the first power plant to be constructed in the Province of Negros Oriental. An agreement with PSALM was entered into for the purchase of the power plant in 2009. Total purchase price amounted to US$ 230,000.

In 2010, AHPC entered into a bilateral contract with Green Core Geothermal, Inc. (Green

Core) that involves the purchase of Green Core of all the net energy output generated by the plant. The bilateral contract is scheduled to expire in December 2015.

In April 2014, AHPC implemented a rehabilitation program, which is expected to improve the plant's generating capacity by 50% to 1.2 MW. Completion is expected by mid-2015.

At present, Vivant has a beneficial ownership of 28.5% in AHPC, through its 60%-owned VICS-Amlan Holdings Corporation that has a 47.5% equity stake in AHPC.

Vivant-Sta. Clara Northern Renewables Generation Corporation (NR)

In 2009, NR submitted the highest offer in the competitive bid conducted by PSALM for the appointment of the IPP Administrator of the contracted capacities of the 70-MW Bakun hydroelectric power plant located in Alilem, Ilocos Sur and the 30-MW Benguet hydroelectric power plants located in Benguet, Cordillera Administrative Region. The offer by NR resulted in a bid price of US$145 mn, as calculated in accordance with the PSALM's bid rules.

Under the IPP Administration Contract, NR will pay a series of monthly payments to PSALM for over a period of 16 years to January 2026 in consideration for the right to trade/market the electricity generated by the plants, either through the WESM or bilateral contracts. After the expiry of said contract, the power stations will be transferred to the company, subject to its acceptance. PSALM exercised the right to divide and segregate the contracted capacities of Bakun and Benguet in the latter part of 2010.

By virtue of the segregation done by PSALM, NR assumed the responsibility of selling only the Bakun plant's contracted capacity. The Bakun plant is located within the 13,213 hectare watershed area of the Bakun river in Ilocos Sur province in Northern Luzon, which taps the flow of the Bakun river to provide the plant with its generating power. The plant was constructed under the government's BOT scheme and is currently owned and being operated by Luzon Hydro Corporation (LHC).

VEC owns 46% of NR through its wholly owned subsidiary, VICS-Bakun Holdings Corporation.

1590 Energy Corporation (1590 EC)

In March 2010, a Memorandum of Agreement (MOA) was entered into between the PGLU, VEC and GPI wherein the parties agreed to enter into a Sale and Purchase Agreement (SPA) giving VEC and GPI exclusive right to purchase the Bauang diesel-fired power plant (Bauang plant) owned by the PGLU until July 25, 2010.

On July 22, 2010, the MOA was amended granting VEC and GPI the right to an interim management and operation of the Bauang diesel-fired power plant and an extension of the SPA for six months or until January 26, 2011. Hence, VEC and GPI incorporated 1590 EC in July 2010 to undertake all the rights, interests and obligations under the Interim Agreement. On September 10, 2010, VEC and GPI with the conformity of PGLU transferred all their rights, interests and obligations under the Interim Agreement to 1590 EC.

In December 2010, 1590 EC formally signified its intent to purchase the diesel power plant, thus, a Contract to Sell (CTS) was executed between 1590 EC and the PGLU, the closing of which was subject to certain conditions.

In May 2012, a Mutual Rescission Agreement (MRA) was entered into by 1590 EC and the PGLU, thus terminating the CTS. Simultaneously, a MOA was executed by both parties giving 1590 EC the right to preserve, maintain and operate, including the right to use and sell the power generated by the Bauang plant for a period of one year. In 2013, 1590 EC and the PGLU entered into an agreement to extend the term of the MOA up to end-2015. Discussions on the extension of the agreement have commenced.

VEC has a 52.7% equity stake in 1590 EC.

Vivant Malogo Hydropower, Inc. (VMHI)

VMHI was incorporated in June 2012 as the project company to implement a greenfield power plant project, which will involve the construction and operation of a series of run-of-river hydropower facility in Barangay Kapitan Ramon in Silay City, which is located in the northwestern section of the Negros island. VMHI will implement the project in phases, where Phase 1 will involve the construction and operation of a 6 MW power plant facility along the Malogo river. The company is in the process of obtaining necessary permits and contract approvals. Once done, construction will commence and is estimated to be completed after 22-24 months.

As of end-2014, VEC holds an equity stake of 67% in VMHI.

Calamian Islands Power Corporation (CIPC)

CIPC was established in October 2010 as the project company to undertake the construction and operation of the 8 MW bunker- and 750 kW diesel-fired power plants in the municipalities of Coron and Busuanga, respectively. In August 2011, CIPC entered into a 15-year Power Sale Agreement with Busuanga Island Electric Cooperative covering the total capacity of the project. CIPC broke ground in April 2013. The Busuanga power station started feeding into the island's grid in the fourth quarter of 2013, while the Coron power station commenced power generation in August 2014.

VEC has an equity stake of 50% in CIPC.

Minergy Coal Corporation (MCC)

MCC is the project company that was set up by Mindanao Energy Systems, Inc. (Minergy) to build, own and operate a 3x55 MW coal-fired power plant in Balingasag, Misamis Oriental. Construction commenced in the first quarter of 2014. The plant is expected to feed into the franchise area of Cagayan de Oro Electric Power and Light Corporation (CEPALCO), which covers the City of Cagayan de Oro and adjoining towns, by 2017.

In May 2014, a Subscription Agreement between Vivant Integrated Generation Corporation (VIGC) and MCC was executed which allows VIGC to subscribe to 40% of all issued capital and shares of MCC.

Therma Visayas, Inc. (TVI)

TVI is the project company that will build, own and operate the 2x150 MW coal-fired power plant in Barangay Bato, Toledo City, Cebu. The project is intended to address the increasing power demand of the Visayas grid. The plant design includes provisions for the addition of a third generating unit. Commercial operation of the first unit is expected to commence by fourth quarter of 2017 with the second unit following three months thereafter.

In May 2014, TVI signed an EPC contract with Hyundai Engineering Co., Ltd. And Galing Power Energy Co., Inc. TVI plans to issue the full Notice to Proceed by March 2015 to ensure guaranteed completion date by the last quarter of 2017.

An agreement was executed in August 2014 between VIGC and Therma Power, Inc. (TPI), which allowed VIGC to acquire a 20% equity stake in TVI. TPI, a wholly owned subsidiary of AP, is the parent company of TVI.

Future Projects

The Company continuously looks for opportunities in the power generation business, whether it be via greenfield, brownfield or acquisition. The Company conducts an extensive evaluation process before any proposed project is undertaken. Several factors are assessed and considered, which include but not limited to, the project's land use requirements, access to the grid, fuel supply availability and arrangements, permits and licenses, competitiveness of the plant and presence of potential offtakers.

Notwithstanding the review and evaluation process undertaken, the Company cannot give the assurance that a project, if implemented, will be successful. There is no assurance that the Company will eventually develop a particular project in the manner planned or at or below the cost estimated by the Company.

Electric Power Distribution

In addition to investments in the power generation sector, the Company has investments, both direct and indirect, in VECO, the second largest privately owned distribution utility in the Philippines in terms of customers and annual GWh sales. As of end-2014, Vivant has a beneficial ownership in VECO of roughly 35%.

Visayan Electric Company (VECO)

VECO, through its predecessor, has been in the distribution business since the early 1900s. It is an electric distribution utility engaged in the conveyance, distribution and sale of electric power pursuant to its legislative franchise, Republic Act No. 9339, and serves the electrical needs of four cities (Cebu, Mandaue, Talisay and Naga), and four municipalities (Consolacion, Liloan, Minglanilla, and San Fernando), all located in the Province of Cebu. Its franchise was granted by the Congress of the Philippines and is due to expire in 2030. VECO's service coverage is about 672 square kilometers serving close to 380,851 customers with a peak demand of 459 MW and electricity sales of 2,528 GWh in 2014.

The table below summarizes the key operating statistics of VECO for 2014 and the past two years.

	Electricity Sold (MWh)	Peak Demand (MW)	# of Customers
2012	2,300,959	412	341,611
2013	2,417,353	433	366,606
2014	2,527,846	459	380,851

VECO is among the distribution utilities included in the third group (Group C) of private utilities to shift to Performance Based Regulation (PBR). The ERC issued its final determination on VECO's application for approval of its annual revenue requirements and performance incentive scheme under the PBR for the regulatory period July 1, 2010 to June 30, 2014.

VECO was scheduled to undergo the PBR reset process in the first quarter of 2014. However, the company was not able to do so given that the ERC has since put on hold all PBR reset processes. As such, VECO continued to apply the rates approved for the last year of the first regulatory period until such time it is able to undergo the ERC-mandated reset process.

Retail Electricity Supply Business

One of the objectives of the EPIRA law is to ensure the competitive supply of electricity at the retail level. With the implementation of the Open Access and Retail Competition (Open Access), large-scale customers will be allowed to source electricity from Retail Electricity Suppliers (RES) licensed by the ERC.

Vivant has prepared its organization for the Open Access with the establishment of two RES companies.

Prism Energy, Inc. (Prism Energy)

Prism Energy was incorporated in March 2009, as a joint venture between Vivant (40%) and AP (60%). The company obtained its five-year RES license in May 2012. Prism Energy is seen to service the requirements of the contestable customers in the Visayas region.

Corenergy, Inc. (Corenergy)

Corenergy is a wholly owned subsidiary of Vivant that applied for a RES license in March 2013. However, ERC issued a resolution that holds in abeyance the evaluation of the RES license applications and suspend the issuance of such licenses until such time that the amendments to the Rules for the issuance has been made by the ERC to promote competition and protect customers interest. ERC shall conduct a market analysis that should be completed not later than June 25, 2015, which will determine the readiness of the market for the full implementation of the Retail Competition and Open Access.

(ii) Sales

The table below sets forth comparative figures for revenue, profitability and assets.

(in Php mn)	2012	2013	2014
Gross Income	3,804.4	3,617.3	4,519.5
Operating Income	1,605.2	1,551.6	2,006.0
Total Assets	7,086.8	8,733.7	12,457.4

The operations of Vivant, its subsidiaries and associates are based only in the Philippines.

Revenue contribution by business grouping is as follows:

	2012*		2013		2014	
	Php mn	%-tot	Php mn	%-tot	Php mn	%-tot
Power Generation	3,264.1	86	2,927.2	81	3,904.3	87
Power Distribution	485.7	13	650.1	18	553.1	12
Others	54.6	1	40.0	1	62.1	1
Total	3,804.4	100	3,617.3	100	4,519.5	100

**Restated due to impact of remeasurement of pension cost (PAS 19R)*

(iii) Distribution Methods of Products and Services

The generation companies sell their electricity either through the spot market or through bilateral power supply agreements with private distribution utilities, cooperatives and other large end-users.

Most of the generation companies have transmission service agreements with the National Grid Corporation of the Philippines (NGCP) for the transmission of electricity to the designated delivery points of their customers. Some have built their own transmission lines to directly connect to their customers.

The distribution company has an exclusive distribution franchise in the area where it operates. The utility has its own distribution network consisting of an extensive network of predominantly overhead lines and substations. An agreement with NGCP was likewise entered into to facilitate the use of NGCP's transmission facilities to receive power from its IPPs, NPC and/or PSALM for distribution to its respective customers.

(iv) New Products and Services

Neither Vivant, nor its subsidiaries and associates, have any publicly-announced new product or service to date, apart from the ongoing Greenfield and/or rehabilitation projects being undertaken.

(v) Competition

Generation Business

Vivant, through the facilities of its power generation subsidiaries and associates located in Luzon and Visayas, faces competition from other power generation plants that supply electricity to the Luzon and Visayas Grids. Given the privatization of NPC-owned power generation facilities, the Company has to contend with local and multinational IPPs for signing power supply agreements and offering power supply through the WESM.

Another source of competition would be the onset of RES operations as a result of the retail competition brought about by the implementation of Open Access. It is expected that both foreign and Filipino-owned generation companies will set up their respective RES business to tap the contestable large end-users. Further competition can be brought about by entities that can establish RES operations by acting as demand aggregators.

Competition in the development of new power generation facilities, the acquisition of existing power plants and financing these undertakings could also be expected. Given the robust performance of the industry in the last couple of years, coupled with the strong showing of the Philippine economy, many investors have been attracted to participate and explore opportunities in the development of electric power generation projects, both in the renewable and non-renewable energy spectrum.

Distribution Business

VECO has an exclusive franchise to distribute electricity in the area covered by its franchise.

Under Philippine law, the franchise of any distribution utility may be renewed by the Congress of the Philippines, provided that requirements relating to the rendering of public services are met. VECO intends to apply for the extension of its franchise upon its expiry. Competition or opposition from third parties may arise while application for the extension of its franchise is underway. However, under the Philippine law, a party wishing to secure a franchise to distribute electricity must first obtain from the ERC a Certificate of Public Convenience and Necessity and shall prove that such party has the technical and financial capability to operate a distribution franchise. Ultimately, it is the Philippine Congress that has absolute discretion in determining whether to issue new franchises or renew existing franchises.

(vi) Sources of Raw Materials and Supplies

Generation Business

The Company's hydroelectric power generation plants harness the kinetic energy from the flow of water on rivers to generate electricity. These hydroelectric companies possess water permits issued by the National Water Resources Board (NWRB), which allow them to utilize a certain volume of water from the applicable source of water flow to generate energy.

In the case of the fossil-fired power generation plants, fuel supply contracts with various suppliers have been entered into. Oil-fired plants have existing medium-term (2-5 years) contracts with local large oil companies and fuel distributors. The coal plant sources its fuel requirements via a combination of long-term supply contracts with various suppliers and the spot market.

Distribution Business

VECO secured bulk of its electricity requirements by entering into bilateral agreements with various IPPs. These agreements are governed by the ERC regulations. Under current rules, VECO is allowed to purchase up to 90% of its total electricity requirements via bilateral contracts.

Below are the power purchase agreements for VECO.

- NPC for the maximum monthly supply of 128,397 kW, which expired in December 2014
- CPPC for 61.72 MW of dispatchable capacity for 10 years (starting November 2013)
- CEDC for the supply of 105 MW for 25 years (starting February 2011), an additional 16 MW starting May 2014
- Green Core for the supply of 60 MW at 100% load factor (5 year term starting December 26, 2010), an additional 15 MW at 100% load factor starting December 2011 and an additional 15 MW at 100% load factor starting January 2013

To replace the supply provided by NPC, VECO entered into Power Supply Agreements with Aboitiz Energy Solutions, Inc. and VEC for 40 MW and 17 MW baseload supply, respectively. Another agreement was forged between VECO and 1590 EC, where the latter will supply 30 MW and cover the peaking requirement of the utility for six months starting December 2014.

To meet the future supply requirement of its franchise area, VECO entered into a 15-year power supply contract with TVI. This should be available to service VECO's long-term capacity requirement starting 2018.

(vii) Major Customers

The bulk of the total attributable electricity generated by Vivant, through its subsidiaries and associates, are sold to private distribution utilities, electric cooperatives, RES and some large industrial users via bilateral agreements. The balance is sold through the spot market. For the year 2014, Vivant had a 75:25 sales mix that was in favor of energy sales covered by sale contracts.

Vivant's distribution business, on the other hand, has a wide and diverse customer base. The distribution utility's customers are categorized as follows:

- **Industrial customers**: consist of large-scale consumers of electricity within a franchise area, such as factories, plantations and shopping malls.

- **Residential customers**: consist of structures utilized for residential purposes

- **Commercial customers**: include service-oriented businesses, universities and hospitals

- **Other customers**: include streetlights

(viii) Transactions With and/or Dependence on Related Parties

Vivant and its subsidiaries and associates, in their regular conduct of business, have entered into related party transactions where Vivant, as parent company, provides two types of professional services: (1) strategic and technical and (2) corporate center services.

Functions covered would include regulatory, sales and marketing, technical operations, business development, corporate finance, corporate management systems, legal and human resources among others. These services are rendered by Vivant to allow efficient transfer of business and technical expertise, thus improving cost efficiencies and synergies. Vivant houses a pool of highly qualified professionals with business expertise relating to the business of the Vivant Group. Service Level Agreements are in place to ensure the quality of service and competitive pricing.

Aside from the abovementioned, below are other services provided to and/or transactions entered into by Vivant with related parties in 2014.

- Vivant obtained a domestic Standby Letter of Credit (SBLC) to serve as guarantee for the debt servicing of an associate company's peso-denominated term loan.

- Vivant issued a corporate guarantee for the benefit of its subsidiary in connection with its hydropower service contract.

- Vivant has an outstanding lease agreement with a certain associate involving rental of its commercial office space.

(ix) Government Approvals, Patents, Copyrights, Franchises

Generation Business

Under the EPIRA, the power generation business is not considered a public utility operation. However, there are standards, requirements and other terms and conditions set by the ERC that each existing and potential generation company should comply with. Once met, the ERC will issue a Certificate of Compliance (COC) that will allow the operation of the power generation facilities. A COC is valid for a period of five years from the date of issuance.

Hydroelectric power generation facilities, on the other hand, are required to obtain water permits from the National Water Regulatory Board. Said permit would indicate the approved water source and allowable volume of water that can be used by these facilities in generating power. The water permits do not have expiry dates and are usually not terminated as long as the holder of the permit is able to meet the terms indicated.

A generation company that operates a facility connected to the Grid must make sure that the technical design and operational criteria of the Philippine Grid Code and Philippine Distribution Code are met.

Power purchase agreements signed with both private distribution utilities and electric cooperatives are required to be evaluated and approved by the ERC.

Vivant and its subsidiaries and associates involved in the generation business have no pending applications for the registration of intellectual property rights for any trademark associated with its and its subsidiaries' and associates' corporate names and logos.

Distribution Business

Electricity distribution is a regulated public utility business under the EPIRA. It requires a franchise that can be granted only by the Congress of the Philippines. A Certificate of Public Convenience and Necessity from the ERC is also needed to operate a public utility.

VECO's franchise is set to expire in 2030.

Given that the cost of purchased power is allowed to be passed on to the end-users, all power purchase agreements signed with power generation companies are required to be evaluated and approved by the ERC.

VECO has no pending application for the registration of intellectual property rights for any trademark associated with its corporate name and logo.

Supply Business

With the implementation of the Open Access, the business of supplying electricity is not considered as a public utility operation under the EPIRA. However, proprietors of this business are required to obtain a license from the ERC in accordance with the ERC's rules and regulations. Vivant has two RES companies:

- Prism Energy, which is 40%-owned by Vivant, was awarded its license in May 2012.

- Corenergy, which is a wholly owned subsidiary, is currently in the process of applying for a license.

(x) Effect of Existing or Probable Governmental Regulations

Given the changing landscape of the power industry brought about by the enactment of the EPIRA law in 2001, the following have had, will have or may have considerable impact on Vivant's businesses:

Wholesale Electricity Spot Market (WESM)

The WESM is a spot market for the buying and selling of electricity. This was established to enable competition to influence the production and consumption of electricity. The mechanism in place allows market forces to determine prices.

The WESM provides another option for power generation companies that have no bilateral contracts on how to sell the energy generated by their power plants. Likewise, the WESM serves as a platform for distribution utilities, suppliers and wholesale consumers to purchase electricity even without a bilateral contract.

In December 2013, an amended Joint Resolution No. 2 was issued by DOE, ERC and PEMC adjusting the WESM Offer Price Cap from Php 62,000 per MWh to Php 32,000 per MWh. This price cap is provisional and shall be subject to public consultations and review by the WESM Tripartite Committee.

In May 2014, ERC issued Resolution No. 8, Series of 2014, to implement an interim secondary price cap of Php 6,245 per MWh, which will be imposed when the rolling average market price over a 72-hour period (3 days) equal to or exceed Php 8,186 per MWh. In December 2014, this was adopted as a permanent pre-emptive mitigating measure where imposition of such will be triggered when the rolling average market price over a 168-hour period (or 7 days) equal to or exceed Php 9,000 per MWh. A petition has been filed by the Philippine Independent Power Producers Association, Inc. with the Regional Trial Court of Pasig for declaratory relief on the ground that the resolutions made by ERC are invalid and void.

Retail Competition and Open Access (RCOA)

Under the EPIRA, a system of open access to transmission and distribution wires will be implemented once conditions for the commencement of such are met. These conditions are as follows:

- Establishment of WESM

- Approval of unbundled transmission and distribution wheeling charges
- Initial implementation of the cross subsidy removal scheme
- Privatization of at least 70% of the total capacity of generating assets owned by NPC in Luzon and Visayas
- Transfer of management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPPAs

Implementation of the Open Access will allow end-users with an average monthly peak demand of one (1) MW for the twelve (12) months preceding to choose their own electricity suppliers.

The implementation of Open Access may result to various contracts entered into by distribution utilities being "stranded." Stranded contract costs refer to the difference between the contracted costs of electricity and the actual selling price of the contracted energy.

In 2012, the ERC, together with the Department of Energy and the Philippine Electricity Market Corporation (PEMC), formulated the Transitory Rules for the initial implementation of Open Access. Said rules were finalized and issued by the ERC in December 2012, where the following were declared: December 26, 2012 as the Open Access Date; (2) the period December 26, 2012 to June 25, 2013 as the Transition Period during which the required systems and processes to implement the Open Access will be developed and put in place and registration of contestable customers and retail electricity suppliers into the WESM database; and (3) June 26, 2013 to December 25, 2013 as the initial commercial operation of Open Access. Full retail competition is supposed to be implemented starting December 26, 2013. PEMC was tasked to be the Central Registration Body, which will undertake the development and management of the systems and processes and the settlement of transactions in the WESM relating to the Open Access.

The Open Access only relates to the Luzon and Visayas markets. Mindanao has yet to establish a competitive environment before Open Access is implemented. To be able to do, same conditions discussed will apply. However, an Interim Mindanao Electricity Market was established in January 2013 to address the supply shortage in Mindanao. It was implemented in December 2013, albeit, was suspended after three months given the lack of systems and processes to support the operations.

In December 2013, the ERC released the amended licensing regulations for RES. Revisions are as follows:

- Deferment of issuances of licenses to generating companies, IPPA and affiliates of distribution utilities will be made during a transition period or until the ERC deems appropriate in light of market conditions
- Evaluation of application shall consider the grid limitations imposed on the total capacity of any affiliate generation company, including the contracted capacity of the RES
- RES' supply to an affiliate end-user/s shall be limited to up to 50% of the RES' capacity
- Supply by a generation company to an affiliate RES shall be limited to up to 50% of the generation requirements of said RES

A petition has been filed by the Retail Electricity Suppliers Association of the Philippines, Inc. with the Regional Trial Court of Pasig City for declaratory relief with an urgent application for an injunction on the ground that the revised rules are unconstitutional and invalid.

The Renewable Energy Act of 2008 (RE Act / RE Law)

The RE Act was signed into law in December 2008 and became effective in January 2009.

The RE Act was designed to promote and develop the use of the country's renewable energy resources with the intention of reducing the country's dependence on fossil fuels and improving the overall condition of the environment.

The RE Act offers fiscal and non-fiscal incentives to RE developers, subject to a certification issued by the DOE, in consultation with the Board of Investments. These incentives include:

- Income tax holiday for the first seven years of commercial operations
- Duty-free importation of RE machinery, equipment and materials effective within ten years upon issuance of certification, provided said machinery, equipment and materials are directly, exclusively and actually used in RE facilities
- Special realty tax rates on equipment and machinery not exceeding 1.5% of the net book value
- Net operating loss carry over (NOLCO)
- Corporate tax rate of 10% after the 7th year
- Accelerated depreciation
- Zero percent value-added tax on sale of fuel or power generated from emerging energy sources and purchases of local supply of goods, properties and services of RE facilities
- Cash incentives for RE developers for missionary electrification
- Tax exemption on carbon emission credits
- Tax credit on domestic capital requirement and services

All fiscal incentives apply to all RE capacities upon effectivity of the RE Law.

Electricity generated from intermittent RE resources such as wind, solar, ocean, run-of-river hydropower and biomass are considered as 'must dispatch' based on available energy and shall be given priority dispatch.

In a resolution issued in 2012, the ERC adopted the following feed-in-tariff (FIT) for emerging RE resources, namely, wind, solar, run-of-river hydropower and biomass, and corresponding degression rates.

	FIT Rate (Php/kWh)	Degression Rate
Wind	8.53	0.5% after 2nd year of FIT effectivity
Solar	9.68	6% after 1st year of FIT effectivity
Run-of-river hydro	5.90	0.5% after 2nd year of FIT effectivity
Biomass	6.63	0.5% after 2nd year of FIT effectivity

The National Renewable Energy Board is in the process of preparing the Renewable Portfolio Standards, which shall provide electricity suppliers the implementing rules and guidelines on the portion of their electricity requirements to be sourced from eligible RE resources.

The net metering program for RE was issued by the ERC in 2013, which is designed to, among others, encourage end-users to participate in the RE generation. The distribution utilities are required to enter into a net metering agreement with an end-user with installed RE system, subject to technical considerations.

The guidelines for the collection of the FIT-Allowance (FIT-All) and the disbursement of the FIT-All Fund by Transco were issued by the ERC in early 2014. The FIT-All is a uniform charge that will be collected from end-users by distribution utilities and RES entities. This will comprise the FIT-All Fund, whereby Transco serves as Administrator. The FIT-All Fund is for the guaranteed payment of the FIT for actual energy delivered by RE generators. In an order dated October 10, 2014 ERC Case No. 2014-109RC, the commission issued a provisional approval for the applied FIT-All of Php 0.0406 per kWh filed by Transco. Collection from end-users shall commence starting January 2015.

Reduction in Systems Loss

The ERC issued Resolution No. 17, Series of 2008, which involves the reduction in the allowed recoverable systems losses of distribution utilities from 9.5% to 8.5%. This was implemented in January 2010.

Under the new regulations, the actual electricity usage of the distribution company will be treated as an O&M expense in its PBR applications.

(xi) Estimate of Amount Spent for Research and Developmental Activities

Vivant has not allocated any specific amount of funds for research and developmental activities. Research and development activities are done on a per project basis and allocation of funds may vary depending on the nature of the project.

(xii) Costs and Effect of Compliance with Environmental Laws

Vivant's generation and distribution business units are subject to extensive and stringent safety, health and environmental laws and regulations. The Company's subsidiaries and associates have incurred, and expect to incur, operating costs to comply with these laws and regulations. Annual capital expenditures relating to the compliance with safety, health and environmental laws and regulations are expected to be made by Vivant's subsidiaries and associates.

(xiii) Employees

At the parent company level, Vivant has a total of 47 employees as of December 31, 2014, composed of executive, supervisory and rank-and-file staff. The table below provides a breakdown of the total employee headcount.

	Headcount
Executive	9
Supervisors	13
Rank & File	25
Total	**47**

The Company has no existing collective bargaining agreement with its employees.

<u>(xiv) Major Risks Involved in the Business</u>

Below is a brief discussion on the risks that Vivant, through its subsidiaries and associates, might encounter in the businesses in which it is involved. Certain risks, however, are inherent to the nature of the business that are beyond Vivant's or its subsidiary's or associate's control.

Competition Risk

The competition landscape in the power generation business has continually evolved since the government started its privatization efforts under the EPIRA law.

- Over 70% of NPC's generation assets and IPP contracts have been transferred to the private sector.
- The spot market in the Luzon and Visayas Grids are operational, with Mindanao to follow suit in the coming years.
- Investments in Greenfield and Brownfield projects are starting to pour in
- Implementation of the Open Access and Retail Competition

All these have or will have an impact on the availability of and access to power (reliability of plants seen improving, new capacities and new suppliers coming in), which may ultimately influence pricing of electricity.

Regulatory Risk

The continuing scrutiny of both the regulators and the public has led to the growing challenges faced by the power industry. In its effort to manage any potential fundamental changes in the business environment, Vivant has established good working relations with the regulatory agencies. The Company actively participates in the formulation of new rules and policies covering the power industry. In anticipation of possible changes in the regulatory environment, the Company incorporates these in the formulation of its long-term strategy for its businesses.

Trading Risk

Spot market price of electricity is determined by several market forces, which are mostly beyond the control of the Company. Unforeseen plant outages, transmission constraints, and fuel cost increases are among the factors that affect the supply condition in the power industry. Weather conditions and economic activities influence the demand patterns in the electricity market. All these have caused and are expected to cause fluctuations in the spot market price of electricity. Vivant intends to mitigate this risk by maintaining a good balance of contracted and spot capacities for its generation portfolio.

Fuel Supply Risk

Vivant's fossil-fired generation plants have entered into fuel supply contracts to ensure supply. Pricing, however, is subject to market conditions affecting both demand and supply.

Delta P, CPPC, 1590 EC and CIPC have entered into medium term (2-5 years) contracts with large oil companies and fuel distributors in the Philippines. CEDC, in the meantime, has long-term contracts with various coal suppliers.

Delta P, CPPC, CIPC and CEDC have entered into bilateral contracts that employ a tariff formula allowing recovery of fuel cost. 1590 EC has likewise signed short-term power supply agreements with a fuel cost recovery mechanism in place.

Financial Risk

In the course of normal operations, Vivant, together with its subsidiaries and associates, is exposed to financial risks, including, but not limited to, interest rates that may have an impact on outstanding liabilities, counterparty credit risk, valuation of securities and investments, trade and other receivables, liquidity risk in terms of cash management and foreign exchange risk that may have an impact on outstanding foreign currency denominated placements and liabilities.

Business Interruption Risk

Interruption of normal operations brought about by natural calamities, major equipment failures, plant accidents and terrorism are just a few of the serious risks faced by the Company, through its subsidiaries and associates.

For risks that can be mitigated by the Company, particularly those that are plant operations-related, Vivant, through its subsidiaries and associates, implements a regular preventive maintenance program in all of its facilities. The Company, in relation to its risk management process, has procured business interruption insurance to cover the potential loss in gross profits in the event of a major damage to any of the facilities and assets it owns or operates.

Project Risk

Vivant, through its subsidiaries and associates, has projects in the pipeline, involving Greenfield and Brownfield power plant development projects. Inherent to these projects are risks involving the completion of these projects according to specifications, budget and set timelines.

To ensure the successful implementation of these projects, Vivant, through its subsidiaries and associates, is partnering with well-known contractors and suppliers with good track record in the industry. Project monitoring activities are likewise employed to assure adherence to standards, budget and set timelines.

Item 2. Properties

Vivant's head office is located at the 9th Floor of Ayala Life-FGU Center, Cebu Business Park, Cebu City.

On a consolidated basis, the Company's 2014 total Property, Plant and Equipment were valued at Php 760.8 mn as compared to Php 62.6 mn for 2013. The breakdown is as follows:

Property, Plant and Equipment as of December 31, 2014 and 2013

	2013 (Php mn)	2014 (Php mn)
Condominium Units, Building, and Improvements	16.8	16.6
Plant Machineries & Equipment	0.6	14.0
Leasehold & Land Improvements	15.7	16.1
Other Furniture, Fixtures, & Equipment	9.0	11.0
Transportation Equipment	18.6	17.5
Tools & Other Assets	0.3	0.2
Construction in Progress*	1.7	685.4
TOTAL	**62.6**	**760.8**

**Lumped with Tools and Other Assets in the 2013 report*

Item 3. Legal Proceedings

Material Pending Legal Proceedings

I. VECO

VECO vs. Roy Salubre and the Province of Cebu, et al.
S.C.-G.R. No. 210517

The Province of Cebu assessed VECO for delinquent real property tax for its electric posts and transformers within the Municipality of Consolacion. A Notice of Sale of Delinquent Property over the electric posts and transformers was subsequently issued by the Province.

To prevent the auction of the electric posts and transformers pursuant to the Notice of Sale of Delinquent Property, VECO filed a case for Injunction and Prohibition against the Province of Cebu on the ground that electric posts and transformers are not real properties and, therefore, not subject to real property tax. On July 27, 2010, the lower court decided in favor of VECO and issued a Writ of Prohibition and Injunction against the Province of Cebu.

The Province appealed to the CA which was dismissed on November 18, 2013. On January 16, 2014, the Province filed a Petition for Review on Certiorari with the SC. On February 24, 2014, the Supreme Court denied the Petition. The Supreme Court decision became final and executory on August 20, 2014.

In The Matter of the Assessed Real Property Tax on Electric Posts
And Transformers Located Within Talisay City
Local Board of Assessment Appeals-Talisay City
December 30, 2003

On October 29, 2003, the Local Board of Assessment Appeals (LBAA) of Talisay City, Cebu issued a Notice of Assessment and Tax Bill (for Tax Declaration Nos. 68006 to 68065) against VECO representing Php 10.5 mn of real property tax on VECO's electrical posts and transformers within Talisay City. In 2004, the assessment was increased to Php 16.9 mn, and Php 17.5 mn in 2005. In 2003, VECO paid under protest the amount of Php 2 mn. This matter is currently pending before the LBAA of Talisay City.

In the Matter of The Assessed Real Property Tax on Electric Posts and Transformers Located Within the Municipalities of Minglanilla, Consolacion, and Lilo-an, Province of Cebu
Local Board of Assessment Appeals – Province of Cebu

On July 25, 2008, the Provincial Assessor of the Province of Cebu issued a Notice of Assessment for the electric posts and transformers owned by VECO located in the Municipalities of Minglanilla, Consolacion, and Lilo-an. The Provincial Assessor, motu proprio, declared for tax purposes as real properties the electric posts and transformers for the first time under Tax Declaration Nos. 39178 to 39193 (for Minglanilla), 39135 to 39166 (for Consolacion) and 54445 to 54458 (for Lilo-an). VECO received a letter from the Provincial Treasurer on August 27, 2008, which demanded payment of about Php 32 mn as real property tax from 1992 to 2008, including penalties, for the supposed real properties within Minglanilla, Consolacion, and Lilo-an.

On September 23, 2008, VECO filed a Notice of Appeal and Memorandum of Appeal before the LBAA of the Province of Cebu questioning the demand letter and refuting the assessment. The LBAA did not act on the Appeal. Thus, so as not to preclude any waiver of the inaction by the LBAA of the Province of Cebu on the Appeal for several years, on December 16, 2014, VECO elevated the appeal and filed its Notice of Appeal and Memorandum of Appeal with the Central Board of Assessment Appeals (CBAA), Visayas Field Office, Cebu City. The Appeal is still pending resolution.

II. 1590 EC

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including 1590 Energy Corp., its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

ERC Case No. 2014-021 MC
In The Matter of the Prices in the Wholesale Electricity Spot Market (WESM)
For the Supply Months of November and December 2013 and the Exercise
By the Commission of its Regulatory Powers to Intervene and
Direct the Imposition of Regulated Prices Therein

On March 6, 2014, acting *motu proprio* (at its own instance), the ERC rendered an Order voiding the Wholesale Electricity Spot Market (WESM) prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013.

1590 EC filed its Motion for Reconsideration to the Order on March 28, 2014. In an Order dated October 15, 2014, the ERC denied the Motion for Reconsideration.

C.A. G.R. No. 138105
Petition for Review With Application for Injunction and
Temporary Restraining Order
1590 Energy Corporation vs. Energy Regulatory Commission
And Philippine Electricity Market Corporation

As a result of the denial of the Motion for Reconsideration by the ERC in ERC Case No. 2014-021 MC, on December 10, 2014, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2014 WESM market prices. The Petition is still pending.

ERC Case No. 2014-001 MC
In the Matter of The Investigations On The Allegations of
Anti-Competitive Behavior and Possible Abuse of Market Power
Committed By Some Participants In The Wholesale Electricity
Spot Market (WESM)

The ERC, acting motu proprio, issued a subpoena duces tecum and ad testificandum dated February 12, 2014, against 1590 EC for its representative to appear before an investigating body of the ERC and submit documents relating to its offers to the WESM. This investigation was in relation to the surge in WESM market prices that is the subject of SC G.R. No. 210245, SC G.R. No. 201255, and SC G.R. No. 210502. 1590 EC complied with the subpoena and appeared before the investigating body. 1590 EC is awaiting for a resolution/decision/order from the ERC.

III. NR

SC G.R. No. 210245
Bayan Muna Representatives NERIC JAVIER COLMENARES, et al., vs. Energy Regulatory Commission, et al.

SC G.R. No. 201255
National Association of Electricity Consumers for Reforms, et al. vs. Manila Electric Company, et al.

SC G.R. No. 210502
Manila Electric Company vs. Philippine Electricity Market Corporation, et al.

On December 19 and 20, 2013, two (2) separate Petitions were filed by Bayan Muna Representatives and National Association of Electricity Consumers for Reforms (NASECORE) against the Energy Regulatory Commission and Manila Electric Company (MERALCO), et al. to enjoin MERALCO from implementing its power rate increase that was approved by the Energy Regulatory Commission (ERC) and to hold certain provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), as unconstitutional. As a result of the Petitions, the Supreme Court en banc ordered several generation companies to be included as additional parties-respondents to the cases, including NR, its power rate increases approved by the ERC. Oral Arguments were conducted and the relevant legal pleadings were submitted to the Supreme Court. The Petitions are pending resolutions by the Supreme Court.

ERC Case No. 2014-001 MC
In the Matter of The Investigations On The Allegations of Anti-Competitive Behavior and Possible Abuse of Market Power Committed By Some Participants In The Wholesale Electricity Spot Market (WESM)

The ERC, acting motu proprio, issued a subpoena duces tecum and ad testifacandum dated February 12, 2014, against 1590 EC for its representative to appear before an investigating body of the ERC and submit documents relating to its offers to the WESM. This investigation was in relation to the surge in WESM market prices that is the subject of SC G.R. No. 210245, SC G.R. No. 201255, and SC G.R. No. 210502. 1590 EC complied with the subpoena and appeared before the investigating body. 1590 EC awaits a resolution/decision/order from the ERC.

Item 4. Submission of Matters to A Vote of Security Holders

During the June 27, 2014 Annual Meeting of Stockholders, the following actions were taken:

(1) Approval and adoption of the minutes of the June 15, 2013 Annual Stockholders' Meeting;
(2) Delivery of the Annual Report of the Officers;
(3) Approval of the 2013 Annual Report and Financial Statements
(4) Delegation of authority to appoint External Auditors for 2014 to the Board of Directors
(5) Ratification of all acts and resolutions of the Board of Directors and Management adopted for Fiscal Year 2013

(6) Election of the following members of the Board of Directors and Independent Directors for the year 2014 - 2015:

MR. DENNIS A. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. ELBERT M. ZOSA
MR. GIL A. GARCIA II
MR. CHARLES SYLVESTRE A. GARCIA
MR. RAMONTITO E. GARCIA
MR. EFREN P. SARMIENTO
MR. JOSE MARKO G. SARMIENTO
MR. JOHANNES RUDOLF HAURI
AMB. RAUL CH. RABE (Independent Director)
ATTY. JESUS B. GARCIA, JR. (Independent Director)

Other than the foregoing, no matter was submitted to a vote of security holders.

The results of the foregoing meeting were timely disclosed to the PSE and SEC in SEC Form 17-C report.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. Market Information

The Company's common shares are listed and traded at the Philippine Stock Exchange. The high and low stock prices of Vivant's common shares for each quarter of 2013 and 2014 were as follows:

	2013		2014	
	High	Low	High	Low
First Quarter	9.90	8.35	12.00	10.00
Second Quarter	11.40	9.05	15.20	10.10
Third Quarter	12.00	8.90	22.00	10.02
Fourth Quarter	11.04	9.04	22.00	17.52

As of end-March 2015, the common shares outstanding were 1,023,456,698 shares. The closing price of Vivant's common shares as of same period is Php 20.85 per share.

2. Security Holders

As of March 31, 2015, Vivant has 1,456 stockholders of record, including PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Foreign). The top 20 shareholders with the number of shares respectively held and the percentage of total shares outstanding held by each are as follows:

	NAME	NO. OF SHARES	%
1	Mai-I Resources Corporation	464,831,568	45.42
2	JEG Development Corporation	311,524,642	30.44
3	Mirant Global Corporation	116,555,553	11.39
4	PCD Nominee Corporation (Filipino)	68,895,600	6.59
5	Popsivan Holdings Corporation	31,498,212	3.07
6	Malacapas Holdings, Inc.	27,677,848	2.70
7	Arce, Eulalio	343,750	0.13
8	Vibal, Esther A.	79,250	0.03
9	Vibal, Esther &/Or Stella Lawson &/Or Aida Gutierrez	62,500	0.01
10	Cruz, Alfredo A.	34,062	0.01
11	Lavin, Marietta	27,750	0.00
12	EBC Securities Corporation	20,625	0.00
13	Consortium Industries, Inc.	20,500	0.00
14	Lopez, Rose Marie R.	19,687	0.00
15	PCD Nominee Corporation (Non-Fil)	17,175	0.00
16	Marino Olondriz Y Cia	16,000	0.00
17	Sevilla, Rodulfo	15,625	0.00
18	Rivera, Rosario Paje	15,625	0.00
19	Te, Anita &/or Te, Oscar	15,000	0.00
20	Borres, Jun	15,000	0.00
	TOTAL NO. OF SHARES	**1,021,656,673**	

3. Dividends

The Company's By-laws allow dividends to be declared and paid out of unrestricted retained earnings, which may be payable in cash, property or stock to all stockholders on the basis of the outstanding stock held by the stockholder, as often and at such times as the Company's Board of Directors may determine and in accordance with the requirements of the Corporation Code and applicable laws.

The cash dividends declared by Vivant to its common shareholders from 2013 to 2014 are shown in the table below.

Year	Cash Dividend Per Share		Total Declared		Record Date
	Regular	Special	Regular	Special	
2014	Php 0.1714	Php 0.0489	Php 175.4 mn	Php 50.0 mn	July 9, 2014
2013	Php 0.1558	Php 0.0489	Php 159.5 mn	Php 50.0 mn	July 4, 2013

4. Recent Sales of Unregistered Securities

There was no recent sale of securities within the past three (3) years, which were not registered under the Securities Regulation Code.

Item 6: Management's Discussion and Analysis or Plan of Operation

1. Plan of Operation

For the next twelve (12) months, the Company will continue to oversee its investments in the investee companies.

As a holding company, it shall satisfy its cash requirements through (1) dividends declared and paid by its investee companies and (2) management fees paid by investee companies with management contracts as compensation for ancillary services provided.

Vivant, through its Business Development Group, is continuously on the lookout for opportunities in the power industry, particularly in the power generation business. The Company has several projects that are in various stages of development.

2. Management's Discussion and Analysis

Management uses the following key performance indicators for the Company and its investee companies:

(i) Equity in Net Earnings (or Loss) of Associates. Equity in net earnings or (loss) of associates is the Company's share in the income or loss of associates, or investee companies accounted for under the equity method. It indicates the profitability of the associates and measures their contribution to the profitability of the parent.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA). EBITDA is calculated by taking operating income and adding back to it interest, depreciation, and amortization expenses. Since EBITDA eliminates the effects of financing and accounting decisions, it can provide a relatively good comparison of the performance of the Company with other players in the industry. It also provides a good measure of the Company's ability to generate cash from operations to cover financial charges and income taxes.

iii) Cash Flow Generated. Cash flow generated indicates the ability of the Company to generate enough cash for operating, investing, and financing activities.

(iv) Debt-to-Equity Ratio (DER). DER gives an indication of the Company's leverage position and is computed by dividing total liabilities with total stockholders' equity.

(v) Current Ratio. Current ratio is computed by dividing current assets with current liabilities. This indicates the liquidity of the Company in the short term and measures the peso amount of current asset available to cover a peso amount of current liability.

The table below shows the comparative figures of the key performance indicators for the year 2014 and 2013.

Key Performance Indicators *Amounts in Php '000, except for ratios*	**2014**	**2013**
Equity in Net Earnings of Associates	1,110,762	817,168
EBITDA	2,027,600	1,565,008
Cash Flow Generated	1,797,447	1,254,242
Net cash flows from operating activities	832,480	1,341,358
Net cash flows from (used in) investing activities	(1,291,869)	1,095,667
Net cash flows from (used in) financing activities	2,256,835	(1,182,782)
Debt-to-Equity Ratio (x)	0.56	0.25
Current Ratio (x)	3.80	2.51

The Company's share in net earnings of associates for the year 2014 soared to Php 1.1 bn, representing a 36% year-on-year (YoY) increase from Php 817.2 mn. The equity earnings in 2014 was propped up by the combined effect of enhanced energy demand and improved average selling prices.

The mandated compliance with the International Accounting Standards (IAS) 28[1] required the non-booking of the Company's share in the net losses of an associate and a joint venture, resulting in the non-recognition of Php 58.0 mn in net loss during the period in review. At end-2013, the Company should have booked Php 400.9 mn as its share in net losses of an associate and joint venture. Due to IAS 28, only Php 188.1 mn of said amount was recognized in 2013.

The improvement of a subsidiary's bottomline performance and the growth in the equity earnings of its associates mainly accounted for the 30% YoY increase in the Company's EBITDA, from Php 1.6 bn in 2013 to Php 2.0 bn in 2014.

The Company generated cash flows of Php 1.8 bn in 2014, up by 43% YoY. This can be attributed mainly to the proceeds from the issuance of the Fixed Rate Corporate Notes (FRCN) in 2014, with a total principal amount of Php 3.0 bn.

Debt-to-Equity ratio went up from 0.25x in 2013 to 0.56x in 2014. This developed mainly as a result of the Company's FRCN issuance to fund its projects.

The increase in cash and cash equivalents, coupled with a decline in some of the Company's current liabilities, accounted for the improvement in its current ratio, to 3.80x as of end-2014 from 2.51x as of end-2013.

Material Changes in Line Items of Registrant's Income Statement

At the end of 2014, the Company had a consolidated revenue of Php 4.5 bn, which was a 25% YoY improvement from the previous year's consolidated revenue of Php 3.6 bn. The topline performance was due to the following:

[1] IAS 28 *Losses in Excess of Investments.* If an investor's or joint venturer's share of losses of an associate or joint venture equals or exceeds its interest in the associate or joint venture, the investor or joint venturer discontinues recognising its share of further losses. If the associate or joint venture subsequently reports profits, the investor or joint venturer resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

1. Energy sales, which comprise the bulk of revenues at Php 3.2 bn (or 71% of total), rose by 24% YoY. This enhanced revenue performance was due to a subsidiary's higher energy sales and the improvement in the weighted average selling price of power sold. Through bilateral power supply contracts, the Company's subsidiary recorded a 22% YoY expansion in kWh sales during the year in review.

2. Equity in net earnings of associates and joint ventures rose by 36% YoY to Php 1.1 bn from Php 817.2 mn. The improved bottomline performances of some of its associates were a result of enhanced topline brought about by recorded expansion in energy sales and improved average selling prices.

   The application of IAS 28 resulted in the non-recognition of Php 58.0 mn, which is the Company's share in the net losses of an associate and a joint venture during the period in review. Adjusting for this, the Company's equity in net earnings of associates and joint ventures would be reduced to Php 1.05 bn, still up by 29% YoY. For the same period last year, the Company recognized its share in the losses from the associate and joint venture, amounting to Php 188.1 mn, while losses of Php 212.8 mn were not recognized in compliance with IAS 28 guidelines.

3. Management fees in 2014 declined by 17% YoY to Php 138.9 mn from Php 167.1 mn. There were downward rate adjustments in the negotiated contract rates for 2014.

4. Interest income was significantly higher by 51% YoY at Php 50.7 mn. This was on account of higher money market placements due to the cash build up brought about by the FRCN proceeds.

5. Other income grew by 77% YoY to Php 11.4 mn from Php 6.4 mn. This increase was mainly due to the improved performance of a subsidiary engaged in information technology services.

Consolidated operating expenses for the year 2014 rose by 22% YoY from Php 2.1 bn to Php 2.5 bn. The increase was primarily due to the 27% YoY rise in Generation Cost incurred by the Company's subsidiary (from Php 1.6 bn in 2013 to Php 2.1 bn in 2014), which was fueled by higher energy generation and purchased power during the period in review. The Company's operating expenses on the other hand went up by 3% YoY to Php 445.8 mn on account of the following:

1. Salaries and employee benefits grew 13% YoY from Php 74.4 mn to Php 83.8 mn resulting from additional manpower headcount and the upward adjustment in salaries and benefits.

2. Management fees were up 290% YoY, from Php 15.8 mn to Php 61.6 mn. The increase came from a subsidiary's payment of higher management fee rates for services received during the period in review.

3. Travel expenses rose by 20% YoY from Php 14.5 mn to Php 17.3 mn. The rise can be attributed to the increased frequency of business- and project-related trips, power plant inspections, technical trainings, and meetings with partners and government agencies.

4. Depreciation and amortization for the year grew by 31% YoY from Php 13.3 mn to Php 17.4 mn. This resulted from the acquisition of additional depreciable assets relating to the purchase of power plant equipment, the expansion of the Company's office space, and the purchase of vehicles.

5. Communication and utilities expense for the year 2014 increased by 34% YoY from Php 3.4 mn to Php 4.6 mn, which was a factor of the increase in the Company's manpower headcount and the installation of additional communication facilities to enhance communication between offices.

6. There was a 10% YoY decline in rent and association dues from Php 6.0 mn to Php 5.4 mn. In 2013, the Company had to extend the lease of an office space due to the delay in the completion of the improvement works being done in its replacement unit.

7. Representation expenses went down by 13% YoY from Php 3.7 mn to Php 3.3 mn on account of the lower cost of representation items during the year in review.

8. Professional fees declined by 29% YoY, from Php 237.4 mn to approximately Php 169.0 mn, on account of lower consultancy fees incurred.

9. Taxes and licenses dropped by 9% YoY from Php 28.6 mn to Php 25.9 mn. This was in view of a one-off tax payment in 2013 pertaining to the Company's gain on the redemption of redeemable preferred shares of an associate.

10. In view of the uncertainty of receivables collection relating to energy sales, a provision in the amount of Php 34.1 mn was booked by the Company's subsidiary as of end-2014.

11. An impairment loss of Php 5.0 mn was taken up at end-2013 relating to the fair valuation of a subsidiary's investment. There was no such impairment at end-2014.

12. Other operating expenses were lower by 22% from Php 29.3 mn to Php 22.9 mn. The costs incurred in the prior year were related to the compliance with the minimum public offering and developmental fees related to various project studies.

Vivant booked Php 83.7 mn in other charges in 2014, a 733% surge from previous year's other charges of Php 25.7 mn. This was an outcome of the following account movements:

1. Interest charges incurred in 2014 amounted to Php 140.5 mn, bringing up interest expense by 717% YoY. The hike was mainly due to the issuance of the FRCN, with the first tranche amounting to Php 1.0 bn being issued on February 3, 2014 at an interest rate of 5.7271% p.a., and the second tranche worth Php 2.0 bn being issued on March 31, 2014 at an interest rate of 5.4450% p.a.

2. Unrealized foreign exchange gain was up 45% YoY at Php 4.3 mn. The restatement of the US Dollar and Euro cash balances of the Company and a subsidiary accounted for this movement.

3. Other Income for the year amounted to Php 52.5 mn, which was mainly due to the reversal of an unclaimed liability booked by the Company's subsidiary that was taken up during its takeover of plant operations in 2010. This compares to an expense of Php 21.6 mn incurred by the Company in the previous year.

The combined effect of the above account movements resulted to a 49% YoY growth in Vivant's net income to Php 1.7 bn. Consequently, net income attributable to equity holders of the parent advanced by 34% YoY to Php1.3 bn.

Total comprehensive income, on the other hand, dropped by 20% YoY, from Php 2.2 bn to Php 1.7 bn. The total comprehensive income attributable to equity holders of the parent was at Php 1.4 bn, down by 26% YoY. The items below account for the movements:

1. In compliance with Philippine Accounting Standards (PAS) 19R, which requires the remeasurement of pension assets, Vivant booked an other comprehensive loss of Php 2.8 mn in 2014 and Php 8.7 mn in 2013.

2. In 2014, the Company booked Php 40.6 mn as other comprehensive income (net of tax), which represents its share in the revaluation increment of an associate. This amount is significantly lower than the Php 884.6 mn revaluation increment (net of tax) of another associate recognized in 2013.

Changes in Registrant's Resources, Liabilities, and Shareholders' Equity

The Company's consolidated total assets expanded by 43% to Php 12.5 bn in 2014 from Php 8.7 bn in 2013. The significant movements in the assets of the Company are discussed below.

1. Cash and cash equivalents as of end-2014 increased by 59% YoY to Php 4.9 bn, mainly due to the cash build up resulting from the FRCN proceeds.

2. Receivables was lower by 81% YoY at Php 138.5 mn. The decline resulted from the collection of a subsidiary's trade accounts during the year.

3. Advances to associates and stockholders dipped by 65% from Php 115.5 mn as of end-2013 to Php 40.9 mn as of end-2014. The drop was due to the reclassification of capital calls paid to a joint venture as investments and advances to associates and joint ventures account.

4. Inventories went up by 8% YoY to Php 106.8 mn. The upswing was due to the rise in fuel prices and the purchase of spare parts by a subsidiary for its power plant.

5. Prepayments and other current assets grew by 46%, from Php 294.8 mn as of end-2013 to Php 429.6 mn as of end-2014. This was mainly due to the booking by the Company's subsidiary of higher advances to supplier during the year in review.

6. Investments and advances to subsidiaries and associates grew by 44% to Php 5.8 bn as of end-2014 from approximately Php 4.0 bn as of end-2013. The growth is substantially attributed to a subsidiary's investment in power generation companies involved in the construction of coal-fired power generation facilities in Visayas and Mindanao.

7. Property, plant and equipment went up by 1,114% YoY to Php 760.8 mn. The increase is a factor of a subsidiary's acquisition of power plant equipment, the expansion of the Company's office space, and the acquisition of vehicles.

8. The 12% YoY increase in available-for-sale investments to Php 4.3 mn is mainly due to the purchase of a club proprietary share by the Company.

9. Deferred tax assets was 34% lower at Php 14.2 mn due to the deferred tax adjustment recognized in relation to the unamortized portion of the FRCN transaction costs.

Total liabilities posted a significant increase of 153% to Php 4.5 bn as of end-2014. During the period in review, Vivant issued 7-year fixed rate notes with a total principal amount of Php 3 bn. The issue was fully subscribed by a consortium of local banks composed of Metropolitan Bank and Trust Company, China Banking Corporation, Development Bank of the Philippines, Philippine Savings Bank, Rizal Commercial Banking Corporation and Robinsons Savings Bank.

The FRCN issue was done in two tranches. The first tranche of notes worth Php 1 bn were issued on February 3, 2014 at an interest rate of 5.7271% p.a. Meanwhile, the second tranche of notes worth Php 2 bn were issued on March 31, 2014 at an interest rate of 5.4450% p.a.

Partly mitigating the effect of the FRCN issue on the Company's liability accounts is the 9% YoY decline in trade and other payables from Php 1.4 bn to Php 1.3 bn, substantially on account of a subsidiary's settlement of its accrued expenses. In addition, net payments made during the period in review brought down the income tax payable account to Php 31.6 mn at end-2014 from Php 162.1 mn as of end-2013. Likewise, the partial settlement of the accounts of some subsidiaries to its related parties brought down advances from related party account by 19%, from Php 142.7 mn at end-2013 to Php 115.5 mn at end-2014. Meanwhile, pension liability increased by 24% YoY to Php 23.2 mn as a factor of its annual re-measurement.

As a result of net income generated during the period in review, total stockholders' equity increased by 15%, to approximately Php 8.0 bn as of year-end 2014 from about Php 7.0 bn as of end-2013. Meanwhile, equity attributable to parent ended higher by 18% at Php 7.6 bn as of end-2014.

Material Changes in Liquidity and Cash Reserves of Registrant

Cash and cash equivalents grew by 59% YoY from Php 3.1 bn as of end-2013 to Php 4.9 bn as of end-2014. The FRCN proceeds mainly accounted for the cash build up.

Cash generated from operating activities for the year 2014 amounted to Php 832.5 mn, recording a 38% YoY decline. This mainly arose from higher income tax payments and the interest payments for the FRCN during the year. Lower net cash generated from operations, which was a result of increased prepaid expenses and a reduction in trade and other payables, further brought down the net cash from operations for the year in review.

As of year-end 2014, the Company and its subsidiaries booked investment outlays of Php 1.6 bn for power projects and Php 718.7 mn for fixed assets. These mainly resulted to the Php 1.3 bn cash used for investing during the year in review, a reversal from previous year's positive cash generated from investing activities of Php 1.1 bn.

Cash from financing activities as of end-2014 was at Php 2.3 bn, which was a turnaround from 2013 when the Company ended the year with Php 1.2 bn being used up for financing activities. The accumulation during the year in review was a result of the FRCN proceeds, albeit, tempered by the issuance of dividends by the Company and its subsidiaries.

Financial Ratios

Consolidated current assets grew by 29% YoY, which was mainly due to the cash build up coming from the FRCN proceeds. This, coupled with the 15% YoY decline in the Company's consolidated current liabilities, led to an improved current ratio, from 2.51x as of end-2013 to 3.8x as of end-2014.

Debt-to-Equity ratio as of end-2014 was higher at 0.56x vis-a-vis end-2013 level of 0.25x. The higher liabilities arising from the FRCN issuance mainly accounted for this increase.

Item 7. Financial Statements

The audited financial statements of the Company for the years ended December 31, 2014, December 31, 2013, and December 31, 2012 are attached hereto as Exhibits "B", "C" and "D", respectively.

Item 8. Information on Independent Accountant and other Related Matters

1. External Audit Fees and Services

Following the Annual Stockholders Meeting last June 27, 2014 where the authority to confirm or appoint the external auditors was delegated to the Board of Directors, the Board of Directors confirmed the appointment of SyCip Gorres Velayo & Co. (SGV) as its external auditor for fiscal year 2014.

The table below sets forth the aggregate fees billed to the Company for professional services rendered by SGV in fiscal year 2014.

Fee Type	2014
Audit Fees	Php 487,600
Tax Fees*	1,315,000
All Other Fees**	1,750,000
Total	PhP 3,552,600

** Tax Consultancy*
*** Enterprise Risk Management / Internal Audit Consultancy*

Both management and the Audit Committee evaluated the audit fee of SGV. This was recommended to and approved by the Board of Directors.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no event in the past year where Vivant and SGV or the handling partner had any disagreement with regard to any matter relating to accounting principles or practices, financial disclosures or auditing scopes or procedures.

PART III: CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1. Directors, Independent Directors and Executive Officers

The following are the directors who have held offices as such since their election last June 27, 2014:

MR. DENNIS A. GARCIA
MR. EMIL ANDRE M. GARCIA
MR. ELBERT M. ZOSA
MR. GIL A. GARCIA II
MR. CHARLES SYLVESTRE A. GARCIA
MR. RAMONTITO E. GARCIA
MR. EFREN P. SARMIENTO
MR. JOSE MARKO G. SARMIENTO
MR. JOHANNES RUDOLF HAURI
AMB. RAUL CH. RABE (Independent Director)
ATTY. JESUS B. GARCIA, JR. (Independent Director)

They shall serve as directors for a term of one (1) year and until their successors are duly elected and qualified.

After the election of the Board of Directors, the following persons were elected as officers:

Name	Position
Dennis N.A. Garcia	Chairman of the Board
Ramontito E. Garcia	President
Gil A. Garcia II	Treasurer
Arlo A.G. Sarmiento	EVP/Chief Operating Officer
Emil Andre M. Garcia	VP - Operations and Business Development
Minuel Carmela N. Franco	VP - Finance
Juan Eugenio L. Roxas	VP - External Affairs
Atty. Jess Anthony N. Garcia	VP-Legal, Corporate Secretary & Chief Information Officer
Maria Victoria E. Sembrano	AVP - Finance & Administration
Atty. Macario C. Padullo, Jr.	AVP - Corporate Management Systems
Theo C. Sunico	AVP - Trading and Marketing
Engr. Cris C. Fernandez	AVP-Technical Operations
Atty. Joan A. Giduquio-Baron	Assistant Corporate Secretary & Compliance Officer

The term of office of all officers shall be for one (1) year and until their successors are duly elected and qualified. The above officers of the Issuer shall serve only for the unexpired term of their predecessors and until their successors are duly elected/appointed.

(i) Information on Directors and Officers

Dennis N. A. Garcia, 65 years old, Filipino, has been the Chairman and a member of the Executive Committee of the Company since 2003. Other positions currently held are as follows: Chairman -Vivant Energy Corporation, Vivant Geo Power Corp., Vivant Integrated Generation Corporation and Vivant-Malogo Hydropower Inc.; Vice-Chairman - Vivant-Sta. Clara Northern Renewables Generation Corporation; Chairman and President - Hijos de F. Escaño, Inc.; Director and Vice President - Abovant Holdings, Inc.; Director - Delta P. Inc., 1590 Energy Corp., VC Ventures Net, Inc. and Cebu Energy Development Corporation, Vics-Bakun Holdings Corporation; Chairman and CEO, JEGVEG Realty, Inc; and Chairman and President of MAI-I Resources Corporation.

Ramontito E. Garcia, 58 years old, Filipino, has been the President of the Company since 2003. Mr. Garcia is also a Director and Member of the Executive Committee of the Company since 2003. Other positions currently held are as follows: Chairman – VECO, Vivant Isla Inc., VICS-Bakun Holdings Corporation and 1590 Energy Corporation; Vice Chairman – Vivant Integrated Generation Corporation and Cebu Private Power Corporation; Director - Vivant-Malogo Hydropower Inc., Vivant Energy Corporation, VC Ventures, Net, Inc., Delta P, Inc. and Abovant Holdings, Inc.; Chairman and President - JEG Development Corporation and Vics-Amlan Holdings Corporation; Vice-President and Director - Hijos de F. Escaño, Inc.; and Vice President - JEGVEG Realty, Inc.

Gil A. Garcia II, 62 years old, Filipino, has been the Treasurer of the Company since 2004. Mr. Garcia has also been a Director the Company and VECO since 2004. Other positions presently held include: Treasurer-VECO and Director, Chief Finance Officer and Treasurer of MAI-I Resources Corporation.

Elbert M. Zosa, 67 years old**,** Filipino, has been a Director of the Company since 2003. Mr. Zosa is also the Chairman of the Finance Committee of the Company. He is Chairman of Providence CI Holdings and a Senior Consultant. Mr. Zosa's past professional experience includes the following: Executive Vice-President - Rizal Commercial Banking Corporation; Senior Vice President/Head of Strategic Planning, Corporate Communications, Economics, and Investor Relations; International Banking at PCI Bank; Managing Director (ex-officio) – PCI Capital Corporation; Head of Branches- Customer Services – Manila Electric Company; adjunct professor at the De La Salle Graduate School of Business. He obtained his MBA from the Wharton School, University of Pennsylvania.

Charles Sylvestre A. Garcia, 54 years old, Filipino, is a Director of the Company and Member of the Company's Executive Committee since 2004. Mr. Garcia also sits in the board of VECO since 2007.

Efren P. Sarmiento, 63 years old, Filipino, is a Director of the Company and a Member of the Executive Committee since 2003. Mr. Sarmiento is a Vice President of Reunion Holdings, Inc. Other positions held in the past include: President, Mindanao Rattan Corporation; Past Director, Batolini S., Inc., Manila Machineries & Supply, Sarmiento Securities Corporation, Vitarich Corporation and Philippine Fried Chicken, Incorporated.

Emil Andre M. Garcia, 37 years old, Filipino, has been a Director of the Company since 2009. Mr. Garcia is also the Vice President for Operations and Business Development of the

Company since January 2012. Prior to this, he held the Assistant Vice President position for Corporate Planning and Development of the Company from February 2011 to December 2011. Other positions currently held are as follows: Director of VECO since 2010; Director - Calamian Islands Power Corporation, Vivant-Sta. Clara Northern Renewables Generation Corporation, Vivant Geo Power Corp., Amlan Hydroelectric Power Corporation and Vics-Amlan Holdings Corporation; Director and Chief Operating Officer - Vivant Energy Corporation; Vice President of Communication Affairs - 1590 Energy Corp.; Chief Operating Officer - Vivant Integrated Generation Corporation and Vics-Bakun Holdings Corporation; Director and President - Vivant-Malogo Hydropower Inc. and Vivant Isla Inc.; Director and Treasurer – Cebu Private Power Corporation; Chief Finance Officer of Emag Resources and Development Corporation; and Director – Hijos de F. Escaño Inc.. He was also the President of Christ Company in 2009 to 2011. Mr. Garcia graduated from Velez College in 1998 with the degree in Bachelor of Science in Medical Technology.

Jose Marko G. Sarmiento, 37 years old, Filipino, has been a Director and Member of the Executive Committee of the Company since 2008. Other positions currently held are as follows: Vice-President - Vivant-Malogo Hydropower, Inc. and Director - VC Ventures Net, Inc. Mr. Sarmiento is also a Director (since 2005) and is the Chief Operating Officer of JEG Development Corporation (since 2009). Prior to this, he was the Treasury Manager of JEG Development Corporation and was the Vice President for Manufacturing at Detalia Aurora.

Johannes Rudolf Hauri, 66 years old, Filipino, has been a Director of the Company since 2014. Mr. Hauri is the President of Bonifacio Landmark Realty and Development Corp. Past positions held include: President - Hotel, Resorts and Restaurant Association of Cebu (2010-2013); Vice President - Tourism Congress of the Philippines (Visayas) (2011-2013); Trustee - Cebu Chamber of Commerce and Industry (2012-2014); Director - American Chamber of Commerce Cebu (2007-2011); Area General Manager - Marco Polo Hotels – Philippines (2011-2014); General Manager - Marco Polo Plaza Cebu (2005- 2014); Singapore Mandarin Int'l.: Kuala Lumpur. Shanghai (1999-2005); Shangri-la Hotels: Beijing.ChinaWorld & Traders.Dalian (1993-1999); Swissotel Zurich (1989-1993); Hilton International: Jakarta, Petaling Jaya, Colombo, Seoul (1979-1989); and Parmelia Hotel Perth in Western Australia (1978-1979).

Raul Ch. Rabe, 75 years old, Filipino, has been the Independent Director of the Company since 2003. Other positions currently held or held in the past are the following: Director, CEPALCO (Cagayan de Oro), up to present; Director, MINERGY (Cagayan de Oro), up to present; Counsel of the Law Firm of Rodrigo, Berenguer & Guno (Makati City); Corporate Secretary - Manila Economic & Cultural Office (MECO) since 2001; Director - the Bank of Commerce, KGL-Negros Navigation, Pet Plans, Inc. (Makati City); Foreign Service Officer of the Department of Foreign Affairs (1968 to 1999); Third to Second Secretary in London (1972 to 1975); First Secretary in Bucharest (1975 to 1979); Chief Deputy of Protocol of the Department of Foreign Affairs (1979 to 1981); Minister Counselor in Jeddah (1981 to 1982); Minister and later Deputy Chief of Mission in Washington D.C., (1982 to 1984 and 1986 to 1989, respectively); Consul General in Honolulu (1984 to 1986); Assistant Secretary of the American Affairs (1989 to 1992); Ambassador to Seoul (1992 to 1993); Ambassador to the United States (1993 to 1999); Special Envoy of the President of the Philippines for the Americas and OIC Countries in 2001.

Jesus B. Garcia, Jr., 70 years old, Filipino, has been the Independent Director and concurrently, has been the Chairman of the Audit Committee of the Company since 2004. Mr. Garcia was the Secretary of the Department of Transportation and Communications of the Republic of the Philippines for the period 1992 to 1996. Other positions currently held are as follows: Chairman - SunStar Publishing, Inc., Pan Arts Corporation, SunStar Management, Inc.; President, Jesever Realty Corporation, and Madre Realty Corporation.

Arlo A. G. Sarmiento, 39 years old, Filipino, has been the Executive Vice President and Chief Operating Officer of the Company since 2003. Mr. Sarmiento concurrently holds the following positions: Director and Executive Vice President of VECO; Director and President - Vivant Energy Corporation, 1590 Energy Corp, Vivant Integrated Generation Corporation, Vivant Geo Power Corp., Vics-Bakun Holdings Corporation, Vivant-Sta. Clara Northern Renewables Generation Corporation; Chairman - Calamian Islands Power Corporation; Director and Treasurer of Abovant Holdings, Inc.; Director and Vice-President - Cebu Private Power Corporation; Director and Member of Executive Committee – Cebu Energy Development Corporation; Director, Chief Executive Officer and Member of Executive Committee - JEG Development Corporation; Director - Delta P, Inc., Vics-Amlan Holdings Corp., Amlan Hydroelectric Power Corporation, Vivant-Malogo Hydropower Inc., Vivant Isla Inc., Therma Visayas, Inc. and Hijos F. Escaño, Inc. Mr. Sarmiento holds a degree in Bachelor of Arts in Social Sciences from the Ateneo de Manila University.

Minuel Carmela N. Franco, 43 years old, Filipino, has been the Vice President for Finance since May 2013. Ms. Franco also currently holds the following positions: Treasurer - Calamian Islands Power Corporation, Vivant-Sta. Clara Northern Renewables Generation Corporation, Vivant-Malogo Hydropower, Inc., Corenergy Inc.; Director and Treasurer - Vivant Isla Inc., Vivant Geo Power Corp., Vics-Amlan Holdings Corporation, Vics-Bakun Holdings Corporation, Vivant Integrated Generation Corporation, Vivant Energy Corporation; and Vice President of Finance and Treasurer - 1590 Energy Corp. Past positions held are as follows: Trader, Associate and Credit Analyst at Multinational Investment Bancorporation and Capital One Equities Corporation from 1992 to 1994; Investment Analyst at Kim Eng Securities Inc. and ING Barings (Phils.), Inc. from 1994 to 1997; Investment Officer at Standard Chartered Bank's Investment Services Group from 1998 to 2000; Project Analyst at Newgate Management, Inc. from 2000 to August 2002, Investor Relations Officer and Senior Project Analyst (Corporate Planning Group) at San Miguel Corporation from September 2002 to June 2007; Head of Investor Relations at Aboitiz Equity Ventures, Inc. and Aboitiz Power Corporation from July 2007 to December 2012. Ms. Franco holds a degree in Bachelor of Science in Business Economics (Cum Laude) from the University of the Philippines.

Juan Eugenio L. Roxas, 44 years old, Filipino, was appointed as the Vice President for External Affairs in 2014. Previous to this, he was AVP for External Affairs of the Company from 2011 to 2014. Concurrently, Mr. Roxas holds the following positions: Director - Corenergy Inc., Vivant–Sta.Clara Northern Renewables Generation Corporation, Vivant Integrated Generation Corporation, Vivant Geo Power Corp., Vivant Isla Inc. and Vics-Amlan Holdings Corporation; Chairman - Amlan Hydroelectric Power Corporation; Vice President for External Affairs - 1590 Energy Corporation; Vice President - Amlan Hydro Power Inc.; President - ICS Renewables Inc.; Auditor and Member of the Philippine Independent Power Producer Association's Board of Trustee. His professional experience is characterized by an extensive background in public-private relations having served as a consultant to and held administrative positions in various organizations. Mr. Roxas holds a degree in Bachelor of Science in Business Administration, Major in Management (Presidential and Leadership Awardee) from the St. Paul University (Dumaguete City). He also took a postgraduate course in Finance at the Ateneo de Manila University's Center for Continuing Education.

Jess Anthony N. Garcia, 43 years old, Filipino, has been the Corporate Secretary and Corporate Information Officer of the Company since 2003. He is also the Vice President for Legal of the Company. Mr. Garcia concurrently acts us the Corporate Secretary of VECO, Vivant-Sta. Clara Northern Renewables Generation Corporation, 1590 Energy Corp., Vivant-Malogo Hydropower Inc., Amlan Hydroelectric Power Corporation, Vics-Bakun Holdings Corporation, Calamian Islands Power Corporation and SunStar Publishing, Inc. He is the Assistant Corporate Secretary of Abovant Holdings, Inc. and Hijos De F. Escaño. He obtained his *Juris Doctor* degree from the Ateneo de Manila University School of Law and has been a member of the California Bar since 2002 and of the Philippine Bar since 1998.

Maria Victoria E. Sembrano, 53 years old, Filipino, has been the Assistant Vice President for Finance and Administration of the Company since 2012. Ms. Sembrano also holds the following positions: Director and Treasurer - VC Ventures, Inc. and Director - Corenergy Inc. Before joining the Company, Ms. Sembrano was the Corporate Services Director of the Marsman Drysdale Agribusiness Group. Prior to this, other positions held in the Marsman Drysdale Agribusiness Group starting 1992 include positions in Finance, Logistics and Administration. Ms. Sembrano holds a degree in Bachelor of Science in Commerce, Major in Accounting (Magna Cum Laude) from the University of San Carlos.

Atty. Macario C. Padullo, Jr., 37 years old, Filipino, has been the Assistant Vice President for Corporate Management Systems of the Company since February 2011. Prior to this, Atty. Padullo held the following positions in the Company: Finance Manager from 2009 to 2011 and Finance Officer from 2003 to 2009. Atty. Padullo, Jr. also holds the following positions: Chairman and President - VC Ventures Net, Inc. and Director - Corenergy Inc. He is a member of the Integrated Bar of the Philippines and the Philippine Institute of Certified Public Accountants. Mr. Padullo holds a degree in Bachelor of Science in Accountancy from the University of San Carlos. He obtained his degree in Bachelor of Laws (Class Valedictorian) from the University of Cebu in 2009.

Theo C. Sunico, 40 years old, has been the Assistant Vice President since 2014. Prior to this, he served as General Manager for two of its subsidiaries: 1590 EC and NR. Since 2013 Mr. Sunico has been the representative for the Generation Sector in the PEMC Rules Change Committee (RCC) and also serves as a Board Member for the Philippine Association of Small Scale Hydro (PASSHydro) Developers, as nominee of the Company, since 2014. He got his start in the power industry when he joined Southern Energy Corporation (now TeaM Energy Philippines) in 2000, building up his expertise in the fields of Retail Power, Marketing, Business Development and External Affairs.

Cris F. Fernandez, 37 years old, Filipino, has been the Assistant Vice President of Vivant Corp. for Technical Operations since January 2015. He joined the Company on October 2012 as Senior Technical Manager and is a licensed Electrical Engineer. He used to work as an Electrical Engineer in Australia and has been an accredited Professional Engineer of Engineers Australia.

Joan A. Giduquio-Baron, 44 years old, Filipino, has been the Assistant Corporate Secretary and Compliance Officer of the Company since 2003. Ms. Baron also holds other positions: Acting Corporate Secretary of VECO; Corporate Secretary of Vivant Energy Corporation, Vivant Integrated Generation Corporation, Vivant-Malogo Hydropower, Inc., JEGVEG Realty, Inc., JEG Development Corporation; Assistant Corporate Secretary of SunStar Publishing, Inc. She obtained her *Juris Doctor* from the Ateneo de Manila University School of Law in 1996 and her Master in Management degree from the Asian Institute of Management (AIM) in

2001. Ms. Baron is a member of the Philippine Bar since 1997 and a Director of the Alumni Association of the Asian Institute of Management-Cebu Chapter. She is a Partner at J.P. Garcia and Associates. Prior to this, she was an Associate Attorney at Puno and Puno Law Offices from 1997 until 2001.

(ii) Nominees for Election as Members of the Board of Directors

The following served as members of the Board of Directors in 2014 and will continue to serve until the 2015 Regular Stockholders' Meeting during which their successors will be elected and qualified:

1. Dennis N. A. Garcia
2. Emil Andre M. Garcia
3. Gil A. Garcia II
4. Charles Sylvestre A. Garcia
5. Elbert M. Zosa
6. Ramontito E. Garcia
7. Efren P. Sarmiento
8. Jose Marko Anton G. Sarmiento
9. Johannes Rudolf Hauri
10. Amb. Raul Ch. Rabe (Independent Director)
11. Atty. Jesus B. Garcia, Jr. (Independent Director)

(iii) Procedure for Nomination

In accordance with the Manual on Corporate Governance, the Nomination Committee had pre-screened the list of candidates nominated to become a member of the Board of Directors in accordance with the procedures, qualifications, disqualifications and guidelines specified in the said Manual.

In consonance with SEC Memorandum Circular No. 16, Series of 2002, no nominations for independent director shall be accepted at the floor during the stockholders' meeting during which such nominee is to be elected. However, independent directors shall be elected in the stockholders' meeting during which other members of the Board are to be elected.

(iv) Term of Office of a Director

Pursuant to the Company By-laws, the directors are elected at each regular annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and until his successor is duly elected unless he resigns, dies or is removed prior to such election.

The eleven (11) directors, who should be stockholders of the Company, shall be elected annually by the stockholders during the annual stockholders' meeting, where at least a majority of the outstanding capital stock should be present in person or by proxy. The Directors shall serve for a term of one (1) year and until the election and qualification of their successors.

Any vacancy occurring in the Board of Directors may be filled by the remaining members of the Board, if they still constitute a quorum, by a majority vote; and the director so chosen shall serve for the unexpired term or until his successor is duly elected and qualified.

2. Significant Employees

The Company considers its entire work force as significant employees. Everyone is expected to work together as a team to achieve the Company's goals and objectives.

(i) Family Relationships

Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II are brothers, or relatives within the second civil degree by consanguinity.

Mr. Ramontito E. Garcia is a relative of the fourth civil degree by consanguinity (cousin) of Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II and a relative of the second civil degree by affinity (brother-in-law) of Mr. Efren P. Sarmiento.

Mr. Elbert M. Zosa is a brother-in-law of Messrs. Dennis N. A. Garcia, Charles Sylvestre A. Garcia and Gil A. Garcia, II - or a relative within the second civil degree by affinity.

Messrs. Arlo A. G. Sarmiento and Jose Marko Anton G. Sarmiento are sons of Mr. Efren Sarmiento, and relatives within the third civil degree by consanguinity (nephew) of Mr. Ramontito E. Garcia.

Mr. Emil Andre M. Garcia is the son of Dennis N. A. Garcia, and the nephew of Messrs. Charles Sylvestre A. Garcia and Gil A. Garcia (third civil degree by consanguinity).

(ii) Involvement in Certain Legal Proceedings

To the knowledge and/or information of Vivant, the above-named Directors and Executive Officers are not, or have not, during the last five (5) years, been involved in criminal, bankruptcy or insolvency investigations or proceedings. There is also no bankruptcy petition filed by or against any business of which they were general partners or executive officers at the time of the bankruptcy or within two years prior to that time.

To the knowledge and/or information of the Issuer, the said persons have not been convicted by final judgment or any offense punishable by the laws of the Republic of the Philippines or of the laws of any other nation/country, including being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities.

To the knowledge and/or information of the Company, the said persons have not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Vivant believes that in addition to the aforementioned officers, the entire workforce will contribute to its success.

Item 10. Executive Compensation

1. Compensation of top five (5) executive officers

Information as to the aggregate compensation paid and accrued during the last two calendar years to the Company's President and the four (4) most highly compensated executive officers and directors are as follows:

SUMMARY COMPENSATION TABLE
Annual Compensation

Name and Principal Position	Year	Salary	Bonus	Other Compensation
Top Five Highly Compensated Executives 1. Ramontito E. Garcia – President 2. Arlo A.G. Sarmiento – EVP/COO 3. Emil Andre M. Garcia – VP for Operations & Business Development 4. Minuel Carmela N. Franco – VP Finance 5. Juan Eugenio L. Roxas – AVP for External Affairs				
All above-named officers as a group	2014	Php 19.4 mn	Php 12.2 mn	
	2013	Php 14.9 mn	Php 7.9 mn	
All other directors and officers as a group unnamed	2014	Php 6.9 mn	Php 2.8 mn	Php 9.1 mn
	2013	Php 3.8 mn	Php 2.8 mn	Php 11.4 mn

2. Compensation of Directors

Other than honoraria for meetings attended, there are no standard arrangements pursuant to which directors of the Issuer are compensated, or are to be compensated, directly or indirectly, for any services provided as a director, including any additional amounts payable for committee participation or special assignments for the last completed fiscal year and the ensuing year.

Other than the indirect compensation of two directors via consultancy contracts that were in place during the Company's last fiscal year, there are no arrangements, including consulting contracts, pursuant to which any director of the registrant was compensated, or is to be compensated, directly or indirectly, during the Company's last completed fiscal year, and the ensuing year, for any service provided by such director. Aforementioned consultancy contracts involving indirect compensation of the registrant's two directors will be in place in the ensuing year.

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

Vivant has no existing compensation plan or arrangement with any of its executives in case of resignation or any other termination of employment or from a change in the management control of the Company.

4. Warrants and Options Outstanding: Repricing

There are no outstanding warrants or options held by the named executive officers, and all officers and directors as a group, as identified in Part III, Item 9. Moreover, at no time during the last completed fiscal year did the Company adjust or amend the exercise price of stock warrants or options previously awarded to the aforementioned officers and directors.

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners (more than 5%)

As of the date of preparation of this report, the following are the persons known to the Company to be the direct or indirect record or beneficial owner of more than 5% of any class of the Issuer's voting securities:

Title of class	Name and address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Held
Common Shares	Mai-I Resources Corporation 375-G Acacia St., Lahug, Cebu City / Stockholder	Mai-I Resources Corporation**	Filipino	464,831,568	45.42%
Common Shares	JEG Development Corporation Advent Business Center Lahug, Cebu City / Stockholder	JEG Development Corporation*	Filipino	311,524,642	30.44%
Common Shares	Mirant Global Corporation / Stockholder	Mirant Global Corporation***	Filipino	116,555,553	11.39%
Common Shares	PCD Nominee (Filipino) Participants are stockholders of the Company	Various PCD participants	Filipino	68,895,600	6.59%
Common Shares	All directors (as a group)	All directors	Filipinos	2,340,360	0.00%

**Either Mr. Dennis N. A. Garcia or Mr. Gil A. Garcia, II or Mr. Charles Sylvestre A. Garcia, Directors of MAI-I Resources Corporation (MRC) will vote for the shares of MRC in Vivant in accordance with the directive of the MRC Board of Directors.*
***Either Mr. Ramontito E. Garcia or Mr. Jose Marko G. Sarmiento, Chairman and Chief Operating Officer of JEG Development Corporation (JDC), respectively, will vote for the shares of JDC in Vivant in accordance with the directive of the JDC Board of Directors.*
****Mr. Johannes Rudolf Hauri will vote for the shares of Mirant Global Corporation (MGC) in Vivant in accordance with the directive of the MGC Board of Directors.*

2. Security Ownership of Management

The following are the amount and nature of ownership of each member of the Board of Directors:

Title of Class	Name of Beneficial Owners and Position	# of Shares and Nature of Ownership		Citizenship	% Own
Common Shares	Dennis N.A. Garcia	Direct	1	Filipino	0.0%
	Chairman of the Board	Indirect	1,121,514		0.1%
Common Shares	Emil Andre M. Garcia	Direct	1	Filipino	0.0%
	Director/VP – Operations and Business Devt	Indirect	0		0.0%
Common Shares	Gil A. Garcia II	Direct	1	Filipino	0.0%
	Director/Treasurer	Indirect	0		0.0%
Common Shares	Charles Sylvestre A. Garcia	Direct	1	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Elbert M. Zosa	Direct	626	Filipino	0.0%
	Director	Indirect	1,121,511		0.0%
Common Shares	Ramontito E. Garcia	Direct	1	Filipino	0.0%
	Director/President	Indirect	0		0.0%
Common Shares	Efren P. Sarmiento	Direct	1	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Jose Marko Anton G. Sarmiento	Direct	5,001	Filipino	0.0%
	Director	Indirect	0		0.0%
Common Shares	Johannes Rudolf Hauri	Direct	100	Swiss	0.0%
	Director	Indirect	0		0.0%
Common Shares	Raul Ch. Rabe	Direct	1	Filipino	0.0%
	Independent Director	Indirect	0		0.0%
Common Shares	Jesus B. Garcia, Jr.	Direct	1	Filipino	0.0%
	Independent Director	Indirect	0		0.0%
Common Shares	Arlo A.G. Sarmiento	Direct	54,900	Filipino	0.0%
	EVP/Chief Operating Officer	Indirect	0		0.0%
Common Shares	Minuel Carmela N. Franco	Direct	0	Filipino	0.0%
	VP - Finance	Indirect	20,300		0.0%
Common Shares	Juan Eugenio L. Roxas	Direct	0	Filipino	0.00%
	VP-External Affairs	Indirect	0		0.00%
Common Shares	Atty. Jess Anthony N. Garcia	Direct	7,000	Filipino	0.00%
	VP-Legal, Corporate Secretary, and CIO	Indirect	0		0.00%
Common Shares	Maria Victoria E. Sembrano	Direct	0	Filipino	0.0%
	AVP - Finance and Admin	Indirect	0		0.0%
Common Shares	Atty. Macario C. Padullo Jr.	Direct	9,400	Filipino	0.0%
	AVP - Corporate Management Systems	Indirect	0		0.0%
Common Shares	Theo C. Sunico	Direct	0	Filipino	0.0%
	AVP –Trading and Marketing	Indirect	0		0.0%
Common Shares	Cris C. Fernandez	Direct	0	Filipino	0.0%
	AVP-Technical Operations	Indirect	0		0.0%
Common Shares	Atty. Joan A. Giduquio-Baron	Direct	0	Filipino	0.0%
	Assistant Corporate Secretary	Indirect	0		0.0%
TOTAL		**Direct**	**77,035**		**0.0%**
		Indirect	**2,263,325**		**0.1%**

Item 12. Certain Relationships and Related Transactions

During the last two (2) years there was no transaction with or involving the Company or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent

(10%) or more of total outstanding shares and members of their immediate family had or is to have a direct or indirect material interest.

PART IV – CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Self-Rating Form of the Securities and Exchange Commission, the criteria and the rating system therein as a means of measurement or determination of the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance. To ensure compliance with leading practices on good corporate governance, members of the board of directors and top-level management are encouraged to attend seminars on good corporate governance. The Company has substantially complied with the provisions of its Revised Manual on Corporate Governance, and the same has been disclosed to the Commission. It has plans to improve corporate governance by adopting good corporate practice recognized in more progressive corporations and incorporating the same in its Manual.

In compliance with the full disclosure rules on the Code of Corporate Governance, the Revised Manual on Corporate Governance (the "Manual"), and the reportorial requirement of the Commission on the extent of compliance by the company with its Manual, the undersigned hereby certifies that the company has substantially complied with the provisions thereof.

As of the date of this Report, there are no changes in the corporate governance structure and practice.

Please refer to the attached Annual Corporate Governance Report for 2013.

Compliance with The Minimum Public Ownership Requirement

The Company is compliant with the Rule on Minimum Public Ownership, as amended. Based on information that is publicly available to the Company and within the knowledge of its directors it has 11.5398% public float as of March 31, 2015 which is the latest practicable date.

PART V - EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

1. Exhibits

Index of Exhibits

Exhibit	Description
A	Vivant's Corporate Structure
B	Audited Financial Statements as of December 31, 2014
C	Audited Financial Statements as of December 31, 2013
D	Audited Financial Statements as of December 31, 2012
E	Annual Corporate Governance Report for 2013

2. Reports on SEC Form 17-C

Reports filed by Vivant on SEC Form 17-C from April 2014 to March 2015 are as follows:

(1) Signing of a Power Supply Agreement between 1590 EC and MERALCO (April 3, 2014)
(2) Signing of a Subscription Agreement between VIGC and Minergy Coal Corporation, which allows VIGC to subscribe to 40% of all issued capital and shares of Minergy Coal (May 8, 2014)
(3) Declaration of Cash Dividends (June 25, 2014)
(4) Disclosure on the Results of the 2014 Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors (June 25, 2014)
(5) Engagement of RCBC Trust as new stock and transfer agent (July 1, 2014)
(6) Signing of a Shareholders' Agreement between VIGC and Therma Power, Inc. in Therma Visayas, Inc. (TVI) for the investment of VIGC into TVI for a 20% equity stake in a 300-MW (net) coal-fired power generation facility on a site in Toledo City, Cebu (August 27, 2014)
(7) Signing by Vivant-Malogo Hydropower, Inc. (VMHI) of the Contract for Engineering, Procurement, Construction, and Commissioning (EPCC) of the 6 MW Malogo Hydroelectric Power Plant (February 4, 2015)

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Cebu on the 20th day of April 2015.

By:

RAMONTITO E. GARCIA
Principal Executive Officer

ARLO A.G. SARMIENTO
Principal Operating Officer

MINUEL CARMELA N. FRANCO
Principal Finance Officer

MARIA VICTORIA E. SEMBRANO
Principal Accounting Officer

JESS ANTHONY N. GARCIA
Corporate Secretary

Republic of the Philippines)
City/Province of Cebu)S.S.

SUBSCRIBED AND SWORN to before me this APR 20 2015 affiants exhibiting to me their Driver's License or Passport details as follows:

Names	Driver's License	Expiry Date
Ramontito E. Garcia	G01-83-053682	10 Sept 2016
Arlo A.G. Sarmiento	G06-93-015481	18 Dec 2017
Minuel Carmela N. Franco	N02-89-113805	9 Nov 2015
Maria Victoria E. Sembrano	G01-82-019604	9 Sept 2015
Jess Anthony N. Garcia	G01-00-273191	1 June 2015

Doc. No. 446
Page No. 90;
Book No. XIII;
Series of 2015.

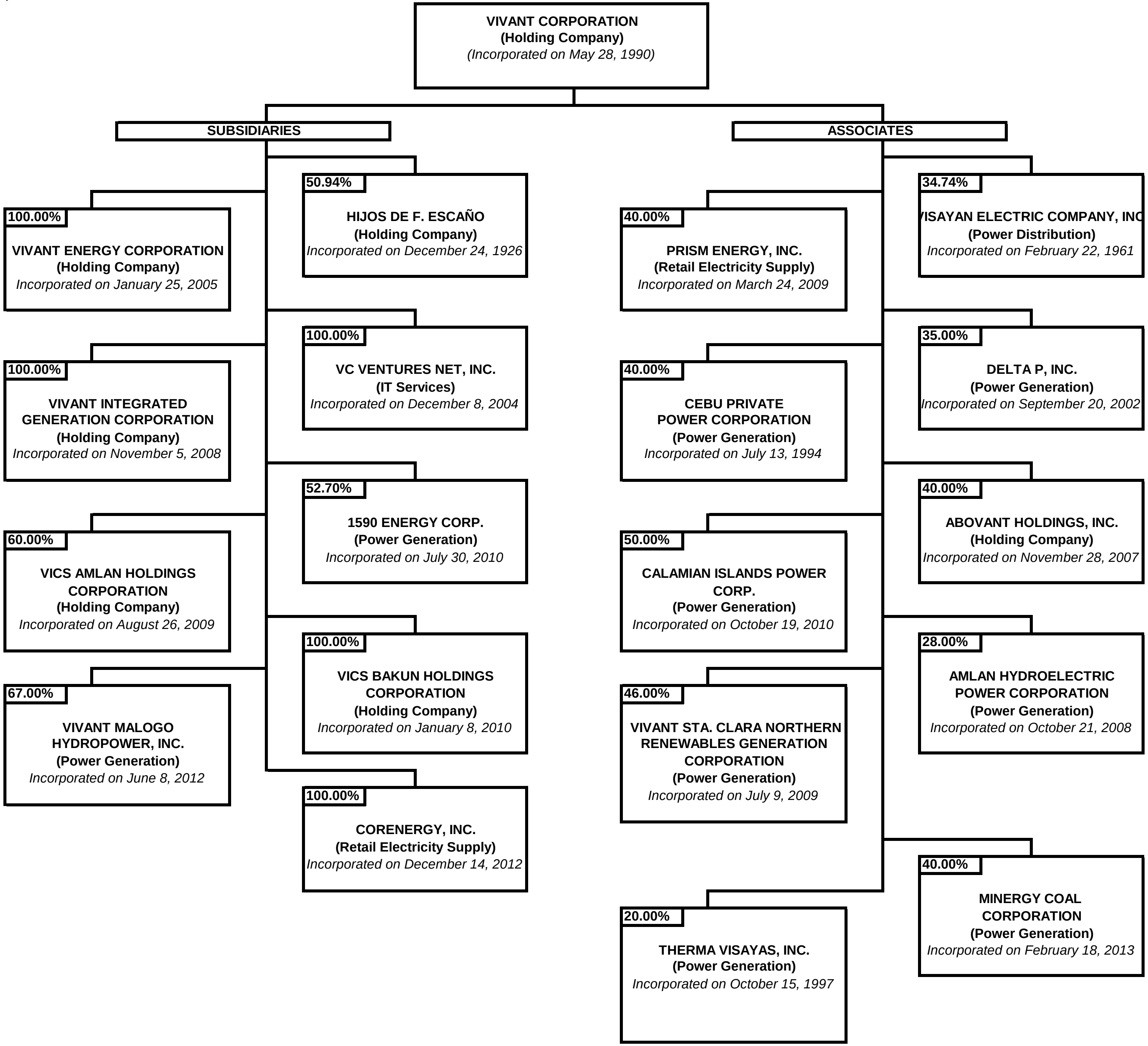
ATTY. JOAN A. GIDUQUIO-BARON
ROLL NO. 41829
NOTARY PUBLIC
CEBU, PHILIPPINES

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 22-15
NOTARY PUBLIC
CEBU CITY
UNTIL DECEMBER 31, 2016
UNITS 1501-1502 AYALA LIFE FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 618633 - CEBU CITY - 1/06/15
IBP NO. 966623 - CEBU CITY - 1/07/15

VIVANT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2014



VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vivant Corporation and Subsidiaries is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

DENNIS N.A. GARCIA
Chairman of the Board

RAMONTITO E. GARCIA
President/Chief Executive Officer

ARLO A.G. SARMIENTO
Executive Vice-President/COO/CFO

Signed this 8th day of April, 2015.

9th Floor, Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City, Philippines 6000

Tel. no. (6332) 234-2256
Telefax: (6332) 234-2285
E-mail: vivant@vivant.com.ph

www.vivant.com.ph

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the City of Cebu, Philippines, this APR 1 9 2015, affiants exhibited to me the following competent proofs of their identities:

Name	Proof of Identity	Date of Expiry & Place of Issue
Dennis Nicolas A. Garcia	Passport No. EC0044262	Expires January 19, 2019 / DFA Consular Office Cebu
Ramontito E. Garcia	Passport No. EB2133231	Expires March 22, 2016/DFA Consular Office Cebu
Arlo Angelo G. Sarmiento	Passport No. EC0162066	Expires January 28, 2019 / DFA Consular Office Cebu

In witness whereof, I have hereunto set my hand and affixed my notarial seal.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 22-15
NOTARY PUBLIC
CEBU CITY
UNTIL DECEMBER 31, 2016
UNITS 1501-1502 AYALA LIFE FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 618633 - CEBU CITY - 1/06/15
IBP NO. 966623 - CEBU CITY - 1/07/15

Doc. No. 408;
Page No. 82;
Book No. XIII;
Series of 2015.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

Company Name

VIVANT CORPORATION AND SUBSIDIARIES

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

Unit 907-908 Ayala Life FGU Center, Mindanao Ave., cor. Biliran Road, Cebu Business Park, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,466	June 04	December 31, 2014

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
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032)232-0253	0917-5356692

Contact Person's Address

15th Floor Ayala Life FGU Center, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City

Note: 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.

SyCip Gorres Velayo & Co.
Unit 1003 & 1004, Insular Life
Cebu Business Centre
Mindanao Avenue corner
Biliran Road
Cebu Business Park
Cebu City
6000 Cebu, Philippines

Tel: (032) 266 2947 to 49
Fax: (032) 266 2313
ey.com/ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vivant Corporation
Unit 907-908 Ayala Life FGU Center
Mindanao Ave., cor. Biliran Road
Cebu Business Park, Cebu City

We have audited the accompanying consolidated financial statements of Vivant Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Vivant Corporation and Subsidiaries as at December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The consolidated financial statements of Vivant Corporation and Subsidiaries for the year ended December 31, 2012, which are presented for comparative purposes, were audited by other auditors whose report thereon dated April 8, 2013, expressed an unqualified opinion on those statements.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until April 30, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5564482, January 8, 2015, Cebu City

April 14, 2015

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱4,859,530,626**	₱3,057,406,413
Trade and other receivables (Note 7)	**138,516,463**	746,093,162
Advances to associates and stockholders (Note 16)	**40,930,884**	115,486,983
Inventories (Note 8)	**106,831,729**	99,160,004
Prepayments and other current assets (Note 8)	**429,586,090**	294,771,279
Total Current Assets	**5,575,395,792**	4,312,917,841
Noncurrent Assets		
Investments in and advances to associates and joint ventures (Note 10)	**5,756,787,415**	3,986,834,990
Property, plant and equipment (Note 11)	**760,769,518**	62,647,848
Investment properties (Note 12)	**274,071,000**	274,071,000
Deferred income tax assets (Note 20)	**14,179,894**	21,399,283
Other noncurrent assets (Note 13)	**71,876,455**	71,956,107
Available-for-sale (AFS) investments (Note 9)	**4,324,131**	3,846,131
Total Noncurrent Assets	**6,882,008,413**	4,420,755,359
TOTAL ASSETS	**₱12,457,404,205**	₱8,733,673,200
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 15)	**₱26,155,546**	₱–
Trade and other payables (Note 14)	**1,295,219,670**	1,415,791,742
Advances from related parties (Note 16)	**115,486,477**	142,744,333
Income tax payable	**31,556,533**	162,125,636
Total Current Liabilities	**1,468,418,226**	1,720,661,711
Noncurrent Liabilities		
Notes payable - net of current portion (Note 15)	**2,947,573,704**	–
Pension liability (Note 19)	**23,209,026**	18,724,619
Deferred income tax liabilities (Note 20)	**27,575,424**	27,527,364
Total Noncurrent Liabilities	**2,998,358,154**	46,251,983
Total Liabilities	**4,466,776,380**	1,766,913,694
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 21)		
Authorized - 2,000,000,000 shares		
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452

(Forward)

	December 31	
	2014	2013
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**₱1,261,492,837**	₱1,292,314,176
Remeasurement loss on employee benefits (Note 19)	**(1,735,079)**	(874,453)
Share in remeasurement losses on employee benefits of an associate	**(67,505,111)**	(67,070,264)
Unrealized valuation gain on AFS investments (Note 9)	**254,554**	191,083
Retained earnings:		
Appropriated for business expansion (Note 21)	**2,810,784,261**	1,856,476,291
Unappropriated	**2,596,929,852**	2,357,237,719
Equity Attributable to Equity Holders of the Parent	**7,632,017,464**	6,470,070,702
Equity Attributable to Non-controlling Interests	**358,610,361**	496,688,804
Total Equity	**7,990,627,825**	6,966,759,506
TOTAL LIABILITIES AND EQUITY	**₱12,457,404,205**	₱8,733,673,200

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)

	2014	2013	2012
REVENUE			
Sale of power (Note 23)	**₱3,207,748,349**	₱2,593,003,368	₱2,638,625,802
Equity in net earnings of associates and joint ventures (Note 10)	**1,110,762,054**	817,167,990	962,678,909
Management fees (Note 16)	**138,915,915**	167,051,799	148,510,172
Interest income (Notes 6 and 16)	**50,712,945**	33,592,952	47,592,326
Other income (Notes 12 and 16)	**11,396,646**	6,446,703	7,015,035
	4,519,535,909	3,617,262,812	3,804,422,244
GENERATION COSTS (Notes 17 and 23)	**2,067,662,019**	1,633,537,609	1,848,144,439
OPERATING EXPENSES			
Professional fees (Notes 16 and 23)	**168,936,237**	237,426,374	207,255,322
Salaries and employee benefits (Notes 16 and 18)	**83,791,123**	74,424,765	39,011,034
Management fees (Note 16)	**61,560,712**	15,775,116	37,640,299
Impairment loss on trade receivables (Note 7)	**34,125,014**	–	–
Taxes and licenses	**25,948,318**	28,583,812	22,991,881
Depreciation and amortization (Notes 11 and 13)	**17,378,708**	13,284,269	9,978,670
Travel	**17,336,895**	14,497,677	10,551,855
Rent and association dues	**5,375,178**	6,003,603	3,959,854
Communication and utilities	**4,617,323**	3,448,265	2,881,912
Representation	**3,267,245**	3,746,174	1,404,711
Security and janitorial	**591,615**	569,377	195,000
Impairment loss on AFS investments (Note 9)	**–**	5,007,071	2,738,047
Other operating expenses (Note 17)	**22,899,989**	29,349,676	12,421,454
	445,828,357	432,116,179	351,030,039
INCOME FROM OPERATIONS	**2,006,045,533**	1,551,609,024	1,605,247,766
OTHER INCOME (CHARGES)			
Finance costs (Note 15)	**(140,546,624)**	(17,210,327)	(61,132,342)
Foreign exchange gains	**4,269,158**	2,951,800	4,531,352
Gain on redemption of an equity interest in an associate (Note 10)	**–**	10,155,539	18,171,194
Gain on rescinded contract (Note 23)	**–**	–	643,795,158
Others - net	**52,540,394**	(21,628,760)	–
	(83,737,072)	(25,731,748)	605,365,362
INCOME BEFORE INCOME TAX	**1,922,308,461**	1,525,877,276	2,210,613,128
PROVISION FOR INCOME TAX (Note 20)	**226,853,561**	221,432,432	178,965,488
NET INCOME	**1,695,454,900**	1,304,444,844	2,031,647,640

(Forward)

	2014	2013	2012
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to consolidated statements of comprehensive income:			
Unrealized valuation gain on AFS investments (Note 9)	**₱124,600**	₱–	₱–
Items that will not be reclassified to consolidated statements of comprehensive income:			
Share in revaluation increment of an associate, net of tax	**40,603,451**	884,597,344	–
Remeasurement loss on employee benefits (Note 19)	**(1,841,100)**	(1,496,260)	(288,834)
Income tax effect of remeasurement loss on employee benefits	**192,476**	448,878	86,650
	(1,648,624)	(1,047,382)	(202,184)
Share in the remeasurement losses on employee benefits of associates, net of tax (Note 10)	**(1,116,142)**	(7,653,347)	(461,416)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**37,963,285**	875,896,615	(663,600)
TOTAL COMPREHENSIVE INCOME	**₱1,733,418,185**	₱2,180,341,459	₱2,030,984,040
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,348,042,824**	₱1,008,748,891	₱1,461,200,409
Non-controlling interests	**347,412,076**	295,695,953	570,447,231
	₱1,695,454,900	₱1,304,444,844	₱2,031,647,640
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,387,414,273**	₱1,885,020,619	₱1,460,536,809
Non-controlling interests	**346,003,912**	295,320,840	570,447,231
	₱1,733,418,185	₱2,180,341,459	₱2,030,984,040
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.317**	₱0.986	₱1.428

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)

	Attributable to Equity Holders of the Parent									
	Capital Stock (Note 21)	**Additional Paid-in Capital**	**Share in Revaluation Increment of an Associate**	**Remeasurement Loss on Employee Benefits**	**Share in Remeasurement Losses on Employee Benefits of Associates**	**Unrealized Valuation Gain on AFS Investments**	**Retained Earnings** (Note 21)	**Total**	**Equity Attributable to Non-Controlling Interests**	**Total Equity**
Balances at January 1, 2014	**₱1,023,456,698**	**₱8,339,452**	**₱1,292,314,176**	**(₱874,453)**	**(₱67,070,264)**	**₱191,083**	**₱4,213,714,010**	**₱6,470,070,702**	**₱496,688,804**	**₱6,966,759,506**
Total comprehensive income	–	–	**40,603,451**	**(860,626)**	**(434,847)**	**63,471**	**1,348,042,824**	**1,387,414,273**	**346,003,912**	**1,733,418,185**
Conversion of deposits for future stock subscription and additional investments (Note 21)	–	–	–	–	–	–	–	–	**3,107,645**	**3,107,645**
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate	–	–	**(71,424,790)**	–	–	–	**71,424,790**	–	–	–
Cash dividends (Note 21)	–	–	–	–	–	–	**(225,467,511)**	**(225,467,511)**	**(487,190,000)**	**(712,657,511)**
Balances at December 31, 2014	**₱1,023,456,698**	**₱8,339,452**	**₱1,261,492,837**	**(₱1,735,079)**	**(₱67,505,111)**	**₱254,554**	**₱5,407,714,113**	**₱7,632,017,464**	**₱358,610,361**	**₱7,990,627,825**
Balances at January 1, 2013	₱1,023,456,698	₱8,339,452	₱454,642,913	(₱202,184)	(₱59,416,917)	₱191,083	₱3,367,540,626	₱4,794,551,671	₱902,555,073	₱5,697,106,744
Total comprehensive income	–	–	884,597,344	(672,269)	(7,653,347)	–	1,008,748,891	1,885,020,619	295,320,840	2,180,341,459
Additional deposits for future stock subscription	–	–	–	–	–	–	–	–	10,919,854	10,919,854
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate	–	–	(46,926,081)	–	–	–	46,926,081	–	–	–
Property dividends	–	–	–	–	–	–	–	–	(234,353,981)	(234,353,981)
Cash dividends (Note 21)	–	–	–	–	–	–	(209,501,588)	(209,501,588)	(477,752,982)	(687,254,570)
Balances at December 31, 2013	₱1,023,456,698	₱8,339,452	₱1,292,314,176	(₱874,453)	(₱67,070,264)	₱191,083	₱4,213,714,010	₱6,470,070,702	₱496,688,804	₱6,966,759,506
Balances at January 1, 2012	₱1,023,456,698	₱8,339,452	₱509,519,206	₱–	(₱58,955,501)	₱191,083	₱2,046,432,423	₱3,528,983,361	₱690,102,973	₱4,219,086,334
Total comprehensive income	–	–	(54,876,293)	(202,184)	(461,416)	–	1,516,076,702	1,460,536,809	570,447,231	2,030,984,040
Property dividends	–	–	–	–	–	–	–	–	(240,242,151)	(240,242,151)
Cash dividends (Note 21)	–	–	–	–	–	–	(194,968,499)	(194,968,499)	(117,752,980)	(312,721,479)
Balances at December 31, 2012	₱1,023,456,698	₱8,339,452	₱454,642,913	(₱202,184)	(₱59,416,917)	₱191,083	₱3,367,540,626	₱4,794,551,671	₱902,555,073	₱5,697,106,744

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)

	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,922,308,461**	₱1,525,877,276	₱2,210,613,128
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,110,762,054)**	(817,167,990)	(962,678,909)
Finance costs	**140,546,624**	17,210,327	61,132,342
Interest income	**(50,712,945)**	(33,592,952)	(47,592,326)
Depreciation and amortization (Notes 11 and 13)	**21,554,410**	13,399,269	117,891,167
Impairment loss on trade receivables	**34,125,014**	–	–
Pension expense (Note 19)	**11,591,504**	9,285,463	6,416,298
Unrealized foreign exchange gains	**(4,677,416)**	(2,893,892)	(4,531,352)
Loss (gain) on redemption of an equity interest in an associate and other adjustments (Note 10)	**–**	10,060,175	(18,171,194)
Impairment loss on AFS investments (Note 9)	**–**	5,007,071	2,738,047
Gain on rescinded contract (Note 23)	**–**	–	(643,795,158)
Operating income before working capital changes	**963,973,598**	727,184,747	722,022,043
Decrease (increase) in:			
Trade and other current receivables	**574,908,881**	(125,919,563)	(210,971,645)
Prepayments and other current assets	**(134,814,811)**	158,699,278	(249,842,487)
Inventories	**(7,671,725)**	4,041,765	59,913,597
Increase (decrease) in trade and other payables	**(88,050,229)**	760,682,138	113,280,751
Cash received from contract rescission	**–**	–	664,583,352
Cash generated from operations	**1,308,345,714**	1,524,688,365	1,098,985,611
Income tax paid	**(350,016,142)**	(159,514,181)	(33,152,830)
Interest paid	**(118,426,438)**	(14,546,497)	(61,811,804)
Contributions to the retirement fund	**(7,422,815)**	(9,270,000)	–
Net cash flows from operating activities	**832,480,319**	1,341,357,687	1,004,020,977
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase (decrease) in investments and advances to associates and joint ventures (Note 10)	**(1,623,238,819)**	200,000	–
Dividends received from associates (Note 10)	**1,003,535,759**	979,868,460	894,754,064
Additions to:			
Property, plant and equipment (Note 11)	**(718,711,033)**	(28,046,390)	(12,983,243)
AFS investments (Note 9)	**(300,000)**	–	(3,400,000)
Intangible assets (Note 13)	**(3,579,009)**	(49,150)	(1,268,995)
Interest received	**49,255,749**	34,031,184	47,051,925
Decrease (increase) in other noncurrent assets	**1,168,232**	(5,049,794)	27,480,082
Proceeds from redemption of an equity interest in an associate (Note 10)	**–**	114,712,200	114,712,200
Net cash flows from (used in) investing activities	**(1,291,869,121)**	1,095,666,510	1,066,346,033
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans (Note 15)	**2,973,729,250**	22,200,989	265,000,000
Cash dividends paid	**(767,299,540)**	(687,254,570)	(311,047,610)
Advances from associates and stockholders	**47,298,244**	(141,447,272)	37,530,301

(Forward)

	2014	2013	2012
Additional deposits for future stock subscriptions of non-controlling interest of a subsidiary	**₱3,107,645**	₱10,919,854	₱–
Net payment of loans (Note 15)	–	(387,200,989)	(696,285,714)
Payment of long-term debt (Note 15)	–	–	(157,659,008)
Net cash from (used in) financing activities	**2,256,835,599**	(1,182,781,988)	(862,462,031)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,797,446,797**	1,254,242,209	1,207,904,979
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,677,416**	2,893,892	4,804,422
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,057,406,413**	1,800,270,312	587,560,911
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱4,859,530,626**	₱3,057,406,413	₱1,800,270,312

See accompanying Notes to Consolidated Financial Statements

1. **Corporate Information**

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned and controlled by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2014, 2013 and in 2013. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution and retail electricity supply business.

The principal office address of the Parent Company is located at Unit 907-908, Ayala Life FGU Center, Mindanao Ave. cor. Biliran Road, Cebu Business Park, Cebu City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries and associates, all incorporated in the Philippines, as of December 31, 2014 and 2013:

	2014		2013	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
VC Ventures Net, Inc. (VNI)	**100.00**	–	100.00	–
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00** [a] [f]	–	100.00 [a] [f]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [b] [s]	–	–
Vivant Isla, Inc. (VII)	–	**100.00** [a] [t]	–	–
Vics-Bakun Holdings Corporation (Vics-Bakun)	–	**100.00** [a] [h]	–	100.00 [a] [h]
Corenergy, Inc. (Core)	–	**100.00** [a] [o]	–	100.00 [a] [o]
Vivant Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a] [n]	–	75.00 [a] [n]
Vics-Amlan Holdings Corporation (Vics-Amlan)	–	**60.00** [a] [g]	–	60.00 [a] [g]
1590 Energy Corp. (1590 EC)	–	**52.70** [a] [i]	–	52.70 [a] [i]
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81**	–	34.81	–
Prism Energy, Inc. (PEI)	**40.00** [m]	–	40.00 [m]	–
Abovant Holdings, Inc. (AHI)	–	**40.00** [c]	–	40.00 [c]

(Forward)

	2014		2013	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Cebu Private Power Corporation (CPPC)	–	**40.00** [(a)]	–	40.00 [(a)]
Delta P, Inc. (Delta P)	–	**35.00** [(a)]	–	35.00 [(a)]
Amlan Hydroelectric Power Corporation (AHPC)	–	**30.00** [(d) (k)]	–	30.00 [(d) (k)]
Therma Visayas, Inc. (TVI)	–	**20.00** [(a) (c) (q)]	–	–
Minergy Coal Corporation (MCC)	–	**40.00** [(c) (r)]	–	–
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	**50.00** [(a) (l)]	–	50.00 [(a) (l)]
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC) formerly Amlan Hydro Power, Inc. (AHPI)	–	**46.00** [(b) (j)]	–	46.00 [(b) (j)]

a. Indirect ownership through VEC
b. Indirect ownership through Vics- Bakun
c. Indirect ownership through VIGC
d. Indirect ownership through Vics-Amlan
e. Indirect ownership through HDFE
f. Incorporated on November 5, 2008
g. Incorporated on August 26, 2009
h. Incorporated on January 8, 2010
i. Incorporated on July 30, 2010
j. Incorporated on July 9, 2009
k. Incorporated on October 21, 2008
l. Incorporated on October 19, 2010
m. Incorporated on March 24, 2009
n. Incorporated on June 8, 2012
o. Incorporated on December 14, 2013
p. Incorporated on December 14, 2013
q. Incorporated on October 15, 1997
r. Incorporated on February 18, 2013
s. Incorporated on April 23, 2014
t. Incorporated on July 11, 2014

Subsidiaries. HDFE, VNI, VEC, VIGC, Vics-Amlan, Vics-Bakun, 1590 EC, VMHI, Core, VGPC, and VII qualify as subsidiaries of the Parent Company and are included in the consolidated financial statements. They are hereinafter referred to as the "Subsidiaries". VGPC and VII are entities incorporated in 2014 for which the information presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for eight months and six months ended December 31, 2014, respectively.

The Parent Company and its Subsidiaries are all incorporated in the Philippines. Except for 1590 EC, VMHI and Core, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution. 1590 EC is operating a diesel power plant while VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively. The following sets out a brief information of the Parent Company's subsidiaries and associates:

HDFE

HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in and exercise all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities. As of December 31, 2013, HDFE has divested all of its shareholdings in VECO (previously, 12.5% as of December 31, 2012) resulting to Parent Company having direct equity shareholdings in VECO.

VNI

VNI was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

On March 5, 2015, the stockholders and BOD approved the amendment of the Company's secondary purposes to include the conduct of any and all lawful business, and to do or cause to be done any one or more of the acts and things set forth as its purposes, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers of the Company under the Corporation Code of the Philippines, or which shall at any time appear conducive to or expedient for the protection or benefit of the Company. As of April 14, 2015, the Company's application for the amendment of its secondary purposes with the SEC is ongoing.

VEC

VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC, VMHI, and TVI, entities engaged in the power generation business and Corenergy, an entity engaged in the retail electricity supply. VEC also has direct equity shareholdings on holding entities namely VIGC, Vics-Amlan, Vics-Bakun, and VII.

VIGC

VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies.

VIGC currently exists as a holding company with direct equity shareholdings in MCC and TVI, entities engaged in the power generation business and AHI, a holding entity.

Vics-Amlan

Vics-Amlan, the holding entity of AHPC, was incorporated on August 26, 2009 with the primary purpose of holding investments in power generation companies.

Vics-Bakun

Vics-Bakun, the holding entity of VSNRGC, was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies. Vics-Bakun also has direct equity shareholdings on VGPC, a holding entity.

1590 EC

1590 EC was incorporated and has started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225-megawatt (MW) diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by Gigawatt Power, Inc. (GPI), Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings Corp. (IHI), among others.

VMHI

VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is on its starting phase or pre-operational stage as a power generating entity. It is currently undergoing development and pre-construction works for a six (6) MW hydro power plant. The plant construction is estimated to be completed after 22–24 months from date of ground breaking.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users in Contestable Market and enter into any necessary access or interconnection arrangements or other necessary contracts with the National Transmission Corporation or National Grid Corporation of the Philippines, distribution utilities and other entities in the electric power industry. As of December 31, 2014, Core has not yet started commercial operations and has an ongoing application for Retail Electricity Supplier license.

VGPC
VGPC was incorporated on April 23, 2014. Its primary purpose is to establish, maintain, own, and operate geothermal, thermal, hydroelectric, solar, wind, coal, diesel power plants and such other sources that may be viable source of electric light, heat and power system and to sell and/or trade electricity for light, heat and power purposes within cities, municipalities and provinces of the Philippines as the corporation may determine and enter into business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2014, VGPC is still in the pre-operating stage.

VII
VII was incorporated on July 11, 2014. Its primary purpose is to engage in business of owning, acquiring, commissioning, operating, maintaining, evaluating, developing, constructing, holding and selling power generation facilities and related facilities, or any other business activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. As of December 31, 2014, VII is still in the pre-operating stage.

Associates. VECO, AHI, CPPC, Delta P, AHPC, PEI, TVI, and MCC qualify as associates of the Parent Company.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2012. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. As of December 31, 2014, it has not yet started commercial operations.

AHI
AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Power and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own a Cebu Energy Development Corporation (CEDC) 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

CPPC

CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fire power generating plant.

Delta P

Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan.

AHPC

AHPC, formerly known as ICS, was incorporated on October 21, 2008 with the primary purpose to manufacture, acquire, develop, own and operate alternative fuels. Currently, AHPC is operating a 0.8 MW hydroelectric power plant in Amlan, Negros Oriental, which was purchased by AHPC from the Power Sector Assets and Liabilities Management (PSALM).

TVI

TVI was registered with SEC on October 15, 1997, primarily to acquire by purchase, lease, contract, concession, or otherwise any and all real estate, land, land patents, opinions, grants, concessions, franchises, water and other rights, privileges, easements, estates, interests and mineral properties of every kind and description.

MCC

MCC was registered with SEC on February 18, 2013, primarily to design, construct, erect, assemble, commission and operate power-generating plants and related facilities for the generation and supply of power utilizing any fuel or energy source.

CIPC

CIPC was incorporated on October 19, 2010 primarily to engage in the business of owning, acquiring, commissioning, operating and selling power generation facilities and related facilities, or any other business or activity that now or hereafter may be necessary, incidental, proper, advisable or convenient in furtherance of or otherwise relating to such purpose. Currently, CIPC operates an 8 MW bunker and 0.75 MW diesel-fired power generation plants in the municipalities of Coron and Busuanga, respectively.

VSNRGC

VSNRGC, formerly known as AHPI was organized on July 9, 2009 primarily to engage in the general business of power generation and sale of electric power to National Power Corporation (NAPOCOR), private electric cooperatives and other entities.

In December 2009, PSALM awarded VSNRGC to be the IPP administrator of the contracted capacities of Bakun and Benguet power plants. VSNRGC formally became the IPP administrator in February 2010 upon signing of the related documents and payment of the related consideration. In the latter part of the same year, PSALM exercised the right to divide and segregate the contracted capacities of the Bakun and Benguet power plants. By virtue of the segregation done by PSALM, VSNRGC assumed the responsibility of selling only the Bakun power plant's contracted capacity and started its commercial operations as an IPP administrator in 2010. The Bakun power plant has an installed capacity of 70MW and is located in Alilem, Ilocos Sur.

The Parent Company and its subsidiaries and associates are all incorporated in the Philippines.

The consolidated financial statements of the Group as at and for the years ended December 31, 2014, 2013 and 2012 were approved and authorized for issuance by the Board of Directors (BOD) on April 14, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS investments and investment properties which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the Group's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

Profit or loss and each component of OCI 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.

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 comprehensive income and within equity in the consolidated statement of financial position, 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.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2014. The nature and impact of each new standard and amendment is described below:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments must be applied retrospectively, subject to certain transition relief.

  The above amendments have no effect on the Group since it does not qualify as an investment entity as defined under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments, which are to be applied retrospectively, clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively.

  These have no impact on the Group since it does not have any offsetting arrangements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria, and retrospective application is required. These have no impact on the Group as it has not novated its derivatives during the current and prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The application of these amendments has no material impact on the disclosure in the Group's financial statements.

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

  This interpretation has no impact on the Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010-2012 cycle). In the 2010–2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13, *Fair Value Measurement*. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Group.

Annual Improvements to PFRSs (2011-2013 cycle). In the 2011–2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards–First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

Standards Issued But Not Yet Effective
The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  Amendment to PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. It clarifies that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  This amendment, which becomes effective starting January 1, 2015, is not applicable to the Group since its define benefit plans do not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Company. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments**)**

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no impact on the Group given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no relevance to the Group since it is not engaged in agriculture business.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments**)**

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Group is an existing PFRS preparer.

Annual Improvements to PFRSs (2012-2014 cycle). The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

  The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. 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. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Group's financial assets, and on its application of hedge accounting. However, it will have no impact on the classification and measurement of its financial liabilities.

  After evaluating the impact of PFRS 9 and considering that it will not have any significant effect on the Group's operating results or financial condition, management has decided not to early adopt the said standard. It will be implemented only when it becomes effective on January 1, 2018. Thus, the financial statements do not reflect the impact of this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- IFRS 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

4. Summary of Significant Accounting Policies

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

- *Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statements of comprehensive income.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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 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 recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2014 and 2013, no financial assets have been designated as FVPL.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  Classified as loans and receivables are the Group's cash and cash equivalents, trade and other receivables and advances to associates and stockholders.

- *HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus 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. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

  As of December 31, 2014 and 2013, the Group has no HTM investments.

- *AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income. The Group has available for sale financial assets of ₱4.3 million and ₱3.8 million as of December 31, 2014 and 2013, respectively.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

  The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

  Included under this category are the Group's trade and other current payables, notes payable and advances from related parties.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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.

Fair Value Measurement
The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, long-term debt and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible 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.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, AFS investments, trade and other payables, advances from related parties, and notes payable and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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.

<u>Derecognition of Financial Assets and Liabilities</u>

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

- the 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. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 the consolidated statement of comprehensive income.

Impairment of Financial Assets. The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

  The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined 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.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

Cash and Cash Equivalents

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

Investment in Associates and Interest in 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 interests in 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 comprehensive 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 consolidated 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 comprehensive 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.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the weighted average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognized as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognized in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment, except distribution utility assets, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, building and improvements	5–40
Plant machineries and equipment	5–10
Leasehold and land improvements	3–10
Office furniture, fixtures and equipment	2–10
Transportation equipment	5
Tools and other assets	5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Investment Properties

Investment properties, which pertain to land and buildings and improvements, are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Goodwill

Goodwill recognized in a business combination accounted for using the acquisition method, 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 Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive 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.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

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

Sale of Power. Revenue from sale of power is recognized when delivery of power generated or purchased by the Group to the spot market or customers is completed, and is based on actual power delivered at prices prevailing in the spot market or agreed prices in power supply agreements.

Management Fees. Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized when the related services are rendered based on the terms of the management and service contracts.

Interest Income. Revenue is recognized as interest accrues taking into account the effective yield on the assets.

Other Income, such as Rental Income, Gain on Redemption of an Equity Share in an Associate, Gain on Rescinded Contract. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on redemption of an equity share in an associate is recognized as the difference between the proceeds received upon redemption and the corresponding carrying amount of the investment redeemed. Gain on rescinded contract is recognized as the difference between the carrying amount of the recorded asset returned, liability extinguished at the time of the rescission.

Cost and Expense Recognition
Cost 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. Cost and expenses are recognized in the consolidated statements of comprehensive income when incurred.

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

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

The expense relating to any provision is presented in the consolidated statement of comprehensive 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.

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 comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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 reporting date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income 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 of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

Sales Tax. Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

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

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign-currency-denominated monetary assets and liabilities are credited or charged to current operations.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting 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 Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group 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.

As at December 31, 2014 and 2013, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. 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 future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which 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 Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of service and the cost of providing the service.

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

Where the fair value of the financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The 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 consolidated financial statements.

As of December 31, 2014 and 2013, the carrying values of the Group's financial instruments approximate fair values (see Note 24).

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. While the Group has opted to rely on independent appraisers to determine the fair value of its investment properties, such fair value was determined based on recent prices of similar properties with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices. The amounts and timing of recorded changes in fair value for any period would differ if the Group made different judgments and estimates or utilized different basis in determining fair value.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 24.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2014 and 2013, the carrying value of the Group's investment properties amounted to ₱274.1 million (see Note 12).

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries and associates as of December 31, 2014 and 2013, the Group had the ability to exercise control over these investees (see Note 1).

Determining Joint Arrangements. Judgment is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as the considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, it considers (a) the structure of the joint arrangement - whether it is structured through a separate vehicle and, (b) when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances (when relevant).

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. The Group has joint arrangement pertaining to its interests in VSNRGC and CIPC, which are structured through separate vehicles, being a company structure. This structure, and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangement. Given this, the Group then had to assess the other facts and circumstances relating to this arrangement. After undertaking this assessment, there were a number of indicators for both a joint venture classification and a joint operation classification. Significant judgment was therefore required to determine how these factors would be analyzed. The final conclusion was that the Group's investments in VSNRGC and CIPC are joint ventures.

Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or OCI of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in 1590 EC is material to the Group. Information about this subsidiary with material NCI is disclosed in Notes 1 and 10.

Determining Operating Lease Commitments - Group as a Lessor. The Group leased part of its office space to one of its associates and property leases on its investment properties. The Group has determined that all significant risks and rewards of ownership from the property remain with the lessor.

Determining Operating Lease Commitments - Group as a Lessee. 1590 EC entered into a Memorandum of Agreement (MOA) with the Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Bauang Diesel Power Plant (BDPP), including the right to use and sell the power generated therefrom, and lease of office spaces. The Group has determined that it does not acquire all the significant risks and rewards of these properties which are leased on operating leases.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 below.

Estimating Impairment of Trade and Other Receivables and Advances to Associates and Stockholders. The Group maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectibility of receivables. A review of the factors that affect the collectibility of the accounts including age and status of the receivables is made by management on a continuing basis to identify accounts to be provided with allowance. 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 losfses will increase the Group's recorded expenses and decrease current assets.

As of December 31, 2014 and 2013, trade and other receivables amounted to ₱138.5 million and ₱746.1 million, respectively, and advances to associates and stockholders amounted to ₱57.3 million and ₱115.5 million, respectively (see Note 16). In 2014, provision for impairment losses recognized amounted to ₱34.1 million, while no provision for impairment losses were recognized in 2013 and 2012.

Estimating Allowance for Inventory Write-down. The Group writes down inventory for an amount equal to the difference between the cost of inventory and the estimated NRV or current replacement cost based on assumptions about future use and sale, and technology that would affect the cost of inventories.

There was neither a provision nor a reversal of the write-down of inventories recognized in 2014, 2013 and 2012 (see Note 8). The NRV of inventories amounted to ₱106.8 million and ₱99.2 million as of December 31, 2014 and 2013, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. The estimated useful lives are also updated if expectations differ from previous estimated due to physical wear and tear, technical obsolescence and legal or other limits on the use of the assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱760.8 million and ₱62.6 million as of December 31, 2014 and 2013, respectively (see Note 11). The carrying value of intangible assets amounted ₱3.0 million and ₱0.3 million as of December 31, 2014 and 2013, respectively (see Note 13).

Estimating Impairment of AFS Investments. The computation for the impairment of AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The fair value of Group's AFS investments amounted to ₱4.3 million and ₱3.8 million as of December 31, 2014 and 2013, respectively (see Note 9). In 2014, 2013 and 2012, the Group recognized impairment loss amounting to ₱0.2 million, ₱5.0 million, and ₱2.7 million, respectively.

Estimating Impairment of Nonfinancial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Property, plant and equipment
- Investment properties
- Intangible assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, 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 property, plant and equipment, investment properties and intangible assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2014	2013
Property, plant and equipment (see Note 11)	**₱760,769,518**	₱62,647,848
Investment properties (see Note 12)	**274,071,000**	274,071,000
Intangible assets (see Note 13)	**2,957,834**	343,872

The Group did not recognize any impairment loss on its nonfinancial assets in 2014, 2013 and 2012.

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, 2014 and 2013 amounted to ₱42.6 million (see Note 13).

Estimating Provision for Pension Expense. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An 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 reporting date.

As of December 31, 2014 and 2013, the Parent Company's pension liability amounted to ₱22.1 million and ₱18.7 million, respectively (see Note 19). As of December 31, 2014, 1590 EC's pension liability amounted to ₱1.1 million and pension asset amounted to ₱1.5 million in 2013 (see Note 19).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Deferred income tax assets that are recognized amounted to ₱23.0 million and ₱21.4 million as of December 31, 2014 and 2013, respectively (see Note 20). Deferred income tax assets have not been recognized on allowance for impairment loss of ₱4.7 million and ₱0.6 million as of December 31, 2014 and 2013, respectively, net operating loss carry-over (NOLCO) of ₱45.0 million and ₱36.8 million as of December 31, 2014 and 2013, respectively, and minimum corporate income tax (MCIT) of ₱0.1 million as of December 31, 2014 and 2013 (see Note 20).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel 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 as of December 31, 2014 and 2013.

6. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱1,647,369,237**	₱1,711,048,047
Short-term investments	**3,212,161,389**	1,346,358,366
	₱4,859,530,626	₱3,057,406,413

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

Interest income earned from the deposits in bank and short-term investments amounted to ₱50.7 million, ₱29.0 million and ₱33.7 million in 2014, 2013 and 2012, respectively.

7. Trade and Other Receivables

	2014	2013
Trade receivables	**₱85,262,479**	₱717,947,963
Accounts receivable (see Note 16)	**68,919,357**	23,820,924
Accrued interest (see Note 6)	**2,530,402**	1,073,206
Advances to officers and employees (see Note 16)	**6,287,355**	2,236,002
Rent receivable	**–**	32,578
Others	**9,974,916**	1,315,521
	172,974,509	746,426,194
Less allowance for impairment losses	**34,458,046**	333,032
	₱138,516,463	₱746,093,162

Trade receivables represent the receivables from Philippine Electricity Market Corporation (PEMC) through the Group's active participation in Wholesale Electricity Spot Market (WESM) which has a term of 30 days and earns interest of 1% plus the rate of the prevailing 91-day Treasury Bill published by the Bureau of Treasury per annum on the past due receivables.

Portion of the accounts receivable represents claims from VECO, CEDC, VSNRGC, Delta P and TPC for management services rendered by the Group. These are noninterest-bearing and collectible within 30 to 45 days (see Note 16).

The movement in the allowance for impairment losses follows:

	2014	2013
At January 1	**₱333,032**	₱3,395,274
Provision for impairment loss	**34,125,014**	–
Write-off during the year	**–**	(3,062,242)
At December 31	**₱34,458,046**	₱333,032

In 2014, the Group provided allowance on receivable from an electric cooperative which has been outstanding since 2011.

8. Inventories and Prepayments and Other Current Assets

Inventories

The following are the inventories held by the Group which are carried at cost being lower than its NRV:

	2014	2013
Spare parts	**₱60,685,157**	₱45,910,443
Heavy fuel oil	**39,233,856**	42,418,530
Lube oil	**3,528,080**	7,691,793
Light fuel oil	**3,384,636**	3,139,238
	₱106,831,729	₱99,160,004

The cost of materials and supplies recognized under "Generation costs and other operating expenses" in the consolidated statements of comprehensive income amounted to ₱1,452.8 million, ₱1,311.5 million and ₱1,426.3 million in 2014, 2013 and 2012, respectively (see Note 17).

Prepayments and Other Current Assets

	2014	2013
Advances to suppliers and other parties	**₱325,352,461**	₱199,904,425
Input VAT	**53,044,665**	51,154,197
Prepaid insurance	**25,638,897**	22,595,060
Creditable withholding taxes	**24,319,217**	6,811,886
Prepaid royalty fees	**–**	12,739,990
Others	**1,230,850**	1,565,721
	₱429,586,090	₱294,771,279

Advances to suppliers and other parties represent advance payments for the purchase of various plant parts and supplies for the succeeding year. This also includes payments made to other parties to comply with certain contractual obligations.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations.

Creditable withholding taxes pertain to taxes withheld by the customers on income payments to the companies in the Group from sales of services that can be applied against the Group's income tax liabilities.

Prepaid royalty fees pertain to excess payments made by 1590 EC to PGLU pursuant to the MOA executed by the parties for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom (see Note 23).

Others include prepaid rent and advance payments of minor purchases of inventories for use in operations.

9. Available-for-Sale (AFS) Investments

This account is composed of investments in shares of stock of the following entities:

	2014	2013
At Fair Value		
Aboitiz Equity Ventures, Inc.	**₱573,500**	₱395,500
Philippine Long Distance Telephone Co.	**600**	600
Paper Industries of the Phils.	**31**	31
	574,131	396,131
At Cost		
Cebu Country Club, Inc. (CCCI)	**3,400,000**	3,400,000
Tower Club, Inc. (TCI)	**300,000**	–
INCA Plastic Philippines (net of allowance for impairment allowance of ₱1.95 million)	**50,000**	50,000
	3,750,000	3,450,000
	₱4,324,131	₱3,846,131

The Group also had AFS investments in VC Exchange Inc. (VEI) amounting to ₱8.3 million representing 15% ownership in VEI common stocks. In 2012, the Group determined that there are no further economic benefits to be recognized on 40% of the AFS investment in VEI after the latter ceased its operations. Hence, the Group recognized provision for impairment loss on AFS investment amounting to ₱2.7 million in 2012. In 2013, the Group recognized additional provision for impairment loss on AFS investment equal to the remaining book value investment in VEI.

The Group has an accumulated net unrealized valuation gain on AFS investments measured at fair value amounting to ₱0.6 million and ₱0.4 million as of December 31:

	2014	2013
At January 1	**₱375,191**	₱375,191
Increase in fair value during the year	**178,000**	–
At December 31	**₱553,191**	₱375,191

Except for the investments in CCCI and TCI, the above investments represent the investments in listed and non-listed equity securities that present opportunities for returns through dividend income and trading gains.

The fair values of the listed securities are based on quoted market prices. The non-listed equity securities are stated at cost, as their fair values cannot be reliably measured, less any impairment in value.

In 2014, the Group acquired proprietary ownership shares in TCI. The non-listed equity security is stated at cost, as its fair value cannot be reliably measured, less any impairment in value.

10. Equity Investments

a. Investments in Associates

	2014	2013
Acquisition cost:		
At January 1	**₱2,387,554,091**	₱2,407,217,791
Additions	**1,252,746,654**	200,000
Conversion to equity	**–**	7,643,900
Disposals	**–**	(27,507,600)
At December 31	**3,640,300,745**	2,387,554,091
Deposit for future stock subscription:		
At January 1	**–**	7,643,900
Conversion to equity	**–**	(7,643,900)
Accumulated share in net earnings:		
At January 1	**236,564,226**	535,065,436
Equity in net earnings of associates	**1,110,762,054**	1,005,180,724
Cash dividends received and receivable	**(1,003,535,759)**	(979,868,460)

(Forward)

	2014	2013
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**₱71,424,790**	₱46,926,081
Share in the remeasurement losses on employee benefits of associates	**(1,116,142)**	(7,653,347)
Property dividends	**–**	(265,421,432)
Disposals	**–**	(97,664,776)
At December 31	**414,099,169**	236,564,226
Share in revaluation increment:		
At January 1	**1,362,716,673**	525,045,410
Share in revaluation increment of an associate, net of tax	**40,603,451**	884,597,344
Share in the amount transferred to equity in net earnings representing depreciation on revaluation increment of an associate	**(71,424,790)**	(46,926,081)
At December 31	**1,331,895,334**	1,362,716,673
Carrying amount at December 31	**₱5,386,295,248**	₱3,986,834,990

The Group has unrecognized share in losses from results of operations of its investments in associates amounting to ₱25,389 in 2014 and nil in 2013 and 2012.

As of December 31, 2014 and 2013, the undistributed earnings of the associates included in the Group's retained earnings amounting to ₱414.1 million and ₱236.6 million, respectively, are not available for distribution to the stockholders unless declared by the associates.

b. Investments in and Advances to Joint Ventures

The carrying amounts of the Group's interest in joint ventures, which is immaterial, is accounted for using the equity method for the years ended December 31 follow:

	2014	2013
Acquisition cost	**₱49,125,000**	₱49,125,000
Deposit for future stock subscription:		
At January 1	**–**	–
Additions	**370,492,167**	–
At December 31	**370,492,167**	–
Accumulated share in net losses:		
At January 1	**(49,125,000)**	138,887,734
Equity in net losses of joint ventures	**–**	(188,012,734)
At December 31	**(49,125,000)**	(49,125,000)
Carrying amount at December 31	**₱370,492,167**	₱–

The Group has unrecognized share in losses from results of operations of its joint ventures amounting to ₱57.2 million in 2014, ₱212.8 million in 2013 and nil in 2012.

The deposit for future stock subscription represents advances by the Group to CIPC and VSNRGC amounting to ₱98.0 million and ₱271.5 million, respectively, for future stock subscriptions.

As of April 14, 2015, the applications for increase in capital stock of the joint ventures are still awaiting approval of SEC.

The carrying values of investments in associates, which are accounted for under the equity method follow:

	2014	2013
Associates:		
VECO	**₱2,258,620,918**	₱2,248,531,902
AHI	**1,634,135,685**	1,545,891,226
MCC	**1,019,977,599**	–
TVI	**271,972,172**	–
Delta P	**122,100,639**	104,517,094
CPPC	**78,978,301**	83,488,205
PEI	**509,934**	503,709
AHPC	**–**	3,902,854
	₱5,386,295,248	₱3,986,834,990

The Group's associates and joint ventures, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	**2014**	2013	2012
Associates:				
VECO	Power distribution	**34.81**	34.81	34.74
CPPC	Power generation	**40.00**	40.00	40.00
Delta P	Power generation	**35.00**	35.00	35.00
PEI	Power generation	**40.00**	40.00	40.00
AHPC	Power generation	**30.00**	30.00	30.00
AHI	Holding company	**40.00**	40.00	40.00
MCC	Power generation	**40.00**	–	–
TVI	Power generation	**20.00**	–	–
Joint ventures:				
VSNRGC	Power generation	**46.00**	46.00	46.00
CIPC	Power generation	**50.00**	50.00	50.00

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2014 and 2013:

VECO

	2014	2013
Total current assets	**₱2,758,373,152**	₱3,208,266,606
Total noncurrent assets*	**12,398,588,725**	12,140,330,723
Total current liabilities	**3,065,730,557**	3,165,796,160
Total noncurrent liabilities	**5,602,805,816**	5,723,358,762
Total equity	**6,488,425,504**	6,459,442,407

**Inclusive of adjustments not taken up by the Group*

Gross revenue	**21,072,224,119**	19,387,138,622
Operating profit	**1,962,682,781**	2,265,158,396
Net income	**1,593,159,515**	1,588,026,904
Group's share in net income	**554,578,827**	551,680,547
Proportion of Group's ownership	**34.81%**	34.81%
Carrying amount of the investment	**2,258,620,918**	2,248,531,902

The goodwill included in "Other noncurrent assets" account in the consolidated statements of financial position represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of HDFE, a subsidiary (see Note 13). Due to the acquisition of HDFE, the Group was able to obtain majority representation in VECO's BOD and is able to exercise significant influence over the financial and operating policies of VECO with whom HDFE has direct ownership interest of 25%.

On May 15, 2012, HDFE declared 50% or 95,638 common shares of its investment in VECO as property dividends to stockholders of record as of that date, hence reducing its investment to 12.5% or equivalent to ₱489.7 million. As a result, the Parent Company received 48,733 common shares or equivalent to ₱249.5 million of VECO increasing its direct interest to 28.37% as of December 31, 2012.

On February 12, 2013, HDFE declared the remaining 50% or 95,638 common shares of its investment in VECO as property dividends to stockholders of record as of the same date. The property dividend was approved by the SEC on April 19, 2013. Hence, such declaration reduced its remaining 12.5% investment to zero or equivalent to ₱489.69 million. As a result, the Parent Company received 48,733 common shares or equivalent to ₱249.45 million of VECO increasing its direct interest to 34.81% as of December 31, 2013.

AHI

	2014	2013
Total current assets	**₱839,477,042**	₱795,384,316
Total noncurrent assets*	**3,245,862,171**	3,069,343,749
Total equity	**4,085,339,213**	3,864,728,065

**Inclusive of adjustments not taken up by the Group*

	2014	2013
Gross revenue	**1,023,500,125**	850,892,671
Operating profit	**1,023,404,633**	850,808,979
Net income	**1,023,360,608**	850,799,577
Group's share in net income	**409,344,243**	340,319,831
Proportion of Group's ownership	**40%**	40%
Carrying amount of the investment	**₱1,634,135,685**	₱1,545,891,226

Individually Immaterial Associates
The carrying amounts of the Group's interest in all individually immaterial associates that are accounted for using the equity method for the year ended December 31 follows:

	2014	2013
Income from continuing operations	**₱188,987,667**	₱146,947,127
Net income	**129,966,955**	105,431,369
Other comprehensive income	**60,815,019**	2,262,509
Total comprehensive income	**190,781,974**	107,693,878

c. Material Partly-Owned Subsidiary

1590 EC
As of December 31, 2014, the Group has a 52.70% indirect ownership interest in 1590 EC which is primarily engaged in power generation and is incorporated in the Philippines.

The summarized financial information of 1590 EC as of December 31 is provided below.

	2014	2013
Total current assets	**₱938,180,053**	₱2,304,275,290
Total noncurrent assets	**711,549,160**	13,005,100
Total current liabilities	**1,184,683,890**	1,644,289,711
Total noncurrent liabilities	**146,623,040**	–
Total equity	**318,422,282**	672,990,679
Sale of power	**3,207,748,349**	2,601,488,956
Operating profit	**829,301,821**	679,947,151
Net income	**677,097,561**	476,654,563
Total comprehensive income	**675,431,603**	475,861,511
Net income attributable to non-controlling interests	**320,267,146**	225,457,608
Total comprehensive income attributable to non-controlling interests	**319,479,148**	225,082,495
Dividends paid to non-controlling interests	**487,190,000**	272,410,356

11. **Property, Plant and Equipment**

	2014							
	Condominium Units, Building and Improvements	**Plant Machineries and Equipment**	**Leasehold and Land Improvements**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Tools and Other Assets**	**Total**
Cost								
At January 1	**₱25,149,566**	**₱714,286**	**₱21,107,717**	**₱19,657,549**	**₱28,615,583**	**₱1,658,836**	**₱505,670**	**₱97,409,207**
Additions	**775,266**	**17,299,759**	**482,679**	**8,155,374**	**4,634,375**	**687,363,580**	**–**	**718,711,033**
Reclassifications	**–**	**–**	**3,566,626**	**–**	**–**	**(3,566,626)**	**–**	**–**
At December 31	**25,924,832**	**18,014,045**	**25,157,022**	**27,812,923**	**33,249,958**	**685,455,790**	**505,670**	**816,120,240**
Accumulated Depreciation								
At January 1	**8,344,696**	**83,333**	**5,443,252**	**10,630,359**	**10,056,234**	**–**	**203,485**	**34,761,359**
Depreciation	**946,514**	**3,977,923**	**3,650,330**	**6,190,158**	**5,723,297**	**–**	**101,141**	**20,589,363**
At December 31	**9,291,210**	**4,061,256**	**9,093,582**	**16,820,517**	**15,779,531**	**–**	**304,626**	**55,350,722**
Net Book Value	**₱16,633,622**	**₱13,952,789**	**₱16,063,440**	**₱10,992,406**	**₱17,470,427**	**₱685,455,790**	**₱201,044**	**₱760,769,518**

	2013							
	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Tools and Other Assets	Total
Cost								
At January 1	₱25,146,101	₱–	₱12,761,110	₱11,009,940	₱20,029,454	₱34,711	₱381,501	₱69,362,817
Additions	3,465	714,286	8,346,607	8,647,609	8,586,129	1,624,125	124,169	28,046,390
At December 31	25,149,566	714,286	21,107,717	19,657,549	28,615,583	1,658,836	505,670	97,409,207
Accumulated Depreciation								
At January 1	7,462,203	–	3,125,859	5,948,652	5,393,915	–	88,485	22,019,114
Depreciation	882,493	83,333	2,317,393	4,681,707	4,662,319	–	115,000	12,742,245
At December 31	8,344,696	83,333	5,443,252	10,630,359	10,056,234	–	203,485	34,761,359
Net Book Value	₱16,804,870	₱630,953	₱15,664,465	₱9,027,190	₱18,559,349	₱1,658,836	₱302,185	₱62,647,848

The Group has no fully depreciated assets still being used in operations as of December 31, 2014 and 2013.

Total depreciation charged to the following accounts in the consolidated statements of comprehensive income:

	2014	2013	2012
Generation costs	**₱4,175,702**	₱115,000	₱107,912,497
Operating expenses	**16,413,661**	12,627,245	9,661,421
	₱20,589,363	₱12,742,245	₱117,573,918

12. **Investment Properties**

Land	₱270,103,000
Buildings and improvements	3,968,000
	₱274,071,000

Some of the Group's properties were leased out to outside parties to earn rental income (see Note 23). Total rental income amounted to ₱1.7 million in 2014 and 2013 recorded as part of "Other income" in the consolidated statements of comprehensive income.

The carrying value of the investment properties included a fair value change amounting to ₱91.7 million which was recognized in 2011. This was determined based on the appraisal report carried out in March 2012 by an independent appraiser. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. There was no appraisal made in 2014 and 2013, and management has assessed that there is no significant change in the fair value of these properties since its valuation date.

Real property taxes pertaining to the land amounted to ₱0.9 million in 2014, ₱1.2 million in 2013 and ₱0.5 million in 2012, respectively, included under "Taxes and licenses" account in the consolidated statements of comprehensive income.

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

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to the valuation for investment properties have been provided in Note 24.

13. **Other Noncurrent Assets**

	2014	2013
Goodwill (see Note 10)	**₱42,559,451**	₱42,559,451
Software cost	**2,957,834**	343,872
Advances to suppliers	**24,019,530**	26,311,872
Pension asset (see Note 19)	**–**	1,525,382
Others	**2,339,640**	1,215,530
	₱71,876,455	₱71,956,107

a. Goodwill represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of HDFE, a subsidiary (see Note 10).

Impairment Testing of Goodwill
Goodwill acquired through business combination has been allocated to a single cash-generating unit that is pertaining to an investment company, which is a reportable segment.

The recoverable amount of each unit 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.

Carrying amount of goodwill related to HDFE amounting to ₱42.6 million as of December 31, 2014 and 2013 is recorded as part of "Other noncurrent assets" in the consolidated statements of financial position. The goodwill is attributed to the expected synergies and other benefits from combining the assets of the investment company with those of the Group's investment in VECO.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Interest rate used to discount the net cash flows from operations is 2.01% based on a one-year Philippine Treasury bill rate quoted by the Bureau of Treasury.
- Annual growth in metered sales and city street lighting is projected with an annual growth rate of 9% to 24% and 6% to 22%, respectively.
- Operating expenses are projected to increase from 12% to 22% depending on the nature of the expenses.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, no impairment was recognized on goodwill in 2014 and 2013.

Sensitivity to Changes in Assumptions
With regard to the assessment of the value-in-use of HDFE, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

b. Advances to Suppliers
Advances to suppliers pertain to cash advances given to contactors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others.

c. Software Costs
Software cost pertains to a subsidiary's accounting software. The movement of software costs is as follows:

	2014	2013
Cost		
At January 1	**₱1,318,145**	₱1,268,995
Additions	**3,579,009**	49,150
At December 31	**4,897,154**	1,318,145
Accumulated Amortization		
At January 1	**974,273**	317,249
Additions	**965,047**	657,024
At December 31	**1,939,320**	974,273
Net Book Value	**₱2,957,834**	₱343,872

d. Due from RFM Corporation
Included in "Other noncurrent assets" is the amount due from RFM Corporation, the Group's previous owner. Based on management's assessment of this receivable, a full allowance for impairment losses was provided as of December 31, 2014 and 2013.

14. Trade and Other Payables

	2014	2013
Trade payables (see Note 23)	**₱1,109,128,040**	₱986,289,902
Deferred output VAT	**73,930,174**	146,151,528
Output VAT	**44,467,318**	129,763,407
Accrued interest (see Note 15)	**28,895,554**	6,775,368
Accrued taxes payable	**14,619,026**	16,035,630
Accounts payable	**6,514,176**	9,265,285
Accrued expenses	**5,679,215**	41,556,191
Dividends payable	**2,487,864**	57,553,747
Unearned income	**100,000**	3,000,000
Others	**9,398,303**	19,400,684
	₱1,295,219,670	₱1,415,791,742

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers, and the Group's collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills for the supply months of November and December 2013. On March 28, 2014, the Group filed a Motion for Reconsideration with the ERC. However, ERC issued a denial of the said motion on October 15, 2014 (see Note 23). Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Deferred output VAT is related to the recognition of the Group's revenue from WESM and its corresponding receivable. The deferred output VAT is eventually closed to output VAT upon collection of the related receivable.

Accrued expenses mainly consist of accruals of salaries and employee benefits, utilities expense, statutory payables, outside services and communication expenses, among others.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from declaration made by and HDFE. Dividends declared relating to non-controlling interests amounted to ₱487.2 million, ₱477.8 million, and ₱358.0 million in 2014, 2013 and 2012, respectively.

Unearned income pertains to advance payments received by the Group from CPPC representing management fees (see Note 16).

15. **Notes Payable**

Fixed Rate Corporate Notes (FRCN)	
₱1.0 billion @ 5.7271% interest per annum	₱1,000,000,000
2.0 billion @ 5.4450% interest per annum	2,000,000,000
	3,000,000,000
Less unamortized debt issue costs	26,270,750
	2,973,729,250
Less current portion - net of unamortized debt issue costs of ₱3.8 million in 2014	26,155,546
	₱2,947,573,704

The Group entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 9, 2014 to fund its equity investments in power generation projects, to include but not limited to MCC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on January 29, 2014 and the second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes will mature on February 3, 2021 and are payable at 1% based on the principal amount of the notes in the first 6 years and 94% at maturity. Interest is not repriced and paid quarterly.

Repayments of outstanding principal amounts are scheduled as follows:

Within one year	₱30,000,000
More than one year but not more than five years	150,000,000
More than five years	2,820,000,000
	₱3,000,000,000

The Agreement requires that the Group shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the consolidated equity of the Group. In addition, the Agreement requires the current ratio not to fall below 1.25:1 and is based on the Group's consolidated current assets and current liabilities. The Group has complied with these ratio requirements as of December 31, 2014.

Total interest expense related to notes payable in 2014 amounted to ₱137.0 million in the consolidated statements of comprehensive income, and the related accrued interest expense as of December 31, 2014 amounted to ₱26.6 million, shown as part of "Trade and other current liabilities" account in the 2014 consolidated statements of financial position (see Note 14).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the effective interest rate method, over the term of the related loans.

Rollforward analysis of debt issue costs in 2014 follows:

Cost:	
Additions during the year	₱29,567,922
Accumulated amortization:	
Amortization during the year	3,297,172
	26,270,750
Less current portion	3,844,454
	₱22,426,296

In 2013 and 2012, the Group had notes payable for which interest expense recognized amounted to ₱11.3 million and ₱27.3 million, respectively. These notes were fully paid in 2013.

16. Related Party Transactions

Parties are considered to be related if the one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. 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:

2014					
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payables**	**Terms**	**Conditions**
Affiliates					
Management fees (see Note 16d):					
VECO`	**₱30,556,400**	**₱2,478,059**	**₱–**	30-60 days; noninterest-bearing	Unsecured; no impairment
CEDC	**29,040,000**	**2,347,400**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	**6,500,000**	**–**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P.	**2,076,000**	**167,810**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CEDC	**43,893,333**	**5,065,500**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	**5,000,000**	**–**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	**12,794**	**244,921**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
AHPC	**12,084,623**	**17,802,560**	**–**	noninterest-bearing	Unsecured; no impairment
MCC	**265,292**	**265,292**	**–**	noninterest-bearing	Unsecured; no impairment
AHPC	**41,646**	**41,646**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment
MCC	**34,522**	**34,522**	**–**	noninterest-bearing; due and demandable	Unsecured; no impairment
PEI	**–**	**1,532,400**	**–**	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2014			
		Outstanding Balance			
Category	Volume	Receivable	Payables	Terms	Conditions
VECO	**₱–**	**₱9,543**	**₱–**	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
Delta P	**18,853,182**	–	**39,302,898**	18-month; 1.56%	Unsecured; no impairment
Operating lease (see Note 16f):					
VECO	**3,970,200**	**326,986**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Joint Venture					
Management fees (see Note 16f):					
NR	**3,649,165**	**3,539,690**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	**2,970,000**	**130,950**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
CIPC	**1,141,957**	**28,154**	–	30-60 days; noninterest-bearing	Unsecured; no impairment
NR	**7,667,725**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	**5,500,000**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
NR	**24,423,156**	**14,688,798**	–	noninterest-bearing	Unsecured; no impairment
CIPC	**7,693,036**	**7,780,003**	–	noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
NR	**1,713,934**	–	**182,564**	payable on demand; noninterest-bearing	Unsecured; no impairment
Notes payable (see Note 16c):					
NR	**1,144,546**	–	**69,645,634**	3 years; 4.1577% per annum	Unsecured; no impairment
Stockholder with significant influence					
Management fees (see Note 16e)					
GPI	**37,800,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
Service fees (see Note 16e):					
GPI	**21,700,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
EUVHCI	**20,000,000**	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
Advances to (see Note 16a):					
GPI	**97,321**	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment

(Forward)

		2014			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payables**	**Terms**	**Conditions**
Advances from (see Note 16c):					
GPI	**₱1,028,197**	**₱–**	**₱1,028,197**	payable on demand; noninterest-bearing	Unsecured; no impairment
Stockholder with no significant influence					
Service fees (see Note 16e):					
NGL	**3,100,000**	**–**	**–**	payable on demand; noninterest-bearing	Unsecured; no impairment
ICS	**2,500,000**	**–**	**–**	payable on demand; noninterest-bearing	Unsecured; no impairment
Advances from (see Note 16c):					
JLR	**–**	**–**	**8,897,840**	noninterest-bearing	Unsecured; no impairment

		2013			
		Outstanding Balance			
Category	Volume	Receivable	Payables	Terms	Conditions
Associates					
Management fees - income (see Note 16d):					
VECO	₱30,056,400	₱–	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	12,000,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P.	2,016,000	162,960	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income (see Note 16d):					
VECO	24,127,708	–	–	30-60 days; noninterest-bearing	Unsecured no impairment
AHPC	7,700	–	–	30-60 days; noninterest-bearing	Unsecured
Rental income (see Note 16f):					
VECO	3,937,647	–	–	30-60 days; noninterest-bearing	Unsecured no impairment
Advances granted (see Note 16a):					
AHI	79,927,875	–	–	payable on demand; noninterest-bearing	Unsecured; no impairment
AHPC	60,021,898	18,291,470	–	payable on demand; noninterest-bearing	Unsecured; no impairment
PEI	–	1,532,400	–	payable on demand; noninterest-bearing	Unsecured; no impairment
Advances received (see Note 16c):					
Delta P.	4,719,413	–	58,156,080	payable on demand; noninterest-bearing	Unsecured; no impairment
VECO	–	9,543	–	payable on demand; noninterest-bearing	Unsecured; no impairment

(Forward)

	2013				
		Outstanding Balance			
Category	Volume	Receivable	Payables	Terms	Conditions
Joint Venture					
Service income (see Note 16d):					
NR	₱8,260,156	₱10,177,647	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances granted (see Note 16a):					
CIPC	75,344,630	86,729,830	–	payable on demand; noninterest-bearing	Unsecured; no impairment
NR	4,954,210	8,339,782	–	payable on demand; noninterest-bearing	Unsecured; no impairment
Notes payable (see Note 16c):					
NR	31,250	–	70,790,180	payable within 3 years; bears interest-rate of 4.1577% p.a.	Unsecured; no impairment
Stockholder with significant influence					
Management fees - expense (see Note 16e)					
GPI	27,000,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service fees - expense (see Note 16e):					
GPI	23,870,000	–	–	30-60 days; noninterest-bearing	Unsecured; no impairment
EUVHCI	22,000,000	–	3,300,000	30-60 days; noninterest-bearing	Unsecured; no impairment
Interest on notes receivable (see Note 16b):					
GPI	751,416	–	–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
EUVHCI	692,549	–	–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
Advances granted (see Note 16a):					
GPI	–	–	67,617	payable on demand; noninterest-bearing	Unsecured no impairment
Stockholder with no significant influence					
Interest on notes receivable (see Note 16b):					
Other non-controlling stockholder	107,345	–	–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
IHI	86,569	–	–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
Advances received (see Note 16c):					
Other non-controlling stockholder	5,232,068	–	8,897,840	payable on demand; noninterest-bearing	Unsecured; no impairment
IHI	–	–	25,000	payable on demand; noninterest-bearing	Unsecured; no impairment

(Forward)

		2013			
		Outstanding Balance			
Category	Volume	Receivable	Payables	Terms	Conditions
Service fees -expense (see Note 16e):					
Other non-controlling stockholder	₱3,410,000	₱–	₱511,500	30-60 days; noninterest-bearing	Unsecured; no impairment
IHI	2,750,000	–	412,500	30-60 days; noninterest-bearing	Unsecured; no impairment

a. These are noninterest-bearing cash advances to associates, affiliates and stockholders. Also, the Group advances funds for certain expenses of associates.

   The outstanding current portions of the advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

b. On August 10, 2012, 1590 EC granted loans to its stockholders with a term of one (1) year and earns interest of 3.6462% per annum. This was subsequently collected in 2013.

   Interest income recognized from the Group's interest-bearing notes receivable amounted to nil in 2014 and ₱3.5 million and ₱2.3 million in 2013 and 2012, respectively, and are presented as part of "Interest income" account in the consolidated statements of comprehensive income.

c. "Advances from related parties" accounts are interest and noninterest-bearing cash advances from the Group's associates and stockholders.

   All of the outstanding advances are unsecured, noninterest-bearing and are due on demand except for the advances from VSNRGC in 2011 and advances from Delta P in 2013. Advances from VSNRGC are payable on demand within 3 years from the date of loan. The said advances are payable together with the interest accrued based on the December 1, 2011 PDST-F rate of 3.6577% plus 0.50% for a term of three (3) years from the date of the loan. On November 30, 2014, the loan was renewed for another three years. Interest expense related to this amounted to ₱2.9 million in 2014 and 2013 and ₱5.9 million in 2012. The related accrued interest payable is presented under "Trade and other payables".

   In September 2014, VEC issued a noninterest-bearing promissory note with Delta P to replace the interest-bearing note issued in 2013. Advances from "non-controlling stockholders" pertain to cash advances provided by certain non-controlling stockholders of 1590 EC in 2014 and 2013 to augment the working capital requirements.

d. Management and service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates. These are governed by management consultancy and service-level contracts executed by the Group and its associates. These are recognized as "Management fees" and "Service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income.

Outstanding receivables for management fees and service fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position as of December 31, 2014 and 2013 amounted to ₱14.3 million and ₱10.4 million, respectively (see Note 7).

e. The Group also entered into a consultancy and management service agreement with its stockholders to perform management consultancy services.

   Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" and "Management fees" under "Operating expenses" in 2014 and 2013 (see Note 17).

   Outstanding balance from these service agreements included as part of "Trade and other payables" in the consolidated statements of financial position amounted to ₱10.2 million and ₱4.2 million as of December 31, 2014 and 2013, respectively.

f. The Group has a lease agreement with VECO (see Note 23). VECO leased an office space owned by the Group to be utilized as their Customer Care Office. The monthly rental is ₱0.3 million in 2014, ₱0.2 million in 2013 and 2012, subject to an annual increase of 10%.

   The Group recognized, as part of "Other income" account in the consolidated statements of comprehensive income, the amount of ₱3.9 million in 2014, ₱3.0 million in 2013 and ₱2.9 million in 2012 representing rent income received from VECO.

The above transactions are generally settled through cash.

The retirement fund of a subsidiary is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱16.8 million and ₱9.3 million as of December 31, 2014 and 2013, respectively (see Note 19). Other than the contributions to the retirement fund, the Group does not have any other transactions with the fund in 2014 and 2013.

Compensation and Benefits of Key Management Personnel
The compensation of the of the Group's key management personnel by benefit type as follows:

	2014	2013	2012
Short-term employee benefits	**₱40,254,493**	₱30,831,832	₱7,138,724
Post-employment pension benefits (see Note 19)	**6,476,063**	2,454,658	–
	₱46,730,556	₱33,286,490	₱7,138,724

17. Generation Costs and Operating Expenses

Generation Costs

The Group's generation costs pertain to the costs incurred in the operation of the BDPP (see Note 23):

	2014	2013	2012
Heavy fuel oil (see Note 23)	**₱1,275,706,992**	₱1,120,423,098	₱990,396,899
Purchased power (see Note 23)	**187,127,482**	16,883,018	27,102,921
Rent (see Note 23)	**152,942,787**	140,000,000	84,000,000
Materials and supplies	**113,996,076**	128,782,038	381,012,270
Contractual and outside services	**75,744,391**	17,199,290	14,954,094
Salaries, wages and employee benefits (see Note 18)	**44,632,098**	42,247,517	38,694,109
Lube oil	**38,419,158**	32,746,186	29,425,334
Repairs and maintenance	**33,486,643**	18,935,187	71,771,310
Insurance	**29,479,302**	18,625,942	32,077,511
Professional fees (see Note 16e)	**28,721,765**	20,250,000	20,357,899
Supply and metering charges	**25,870,207**	23,698,987	23,785,736
Royalty fees (see Note 23)	**25,465,567**	12,698,043	–
Light, fuel and oil	**21,738,955**	25,093,002	22,263,940
Depreciation and amortization (see Notes 11 and 23)	**4,175,702**	115,000	107,912,497
Market fees (see Note 23)	**2,718,005**	3,022,906	1,445,248
Light and power	**1,679,477**	1,207,528	1,233,539
Taxes and licenses	**1,026,444**	1,478,989	337,692
Transportation	**994,791**	626,331	1,214,976
Miscellaneous	**3,736,177**	9,504,547	158,464
	₱2,067,662,019	₱1,633,537,609	₱1,848,144,439

Other Operating Expenses

	2014	2013	2012
Office supplies	**₱2,954,389**	₱4,442,200	₱3,215,892
Regulatory expenses	**1,827,780**	1,047,707	397,587
Repairs and maintenance	**1,053,181**	2,741,534	1,844,284
Stockholders' meeting expenses	**639,566**	951,335	349,240
Others	**16,425,073**	20,166,900	6,614,451
	₱22,899,989	₱29,349,676	₱12,421,454

Regulatory expenses represent payments of various charges imposed by the PSE and SEC.

Others include employee training and development expenses, donations and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges among others.

18. **Personnel Expenses**

	2014	2013	2012
Salaries, wages and employee benefits	**₱113,243,415**	₱104,599,326	₱68,555,512
Directors' compensation and benefit	**3,588,302**	2,787,493	2,733,333
Pension costs (see Note 19)	**11,591,504**	9,285,463	6,416,298
	₱128,423,221	₱116,672,282	₱77,705,143

19. **Retirement Plan**

The Group has a funded, noncontributory, defined benefit pension plan covering all regular, permanent employees of the Parent Company and 1590 EC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The retirement fund of Group's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

Under the existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the pension plan.

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2014	2013	2012
Current service cost	**₱10,485,193**	₱4,261,557	₱5,783,040
Net interest cost	**1,106,311**	957,277	633,258
Past service cost	**–**	4,066,629	–
Pension expense	**₱11,591,504**	₱9,285,463	₱6,416,298

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2014	2013	2012
Actuarial loss on defined benefit plan	**₱1,430,925**	₱1,507,689	₱288,834
Return on assets excluding amount included in net interest cost	**410,175**	(11,429)	–
	₱1,841,100	₱1,496,260	₱288,834

The pension liability as of December 31, 2014 pertains to both the Parent Company and 1590 EC's funded retirement plan, while, the pension asset as of December 31, 2013 pertains to the funded retirement plan of 1590 EC, as follows:

	2014	2013
Present value of defined benefit obligation	**₱40,040,490**	₱7,756,047
Fair value of plan asset	**(16,831,464)**	(9,281,429)
Pension liability (asset)	**₱23,209,026**	(₱1,525,382)

Changes in the present value of the defined benefit obligation follow:

	2014	2013
At January 1	**₱26,480,666**	₱15,687,514
Current service cost	**10,485,193**	4,261,557
Interest cost on defined benefit obligation	**1,643,706**	957,277
Past service cost	**–**	4,066,629
Actuarial loss (gain) due to:		
Changes in financial assumptions	**2,080,310**	1,368,129
Experience adjustments	**(649,385)**	139,560
At December 31	**₱40,040,490**	₱26,480,666

Present value of obligation as of December 31, 2013 consists of the following:

Parent Company's unfunded retirement plan	₱18,724,619
1590 ECs funded retirement plan	7,756,047
	₱26,480,666

Changes in the fair value of plan assets representing the funded retirement plan of the Group follow:

	2014	2013
At January 1	**₱9,281,429**	₱–
Contributions to the retirement fund	**7,422,815**	9,270,000
Return on assets excluding amount included in net interest income	**127,220**	11,429
At December 31	**₱16,831,464**	₱9,281,429

Changes in the amounts recognized in the consolidated statements of financial position for pension follows:

	2014	2013
At January 1	**₱17,199,237**	₱15,687,514
Pension expense for the year	**11,591,504**	9,285,463
Actuarial loss recognized for the year	**1,841,100**	1,496,260
Contributions to retirement fund	**(7,422,815)**	(9,270,000)
At December 31	**₱23,209,026**	₱17,199,237

The fair value of the plan assets by each class as of December 31are as follows:

	2014	2013
Fixed income securities:		
Savings deposit	**₱21,105**	₱1,232
Due from Bangko Sentral ng Pilipinas	**16,809,000**	9,269,000
Accrued interest receivable	**22,791**	16,920
Total assets	**16,852,896**	9,287,152
Liabilities of the fund:		
Accrued trust fees	**19,031**	3,663
Withholding taxes payable	**2,401**	2,060
Total liabilities	**21,432**	5,723
Fair value of plan assets	**₱16,831,464**	₱9,281,429

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension obligation for the Group's pension plan as of December 31 follow:

	2014	2013
Discount rate	**5.60%−4.17%**	6.38%−5.79%
Future salary increase rate	**7.50%−6.00%**	7.50%−6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of December 31, 2014, assuming all other assumptions were held constant:

		Present Value Change of Defined Benefit Obligation	
	Increase (Decrease)	**2014**	2013
Discount rate	+100 basis points	**(₱2,882,308)**	(₱4,132,237)
	−100 basis points	**1,168,007**	1,820,569
Future salary increase rate	+100 basis points	**1,396,501**	1,594,574
	−100 basis points	**(3,092,339)**	(4,012,212)

The average duration of the defined benefit obligation as of December 31, 2014 is 16.9 years and 25.1 years, and as of December 31, 2013, average duration is 13.5 years and 25.1 years for the Parent Company and 1590 EC, respectively.

The Group expects to contribute ₱7.8 million to the defined benefit plan in 2015.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2014 and 2013:

	2014	2013
Less than one year	**₱6,580,740**	₱6,163,290
More than one year to five years	**7,998,578**	8,221,121
More than five years to 10 years	**8,232,482**	8,668,848
More than 10 years to 15 years	**13,092,768**	13,092,768
More than 15 years to 20 years	**38,131,425**	17,125,631
More than 20 years	**278,572,808**	170,838,117
Total	**₱352,608,801**	224,109,775

20. **Income Taxes**

	2014	2013	2012
Current	**₱213,065,461**	₱216,784,056	₱176,533,911
Final	**6,381,578**	6,695,118	3,060,829
	219,447,039	223,479,174	179,594,740
Deferred	**7,406,522**	(2,046,742)	(629,252)
	₱226,853,561	₱221,432,432	₱178,965,488

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense in the consolidated statements of comprehensive income is as follows:

	2014	2013	2012
Income before income tax	**₱1,922,308,461**	₱1,525,877,276	₱2,210,613,128
Tax calculated at 30% statutory rate	**₱576,692,538**	₱457,763,183	₱663,183,938
Adjustments for the tax effects of:			
Equity in net earnings of associates	**(333,228,616)**	(245,150,397)	(288,803,672)
Excess of OSD over deductible expenses	**(56,549,861)**	–	–
Unrecognized NOLCO and derecognition of expired NOLCO	**40,399,423**	5,479,453	5,874,536
Interest income subject to final tax	**(6,293,605)**	(5,183,737)	(10,074,730)
Non-deductible expenses	**4,513,032**	10,472,475	1,762,191
Change in value of unrecognized deferred income tax assets	**1,326,053**	1,279,421	681,491
Gain on redemption of an equity interest subjected to final tax	–	(3,046,662)	(5,451,357)
Nontaxable gain on rescinded contract	–	–	(193,138,547)
Others	**(5,403)**	(181,304)	4,931,638
	₱226,853,561	₱221,432,432	₱178,965,488

The components of the Group's net deferred income tax assets as of December 31 are as follows:

	2014	2013
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,329**	₱13,923,329
Pension liability	**7,747,577**	5,081,858
NOLCO	**682,128**	1,562,021
Remeasurement loss on employee benefits	**539,783**	535,528
Unrealized foreign exchange loss	**100,325**	–
Deferred expenses	**–**	348,723
MCIT	**–**	2,148
	22,993,142	21,453,607
Deferred income tax liability:		
Debt issue cost	**7,881,225**	**–**
Unrealized foreign exchange gain	**932,023**	54,324
	8,813,248	54,324
	₱14,179,894	₱21,399,283

The components of the Group's deferred income tax liabilities are as follows:

	2014	2013
Unrealized fair value gain on investment property	**₱27,521,100**	₱27,521,100
Unrealized gain on AFS investments	**53,400**	–
Accrued rent	**924**	6,264
	₱27,575,424	₱27,527,364

In 2014 and 2013, the Group has deductible temporary differences and tax credits for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences and tax credits follow:

	2014	2013
NOLCO	**₱44,976,177**	₱36,822,317
Allowance for impairment losses	**585,000**	4,688,047
	45,561,177	41,510,364
MCIT	**102,189**	130,462
	₱45,663,366	₱41,640,826

21. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding shares in 2014, 2013 and 2012.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares, December 31, 2014	1,023,456,698
Unissued shares, December 31, 2014	976,543,302

The Parent Company's issued common shares as of December 31, 2014 and 2013 consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares.

The Parent Company has 1,467, 1,481 and 1,501 stockholders as of December 31, 2014, 2013 and 2012, respectively, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends
The BOD declared cash dividends to its stockholders as follows:

	2014	2013	2012
Date of declaration	**June 25, 2014**	June 21, 2013	June 15, 2012
Date of record	**July 9, 2014**	July 4, 2013	July 4, 2012
Date of payment	**July 31, 2014**	July 30, 2013	July 16, 2012
Dividends declared:			
Regular dividends	**₱175,420,478**	₱159,501,588	₱144,968,499
Special dividends	**50,047,033**	50,000,000	50,000,000
	₱225,467,511	₱209,501,588	₱194,968,499
Dividends per share	**₱0.2203**	₱0.2047	₱0.1905

Appropriation of Retained Earnings for Business Expansion
On December 20, 2013, a resolution was passed and duly approved by the BOD allowing the participation and investment by the Group in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which was started in the first quarter of 2014 and are expected to be completed within the next three (3) years.

Out of the 2013 retained earnings appropriation, the Group invested ₱491.9 million in 2014 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

The BOD has determined, in a board meeting held on December 19, 2014, that the Group's operations require additional allocation as reserve for the investment in the two ongoing power plant projects in Visayas and Mindanao and a future investment in a new renewable power plant project also in the Visayas. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,446.2 million to be used for future investments in these projects which are expected to be implemented starting 2015.

As of December 31, 2014 and 2013, the Group's appropriated retained earnings amounted to ₱2,810.9 million and ₱1,856.5 million, respectively.

Unappropriated Retained Earnings
The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱414.1 million and ₱236.6 million as at December 31, 2014 and 2013, respectively. Such amounts are not available for dividend distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

Non-Controlling Interests
In 2013, VMHI, a subsidiary, received deposits for future stock subscription amounting to ₱33.0 million from its shareholders with a view of applying the same as payment for additional issuance of stock. As of December 31, 2013, these deposits were not yet converted to capital stock pending approval of VMHI's increase in authorized capital stock with the SEC. Subsequently in 2014, VMHI's increase in capital stock was already approved by SEC and thus, the deposits have been converted to capital stock of VMHI.

In addition, VMHI issued additional capital stock amounting to ₱8.8 million in 2014.

22. Earnings Per Share (EPS)

The amounts of earnings per share are computed as follows:

	2014	2013	2012
Net income attributable to shareholders of the Parent Company	**₱1,348,042,824**	₱1,008,748,891	₱1,461,200,409
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱1.317**	₱0.986	₱1.428

There are no potential dilutive shares as of December 31, 2014, 2013 and 2012.

23. Contracts and Commitments

Interim Power Supply Agreements
On March 31, 2014, 1590 EC entered into an Interim Power Supply Agreement (IPSA) with Manila Electric Company (Meralco) to supply 140 MW for the period April 1 to June 30, 2014. On June 30, 2014, the Energy Regulatory Commission approved the extension of the IPSA to October 31, 2014.

On April 4, 2014, 1590 EC entered into a Contract to Purchase Generated Energy with Trans-Asia Oil and Energy Development Corporation (TAO) to supply 20MW for the period starting April 4 to June 25, 2014. TAO requested through a letter dated June 16, 2014 for the extension of the agreement. In a letter dated June 18, 2014, 1590 EC replied providing a 1 month extension to the agreement from June 26 to July 25, 2014.

As of December 31, 2014, total revenue from the IPSA with Meralco amounted to ₱168.6 million, while total revenue from the IPSA with TAO amounted to ₱1,359 million.

Supply Agreement for Heavy Fuel
On April 1, 2012, 1590 EC entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the entity's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and 1590 EC shall purchase the petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014. Upon expiration of the previous agreement, the contract was renewed starting May 1, 2014 to April 30, 2016 between 1590 EC and PSPC.

Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱1,275.7 million, ₱1,120.4 million and ₱990.4 million in 2014, 2013 and 2012, respectively (see Note 17).

Operating Leases - Group as Lessor
The Group entered into lease agreements with third parties to lease out its land and building classified under "Investment properties" in the consolidated statements of financial position (see Note 12).

The Group also leased out an office space to VECO (see Note 16f). The lease agreement has no lease term and can be terminated upon mutual agreement of parties and upon 30 days prior written notice.

Participation in WESM
The revenue from sale of power recognized by 1590 EC amounting to ₱1.7 billion in 2014, ₱2.6 billion in 2013 and 2012 were generated from its participation in the trading of electricity at the Wholesale Electricity Supply Market (WESM).

On March 6, 2014, the ERC rendered an Order voiding the WESM prices for the supply months of November and December 2013 and in lieu thereof, substituting regulated prices. The Order came after the ERC formed an Investigating Unit to investigate the unusual increase in WESM prices and the seemingly simultaneous withholding of capacity by electric power generators during the supply months of November and December 2013. Based on the WESM adjustment bills from PEMC for the said billing periods, the Group recorded a reduction in its 2013 revenue from sale of power of 1590 EC amounting to ₱2.1 billion. The Group also recognized as liabilities the collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills amounting to ₱378.7 million as of December 31, 2013 (see Note 14).

On March 28, 2014, 1590 EC filed its Motion for Reconsideration (MR) to the Order. In an Order dated October 15, 2014, the ERC denied the MR.

On December 10, 2014, as a result of the denial of the MR by the ERC, 1590 EC filed a Petition for Review with Application for Injunction and Temporary Restraining Order with the Court of Appeals requesting for the (a) issuance of a Temporary Restraining Order and Writ of Preliminary Injunction enjoining ERC and PEMC from implementing all orders, decisions, and resolutions in ERC Case No. 2014-021 MC and (b) reversal of the Order of the ERC in ERC Case No. 2014-021 MC and (c) reinstating the November and December 2014 WESM market prices. The Petition is still pending.

Amounts recognized in the consolidated statements of comprehensive income related to 1590 EC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱189.8 million, ₱19.9 million and ₱28.5 million in 2014, 2013 and 2012, respectively. Trade receivable from WESM has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury Bill per annum on the past due receivables. Total interest income earned amounted to ₱0.5 million, ₱0.6 million and ₱3.7 million in 2014, 2013 and 2012, respectively.

Contract to Sell Involving a Power Plant
On December 8, 2010, a Contract to Sell (CTS) was executed in favor of 1590 EC to purchase the diesel power plant owned by PGLU. 1590 EC recognized a long-term debt equivalent to the purchase price of the power plant in the amount of ₱3.1 billion subject to a total down payment of ₱559.5 million payable on July 26, 2011 and January 26, 2012.

On July 23, 2011, an amendment to the CTS was made moving the deadline for payment of the ₱413.0 million plus 6% interest per annum from July 26, 2011 to January 26, 2012.

As of December 31, 2011, 1590 EC paid a total of ₱550.6 million as first down payment and monthly amortization inclusive of the consideration for the extension of the exclusive right to purchase and the right to an interim management and operation of the power plant under the Interim Agreement.

On April 26, 2012, 1590 EC and PGLU agreed to mutually rescind the December 8, 2010 CTS and its amendments on July 23, 2012 through a MRA. As a result of the MRA, the ownership of the BDPP shall remain with the PGLU and any obligation of the PGLU to sell the BDPP and all assets included in the CTS to the 1590 EC shall be extinguished. Likewise, any and all payment obligations of 1590 EC under the CTS shall also be extinguished.

The MRA also provides that in consideration, as well as, the grant of concomitant rights to preserve, maintain, and operate the BDPP, together with the right to use and sell power from December 8, 2010 until the execution of the MRA, PGLU shall be entitled to the monthly payments already received under the CTS which shall be credited in favor of the settlement of this obligation by 1590 EC amounting to ₱228.7 million. Further, total monthly payments deposited to the escrow account from the execution of the CTS shall be reverted back in favor of 1590 EC.

As a result of the MRA, the Company recorded a “Gain on rescinded contract” in 2012 amounting to ₱643.8 million, as the difference of the derecognition of the property, plant, and equipment and long-term debt (see Note 11), and the return of cash from the escrow account amounting to ₱674.4 million. Cash received from the escrow account includes interest earned, net of final tax, amounting to ₱9.8 million.

Immediately upon execution of the MRA, PGLU authorized 1590 EC to preserve, maintain and operate the BDPP, as well as the right to use and sell power, in order to ensure the continued operation and maintenance of the BDPP as a source of power as required by public interest for a consideration of a monthly payment of ₱10.5 million (see Note 17).

<u>Operating Leases - Group as Lessee</u>

On May 11, 2012, a MOA was entered into by 1590 EC and PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed by the Company and PGLU for the continued operation, preservation, maintenance and management of the BDPP. The MOA is for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, provided that it shall be renewed under the same terms and conditions set forth in the MOA for another one year. The new MOA provides for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed thereby extending the agreement to December 31, 2015. All other terms and conditions remain.

In addition, the MOA stipulates for the payment by 1590 EC to PGLU of royalty fees equivalent to 1590 EC’s one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC’s monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

Total rent expense from this operating lease amounted to ₱153.0 million, ₱140.0 million and ₱84.0 million in 2014, 2013 and 2012, respectively, and total royalty fees recognized in the 2014, 2013 and 2012 consolidated statements of comprehensive income amounted to ₱25.0 million, ₱12.7 million and nil, respectively (see Note 17).

Professional Fees

Professional fees represent expenses for management consultancy, technical consultancy, legal, and auditing services. These are covered by consultancy and service contracts. These are recognized as "Professional fees" presented as part of the Group's operating expenses in the consolidated statements of comprehensive income.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, advances to related parties, AFS investments, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for the trade receivables of 1590 EC which is fully provided with allowance for impairment and portion of the receivables provided with allowance amounting to ₱34.1 million, management evaluated that the Group's consolidated financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱5,108.1 million and ₱3,767.2 million as of December 31, 2014 and 2013, respectively.

There are no significant concentrations of credit risk within the Group.

The following tables set out the aging analysis per class of financial assets that were past due but not impaired as of December 31:

	2014						
	Neither Past Due nor Impaired	Past Due But not Impaired: Less than 30 Days	31-60 Days	61-90 Days	Over 90 days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	**₱4,859,530,626**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,859,530,626**
Trade and other receivables	**1,512,402**	**63,634,623**	**868,242**	**1,252,147**	**71,249,049**	**34,458,046**	**172,974,509**
Advances to associates and stockholders	**39,035,941**	**–**	**–**	**353,000**	**1,541,943**	**–**	**40,930,884**
Advances to suppliers and other parties under “Prepayments and other current assets”	**203,673,372**	**–**	**–**	**–**	**–**	**–**	**203,673,372**
Due from RFM Corporation under “Other noncurrent assets”	**–**	**–**	**–**	**–**	**–**	**46,078,063**	**46,078,063**
AFS Investments	**4,324,131**	**–**	**–**	**–**	**–**	**–**	**4,324,131**
	₱5,108,076,472	**₱63,634,623**	**₱868,242**	**₱1,605,147**	**₱72,790,992**	**₱80,536,109**	**₱5,327,511,585**

	2013						
	Neither Past Due nor Impaired	Past Due But not Impaired: Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱3,057,081,413	₱–	₱–	₱–	₱–	₱–	₱3,057,081,413
Trade and other receivables	600,141,776	19,323,198	27,756,231	1,261,833	97,610,124	333,032	746,426,194
Advances to associates and stockholders	106,118,219	–	–	–	9,368,764	–	115,486,983
Due from RFM Corporation under “Other noncurrent assets”	–	–	–	–	–	46,078,063	46,078,063
AFS Investments	3,846,131	–	–	–	–	–	3,846,131
	₱3,767,187,539	₱19,323,198	₱27,756,231	₱1,261,833	₱106,978,888	₱46,411,095	₱3,968,918,784

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2014				
	Total	Neither Past Due nor Impaired: High Grade	Standard	Substandard	Past Due or Individually Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	**₱4,859,530,626**	**₱4,859,530,626**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**172,974,509**	**1,512,402**	**–**	**–**	**171,462,107**
Advances to associates and stockholders	**40,930,884**	**39,035,941**	**–**	**–**	**1,894,943**
Advances to suppliers and other parties (under “Prepayments and other current assets”)	**203,673,372**	**203,673,372**	**–**	**–**	**–**
Due from RFM Corporation (under “Other noncurrent assets”)	**46,078,063**	**–**	**–**	**–**	**46,078,063**
AFS Investments	**4,324,131**	**4,324,131**	**–**	**–**	**–**
	₱5,327,511,585	**₱5,108,076,472**	**₱–**	**₱–**	**₱219,435,113**

	2013				
		Neither Past Due nor Impaired			Past Due or Individually
	Total	High Grade	Standard	Substandard	Impaired
Loans and Receivables					
Cash and cash equivalents					
(excluding cash on hand)	₱3,057,081,413	₱3,057,081,413	₱–	₱–	₱–
Trade and other receivables	746,426,194	600,141,776	–	–	146,284,418
Advances to associates and stockholders	115,486,983	106,118,219	–	–	9,368,764
Due from RFM Corporation (under					
"Other noncurrent assets")	46,078,063	–	–	–	46,078,063
AFS Investments	3,846,131	3,846,131	–	–	–
	₱3,968,918,784	₱3,767,187,539	₱–	₱–	₱201,731,245

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Trade and Other Receivables* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Group.

- *Advances to Associates and Stockholders* - high grade since these pertains to advances to related parties who are consistent in the payment of its accounts.

- *AFS Investments* - high grade since these pertains to investments in AFS securities, which include listed shares, of companies with good credit standing.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

	2014					
		Contractual Undiscounted Payments				
	Total Carrying Amount	**Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**
Financial Assets						
Loans and receivables:						
Cash and cash equivalents						
(excluding cash on hand)	**₱4,859,530,626**	**₱4,859,530,626**	**₱4,859,530,626**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**138,516,463**	**172,974,509**	**–**	**138,516,463**	**34,458,046**	**–**
Advances to associates and						
stockholders	**40,930,884**	**40,930,884**	**–**	**40,930,884**	**–**	**–**
Advances to suppliers and other						
parties (under "Prepayments and						
other current assets")	**203,673,372**	**203,673,372**	**–**	**203,673,372**	**–**	**–**
Due from RFM Corporation (under						
"Other noncurrent assets")	**–**	**46,078,063**	**–**	**–**	**46,078,063**	**–**

(Forward)

		2014				
		Contractual Undiscounted Payments				
	Total Carrying Amount	**Total**	**On Demand**	**Less than 1 Year**	**1 to 5 Years**	**More than 5 Years**
AFS Investments	**₱4,324,131**	**₱4,324,131**	**₱–**	**₱4,324,131**	**₱–**	**₱–**
	5,246,975,476	**5,327,511,585**	**4,859,530,626**	**387,444,850**	**80,536,109**	**–**
Financial Liabilities						
Trade and other current payables*	**1,162,103,152**	**1,162,103,152**	**231,261,864**	**930,841,288**	**–**	**–**
Notes payable	**26,155,546**	**2,973,729,250**	**–**	**26,155,546**	**2,947,573,704**	**–**
Advances from related parties	**115,486,477**	**115,486,477**	**–**	**115,486,477**	**–**	**–**
	1,303,745,175	**4,251,318,879**	**231,261,864**	**1,072,483,311**	**2,947,573,704**	**–**
Net Financial Assets (Liabilities)	**₱3,943,230,301**	**₱1,076,192,706**	**₱4,628,268,762**	**(₱685,038,461)**	**(₱2,867,037,595)**	**₱–**

**Excluding statutory payables and unearned income*

		2013				
		Contractual Undiscounted Payments				
	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱3,057,406,413	₱3,057,406,413	₱3,057,406,413	₱–	₱–	₱–
Trade and other receivables	746,093,162	746,426,194	–	746,093,162	333,032	–
Advances to associates and stockholders	115,486,983	115,486,983	115,486,983	–	–	–
AFS Investments	3,846,131	3,846,131	–	3,846,131	–	–
	3,922,832,689	3,923,165,721	3,172,893,396	749,939,293	333,032	–
Financial Liabilities						
Trade and other current payables*	1,118,904,665	1,118,904,665	–	1,118,904,665	–	–
Notes payable	–	–	–	–	–	–
Advances from related parties	142,744,333	142,744,333	142,744,333	–	–	–
	1,261,648,998	1,261,648,998	142,744,333	1,118,904,665	–	–
Net Financial Assets	₱2,661,183,691	₱2,661,516,723	₱3,030,149,063	(₱368,965,372)	₱333,032	₱–

**Excluding statutory payables and unearned income*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The Group has recognized in its consolidated statements of comprehensive income, net foreign exchange gain of ₱4.3 million and ₱3.0 million on its foreign currency transactions in 2014 and 2013, respectively.

The table below demonstrates the sensitivity to a reasonable possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2014 and 2013.

	Change in Philippine Peso to US Dollar	
	3.29% Appreciation	2.89% Depreciation
Effect in income before income tax:		
2014	**₱2,737,770**	**(₱2,404,910)**
2013	(13,067,211)	11,480,247

	Change in Philippine Peso to Euro	
	4.34% Appreciation	4.94% Depreciation
Effect in income before income tax:		
2014	**(₱1,185)**	**₱1,349**
2013	(1,541)	1,175

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

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

		2014	
	USD	**EUR**	**Php Equivalent**
Asset			
Cash	**US$2,310,034**	**€502.63**	**₱103,378,233**
Liability			
Accruals	**US$4,170,000**	**–**	**185,598,568**
	(US$1,859,966)	**€502.63**	**(₱82,220,335)**

		2013	
	USD	EUR	Php Equivalent
Assets			
Cash	US$3,246,080	€584	₱144,145,218
Prepayments and other current assets	5,700,416	–	253,069,968
	US$8,946,496	**€584**	**₱397,215,186**

The December 31 exchange rate used follows:

	2014	2013
US Dollar	**₱44.74 to US$1**	₱44.40 to US$1
Euro Dollar	**₱54.34 to €1**	₱60.82 to €1

As a result of the translation of these net foreign-currency-denominated assets and liabilities, the Group reported an unrealized foreign exchange gain of ₱4.7 million and ₱2.1 million in 2014 and 2013, respectively.

Fair Value of Financial Instruments

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

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

As of December 31, 2014 and 2013, the carrying values of the Group's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity. The Group considers the notes payable with fair value of ₱3.0 billion under Level 2 classification.

The Group's AFS investments and investment properties, which are classified under Level 1 and Level 3, respectively, are measured at fair value. As of December 31, 2014 and 2013, 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 estimated fair value using unobservable market inputs (level 2) of the Group's notes payable are based on the present value of expected future cash flows using the effective interest rates ranging from 2.33% to 3.67% in 2014.

Valuation Techniques Used to Derive Level 2 Fair Values
The table below presents the following for the Group's notes payable:

Description	Fair Value as of December 31, 2014	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱2,423,298,930	Discounted Cash Flow Approach	Risk-free interest rate	2.33%–3.67% (3.61%)

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its AFS investments and investment properties during the year.

Highest and Best Use
As at December 31, 2014, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following table shows an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy:

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets Measured at Fair Value				
AFS investments (see Note 9)	₱574,131	₱574,131	₱–	₱–
Investment properties (see Note 12):				
Land	270,103,000	–	–	270,103,000
Buildings and improvements	3,968,000	–	–	3,968,000
	274,071,000	–	–	274,071,000
	₱274,645,131	₱574,131	₱–	₱274,071,000

Unrealized valuation gain on AFS investments, recognized in the consolidated statements of comprehensive income, amounted to ₱0.2 million in 2014, and nil in 2013 and 2012 (see Note 9). Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statements of comprehensive income, amounted to nil in 2014, 2013 and 2012 (see Note 12). All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized valuation gain on AFS investments and unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

As of December 31, 2014, the Group does not have liabilities measured at fair value. There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Value
The table below presents the following for each class of the Group's investment properties as of December 31, 2014 and 2013 (see Note 12):

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

Class of Property	Fair Value as of December 31, 2014 and 2013	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 10):				
Land	₱270,103,000	Sales Comparison Approach	Price per square meter	₱787–₱34,920
Buildings	3,968,000	Cost Approach	Reproduction cost	488,000–1,882,000

Descriptions and Definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

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.

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, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 of the Hierarchy

- *Land*. Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.
- *Buildings and Improvements*. Significant increases (decreases) in the reproduction cost in isolation would result in a significantly higher (lower) fair value measurement.

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.

No changes were made in the objectives, policies or processes during the years ended 2014, 2013 and 2012.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of long-term debt and notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2014	2013
Notes payable	**₱2,973,729,250**	₱–
Less: cash and cash equivalents	**4,859,530,626**	3,057,406,413
Net cash and cash equivalents (a)	**(1,885,802,376)**	(3,057,406,413)
Equity	**7,632,017,464**	6,470,070,702
Equity and net cash and cash equivalents (b)	**₱5,746,215,088**	₱3,412,664,289
Gearing ratio (a/b)	**(0.33):1.00**	(0.90):1.00

25. **Operating Segment Information**

The Group is currently organized into two operating segments: investing in shares of stock and 1590 EC's power generation operation.

The operating segments and their corresponding principal activities are as follows:

Investing in Shares of Stock

As disclosed in Note 1, except for 1590 EC, VMHI, Core, VII and VGPC, the Parent Company and all other subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

Power Generation
1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM while VMHI, Core, VII and VGPC are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively (see Note 1). VII and VGPC were incorporated in 2014, which companies are intended to undertake various power generation activities of the Group.

The segment results for the years ended December 31, 2014, 2013 and 2012 are as follow:

	2014		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Revenues from external customers	**₱3,207,748,349**	**₱11,378,646**	**₱3,219,126,995**
Revenue from inter-segment, associates and affiliates	**–**	**3,430,652,549**	**3,430,652,549**
Interest income	**8,483,847**	**42,229,098**	**50,712,945**
Inter-segment revenues	**–**	**(2,180,956,580)**	**(2,180,956,580)**
	3,216,232,196	**1,303,303,713**	**4,519,535,909**
Income from operations	**921,033,221**	**1,085,012,312**	**2,006,045,533**
Finance cost	**–**	**(140,546,624)**	**(140,546,624)**
Forex currency exchange gain	**4,269,158**	**–**	**4,269,158**
Other income (expense)	**54,737,097**	**(2,196,703)**	**52,540,394**
Income before income tax	**980,039,476**	**942,268,985**	**1,922,308,461**
Income tax expense	**(211,210,515)**	**(15,643,046)**	**(226,853,561)**
Net income for 2014	**₱768,828,961**	**₱926,625,939**	**₱1,695,454,900**

	2013		
	Power Generation	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱2,593,003,368	₱2,003,536	₱2,595,006,904
Revenue from inter-segment, associates and affiliates	212,467	3,292,454,538	3,292,667,005
Interest income	8,677,984	24,914,968	33,592,952
Inter-segment revenues	–	(2,304,004,049)	(2,304,004,049)
	2,601,893,819	1,015,368,993	3,617,262,812
Income from operations	755,376,797	796,232,227	1,551,609,024
Finance cost	–	(17,210,327)	(17,210,327)
Forex currency exchange gain	2,951,800	–	2,951,800
Gain on redemption of an equity interest in an associate	–	10,155,539	10,155,539
Other income	(1,013,045)	(20,615,715)	(21,628,760)
Income before income tax	757,315,552	768,561,724	1,525,877,276
Income tax expense	(203,292,588)	(18,139,844)	(221,432,432)
Net income for 2013	₱554,022,964	₱750,421,880	₱1,304,444,844

	2012		
	Power Generation	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱2,638,625,802	₱1,849,261	₱2,640,475,063
Revenue from inter-segment, associates and affiliates	–	1,271,689,004	1,271,689,004
Interest income	24,907,255	22,685,071	47,592,326
Inter-segment revenues	–	(156,590,000)	(156,590,000)
	2,663,533,057	1,139,633,336	3,803,166,393
Income from operations	464,809,891	1,140,437,875	1,605,247,766
Finance cost	(29,677,774)	(31,454,568)	(61,132,342)
Forex currency exchange gain	643,795,158	–	643,795,158
Gain on redemption of an equity interest in an associate	–	18,171,194	18,171,194
Other income	4,531,352	–	4,531,352
Income before income tax	1,083,458,627	1,127,154,501	2,210,613,128
Income tax expense	(127,749,064)	(51,216,424)	(178,965,488)
Net income for 2012	₱955,709,563	₱1,075,938,077	₱2,031,647,640

The Group's Chief Operating Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Of the Group's total revenues, about 71% and 54% pertains to energy fees of 1590 EC in 2014 and 2013, respectively. In 2014, 100% of energy fees arising from power generation segment revenue are derived from trading at WESM, an external customer, of the electricity generated.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statements of financial position as of December 31, 2014, 2013 and 2012 is as follows:

	2014		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱1,676,195,418**	**₱10,781,208,787**	**₱12,457,404,205**
Liabilities	**1,331,968,721**	**3,134,807,659**	**4,466,776,380**
Capital expenditures	**344,226,702**	**7,646,401,123**	**7,990,627,825**

	2013		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱2,340,743,316	₱6,392,929,883	₱8,733,673,199
Liabilities	1,677,380,531	89,533,163	1,766,913,694
Capital expenditures	663,362,785	6,303,396,721	6,966,759,506

	2012		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱2,008,843,147	₱4,234,912,052	₱6,2943,755,199
Liabilities	951,086,967	407,230,751	1,358,317,718
Capital expenditures	1,057,756,180	4,639,350,564	5,697,106,744

Other segment information included in the consolidated statements of comprehensive income for the years ended December 31, 2014, 2013 and 2012 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2014	₱8,217,035	₱13,337,375	₱21,554,410
2013	5,017,257	8,382,012	13,399,269
2012	110,990,676	6,900,491	117,891,167

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	7	5	2	2	2

Company Name

VIVANT CORPORATION

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

Unit 907-908 Ayala Life FGU Center, Mindanao Ave., cor. Biliran Road, Cebu Business Park, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
vivant@vivant.com.ph	(032) 234-2256	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,466	June 4	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
Atty. Joan A. Giduquio-Baron	jbaron@jpgarcialaw.com	(032)232-0253	0917-5356692

Contact Person's Address

15th Floor Ayala Life-FGU Center, Mindano Avenue corner Biliran Road, Cebu Business Park, Cebu City

Note: 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.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Vivant Corporation
Unit 907-908 Ayala Life FGU Center
Mindanao Ave., cor. Biliran Road
Cebu Business Park, Cebu City

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Vivant Corporation which comprise the parent company statements of financial position as at December 31, 2014 and 2013, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of these parent company financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these parent company financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the parent company financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Vivant Corporation as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The parent company financial statements of Vivant Corporation for the year ended December 31, 2012, which are presented for comparative purposes, were audited by other auditors whose report thereon dated April 8, 2013, expressed an unqualified opinion on those statements.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 20 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Vivant Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until April 30, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5564482, January 8, 2015, Cebu City

April 14, 2015

VIVANT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱4,014,543,879**	₱1,250,179,847
Trade and other receivables (Notes 7 and 14)	**80,646,950**	175,814,081
Prepaid expenses and other current assets (Note 8)	**26,830,773**	6,572,338
Total Current Assets	**4,122,021,602**	1,432,566,266
Noncurrent Assets		
Investments and advances to a subsidiary (Note 9)	**3,087,550,729**	2,817,109,839
Property and equipment (Note 10)	**46,315,892**	45,339,968
Deferred tax assets - net (Note 16)	**13,386,520**	19,486,392
Other noncurrent assets (Note 11)	**1,244,239**	1,184,238
Total Noncurrent Assets	**3,148,497,380**	2,883,120,437
TOTAL ASSETS	**₱7,270,518,982**	₱4,315,686,703
LIABILITIES AND EQUITY		
Current Liabilities		
Current portion of notes payable (Note 13)	**₱26,155,546**	₱–
Trade and other current liabilities (Notes 12 and 14)	**41,231,712**	219,776,762
Income tax payable	**–**	900,344
Total Current Liabilities	**67,387,258**	220,677,106
Noncurrent Liabilities		
Notes payable - net of current portion (Note 13)	**2,947,573,704**	–
Pension liability (Note 15)	**22,066,966**	18,724,619
Total Noncurrent Liabilities	**2,969,640,670**	18,724,619
Total Liabilities	**3,037,027,928**	239,401,725
Equity		
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452
Remeasurement of employee benefits (Note 15)	**(439,181)**	(456,514)
Retained earnings (Note 17):		
Appropriated for business expansion	**2,810,784,261**	1,856,476,291
Unappropriated	**391,349,824**	1,188,469,051
Total Equity	**4,233,491,054**	4,076,284,978
TOTAL LIABILITIES AND EQUITY	**₱7,270,518,982**	₱4,315,686,703

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 and 2013

(With Comparative Figures for the Year Ended December 31, 2012)

	Years Ended December 31		
	2014	2013	2012
REVENUES			
Dividend income (Note 9)	**₱1,083,234,433**	₱1,429,010,710	₱949,399,678
Management fees (Note 14)	**220,755,915**	227,298,418	288,100,172
Interest income (Notes 6 and 7)	**33,403,947**	17,429,559	15,304,143
Others (Note 14)	**9,640,105**	4,230,700	5,149,974
	1,347,034,400	1,677,969,387	1,257,953,967
EXPENSES			
Impairment loss on investment (Note 9)	**618,701,560**	–	–
Professional fees	**79,093,701**	78,895,504	48,888,182
Salaries and employee benefits (Note 15)	**63,327,227**	58,300,021	29,783,735
Travel	**12,767,692**	11,417,648	7,851,881
Depreciation (Note 10)	**11,975,643**	8,187,477	6,840,139
Rent and association dues	**3,872,991**	4,558,566	2,850,915
Communication and utilities	**3,653,313**	2,638,775	1,990,249
Directors' compensation and benefit	**3,588,302**	3,118,219	2,932,134
Entertainment, amusement and recreation	**3,254,177**	2,002,498	761,526
Supplies	**2,709,679**	4,449,029	2,968,426
Taxes and licenses	**1,903,517**	2,013,148	2,775,871
Corporate social responsibility	**1,855,165**	1,484,457	24,851
Repairs and maintenance	**870,918**	2,248,805	1,253,536
Meetings and conferences	**639,566**	951,336	349,240
Others	**3,451,059**	8,725,546	2,833,981
	811,664,510	188,991,029	112,104,666
INCOME FROM OPERATIONS	**535,369,890**	1,488,978,358	1,145,849,301
FINANCE CHARGES			
Interest expense (Note 13)	**136,993,330**	11,318,163	27,290,425
Other financing charges	**2,197,688**	–	–
	139,191,018	11,318,163	27,290,425
INCOME BEFORE INCOME TAX	**396,178,872**	1,477,660,195	1,118,558,876
PROVISION FOR INCOME TAX (Note 16)	**13,522,618**	15,640,865	50,782,384
NET INCOME	**382,656,254**	1,462,019,330	1,067,776,492
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on employee benefits (Note 15)	**24,761**	(363,329)	(288,834)
Income tax effect	**(7,428)**	108,999	86,650
Other comprehensive income (loss) for the year, net of tax	**17,333**	(254,330)	(202,184)
TOTAL COMPREHENSIVE INCOME	**₱382,673,587**	₱1,461,765,000	₱1,067,574,308
EARNINGS PER SHARE (BASIC/DILUTED) (Note 17)	**₱0.374**	₱1.429	₱1.043

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)

	Capital Stock	Additional Paid-in Capital	Remeasurement of Employee Benefits (Note 15)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2014	**₱1,023,456,698**	**₱8,339,452**	**(₱456,514)**	**₱1,856,476,291**	**₱1,188,469,051**	**₱4,076,284,978**
Total comprehensive income	–	–	**17,333**	–	**382,656,254**	**382,673,587**
Appropriation for business expansion	–	–	–	**1,446,242,399**	**(1,446,242,399)**	–
Reversal of appropriation for business expansion	–	–	–	**(491,934,429)**	**491,934,429**	–
Cash dividends declared	–	–	–	–	**(225,467,511)**	**(225,467,511)**
At December 31, 2014	**₱1,023,456,698**	**₱8,339,452**	**(₱439,181)**	**₱2,810,784,261**	**₱391,349,824**	**₱4,233,491,054**
At January 1, 2013	₱1,023,456,698	₱8,339,452	(₱202,184)	₱–	₱1,792,427,600	₱2,824,021,566
Total comprehensive income	–	–	(254,330)	–	1,462,019,330	1,461,765,000
Appropriation for business expansion	–	–	–	1,856,476,291	(1,856,476,291)	–
Cash dividends declared	–	–	–	–	(209,501,588)	(209,501,588)
At December 31, 2013	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	₱1,188,469,051	₱4,076,284,978
At January 1, 2012	₱1,023,456,698	₱8,339,452	₱–	₱–	₱919,619,607	₱1,951,415,757
Total comprehensive income	–	–	(202,184)	–	1,067,776,492	1,067,574,308
Cash dividends declared	–	–	–	–	(194,968,499)	(194,968,499)
At December 31, 2012	₱1,023,456,698	₱8,339,452	(₱202,184)	₱–	₱1,792,427,600	₱2,824,021,566

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(With Comparative Figures for the Year Ended December 31, 2012)

	Years Ended December 31		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱396,178,872**	₱1,477,660,195	₱1,118,558,876
Adjustments for:			
Dividend income (Note 9)	**(1,083,234,433)**	(1,429,010,710)	(949,399,678)
Impairment loss on investment (Note 9)	**618,701,560**	–	–
Interest expense (Note 13)	**136,993,330**	11,318,163	27,290,425
Interest income (Notes 6 and 7)	**(33,403,947)**	(17,429,559)	(15,304,143)
Depreciation (Note 10)	**11,975,643**	8,187,477	6,840,139
Pension expense (Note 15)	**8,956,894**	6,774,963	2,315,111
Unrealized foreign exchange loss (gain)	**215,205**	(300,293)	119,215
Loss on disposal of vehicle (Note 10)	–	–	155,513
Operating income before working capital changes	**56,383,124**	57,200,236	190,575,458
Decrease (increase) in:			
Trade and other receivables	**96,636,080**	19,994,092	(88,372,299)
Prepaid expenses and other current assets	**(20,258,435)**	(2,926,063)	(16,342,045)
Other noncurrent assets	**(60,001)**	(452,326)	(328,912)
Increase (decrease) in trade and other current liabilities	**(33,668,887)**	10,869,379	103,523,132
Net cash generated from operations	**99,031,881**	84,685,318	189,055,334
Interest paid	**(107,992,529)**	(11,318,163)	(31,127,091)
Contributions to the retirement fund (Note 15)	**(5,589,786)**	–	–
Income tax paid	**(1,948,940)**	(12,419,381)	(3,060,830)
Net cash flows from (used in) operating activities	**(16,499,374)**	60,947,774	154,867,413
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from subsidiaries and an associate (Note 9)	**1,083,234,433**	1,255,058,266	787,191,700
Interest received	**25,553,420**	14,084,691	14,899,847
Additions to:			
Property and equipment (Note 10)	**(12,951,567)**	(19,832,279)	(8,991,778)
Investments and advances to a subsidiary (Note 9)	**(889,142,450)**	(200,000)	(55,895,310)
Proceeds from disposal of vehicle	–	–	400,000
Net cash flows from investing activities	**206,693,836**	1,249,110,678	737,604,459
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of notes payable (Note 13)	**3,000,000,000**	22,200,989	265,000,000
Payments of:			
Cash dividends (Note 17)	**(225,043,657)**	(209,383,704)	(194,968,499)
Debt issue costs (Note 13)	**(29,567,922)**	–	–
Notes payable (Note 13)	–	(387,200,989)	(696,285,714)
Proceeds from (settlement of) related party financing (Notes 12 and 14)	**(171,003,646)**	139,310,467	–
Net cash flows from (used in) financing activities	**2,574,384,775**	(435,073,237)	(626,254,213)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,764,579,237**	874,985,215	266,217,659
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(215,205)**	300,293	(119,215)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,250,179,847**	374,894,339	108,795,895
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱4,014,543,879**	₱1,250,179,847	₱374,894,339

See accompanying Notes to Financial Statements.

VIVANT CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company is owned and controlled by the Garcia Family through Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% as of December 31, 2014, 2013 and 2012. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund, securities portfolios and other similar assets of the managed entity.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2014, 2013 and 2012 are shown below:

	Percentage of Direct Ownership		
	2014	2013	2012
Subsidiaries			
Hijos De F. Escaño (HDFE)	**50.94**	50.94	50.94
VC Ventures Net, Inc. (VNI)	**100.00**	100.00	100.00
Vivant Energy Corporation (VEC)	**100.00**	100.00	100.00
Associates			
Visayan Electric Company, Inc. (VECO)	**34.81**	34.81	28.40
Prism Energy, Inc. (PEI)	**40.00**	40.00	40.00

Subsidiaries

HDFE, VNI and VEC qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

HDFE. HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in and exercise all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities. As of December 31, 2013, HDFE has divested all of its shareholdings in VECO (previously, 12.5% as of December 31, 2012) resulting to Parent Company having direct equity shareholdings in VECO.

VNI. VNI was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

VEC. VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with the following direct equity shareholdings:

		Percentage of Direct Ownership		
	Nature of Business	**2014**	2013	2012
Subsidiaries				
Vivant Integrated Generation Corporation (VIGC)	Holding company	**100**	100	100
VICS-Bakun Holdings Corporation (Vics-Bakun)	Holding company	**100**	100	100
Corenergy Inc. (Corenergy)	Retail electricity supplier (RES)	**100**	100	100
Vivant Isla Inc. (VII)	Power generation	**100**	–	–
Vivant Geo Power Corporation (VGPC)	Power generation	**100**	–	–
Vivant Malogo Hydropower, Inc. (VMHI)	Power generation	**67**	75	75
VICS-Amlan Holdings Corp. (Vics-Amlan)	Holding company	**60**	60	60
1590 Energy Corp. (1590 EC)	Power generation	**53**	53	53
Associates				
Cebu Private Power Corporation (CPPC)	Power generation	**40**	40	40
Minergy Coal Corporation (MCC)	Power generation	**40**	–	–
Delta P. Inc. (Delta P)	Power generation	**35**	35	35
Therma Visayas, Inc. (TVI)	Power generation	**20**	–	–
Joint Venture				
Calamian Islands Power Corp. (CIPC)	Power generation	**50**	50	50

Associates

VECO and PEI qualify as associates of the Parent Company.

VECO. VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2011. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

PEI. PEI was incorporated on March 24, 2009 as a retail electricity supplier. As of December 31, 2014, it has not yet started commercial operations.

The Parent Company's principal place of business is located at Unit 907-908 Ayala Life FGU Center, Mindanao Ave., cor. Biliran Road, Cebu Business Park, Cebu City.

The parent company financial statements as of and for the years ended December 31, 2014, 2013 and 2012 were approved and authorized for issuance by the Board of Directors (BOD) on April 14, 2015.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The financial statements of the Parent Company have been prepared on a historical cost basis and are presented in Philippine Peso, the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January 1, 2014. The nature and impact of each new standard and amendment is described below:

- *Investment Entities* (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and PAS 27, *Separate Financial Statements*)

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments must be applied retrospectively, subject to certain transition relief.

  The above amendments have no effect on the Parent Company since it does not qualify as an investment entity as defined under PFRS 10.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments, which are to be applied retrospectively, clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. These have no impact on the Parent Company since it does not have any offsetting arrangements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria, and retrospective application is required. These have no impact on the Parent Company as it does not have derivatives during the current or prior periods.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period.

  The additional disclosures required by the amendments are presented in Note 9 to the parent company financial statements.

- Philippine Interpretation IFRIC 21, *Levies*

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21.

  This interpretation has no impact on the Parent Company as it has applied the recognition principles under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements to PFRSs (2010–2012 cycle). In the 2010–2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no impact on the Parent Company.

Annual Improvements to PFRSs (2011–2013 cycle). In the 2011–2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards-First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Parent Company as it is not a first time PFRS adopter.

Standards Issued But Not Yet Effective

The Parent Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PFRS 9, *Financial Instruments* - Classification and Measurement (2010 version)

  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

  The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

  Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA:

Effective January 1, 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  Amendment to PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. It clarifies that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

  This amendment, which becomes effective starting January 1, 2015, is not applicable to the Parent Company since its defined benefit plan does not require contributions from employees or third parties.

Annual Improvements to PFRSs (2010–2012 cycle). The Annual Improvements to PFRSs (2010–2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Parent Company. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition
  - A performance target must be met while the counterparty is rendering service
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - A performance condition may be a market or non-market condition
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Parent Company shall consider this amendment in future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011–2013 cycle). The Annual Improvements to PFRSs (2011–2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have any material impact on the Parent Company. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*

  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no impact on the Parent Company given that it has not used a revenue-based method to depreciate its noncurrent assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These will have no relevance to the Parent Company since it is not engaged in agriculture business.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company shall consider this amendment in accounting for its investments in subsidiaries and associates upon the effectivity of this standard.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after January 1, 2016.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Parent Company shall consider these amendments if it enters into this type of arrangement in the future.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard is not applicable since the Parent Company is an existing PFRS preparer.

Annual Improvements to PFRSs (2012–2014 cycle). The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have any material impact on the Parent Company. They include:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

- PFRS 9, *Financial Instruments* (2014 or final version)

  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, 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. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

  The adoption of PFRS 9 will have an effect on the classification and measurement of and impairment methodology for the Parent Company's financial assets. However, it will have no impact on the classification and measurement of its financial liabilities.

  The adoption of PFRS 9 is not expected to have any significant impact on the parent company financial statements.

The following new standard issued by the IASB has not yet been adopted by the FRSC:

- IFRS 15 *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Parent Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

4. Summary of Significant Accounting Policies

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Parent Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the parent company statement of comprehensive income.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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 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 recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2014 and 2013, no financial assets have been designated as FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the Parent Company's cash and cash equivalents and trade and other receivables.

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Parent Company has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus 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. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2014 and 2013, the Parent Company has no HTM investments.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the parent company statement of comprehensive income.

As of December 31, 2014 and 2013, the Parent Company has AFS investments (see Note 9).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable financing costs. Deferred financing costs are amortized, using the effective interest rate method, over the term of the related long-term liability.

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

Included under this category are the Parent Company's accounts payable, notes payable and accrued interest payable.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position 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.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;

- The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 the parent company statement of comprehensive income.

Impairment of Financial Assets. The Parent Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of comprehensive income.

  The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined 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.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

  In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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 Parent Company.

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

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

The Parent Company 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 parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

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

For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Parent Company 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 Parent Company 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.

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, buildings and improvements	5–40
Leasehold improvements	3–10
Office furniture and equipment	2–10
Transportation equipment	5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Investments in Subsidiaries and Associates
A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture.

Investments in and advances to subsidiaries and associates are carried at cost, less impairment in value, in the parent company financial statements.

The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions or establishes a right to receive distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company 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 (CGU) 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive 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.

Equity

Capital Stock. Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognized.

Dividends. Dividends are recognized when the stockholders' right to receive the payment is established.

Management Fees. Revenue from management fees, arising from services involving consultancy, management, technical, and services covered by Service Level Agreements (SLAs), are recognized when the related services are rendered based on the terms of the management and service contracts.

Interest Income. Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Other Income. Revenue is recognized when earned. Other income mainly consists of intercompany charges and rental income. Revenue from intercompany charges are recognized when the related services are rendered based on agreed hourly billing rates. Rental income is recognized on a straight-line basis over the term of the lease.

Cost and Expense Recognition
Cost 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. Cost and expenses are recognized in the parent company statement of comprehensive income when incurred.

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

Provisions
Provisions are recognized when the Parent Company 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 Parent Company 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 parent company statement of comprehensive 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.

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; and,
- 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 parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 parent company statement of comprehensive 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 parent company 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 Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current Income Tax. Current 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 reporting date.

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, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 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 reporting 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 of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Sales Tax. Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and,

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company statement of financial position.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfilment of the arrangements is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or,

d. there is a substantial change to the asset.

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

- *Company as a Lessor.* Leases where the Parent Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

- *Company as a Lessee.* 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 parent company statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited or charged to current operations.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Parent Company 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.

As of December 31, 2014 and 2013, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. 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 in future periods.

The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments
In the process of applying the Parent Company'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 parent company financial statements:

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sale of service and the cost of providing the service.

Determining Fair Value of Financial Instruments. The Parent Company carries certain financial assets and liabilities at fair value which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair values would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the parent company statement of comprehensive income and parent company statement of changes in equity.

Where the fair value of the financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The 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 parent company financial statements.

As of December 31, 2014 and 2013, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate their fair values due to their relatively short-term maturity (see Note 19).

Determining Operating Lease Commitments. The Parent Company leased part of its office space to one of its associates. The Parent Company has determined that all significant risks and rewards of ownership from the property remain with the lessor.

Determination of Control or Significant Influence Over an Investee Company. Control is presumed to exist when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is when the Parent Company has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. Management has determined that by virtue of its ownership in its subsidiaries and associates as of December 31, 2014 and 2013, the Parent Company has the ability to exercise control over the subsidiaries and has significant influence over the associates (see Note 1).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 below.

Estimating Impairment of Receivables. The Parent Company maintains allowance for impairment 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 collectability of the accounts. These factors include, but are not limited to, the Parent Company's relationship with its clients, client's current credit status and other known market factors. The Parent Company 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 Parent Company made different judgment or utilized different estimates. An increase in the Parent Company's allowance for impairment will increase the Parent Company's recorded expenses and decrease current assets.

No provisions for impairment were recognized in 2014, 2013 and 2012. As of December 31, 2014 and 2013, allowance for impairment losses amounted to ₱0.3 million (see Note 7). Trade and other receivables amounted to ₱80.6 million and ₱175.8 million as of December 31, 2014 and 2013, respectively (see Note 7).

Estimating Allowance for Impairment of Losses on Investments and Advances to a Subsidiary. Investments and advances to a subsidiary are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2014, it was determined that the carrying value of the investment in HDFE exceeded its recoverable amount. As a result, an impairment loss amounting to ₱618.7 million was recognized (see Note 9). As of December 31, 2014 and 2013, the carrying value of investments and advances to a subsidiary amounted to ₱3,087.6 million and ₱2,817.1 million, respectively (see Note 9).

Estimating Useful Lives of Property and Equipment. The Parent Company reviews annually the estimated useful lives of property, plant and equipment and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Parent Company's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property and equipment. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property and equipment.

As of December 31, 2014 and 2013, the net book value of property and equipment amounted to ₱46.3 million and ₱45.3 million, respectively (see Note 10).

Estimating Impairment of Property and Equipment. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized on the Parent Company's property and equipment in 2014, 2013 and 2012. As of December 31, 2014 and 2013, the net book value of property and equipment amounted to ₱46.3 million and ₱45.3 million, respectively (see Note 10).

Estimating Provision for Pension Expense. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An 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 reporting date.

The pension liability as of December 31, 2014 and 2013 amounted to ₱22.1 million and ₱18.7 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.

Deferred income tax assets amounted to ₱21.4 million and ₱19.6 million as of December 31, 2014 and 2013, respectively (see Note 16).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Parent Company'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 parent company financial statements as of December 31, 2014 and 2013.

6. Cash and Cash Equivalents

	2014	2013
Cash on hand and in banks	**₱1,268,485,644**	₱564,375,283
Short-term investments	**2,746,058,235**	685,804,564
	₱4,014,543,879	₱1,250,179,847

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

Interest income recognized from deposits in bank and short-term investments amounted to ₱33.3 million, ₱17.4 million and ₱15.3 million in 2014, 2013 and 2012, respectively.

7. Trade and Other Receivables

	2014	2013
Accounts receivable (see Note 14)	**₱71,325,100**	₱30,620,224
Advances to officers	**3,976,629**	1,452,449
Advances to related parties (see Note 14)	**2,912,665**	142,844,819
Accrued interest receivable	**2,405,744**	936,795
Advances to shareholders (see Note 14)	**41,820**	20,910
Others	**318,024**	271,916
	80,979,982	176,147,113
Less allowance for impairment losses	**(333,032)**	(333,032)
	₱80,646,950	₱175,814,081

Accounts receivable represents claims from related parties for management services rendered by the Parent Company. These are noninterest-bearing and collectible within 30 to 45 days.

Advances to officers pertains to cash advanced to the Parent Company's officers and employees for official business expenses which are subject to liquidation upon completion of the purpose for which the cash is advanced.

Movement in the allowance for impairment losses follows:

	2014	2013
At January 1	**₱333,032**	₱3,395,274
Write-off during the year	**–**	(3,062,242)
At December 31	**₱333,032**	₱333,032

8. Prepaid Expenses and Other Current Assets

	2014	2013
Creditable withholding tax	**₱21,501,097**	₱–
Prepayments	**4,207,461**	2,548,814
Net input VAT	**–**	3,657,948
Others	**1,122,215**	365,576
	₱26,830,773	₱6,572,338

Others include advances to the Parent Company's stock and transfer agent, dues and subscription, legal services and rent.

9. Investments and Advances to a Subsidiary

The components of the carrying values of investments accounted for under the cost method and advances to a subsidiary are as follows:

	Nature of Business	Ownership	**2014**	2013
Subsidiaries				
VEC	Holding company	100.00	**₱1,623,753,769**	₱1,131,819,340
HDFE	Holding company	50.94	**760,507,362**	760,507,362
VNI	IT services	100	**1,250,000**	1,250,000
			2,385,511,131	1,893,576,702
Less allowance for impairment loss			**618,701,560**	–
			1,766,809,571	1,893,576,702
Associates				
VECO	Power distribution	34.81	**919,633,137**	919,633,137
PEI	Retail electricity supplier	40.00	**500,000**	500,000
			920,133,137	920,133,137
AFS Investments				
Investment in shares of stock:				
Cebu Country Club, Inc.			**3,400,000**	3,400,000
Tower Club Inc.			**300,000**	–
			3,700,000	3,400,000
Advances				
VEC			**396,908,021**	–
			₱3,087,550,729	₱2,817,109,839

<u>VEC</u>

VEC is a company registered primarily to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC declared dividends to the Parent Company amounting to ₱532.8 million, ₱514.6 million and ₱455.5 million in 2014, 2013 and 2012, respectively.

In 2014, the Parent Company made additional investments in VEC amounting to ₱396.9 million. Pending the approval by the SEC of VEC's application for increase in capital stock and issuance of shares, the amount has been lodged as a long-term advance for conversion to equity of VEC.

HDFE

HDFE is a company registered primarily to invest in, hold, own, purchase, acquire, lease, contract, operate, improve, develop, grant, sell, exchange, or otherwise dispose of real and personal properties of every kind and description including shares of stocks, bonds and other securities or evidence of indebtedness of any other corporation, association, firm, or entity, domestic or foreign, where necessary or appropriate, and to process and exercise in respect thereof of all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities.

HDFE declared dividends to the Parent Company amounting to nil, ₱71.8 million and ₱282.9 million in 2014, 2013 and 2012, respectively.

As at December 31, 2014, the Parent Company determined that the carrying value of the Parent Company's investment in HDFE exceeded its recoverable amount mainly due to the declaration of property dividends to the Parent Company. Accordingly, impairment loss amounting to ₱618.7 million is recognized in the 2014 parent company statements of comprehensive income.

VNI

VNI is a Company registered with the primary purpose to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description. It also renders IT services to the companies under its parent company.

VNI declared dividends to the Parent Company amounting to ₱2.7 million, nil and ₱1.1 million in 2014, 2013 and 2012, respectively.

VECO

VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes serving the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

VECO declared dividends to the Parent Company amounting to ₱547.8 million, ₱842.6 million and ₱209.9 million in 2014, 2013 and 2012, respectively.

PEI

PEI is a company registered with a primary purpose to engage in a business activity carried on pursuant to Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001, as amended, as a retail energy supplier and energy consolidator including sourcing, selling, brokering, marketing and aggregating of electricity to end-users. As of December 31, 2014, the Company has not entered into any transactions as a RES.

In 2014, the Parent Company acquired proprietary ownership shares in the Tower Club, Inc. The non-listed equity security is stated at cost, as its fair value cannot be reliably measured, less any impairment in value.

10. **Property and Equipment**

	2014					
	Condominium Units and Improvements	**Leasehold Improvements**	**Office Furniture and Equipment**	**Transportation Equipment**	**Construction in Progress**	**Total**
Cost						
At January 1	**₱25,149,566**	**₱12,723,401**	**₱12,534,986**	**₱18,169,509**	**₱1,322,119**	**₱69,899,581**
Additions	**775,266**	**482,679**	**8,027,952**	**1,421,163**	**2,244,507**	**12,951,567**
Reclassification	**–**	**3,566,626**	**–**	**–**	**(3,566,626)**	**–**
At December 31	**25,924,832**	**16,772,706**	**20,562,938**	**19,590,672**	**–**	**82,851,148**
Accumulated Depreciation						
At January 1	**8,344,697**	**2,242,029**	**7,676,015**	**6,296,872**	**–**	**24,559,613**
Additions	**946,514**	**3,088,172**	**4,471,750**	**3,469,207**	**–**	**11,975,643**
At December 31	**9,291,211**	**5,330,201**	**12,147,765**	**9,766,079**	**–**	**36,535,256**
Net Book Value	**₱16,633,621**	**₱11,442,505**	**₱8,415,173**	**₱9,824,593**	**₱–**	**₱46,315,892**

	2013					
	Condominium Units and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱25,146,101	₱4,690,633	₱6,803,368	₱13,392,489	₱34,711	₱50,067,302
Additions	3,465	8,032,768	5,731,618	4,777,020	1,287,408	19,832,279
At December 31	25,149,566	12,723,401	12,534,986	18,169,509	1,322,119	69,899,581
Accumulated Depreciation						
At January 1	7,462,203	827,058	4,657,313	3,425,562	–	16,372,136
Additions	882,494	1,414,971	3,018,702	2,871,310	–	8,187,477
At December 31	8,344,697	2,242,029	7,676,015	6,296,872	–	24,559,613
Net Book Value	₱16,804,869	₱10,481,372	₱4,858,971	₱11,872,637	₱1,322,119	₱45,339,968

Fully depreciated property and equipment costing ₱1.5 million and nil as of December 31, 2014 and 2013, respectively, are still being used by the Parent Company.

11. **Other Noncurrent Assets**

	2014	2013
Due from RFM Corporation	**₱46,078,063**	₱46,078,063
Others	**1,244,239**	1,184,238
	47,322,302	47,262,301
Less allowance for impairment losses	**(46,078,063)**	(46,078,063)
	₱1,244,239	₱1,184,238

Due from RFM Corporation is a receivable from the Parent Company's previous owner. Based on management's assessment of this receivable, a full allowance for impairment losses was provided as of December 31, 2014 and 2013.

12. **Trade and Other Current Liabilities**

	2014	2013
Accrued interest (see Note 13)	**₱26,576,170**	₱872,541
Accounts payable	**6,514,176**	9,263,285
Net output VAT	**4,017,702**	–
Accrued expenses	**1,286,217**	32,271,846
Advances from a related party (see Note 14)	**–**	171,003,646
Unearned income (see Note 14)	**–**	3,000,000
Others	**2,837,447**	3,365,444
	₱41,231,712	₱219,776,762

Accrued expenses consist of accruals for legal fees, securities and transfer fees, benefits and other expenses.

Others include payable to HDMF, SSS, and PHIC contributions and withholding taxes.

13. **Notes Payable**

Notes payable as of December 31, 2014 consists of:

Fixed Rate Corporate Notes (FRCN)	
₱1.0 billion @ 5.7271% interest per annum	₱1,000,000,000
2.0 billion @ 5.4450% interest per annum	2,000,000,000
	3,000,000,000
Less unamortized debt issue costs	26,270,750
	2,973,729,250
Less current portion - net of unamortized debt issue costs of ₱3.8 million in 2014	26,155,546
	₱2,947,573,704

The Parent Company entered into a Notes Facility Agreement (Agreement) to issue ₱3.0 billion in Fixed Rate Corporate Notes (FRCN or the Notes) on January 9, 2014 to fund its equity investments in power generation projects, to include but not limited to MCC and TVI. The FRCN was fully subscribed by a consortium of local banks and was issued in two tranches and has a maturity of seven (7) years from the drawdown date. The Notes are unsecured.

The first drawdown amounting to ₱1.0 billion was made on January 29, 2014 and the second drawdown amounting to ₱2.0 billion was made on March 31, 2014. The Notes will mature on February 3, 2021 and are payable at 1% based on the principal amount of the notes in the first 6 years and 94% at maturity. Interest is not repriced and paid quarterly.

Repayments of outstanding principal amounts are scheduled as follows:

Within one year	₱30,000,000
More than one year but not more than five years	150,000,000
More than five years	2,820,000,000
	₱3,000,000,000

The Agreement requires that the Parent Company shall not permit its debt-to-equity ratio to exceed 2.5:1. The debt-to-equity ratio is based on the parent company debt and consolidated equity. In addition, the Agreement requires the current ratio to not fall below 1.25:1 and is based on the consolidated current assets and current liabilities. The Parent Company has complied with these ratio requirements as of December 31, 2014.

Total interest expense recognized in the 2014 parent company statement of comprehensive income related to these notes payable amounted to ₱137.0 million, and the related accrued interest expense as of December 31, 2014 amounted to ₱26.6 million, shown as part of "Trade and other current liabilities" account in the 2014 parent company statement of financial position (see Note 12).

Debt issue costs were incurred in connection with the financing arrangements. These costs are amortized, using the effective interest rate method, over the term of the related loans.

Rollforward analysis of debt issue costs in 2014 follows:

Cost:	
Additions during the year	₱29,567,922
Accumulated amortization:	
Amortization during the year	3,297,172
	26,270,750
Less current portion	3,844,454
	₱22,426,296

In 2013 and 2012, the Parent Company had notes payable for which interest expense recognized amounted to ₱11.3 million and ₱27.3 million, respectively. These notes were fully paid in 2013.

14. Related Party Transactions

Parties are considered to be related if the one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

2014					
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Subsidiaries					
Management fees:					
1590 EC	**₱60,900,000**	**₱38,550,000**	**₱–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
HDFE	**840,000**	**67,900**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Service income:					
1590 EC	**37,400,000**	**17,400,000**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VMHI	**1,447,940**	**131,387**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VNI	**36,454**	**–**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**

	2014				
		Outstanding Balance			
Category	Volume	Receivable	Payable	Terms	Conditions
Advances:					
VEC	**₱1,108,849**	**₱364,613**	**₱–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
1590 EC	**555,925**	**555,925**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VNI	**451,366**	**1,366**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VMHI	**173,333**	**20,752**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VIGC	**131,214**	**75,485**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VGPC	**59,885**	**410**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CORENERGY	**2,232**	**926**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
HDFE	**2,081**	**356**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VICS BAKUN	**1,891**	**1,891**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VICS AMLAN	**505**	**505**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VII	**384**	**384**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Operating lease:					
1590 EC	**600,000**	**600,000**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Associates					
Management fees:					
VECO	**30,556,400**	**2,392,356**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CPPC	**9,500,000**	**–**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**
Delta P	**2,076,000**	**167,810**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Service income:					
CPPC	**5,500,000**	**–**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**
AHPC	**12,794**	**244,921**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Advances:					
AHPC	**41,646**	**41,646**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
VECO	**–**	**9,543**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Operating lease:					
VECO	**3,970,200**	**326,986**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Joint Venture					
Management fees:					
NR	**3,649,165**	**4,631,165**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CIPC	**2,970,000**	**244,921**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**

		2014			
		Outstanding Balance			
Category	**Volume**	**Receivable**	**Payables**	**Terms**	**Conditions**
Service income:					
NR	**₱7,664,350**	**₱–**	**₱–**	**30-60 days; noninterest-bearing**	**Unsecured**
CIPC	**1,141,957**	**28,154**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Advances:					
NR	**367,237**	**26,459**	**681,380**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
CIPC	**280,003**	**280,003**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Affiliates					
Management fees:					
CEDC	**40,993,333**	**5,157,900**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**
Advances:					
GPI	**97,321**	**–**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**
PEI	**–**	**1,532,400**	**–**	**30-60 days; noninterest-bearing**	**Unsecured; no impairment**

		2013			
		Outstanding Balance			
Category	Volume	Receivable	Payables	Terms	Conditions
Subsidiaries					
Management fees:					
HDFE	₱840,000	₱–	₱–	30-60 days; noninterest-bearing	Unsecured
Service income:					
1590 EC	81,375,670	13,083,850	–	30-60 days; noninterest-bearing	Unsecured no impairment
VMHI	28,750	–	–	30-60 days; noninterest-bearing	Unsecured
VNI	6,250	–	–	30-60 days; noninterest-bearing	Unsecured
Advances:					
VEC	365,961,533	92,545,625	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	274,576	–	7,454,633	30-60 days; noninterest-bearing	Unsecured
1590 EC	139,044	–	163,549,013	30-60 days; noninterest-bearing	Unsecured
CORENERGY	25,925	32,860	–	30-60 days; noninterest-bearing	Unsecured; no impairment
VNI	18,926	7,566,579	–	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	4,433	543	–	30-60 days; noninterest-bearing	Unsecured; no impairment

Category	Volume	Receivable	Payables	Terms	Conditions
	2013				
		Outstanding Balance			
Associates					
Management fees:					
VECO	₱30,056,400	₱–	₱–	30-60 days; noninterest-bearing	Unsecured
CPPC	12,000,000	–	–	30-60 days; noninterest-bearing	Unsecured
Delta P	2,016,000	162,960	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income:					
AHPC	7,700	–	–	30-60 days; noninterest-bearing	Unsecured
Advances:					
AHPC	44,332,277	–	–	30-60 days; noninterest-bearing	Unsecured
VECO	–	–	9,543	30-60 days; noninterest-bearing	Unsecured
Operating lease:					
VECO	3,030,687	–	–	30-60 days; noninterest-bearing	Unsecured
Joint Venture					
Management fees:					
CIPC	24,127,708	–	–	30-60 days; noninterest-bearing	Unsecured
NR	8,260,156	10,177,647	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service income:					
NR	40,902,904	41,070,301		30-60 days; noninterest-bearing	Unsecured; no impairment
CIPC	86,968	86,968		30-60 days; noninterest-bearing	Unsecured; no impairment
Affiliates					
Management fees:					
CEDC	64,000,000	–	–	30-60 days; noninterest-bearing	Unsecured
VSNRGC	8,850,181	–	–	30-60 days; noninterest-bearing	Unsecured
TPC	2,989,760	–	–	30-60 days; noninterest-bearing	Unsecured
PEI	–	1,532,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment

The transactions above are generally settled in cash.

- Management fees from subsidiaries and associates represent compensation for consultancy, management, technical and other related services rendered by the Parent Company and use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. Services covered by Service Level Agreements (SLAs) or Management Contracts are recognized as part of the "Management fees" account while those not within the scope of work in the SLAs and rendered to the subsidiaries and associates on an irregular bases are recognized as part of the "Other income" account in the parent company statements of comprehensive income.

- Advances to and from subsidiaries and associates pertain to advances for working capital requirements. Advances to shareholder pertain to the life insurance plan advanced for a member of the Parent Company's BOD.

- The Parent Company has a lease agreement with VECO. VECO leases an office space owned by the Parent Company to be utilized as their Customer Care Office. The monthly rental is ₱0.3 million in 2014 and 2013, subject to an annual increase of 10%. There is no lease term. However, the lease can be terminated upon mutual agreement of the parties and upon 30 days' prior written notice.

Compensation and Benefits of Key Management Personnel
The compensation of the Parent Company's key management personnel by benefit type follows:

	2014	2013	2012
Short-term employee benefits	**₱43,724,019**	₱40,254,493	₱30,831,832
Post-employment pension benefits (see Note 15)	**7,762,263**	6,476,063	2,454,658
	₱51,486,282	₱46,730,556	₱33,286,490

15. **Retirement Plan**

Under the existing regulatory framework, Republic Act 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Parent Company has a funded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

The following tables summarize the components of pension expense recognized in the parent company statements of comprehensive income and the funded status and amounts recognized in the parent company statements of financial position for the pension plan.

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2014	2013	2012
Current service cost	**₱7,762,263**	₱2,000,409	₱1,681,853
Interest cost	**1,194,631**	707,925	633,258
Past service cost	**–**	4,066,629	–
Pension expense	**₱8,956,894**	₱6,774,963	₱2,315,111

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2014	2013	2012
Actuarial loss on defined benefit obligation	**₱–**	(₱363,329)	(₱288,834)
Actual return on plan asset	**24,761**	–	–
	₱24,761	(₱363,329)	(₱288,834)

The pension liability recognized in the parent company statements of financial position follow:

	2014	2013
Present value of defined benefit obligation	**₱27,681,513**	₱18,724,619
Fair value of plan assets	**5,614,547**	–
	₱22,066,966	₱18,724,619

Changes in the present value of the defined benefit obligation follow:

	2014	2013
At January 1	**₱18,724,619**	₱11,586,327
Current service cost	**7,762,263**	2,000,409
Interest cost on defined benefit obligation	**1,194,631**	707,925
Actuarial loss (gain) due to:		
Changes in financial assumptions	**–**	1,012,418
Experience adjustments	**–**	(649,089)
Past service cost	**–**	4,066,629
	₱27,681,513	₱18,724,619

Changes in the fair value of plan assets in 2014 follow:

At January 1	₱–
Actual return on plan asset	24,761
Contributions to the retirement fund	5,589,786
At December 31	₱5,614,547

Changes in the amounts recognized in the parent company statements of financial position for pension liability follow:

	2014	2013
At January 1	**₱18,724,619**	₱11,586,327
Pension expense	**8,956,894**	6,774,963
Contributions to the retirement fund	**(5,589,786)**	–
Actuarial loss (gain) recognized for the year	**(24,761)**	363,329
At December 31	**₱22,066,966**	₱18,724,619

The fair value of plan assets by each class as of December 31, 2014 follows:

Fixed income securities:	
Savings deposit	₱10,764
Due from Bangko Sentral ng Pilipinas (BSP)	5,607,000
Accrued interest receivable	3,796
Total assets	5,621,560
Less accrued trust fees	7,013
	₱5,614,547

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The principal assumptions used in determining pension liability obligations for the Parent Company's plan as of December 31 are shown below:

	2014	2013
Discount rate	**4.17%**	6.38%
Future salary increase rate	**7.50%**	7.50%

The Parent Company expects to contribute ₱7.8 million to its defined benefit plan in 2015.

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

		Increase (decrease) in the present value of defined benefit obligation	
	Increase (decrease)	**2014**	2013
Discount rate	+100 basis points	**(₱2,014,361)**	(₱2,993,678)
	–100 basis points	**96,344**	398,559
Future salary increase rate	+100 basis points	**378,968**	238,703
	–100 basis points	**(2,250,176)**	(2,902,297)

The average duration of the defined benefit obligation at the end of the reporting period is 16.9 years and 13.5 years as of December 31, 2014 and 2013, respectively.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2014	2013
Less than one year	**₱6,580,740**	₱6,163,290
More than 1 year to 5 years	**5,810,285**	6,032,828
More than 5 years to 10 years	**3,130,590**	3,566,956
More than 10 years to 15 years	**–**	–
More than 15 years to 20 years	**21,005,794**	–
More than 20 years	**176,073,053**	–
	₱212,600,462	₱15,763,074

16. **Income Tax**

	2014	2013	2012
Current tax:			
Regular Corporate Income Tax (RCIT) (at 30%)	**₱–**	₱13,319,725	₱48,417,075
Minimum Corporate Income Tax (MCIT) (at 2%)	**1,048,596**	–	–
Final (at 20% and 7.5%)	**6,381,578**	3,344,868	3,060,829
	7,430,174	16,664,593	51,477,904
Deferred	**6,092,444**	(1,023,728)	(695,520)
	₱13,522,618	₱15,640,865	₱50,782,384

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2014	2013
Income before income tax	**₱396,178,872**	₱1,477,660,195
Income tax computed at 30%	**₱118,853,662**	₱443,298,059
Adjustments to income tax resulting from:		
Nontaxable dividend income	**(324,970,330)**	(428,703,213)
Nondeductible impairment loss	**185,610,468**	–
Unrecognized deferred income tax asset on net operating loss carry-over (NOLCO)	**32,714,770**	–
Interest income subjected to final tax	**(9,979,118)**	(5,183,258)
Nondeductible interest expense	**3,293,109**	1,710,475
Final taxes paid	**6,381,578**	3,344,868
Nondeductible expenses	**569,883**	1,173,934
Unrecognized deferred income tax asset on MCIT	**1,048,596**	–
	₱13,522,618	₱15,640,865

The Parent Company's net deferred income tax assets as of December 31 relate to the following:

	2014	2013
Deferred income taxes recognized in net income:		
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,328**	₱13,923,328
Pension liability	**6,431,869**	5,421,737
Unamortized past service cost	**714,088**	–
Unrealized foreign exchange loss	**100,326**	35,765
	21,169,611	19,380,830
Deferred income tax liabilities on:		
Unamortized debt issue costs	**(7,881,225)**	–
Unrealized foreign exchange gain	**(90,087)**	(90,087)
	(7,971,312)	(90,087)
Deferred income tax asset related to defined benefit obligation recognized as other comprehensive income	**188,221**	195,649
Net deferred income tax assets	**₱13,386,520**	₱19,486,392

In 2014, the Parent Company incurred NOLCO and MCIT amounting to ₱109.0 million and ₱1.0 million, respectively, which can be claimed as deductions from future taxable income and tax credit, respectively, in the next three years until 2017.

The Parent Company did not recognize deferred tax asset on 2014 NOLCO and MCIT because management believes that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

17. **Equity**

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding shares in 2014, 2013 and 2012.

Authorized capital stock - ₱1 par value	2,000,000,000
Issued and outstanding shares, December 31, 2014	1,023,456,698
Unissued shares, December 31, 2014	976,543,302

The Parent Company's issued common shares as of December 31, 2014 and 2013 consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares.

The Parent Company has 1,466 and 1,481 stockholders as of December 31, 2014 and 2013, respectively, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends
The BOD declared cash dividends to its stockholders as follows:

	2014	2013	2012
Date of declaration	**June 25, 2014**	June 21, 2013	June 15, 2012
Date of record	**July 9, 2014**	July 4, 2013	July 4, 2012
Date of payment	**July 31, 2014**	July 30, 2013	July 16, 2012
Dividends declared:			
Regular dividends	**₱175,420,478**	₱159,501,588	₱144,968,499
Special dividends	**50,047,033**	50,000,000	50,000,000
	₱225,467,511	₱209,501,588	₱194,968,499
Dividends per share	**₱0.2203**	₱0.2047	₱0.1905

Appropriation of Retained Earnings for Business Expansion
On December 20, 2013, a resolution was passed and duly approved by the BOD allowing the participation and investment by the Parent Company in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which was started in the first quarter of 2014.

Out of the 2013 retained earnings appropriation, the Parent Company invested ₱491.9 million in 2014 in two power plant projects in the Visayas and Mindanao, which amount was then reverted to unappropriated retained earnings.

The BOD has determined, in a board meeting held on December 19, 2014, that the Parent Company's operations require additional allocation as reserve for the investment in the two ongoing power plant projects in Visayas and Mindanao and a future investment in a new renewable power plant project also in the Visayas. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,446.2 million to be used for future investments in these projects which are expected to be implemented starting 2015.

Earnings per Share
The earnings per share as of December 31 are computed as follows:

	2014	2013	2012
Net income for the year	**₱382,656,254**	₱1,462,019,330	₱1,067,776,492
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱0.374**	₱1.429	₱1.043

There are no potential dilutive shares as of December 31, 2014 and 2013.

18. **Personnel Expenses**

	2014	2013	2012
Salaries and employee benefits	**₱54,370,333**	₱51,855,784	₱27,667,425
Pension expense (see Note 15)	**8,956,894**	6,774,963	2,315,111
	₱63,327,227	₱58,630,747	₱29,982,536

19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, AFS investments, trade and other current liabilities and notes payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for Due from RFM Corporation, which is fully provided with allowance for impairment, and portion of the receivables provided with allowance amounting to ₱0.3 million as of December 31, 2014 and 2013, management evaluated that the Parent Company's financial assets as summarized above are of high grade and of good credit quality.

The maximum exposure to credit risk, amounted to ₱4,145.2 million and ₱1,475.7 million as of December 31, 2014 and 2013, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The following tables set out the aging analysis per class of financial assets that were past due but not impaired as of December 31:

	2014						
		Neither	Past Due but not Impaired				Past Due or
	Total	Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Individually Impaired
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	**₱4,014,428,879**	**₱4,014,428,879**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:							
Accounts receivable	**71,325,100**	**69,655,673**	–	–	–	**1,336,395**	**333,032**
Advances to related parties	**2,912,665**	–	–	**1,370,722**	–	**1,541,943**	–
Advances to officers	**3,976,629**	–	**3,546,879**	**196,853**	**4,028**	**228,869**	–
Advances to shareholders	**41,820**	–	–	–	**20,910**	**20,910**	–
Accrued interest receivable	**2,405,744**	**2,405,744.00**	–	–	–	–	–
Others	**318,024**	–	**46,108**	–	–	**271,916**	–
Due from RFM Corporation (under "Other noncurrent assets")	**46,078,063**	–	–	–	–	–	**46,078,063**
	4,141,486,924	**4,086,490,296**	**3,592,987**	**1,567,575**	**24,938**	**3,400,033**	**46,411,095**
AFS Investments	**3,700,000**	**3,700,000**	–	–	–	–	–
	₱4,145,186,924	**₱4,090,190,296**	**₱3,592,987**	**₱1,567,575**	**₱24,938**	**₱3,400,033**	**₱46,411,095**

	2013						
		Neither	Past Due but not Impaired				Past Due or
		Past Due	Less than			Over	Individually
	Total	nor Impaired	30 Days	31 to 60 Days	61 to 90 Days	90 Days	Impaired
Loans and Receivables							
Cash and cash equivalents							
(excluding cash on hand)	₱1,250,104,847	₱1,250,104,847	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
Accounts receivable	30,620,224	–	26,099,752	2,200,000	149,448	1,837,992	333,032
Advances to related parties	142,844,819	–	–	141,302,876	–	1,541,943	–
Advances to officers	1,452,449	–	576,533	–	–	875,916	–
Advances to shareholders	20,910	–	–	–	20,910	–	–
Others	1,208,711	–	532,499	–	–	676,212	–
Due from RFM Corporation							
(under “Other noncurrent							
assets”)	46,078,063	–	–	–	–	–	46,078,063
	1,472,330,023	1,250,104,847	27,208,784	143,502,876	170,358	4,932,063	46,411,095
AFS Investments	3,400,000	3,400,000	–	–	–	–	–
	₱1,475,730,023	₱1,253,504,847	₱27,208,784	₱143,502,876	₱170,358	₱4,932,063	₱46,411,095

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2014				
					Past Due or
		Neither Past Due nor Impaired			**Individually**
	Total	**High**	**Medium**	**Low**	**Impaired**
Loans and Receivables					
Cash and cash equivalents					
(excluding cash on hand)	**₱4,014,428,879**	**₱4,014,428,879**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Accounts receivable	**71,325,100**	**69,655,673**	**–**	**–**	**1,669,427**
Advances to related parties	**2,912,665**	**–**	**–**	**–**	**2,912,665**
Advances to officers	**3,976,629**	**–**	**–**	**–**	**3,976,629**
Advances to shareholders	**41,820**	**–**	**–**	**–**	**41,820**
Accrued interest receivable	**2,405,744**	**2,405,744**	**–**	**–**	**–**
Others	**318,024**	**–**	**–**	**–**	**318,024**
Due from RFM Corporation					
(under “Other noncurrent assets”)	**46,078,063**	**–**	**–**	**–**	**46,078,063**
	4,141,486,924	**4,086,490,296**	**–**	**–**	**54,996,628**
AFS Investments	**3,700,000**	**3,700,000**	**–**	**–**	**–**
	₱4,145,186,924	**₱4,090,190,296**	**₱–**	**₱–**	**₱54,996,628**

	2013				
					Past Due or
		Neither Past Due nor Impaired			Individually
	Total	High	Medium	Low	Impaired
Loans and Receivables					
Cash and cash equivalents					
(excluding cash on hand)	₱1,250,104,847	₱1,250,104,847	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	30,620,224	–	–	–	30,620,224
Advances to related parties	142,844,819	–	–	–	142,844,819
Advances to officers	1,452,449	–	–	–	1,452,449
Advances to shareholders	20,910	–	–	–	20,910
Others	1,208,711	–	–	–	1,208,711
Due from RFM Corporation					
(under “Other noncurrent assets”)	46,078,063	–	–	–	46,078,063
	1,472,330,023	1,250,104,847	–	–	222,225,176
AFS Investments	3,400,000	3,400,000	–	–	–
	₱1,475,730,023	₱1,253,504,847	₱–	₱–	₱222,225,176

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Accounts Receivable, Advances to Officers and Advances to Shareholders* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Parent Company.

- *Advances to Related Parties* - high grade since these pertains to advances to related parties who are consistent in the payment of its accounts.

- *AFS Investments* - high grade since these pertains to investments in AFS securities of companies with good credit standing.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

			2014		
	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	**₱4,014,543,879**	**₱4,014,543,879**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Accounts receivable	**71,325,100**	–	**70,992,068**	**333,032**	–
Advances to related parties	**2,912,665**	–	**2,912,665**	–	–
Advances to officers	**3,976,629**	–	**3,976,629**	–	–
Advances to shareholders	**41,820**	–	**41,820**	–	–
Accrued interest receivable	**2,405,744**	–	**2,405,744**	–	–
Others	**318,024**	–	**318,024**	–	–
	4,095,523,861	**4,014,543,879**	**80,646,950**	**333,032**	–
AFS Investments	**3,700,000**	**3,700,000**	–	–	–
	4,099,223,861	**4,018,243,879**	**80,646,950**	**333,032**	–
Financial Liabilities					
Other financial liabilities:					
Accounts payable	**5,972,438**	–	**5,972,438**	–	–
Accrued interest payable	**26,576,170**	–	**26,576,170**	–	–
Notes payable	**2,973,729,250**	–	**26,155,546**	**128,065,584**	**2,819,508,120**
	3,006,277,858	–	**58,704,154**	**128,065,584**	**2,819,508,120**
Net Financial Assets (Liabilities)	**₱1,092,946,003**	**₱4,018,243,879**	**₱21,942,796**	**(₱127,732,552)**	**(₱2,819,508,120)**

	2013				
	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,250,179,847	₱1,250,179,847	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	30,620,224	–	30,287,192	333,032	–
Advances to related parties	142,844,819	–	142,844,819	–	–
Advances to officers	1,452,449	–	1,452,449	–	–
Advances to shareholders	20,910	–	20,910	–	–
Others	1,208,711	–	1,208,711	–	–
	1,426,326,960	1,250,179,847	175,814,081	333,032	–
AFS Investments	3,400,000	3,400,000	–	–	–
	1,429,726,960	1,253,579,847	175,814,041	333,032	–
Financial Liabilities					
Other financial liabilities:					
Accounts payable	9,145,401	–	9,145,401	–	–
Accrued interest payable	872,541	–	872,541	–	–
	10,017,942	–	10,017,942	–	–
Net Financial Assets	₱1,419,709,018	₱1,253,579,847	₱165,796,139	₱333,032	₱–

Fair Value of Financial Instruments

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of financial instruments:

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

As of December 31, 2014 and 2013, the carrying values of the Parent Company's financial instruments, except for the notes payable, approximate fair values due to their relatively short-term maturity. The Parent Company considers the notes payable with fair value of ₱3.3 billion under Level 2 classification.

The estimated fair value using unobservable market inputs (level 2) of the Parent Company's notes payable are based on the present value of expected future cash flows using the effective interest rates ranging from 2.33% to 3.67% in 2014.

Although the Parent Company has an AFS investment, which is classified under Level 3, it is measured at cost less any impairment in value since its fair value cannot be reliably measured (see Note 9). As of December 31, 2014 and 2013, 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.

Valuation Techniques Used to Derive Level 2 Fair Values

The table below presents the following for the Parent Company's notes payable:

Description	Fair Value as of December 31, 2014	Valuation Technique	Key Observable Inputs	Range (Weighted Average)
Notes payable	₱3,310,440,177	Discounted Cash Flow Approach	Risk-free interest rate	2.33%–3.67% (3.45%)

Capital Management

The Parent Company considers its total equity as its capital. The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2014, 2013 and 2012.

In addition, the Parent Company maintains a debt-to-equity ratio of not more than 2.5:1 in compliance with the requirements externally imposed by creditors pursuant to the ₱3.0 billion Notes Facility Agreement dated January 9, 2014. The Parent Company determined its debt-to-equity ratio as of December 31, 2014 as follows:

Total liabilities (a)	₱3,037,027,928
Total equity (b)	7,990,627,825
Debt-to-equity ratio (a/b)	0.38:1

20. **Supplementary Information Required under Revenue Regulations 15-2010**

The Parent Company reported and/or paid the following types of taxes in 2014:

Value-Added Tax (VAT)

Output VAT. The Parent Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱225,121,257	₱27,014,551

The Parent Company's taxable sales are based on actual collections received, hence, may not be the same as the amounts accrued under "Management fees" in the parent company statement of comprehensive income.

Input VAT. Input VAT is recognized for payments made to VAT-registered individuals or corporations, and is recorded under "Prepaid expenses and other current assets" in the parent company statement of financial position. The movement in input VAT during the year is summarized below:

At January 1	(₱695,111)
Current year's purchases/payments of goods and services	13,737,314
Tax credits against output tax	(13,042,203)
At December 31	₱–

Documentary Stamp Tax
The Parent Company paid documentary stamp tax amounting to ₱15.0 million in relation to the ₱3.0 billion FRCN.

Customs Duties
The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.

Withholding Taxes
The amount of taxes withheld in 2014 follows:

Expanded withholding taxes	₱34,225,138
Creditable withholding taxes	22,549,693
Withholding taxes on compensation and benefits	12,804,333
Final withholding taxes	109,723
	₱69,688,887

Other Taxes and Licenses
Other taxes paid during the year recognized under "Taxes and Licenses" account under Expenses in the parent company statement of comprehensive income are as follows:

Mayor's permit	₱1,087,774
Real estate tax	59,842
Community tax	10,500
BIR annual registration fee	500
Others	726,132
	₱1,884,748

Tax Assessments and Cases
As of December 31, 2014, the Parent Company has no outstanding final assessment notice from the BIR nor does it have any pending tax cases outside the administration of the BIR.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Vivant Corporation
Unit 907-908 Ayala Life FGU Center
Mindanao Ave., cor. Biliran Road
Cebu Business Park, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Vivant Corporation and Subsidiaries as at December 31, 2014 and 2013 and for the years then ended, included in this Form 17-A, and have issued our report thereon dated April 14, 2015. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the 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.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-A (Group A),
March 15, 2012, valid until April 30, 2015
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5564482, January 8, 2015, Cebu City

April 14, 2015

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

RECEIVABLES, AVAILABLE-FOR-SALE INVESTMENTS AND OTHER SHORT-TERM INVESTMENTS

DECEMBER 31, 2014

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Loans and receivables:				
Cash and cash equivalents	–	₱4,859,530,626	₱4,859,530,626	₱50,712,945
Trade and other receivables:				
Trade receivables	–	50,804,433	50,804,433	–
Accounts receivable	–	68,919,357	68,919,357	–
Accrued interest	–	2,530,402	2,530,402	–
Advances to officers and employees	–	6,287,355	6,287,355	–
Rent receivable	–	–	–	–
Others	–	9,974,916	9,974,916	–
		138,516,463	138,516,463	3,358,042,910
Advances to associates and stockholders	–	40,930,884	40,930,884	–
Available-for-sale investments:				
Cebu Country Club	–	3,750,000	3,750,000	–
Others	–	574,131	574,131	–
		4,324,131	4,324,131	18,000
Total financial assets	–	₱5,043,302,104	₱5,043,302,104	₱3,408,773,855

See Note 6, 7, 8 and 16 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2014

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Calamian Islands Power Corporation	₱86,729,830	₱1,141,957	₱87,843,633	₱–	₱28,154	₱–	₱28,154
Gigawatt Power, Inc.	–	97,321	97,321	–	–	–	–
Amlan Hydroelectric Power Corporation	18,291,470	12,084,623	12,573,533	–	17,802,560	–	17,802,560
Prism Energy, Inc.	1,532,401	–	1,532,401	–	–	–	–
Vivant Sta. Clara Northern Renewables Generation Corporation	8,339,782	9,060,470	17,400,252	–	–	–	–
Advances to officers and employees	2,236,002	4,077,804	–	–	6,313,806	–	6,313,806

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2014

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Vivant Energy Corporation	₱32,821	₱1,108,849	₱(777,057)	₱–	₱364,613	₱–	₱364,613
Hijos	–	840,000	(779,803)	–	60,198	–	60,198
Vivant Geo Power Corp.	–	179,885	(59,475)		120,410		120,410
Vics-Amlan Holdings Corporation	21,513,014	7,249,681	(7,736,749)	–	21,025,946	–	21,025,946
Vivant Isla, Inc.	–	63,244	–		63,244		63,244
VC Ventures Net, Inc.	7,566,578	1,366	(7,566,578)	–	1,366	–	1,366
1590 Energy Corp.	13,083,850	98,855,925	(53,863,051)	–	58,076,724	–	58,076,724
Vics-Bakun Holdings Corporation	219,673	1,891	(219,673)	–	1,891	–	1,891
Vivant Malogo Hydropower, Inc.	22,119,768	1,621,273	(23,588,902)	–	152,139	–	152,139
Corenergy, Inc.	1,453	2,232	(2,759)	–	926	–	926
Vivant Integrated Generation Corporation	–	131,214	(55,729)	–	75,485	–	75,485
	₱64,537,157	₱110,055,560	(₱94,649,776)	₱–	₱79,942,942	₱–	₱79,942,942

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2014

Description	Beginning Balance	Additions of Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
Goodwill	₱42,559,451	₱–	₱–	₱–	₱–	₱42,559,451
Software cost	343,872	3,579,009	(965,047)	–	–	2,957,834
	₱42,903,323	₱3,579,009	(₱965,047)	₱–	₱–	₱45,517,285

See Note 13 of the Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2014

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
Fixed Rate Corporate Notes (FRCN)	₱3,000,000,000	₱30,000,000	₱2,970,000,000
Unamortized debt issue cost	(26,270,750)	(3,844,454)	(22,426,296)
	2,973,729,250	26,155,546	2,947,573,704
Special Purchase Agreement – MERALCO	145,480,980	–	145,480,980
Pension liability	23,209,026	–	23,209,026
	₱3,142,419,256	₱26,155,546	₱3,116,263,710

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2014

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
– Not applicable –	– Not applicable	

VIVANT CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2014

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
– Not applicable –		– Not applicable –		

VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2014

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares held by Related Parties	Directors, Officers and Employees	Others
Capital stock	2,000,000,000	1,023,456,698	–	892,911,763	–	130,544,935

VIVANT CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2014

Items	Amount
Unappropriated Retained Earnings, Beginning	₱1,188,469,051
Adjustment:	
Deferred income tax assets that reduced the amount of provision for income tax	(19,380,830)
Unappropriated Retained Earnings, as Adjusted, Beginning	1,169,088,221
Net Income Based on the Face of AFS	382,656,254
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(1,977,002)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Impairment loss on investment	–
Net Income Actual/Realized	380,679,252
Add (Less)	
Dividend declarations during the period	(225,467,511)
Appropriations of retained earnings during the period	(1,446,242,399)
Reversals of appropriations	491,934,429
Effects of prior period adjustments	–
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱369,991,992

VIVANT CORPORATION AND SUBSIDIARIES
SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS
AS OF DECEMBER 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Share-based Payment - Definition of Vesting Condition	See footnote*		
PFRS 3 (Revised)	Business Combinations	✓		
	Business Combinations: Accounting for Contingent Consideration in a Business Combination	See footnote*		
	Business Combinations - Scope Exceptions for Joint Arrangements	See footnote*		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal	See footnote*		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of	✓		

*Effective Subsequent to December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Financial Assets			
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
	Amendment to PFRS 7: Servicing Contracts	See footnote*		
	Amendment to PFRS 7: Applicability of the Amendment to PFRS 7 to Condensed Interim Financial Statements	See footnote*		
PFRS 8	Operating Segments	✓		
	Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	See footnote*		
PFRS 9	Financial Instruments	See footnote*		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	See footnote*		
	PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)	See footnote*		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote*		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception	See footnote*		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	See footnote*		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception	See footnote*		

*Effective Subsequent to December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception		See footnote*	
PFRS 14	Regulatory Deferral Accounts		See footnote*	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Disclosure Initiative		See footnote*	
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization		See footnote*	
	Amendment to PAS 16: Classification of Acceptable Methods of Depreciation and Amortization		See footnote*	
	Amendment to PAS 16: Bearer Plants		See footnote*	
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		See footnote*	

*Effective Subsequent to December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 19: Discount Rate Regional Market Issue	See footnote*		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Related Party Disclosures - Key Management Personnel	See footnote*		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	See footnote*		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendment to PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	See footnote*		
	Amendment to PAS 28, Investment Entities: Applying the Consolidation Exception	See footnote*		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	See footnote*		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Nonfinancial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

*Effective Subsequent to December 31, 2014

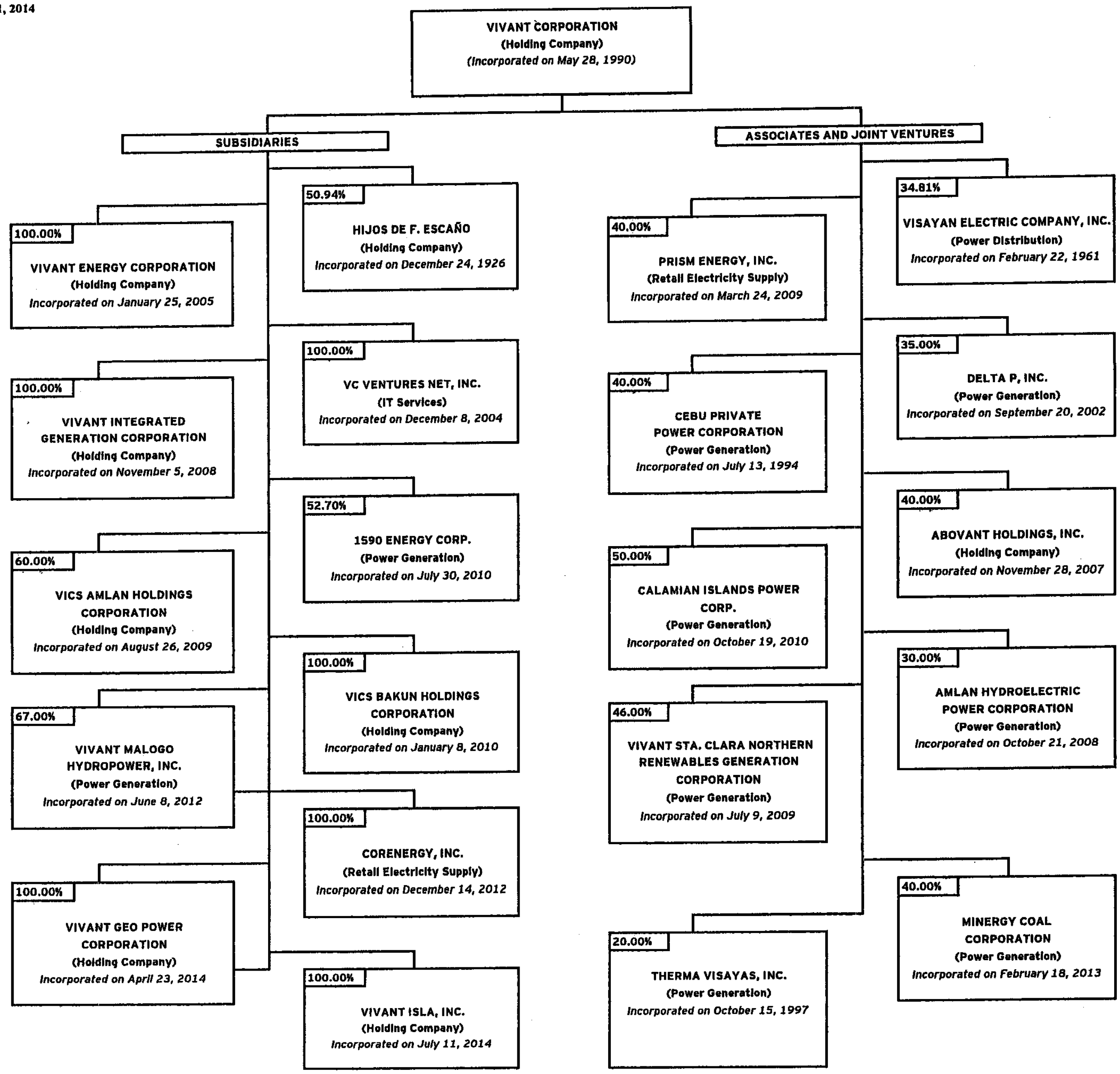
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization	See footnote*		
	Amendments to PAS 38: Classification to Acceptable Methods of Depreciation and Amortization	See footnote*		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 When Classifying Property as Investment Property or Owner-occupied Property	See footnote*		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants	See footnote*		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓

*Effective Subsequent to December 31, 2014

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2014		Adopted	Not Adopted	Not Applicable
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate	Effective date deferred		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
International Financial Reporting Standards				
IFRS 15	Revenue from Contracts with Customers	See footnote*		

*Effective Subsequent to December 31, 2014

VIVANT CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPA. WITHIN THE GROUP
DECEMBER 31, 2014



VIVANT

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Vivant Corporation and Subsidiaries is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

DENNIS N.A. GARCIA
Chairman of the Board

RAMONTITO E. GARCIA
President/Chief Executive Officer

ARLO A.G. SARMIENTO
Executive Vice-President/COO/CFO

Signed this 15th day of April, 2014.

9th Floor, Ayala Life-FGU Center
Mindanao Avenue corner Biliran Road
Cebu Business Park, Cebu City, Philippines 6000

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www.vivant.com.ph

VIVANT

REPUBLIC OF THE PHILIPPINES)
CITY OF CEBU) S.S.

ACKNOWLEDGMENT

BEFORE ME, a Notary Public, for and in the City of Cebu, Philippines, this 15th of April 2014, personally appeared the following persons:

Name	Passport No.	Place and Date of Issue
Dennis N. A. Garcia	XX4162896	DFA- Cebu; 17 July 2009
Ramontito E. Garcia	EB2133231	DFA – Cebu; 22 Mar 2011
Arlo A. G. Sarmiento	XX4090262	DFA – Cebu; 02 July 2009

Known to me to be the same persons who executed the foregoing **STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS** and they acknowledge before me that the same is their free and voluntary act and deed in the capacities in which they appear. This Agreement consisting of TWO (2) pages including the page on which this Acknowledgement is written, has been signed by the parties and their witness on each and every page thereof.

IN WITNESS WHEREOF, I have hereunto set my hand an affixed my notarial seal at the place and on the date first above written.

Doc. No. 396 ;
Page No. 80 ;
Book No. XI ;
Series of 2014.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 031-09
NOTARY PUBLIC
CEBU CITY
UNTIL DECEMBER 31, 2014
UNITS 1501-1502 AYALA LIFE FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 403097 – CEBU CITY – 01/06/14
IBP NO. 937081 – CEBU CITY – 01/06/14

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(With Comparative Figures as at December 31, 2012 and January 1, 2012)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	**₱3,057,406,413**	₱1,800,270,312	₱587,560,911
Trade and other receivables (Note 7)	**746,093,162**	620,611,831	408,550,594
Advances to associates and stockholders (Note 16)	**115,486,983**	28,753,622	94,817,571
Inventories (Note 8)	**99,160,004**	103,201,769	163,115,366
Prepayments and other current assets (Note 8)	**294,771,279**	453,470,557	253,002,105
Total Current Assets	4,312,917,841	3,006,308,091	1,507,046,547
Noncurrent Assets			
Available-for-sale (AFS) investments (Note 9)	**3,846,131**	8,853,202	8,791,249
Equity investments (Note 10)	**3,986,834,990**	3,662,985,271	3,930,754,292
Property, plant and equipment - net (Note 11)	**62,647,848**	47,343,703	2,562,265,229
Investment properties (Note 12)	**274,071,000**	274,071,000	274,071,000
Deferred income tax assets - net (Note 20)	**21,399,283**	21,249,418	19,262,328
Other noncurrent assets (Note 13)	**71,956,107**	65,988,805	92,562,640
Total Noncurrent Assets	4,420,755,359	4,080,491,399	6,887,706,738
TOTAL ASSETS	**₱8,733,673,200**	₱7,086,799,490	₱8,394,753,285
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables (Note 14)	**₱1,415,791,742**	₱683,513,227	₱569,180,990
Advances from related parties (Note 16)	**142,744,333**	197,458,244	225,769,631
Income tax payable	**162,125,636**	98,160,641	330,633
Current portion of long-term debt (Note 23)	–	–	1,238,931,074
Current portion of notes payable (Note 15)	–	365,000,000	498,809,523
Total Current Liabilities	1,720,661,711	1,344,132,112	2,533,021,851
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 23)	–	–	1,307,760,578
Notes payable - net of current portion (Note 15)	–	–	297,476,191
Pension liability (Note 19)	**18,724,619**	15,687,514	8,982,382
Deferred income tax liabilities (Note 20)	**27,527,364**	29,873,120	28,425,949
Total Noncurrent Liabilities	46,251,983	45,560,634	1,642,645,100
Total Liabilities	1,766,913,694	1,389,692,746	4,175,666,951
Equity Attributable to Equity Holders of the Parent			
Capital stock - ₱1 par value (Note 21)			
Authorized - 2,000,000,000 shares			
Issued - 1,023,456,698 shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452	8,339,452

(Forward)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
Other components of equity:			
Share in revaluation increment of an associate (Note 10)	**₱1,292,314,176**	₱454,642,913	₱509,519,206
Remeasurement loss on employee benefits (Note 19)	**(874,453)**	(202,184)	–
Share in remeasurement losses on employee benefits of an associate	**(67,070,264)**	(59,416,917)	(58,955,501)
Unrealized valuation gain on AFS investments (Note 9)	**191,083**	191,083	191,083
Retained earnings:			
Appropriated for business expansion (Note 21)	**1,856,476,291**	–	–
Unappropriated	**2,357,237,719**	3,367,540,626	2,046,432,423
Equity Attributable to Equity Holders of the Parent	**6,470,070,702**	4,794,551,671	3,528,983,361
Equity Attributable to Non-controlling Interests	**496,688,804**	902,555,073	690,102,973
Total Equity	**6,966,759,506**	5,697,106,744	4,219,086,334
TOTAL LIABILITIES AND EQUITY	**₱8,733,673,200**	₱7,086,799,490	₱8,394,753,285

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for 2012 and 2011)

	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
REVENUE			
Sale of power (Note 23)	**₱2,593,003,368**	₱2,638,625,802	₱1,298,454,988
Equity in net earnings of associates and joint ventures (Note 10)	**817,167,990**	962,678,909	690,795,950
Management fees (Note 16)	**167,051,799**	148,510,172	122,921,596
Interest income (Note 16)	**33,592,952**	47,592,326	16,726,245
Other income (Note 16)	**6,446,703**	7,015,035	9,300,323
	3,617,262,812	3,804,422,244	2,138,199,102
GENERATION COSTS (Notes 17 and 23)	**1,633,537,609**	1,848,144,439	1,056,668,595
OPERATING EXPENSES			
Professional fees (Note 16 and 23)	**237,426,374**	207,255,322	33,624,685
Salaries and employee benefits (Notes 16 and 17)	**74,424,765**	39,011,034	26,875,416
Taxes and licenses	**28,583,812**	22,991,881	26,951,546
Management fees (Note 16)	**15,775,116**	37,640,299	29,104,640
Travel	**14,497,677**	10,551,855	8,201,247
Depreciation and amortization (Notes 11 and 13)	**13,284,269**	9,978,670	4,427,771
Rent and association dues	**6,003,603**	3,959,854	2,204,269
Impairment loss on AFS investments (Note 9)	**5,007,071**	2,738,047	3,395,274
Representation	**3,746,174**	1,404,711	1,701,685
Communication and utilities	**3,448,265**	2,881,912	2,371,843
Security and janitorial	**569,377**	195,000	731,664
Other operating expenses (Note 17)	**29,349,676**	12,421,454	12,710,268
	432,116,179	351,030,039	152,300,308
INCOME FROM OPERATIONS	**1,551,609,024**	1,605,247,766	929,230,199
OTHER INCOME (CHARGES)			
Finance costs (Note 15)	**(17,210,327)**	(61,132,342)	(189,845,403)
Gain on redemption of an equity interest in an associate (Note 10)	**10,155,539**	18,171,194	22,755,600
Foreign exchange gains	**2,951,800**	4,531,352	–
Gain on rescinded contract (Note 23)	**–**	643,795,158	–
Net unrealized gain in fair value remeasurement of investment properties (Note 12)	**–**	–	91,737,000
Others - net	**(21,628,760)**	–	–
	(25,731,748)	605,365,362	(75,352,803)
INCOME BEFORE INCOME TAX	**1,525,877,276**	2,210,613,128	853,877,396
PROVISION FOR INCOME TAX (Note 20)	**221,432,432**	178,965,488	46,133,294
NET INCOME	**1,304,444,844**	2,031,647,640	807,744,102

(Forward)

	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to consolidated statements of comprehensive income:			
Unrealized valuation gain on AFS investments (Note 9)	**₱–**	₱–	₱385,500
Items that will not be reclassified to consolidated statements of comprehensive income:			
Share in revaluation increment of an associate, net of tax	**884,597,344**	–	–
Remeasurement loss on employee benefits (Note 19)	**(1,496,260)**	(288,834)	–
Income tax effect of remeasurement loss on employee benefits	**448,878**	86,650	–
	(1,047,382)	(202,184)	–
Share in the remeasurement losses on employee benefits of associates, net of tax (Note 10)	**(7,653,347)**	(461,416)	(33,736,716)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	**875,896,615**	(663,600)	(33,351,216)
TOTAL COMPREHENSIVE INCOME	**₱2,180,341,459**	₱2,030,984,040	₱774,392,886
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,008,748,891**	₱1,461,200,409	₱670,651,494
Non-controlling interests	**295,695,953**	570,447,231	137,092,608
	₱1,304,444,844	₱2,031,647,640	₱807,744,102
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,885,020,619**	₱1,460,536,809	₱637,111,152
Non-controlling interests	**295,320,840**	570,447,231	137,281,734
	₱2,180,341,459	₱2,030,984,040	₱774,392,886
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱0.986**	₱1.428	₱0.655

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

	Year Ended December 31, 2013									
	Attributable to Equity Holders of the Parent									
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Loss on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates	Unrealized Valuation Gain on AFS Investments	Retained Earnings	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances at January 1, 2013, as previously reported	₱1,023,456,698	₱8,339,452	₱454,642,913	₱–	₱–	₱191,083	₱3,352,794,527	₱4,839,424,673	₱901,042,145	₱5,740,466,818
Effect of change in accounting for employee benefits, net of tax	–	–	–	(202,184)	–	–	(12,292,003)	(12,494,187)	1,512,928	(10,981,259)
Effect of change in accounting for employee benefits of associates, net of tax	–	–	–	–	(59,416,917)	–	27,038,102	(32,378,815)	–	(32,378,815)
Balances at January 1, 2013, as restated	1,023,456,698	8,339,452	454,642,913	(202,184)	(59,416,917)	191,083	3,367,540,626	4,794,551,671	902,555,073	5,697,106,744
Total comprehensive income:										
Net income	–	–	–	–	–	–	1,008,748,891	1,008,748,891	295,695,953	1,304,444,844
Other comprehensive income:										
Share in the remeasurement losses on employee benefits of associates, net of tax	–	–	–	–	(7,653,347)	–	–	(7,653,347)	–	(7,653,347)
Remeasurement loss on employee benefits, net of tax	–	–	–	(672,269)	–	–	–	(672,269)	(375,113)	(1,047,382)
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate	–	–	(46,926,081)	–	–	–	46,926,081	–	–	–
Share in revaluation increment of an associate, net of tax	–	–	884,597,344	–	–	–	–	884,597,344	–	884,597,344
Other comprehensive income, as restated	–	–	837,671,263	(672,269)	(7,653,347)	–	46,926,081	876,271,728	(375,113)	875,896,615
Total comprehensive income	–	–	837,671,263	(672,269)	(7,653,347)	–	1,055,674,972	1,885,020,619	295,320,840	2,180,341,459
Transactions with stockholders, recorded directly in equity:										
Additional deposits for future stock subscription	–	–	–	–	–	–	–	–	10,919,854	10,919,854
Property dividends	–	–	–	–	–	–	–	–	(234,353,981)	(234,353,981)
Cash dividends (Note 21)	–	–	–	–	–	–	(209,501,588)	(209,501,588)	(477,752,982)	(687,254,570)
Balances at December 31, 2013	₱1,023,456,698	₱8,339,452	₱1,292,314,176	(₱874,453)	(₱67,070,264)	₱191,083	₱4,213,714,010	₱6,470,070,702	₱496,688,804	₱6,966,759,506

See accompanying Notes to Consolidated Financial Statements.

	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Loss on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates	Unrealized Valuation Gain on AFS Investments	Retained Earnings	Total	Equity Attributable to Non-Controlling Interests	Total Equity
	Year Ended December 31, 2012									
	Attributable to Equity Holders of the Parent									
Balances at January 1, 2012, as previously reported	₱1,023,456,698	₱8,339,452	₱509,519,206	₱–	₱–	₱191,083	₱2,026,922,038	₱3,568,428,477	₱690,102,973	₱4,258,531,450
Effect of change in accounting for employee benefits, net of tax	–	–	–	–	–	–	(6,287,667)	(6,287,667)	–	(6,287,667)
Effect of change in accounting for employee benefits of an associate, net of tax	–	–	–	–	(58,955,501)	–	25,798,052	(33,157,449)	–	(33,157,449)
Balances at January 1, 2012, as restated	1,023,456,698	8,339,452	509,519,206	–	(58,955,501)	191,083	2,046,432,423	3,528,983,361	690,102,973	4,219,086,334
Total comprehensive income:										
Net income for the year, as previously reported	–	–	–	–	–	–	1,465,964,695	1,465,964,695	568,934,303	2,034,898,998
Effect of change in accounting for employee benefits, net of tax	–	–	–	–	–	–	(6,004,336)	(6,004,336)	1,512,928	(4,491,408)
Effect of change in accounting for employee benefits of associates, net of tax	–	–	–	–	–	–	1,240,050	1,240,050	–	1,240,050
Net income, as restated	–	–	–	–	–	–	1,461,200,409	1,461,200,409	570,447,231	2,031,647,640
Other comprehensive income, as previously reported	–	–	(52,431,943)	–	–	–	52,431,943	–	–	–
Share in the remeasurement losses on employee benefits of associates, net of tax	–	–	–	–	(461,416)	–	–	(461,416)	–	(461,416)
Effect of change in accounting for employee benefits, net of tax	–	–	–	(202,184)	–	–	–	(202,184)	–	(202,184)
Reversal relating to property and equipment disposed, net of tax	–	–	(2,444,350)	–	–	–	2,444,350	–	–	–
Other comprehensive income, as restated	–	–	(54,876,293)	(202,184)	(461,416)	–	54,876,293	(663,600)	–	(663,600)
Total comprehensive income, as restated	–	–	(54,876,293)	(202,184)	(461,416)	–	1,516,076,702	1,460,536,809	570,447,231	2,030,984,040
Transactions with stockholders, recorded directly in equity:										
Property dividends	–	–	–	–	–	–	–	–	(240,242,151)	(240,242,151)
Cash dividends	–	–	–	–	–	–	(194,968,499)	(194,968,499)	(117,752,980)	(312,721,479)
Balances at December 31, 2012	₱1,023,456,698	₱8,339,452	₱454,642,913	(₱202,184)	(₱59,416,917)	₱191,083	₱3,367,540,626	₱4,794,551,671	₱902,555,073	₱5,697,106,744

See accompanying Notes to Consolidated Financial Statements.

	Year Ended December 31, 2011									
	Attributable to Equity Holders of the Parent									
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Loss on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates	Unrealized Valuation Gain on AFS Investments	Retained Earnings	Total	Equity Attributable to Non-Controlling Interests	Total Equity
Balances at January 1, 2011, as previously reported	₱1,023,456,698	₱8,339,452	₱566,287,818	₱–	₱–	(₱5,291)	₱1,495,951,478	₱3,094,030,155	₱647,349,739	₱3,741,379,894
Effect of change in accounting for employee benefits of associates, net of tax	–	–	–	–	(25,218,785)	–	4,826,748	(20,392,037)	–	(20,392,037)
Balances at January 1, 2011, as restated	1,023,456,698	8,339,452	566,287,818	–	(25,218,785)	(5,291)	1,500,778,226	3,073,638,118	647,349,739	3,720,987,857
Total comprehensive income:										
Net income for the year, as previously reported	–	–	–	–	–	–	655,967,857	655,967,857	137,092,608	793,060,465
Effect of change in accounting for employee benefits, net of tax	–	–	–	–	–	–	(6,287,667)	(6,287,667)	–	(6,287,667)
Effect of change in accounting for employee benefits of an associate, net of tax	–	–	–	–	–	–	20,971,304	20,971,304	–	20,971,304
Net income, as restated	–	–	–	–	–	–	670,651,494	670,651,494	137,092,608	807,744,102
Other comprehensive income:										
Net fair value gain on AFS investments	–	–	–	–	–	196,374	–	196,374	189,126	385,500
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment	–	–	(56,768,612)	–	–	–	56,768,612	–	–	–
Share in the remeasurement losses on employee benefits of associates, net of tax	–	–	–	–	(33,736,716)	–	–	(33,736,716)	–	(33,736,716)
Other comprehensive income, as restated	–	–	(56,768,612)	–	(33,736,716)	196,374	56,768,612	(33,540,342)	189,126	(33,351,216)
Total comprehensive income, as restated	–	–	(56,768,612)	–	(33,736,716)	196,374	727,420,106	637,111,152	137,281,734	774,392,886
Transactions with stockholders, recorded directly in equity:										
Cash dividends	–	–	–	–	–	–	(181,765,909)	(181,765,909)	(94,528,500)	(276,294,409)
Balances at December 31, 2011	₱1,023,456,698	₱8,339,452	₱509,519,206	₱–	(₱58,955,501)	₱191,083	₱2,046,432,423	₱3,528,983,361	₱690,102,973	₱4,219,086,334

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,525,877,276**	₱2,210,613,128	₱853,877,396
Adjustments to reconcile income before income tax to net cash flows:			
Equity in net earnings of associates and joint ventures (Note 10)	**(817,167,990)**	(962,678,909)	(690,795,950)
Interest income	**(33,592,952)**	(47,592,326)	(16,726,245)
Finance costs	**17,210,327**	61,132,342	189,845,403
Depreciation and amortization (Notes 11 and 13)	**13,399,269**	117,891,167	327,937,754
Loss (gain) on redemption of an equity interest in an associate and other adjustments (Note 10)	**10,060,175**	(18,171,194)	(22,755,600)
Pension expense (Note 19)	**9,285,463**	6,416,298	8,982,382
Impairment loss on AFS investments (Note 9)	**5,007,071**	2,738,047	3,395,274
Unrealized foreign exchange gains	**(2,893,892)**	(4,531,352)	–
Gain on rescinded contract (Note 23)	**–**	(643,795,158)	–
Net unrealized gain in fair value remeasurement of investment properties (Note 12)	**–**	–	(91,737,000)
Operating income before working capital changes	**727,184,747**	722,022,043	562,023,414
Decrease (increase) in:			
Trade and other current receivables	**(125,919,563)**	(210,971,645)	(88,122,366)
Inventories	**4,041,765**	59,913,597	(90,558,833)
Prepayments and other current assets	**158,699,278**	(249,842,487)	(118,374,423)
Increase in trade and other payables	**760,682,138**	113,280,751	203,239,429
Cash generated from operations	**1,524,688,365**	434,402,259	468,207,221
Income tax paid	**(159,514,181)**	(33,152,830)	(11,179,522)
Interest paid	**(14,546,497)**	(61,811,804)	(191,046,121)
Contribution to the retirement fund (Note 19)	**(9,270,000)**	–	–
Cash received from contract rescission (Note 23)	**–**	664,583,352	–
Net cash flows from operating activities	**1,341,357,687**	1,004,020,977	265,981,578
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from associates (Note 10)	**979,868,460**	894,754,064	485,276,344
Interest received	**34,031,184**	47,051,925	16,726,245
Additions to:			
AFS investments (Note 9)	**–**	(3,400,000)	(10,000)
Property, plant and equipment (Note 11)	**(28,046,390)**	(12,983,243)	(22,045,785)
Intangible assets (Note 13)	**(49,150)**	(1,268,995)	–
Decrease (increase) in other noncurrent assets	**(5,049,794)**	27,480,082	(25,386,677)
Increase (decrease) in investments in associates (Note 10)	**200,000**	–	(119,796,746)
Proceeds from redemption of an equity interest in an associate (Note 10)	**114,712,200**	114,712,200	114,712,200
Net cash flows from investing activities	**1,095,666,510**	1,066,346,033	449,475,581
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	**(687,254,570)**	(311,047,610)	(276,294,409)
Payment of loans (Note 15)	**(387,200,989)**	(696,285,714)	(493,714,286)

(Forward)

	2013	2012 (As restated - Note 3)	2011 (As restated - Note 3)
Additional deposits for future stock subscriptions of non-controlling interest of a subsidiary	**₱10,919,854**	₱–	₱–
Advances from associates and stockholders	**(141,447,272)**	37,530,301	159,460,283
Proceeds from loans (Note 15)	**22,200,989**	265,000,000	382,000,000
Payment of long-term debt (Note 15)	**–**	(157,659,008)	(500,636,033)
Net cash used in financing activities	**(1,182,781,988)**	(862,462,031)	(729,184,445)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,254,242,209**	1,207,904,979	(13,727,286)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,893,892**	4,804,422	–
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,800,270,312**	587,560,911	601,288,197
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱3,057,406,413**	₱1,800,270,312	₱587,560,911

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission on May 28, 1990. The Parent Company is listed in the Philippine Stock Exchange using the symbol VVT.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund securities portfolios and other similar assets of a managed entity.

The Parent Company is owned and controlled by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% in 2013 and in 2012 and 84.93% in 2011. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely electric power generation (both renewable and non-renewable energy), electric power distribution and retail electricity supply business.

The principal office address of the Parent Company is located at Unit 907-908, Ayala Life FGU Center, Cebu Business Park, Cebu City.

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries and associates, all incorporated in the Philippines, as of December 31, 2013 and 2012:

	2013		2012	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**		50.94	
VC Ventures Net, Inc. (VNI)	**100.00**		100.00	
Vivant Energy Corporation (VEC)	**100.00**		100.00	
Vivant Integrated Generation Corporation (VIGC)		**100.00** [(a) (f)]		100.00 [(a) (f)]
Vics-Amlan Holdings Corporation (Vics-Amlan)		**60.00** [(a) (g)]		60.00 [(a) (g)]
Vics-Bakun Holdings Corporation (Vics-Bakun)		**100.00** [(a) (h)]		100.00 [(a) (h)]
1590 Energy Corp. (1590 EC)		**52.70** [(a) (i)]		52.70 [(a) (i)]
Vivant Malogo Hydropower, Inc. (VMHI)		**75.00** [(a) (n)]		75.00 [(a) (n)]
Corenergy, Inc. (Core)		**100.00** [(a) (o)]		100.00 [(a) (o)]
Associates				
Visayan Electric Company, Inc. (VECO)	**34.74**		28.37	6.37 [(e)]
Prism Energy, Inc. (PEI)	**40.00** [(m)]		40.00 [(m)]	
Abovant Holdings, Inc. (AHI)		**40.00** [(c)]		40.00 [(c)]
Cebu Private Power Corporation (CPPC)		**40.00** [(a)]		40.00 [(a)]
Delta P, Inc. (Delta P)		**35.00** [(a)]		35.00 [(a)]
Amlan Hydroelectric Power Corporation (AHPC) formerly ICS Renewables, Inc.		**28.00** [(d) (k)]		30.00 [(d) (k)]

(Forward)

	2013		2012	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Joint Ventures				
Calamian Islands Power Corp. (CIPC)		**50.00** [(a) (l)]		50.00 [(a) (l)]
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC) formerly Amlan Hydro Power, Inc. (AHPI)		**46.00** [(b) (j)]		46.00 [(b) (j)]

a. Indirect ownership through VEC
b. Indirect ownership through Vics- Bakun
c. Indirect ownership through VIGC
d. Indirect ownership through Vics-Amlan
e. Indirect ownership through HDFE
f. Incorporated on November 5, 2008
g. Incorporated on August 26, 2009
h. Incorporated on January 8, 2010
i. Incorporated on July 30, 2010
j. Incorporated on July 9, 2009
k. Incorporated on October 21, 2008
l. Incorporated on October 19, 2010
m. Incorporated on March 24, 2009
n. Incorporated on June 8, 2012
o. Incorporated on December 14, 2012

Subsidiaries. HDFE, VNI, VEC, VIGC, Vics-Amlan, Vics-Bakun, 1590 EC, VMHI and Core qualify as subsidiaries of the Parent Company and are included in the consolidated financial statements. They are hereinafter referred to as the "Subsidiaries". VMHI and Core are entities incorporated in 2012 for which the information presented in the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes is only for four months and one month ended December 31, 2012, respectively.

The Parent Company and its Subsidiaries are all incorporated in the Philippines. Except for 1590 EC, VMHI and Core, all subsidiaries are also operating as holding and investing companies, which are primarily engaged in power generation and distribution. 1590 EC is operating a diesel power plant while VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively. The following sets out a brief information of the Parent Company's subsidiaries and associates:

<u>HDFE</u>
HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in and exercise all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities. HDFE currently exists as a holding company with direct equity shareholdings in VECO of 12.5% as of December 31, 2012. As of December 31, 2013, HDFE has divested all of its shareholdings in VECO resulting to Parent Company having direct equity shareholdings in VECO.

<u>VNI</u>
VNI was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

<u>VEC</u>
VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in CPPC, Delta P, 1590 EC, CIPC and VMHI, entities engaged in the power generation business and Corenergy, an entity engaged in the retail electricity supply. VEC also has direct equity shareholdings on holding entities namely VIGC, Vics-Amlan and Vics-Bakun.

VIGC
VIGC was incorporated on November 5, 2008 with the primary purpose of holding investments in power generation companies.

Vics-Amlan
Vics-Amlan, the holding entity of AHPC, was incorporated on August 26, 2009 with the primary purpose of holding investments in power generation companies.

Vics-Bakun
Vics-Bakun, the holding entity of VSNRGC, was incorporated on January 8, 2010 with the primary purpose of holding investments in power generation companies.

1590 EC
1590 EC was incorporated and has started operations on July 30, 2010. It is primarily engaged in power generation and operates a 225-megawatt (MW) diesel-fired power plant in Bauang, La Union. 1590 EC is also partly-owned by Gigawatt Power, Inc. (GPI), Eco Utilities Ventures Holdings Company, Inc. (EUVHCI) and ICS Renewables Holdings Corp. (IHI), among others.

VMHI
VMHI was incorporated on June 8, 2012. Its primary purpose is to engage in the business of owning, acquiring, operating, generating, collecting and distributing electricity.

VMHI is on its starting phase or pre-operational stage as a power generating entity. It is currently undergoing development and pre-construction works for a six (6) megawatt hydro power plant. The plant construction is estimated to be completed after 22-24 months from date of groundbreaking.

Core
Core was incorporated on December 14, 2012. Its primary purpose is to buy, source and obtain electricity from generating companies or from the wholesale electricity spot market to sell, broker, market or aggregate electricity to the end users in Contestable Market and enter into any necessary access or interconnection arrangements or other necessary contracts with the National Transmission Corporation or National Grid Corporation of the Philippines, distribution utilities and other entities in the electric power industry. As of December 31, 2013, Core has not yet started commercial operations and has an ongoing application for Retail Electricity Supplier license.

Associates. VECO, AHI, CPPC, Delta P, AHPC and PEI qualify as associates of the Parent Company.

VECO
VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2011. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

PEI
PEI was incorporated on March 24, 2009 as a retail electricity supplier. As of December 31, 2013, it has not yet started commercial operations.

AHI
AHI was incorporated on November 28, 2007 primarily to manage entities and to provide management, investment and technical advice for enterprises engaged in electricity generation and/or distribution.

AHI and Global Formosa Power Holdings, Inc., a joint venture between Global Power and Formosa Heavy Industries (Global Formosa), signed a shareholders' agreement to develop, construct and own a Cebu Energy Development Corporation (CEDC) 246 MW coal-fired power plant in Toledo City, Cebu. AHI has a 44% direct ownership interest in CEDC.

CPPC
CPPC was incorporated on July 13, 1994 and its primary purpose is to build, construct or own power generation plants and related facilities. It operates a 70 MW bunker "C" diesel-fire power generating plant.

Delta P
Delta P was registered with SEC on September 20, 2002 primarily to operate and maintain a 16 MW heavy fuel oil-fired generating power station in Puerto Princesa, Palawan.

AHPC
AHPC, formerly known as ICS, was incorporated on October 21, 2008 with the primary purpose to manufacture, acquire, develop, own and operate alternative fuels. Currently, AHPC is operating a 0.8 MW hydroelectric power plant in Amlan, Negros Oriental, which was purchased by AHPC from the Power Sector Assets and Liabilities Management (PSALM).

Joint Ventures. Prior to the adoption of PFRS 11, *Joint Arrangements*, the Parent Company's investments in CIPC and VSNRGC, through VEC and Vics-Bakun, respectively, were accounted for as associates under the previous PAS 28, *Investments in Associates*. Upon adoption of PFRS 11 on January 1, 2013, the Parent Company's management has determined that its investments in CIPC and VSNRGC qualify as joint ventures. The impact on the adoption of PFRS 11 is further discussed in Note 3, *Changes in Accounting Policies and Disclosures*, of the consolidated financial statements.

CIPC
CIPC was incorporated on October 19, 2010 as a power generation company in Palawan. As of December 31, 2013, it has not yet started commercial operations.

VSNRGC

VSNRGC, formerly known as AHPI was organized on July 9, 2009 primarily to engage in the general business of power generation and sale of electric power to National Power Corporation (NAPOCOR), private electric cooperatives and other entities.

In December 2009, PSALM awarded VSNRGC to be the IPP administrator of the contracted capacities of Bakun and Benguet power plants. VSNRGC formally became the IPP administrator in February 2010 upon signing of the related documents and payment of the related consideration. In the latter part of the same year, PSALM exercised the right to divide and segregate the contracted capacities of the Bakun and Benguet power plants. By virtue of the segregation done by PSALM, VSNRGC assumed the responsibility of selling only the Bakun power plant's contracted capacity and started its commercial operations as an IPP administrator in 2010. The Bakun power plant has an installed capacity of 70MW and is located in Alilem, Ilocos Sur.

The Parent Company and its Subsidiaries (the "Group") are all incorporated in the Philippines. The principal place of business of the Parent Company is located at Unit 907-908, Ayala Life FGU Center, Cebu Business Park, Cebu City.

The consolidated financial statements of the Group as at and for the years ended December 31, 2013, 2012 and 2011 were approved and authorized for issuance by the Board of Directors (BOD) on April 14, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or a reclassification of items in the consolidated financial statements.

An additional consolidated statement of financial position as of January 1, 2012 is presented in these consolidated financial statements due to retrospective application of the Revised PAS 19.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

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

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

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

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

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January 1, 2013. Except for the adoption of Philippine Accounting Standards (PAS) 19 Revised, *Employee Benefits*, and PFRS 10, *Consolidated Financial Statements*, these new and revised standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;

  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

  c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   - Amounts related to financial collateral (including cash collateral); and

e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  The Group adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The application of PFRS 10 affected the accounting for the Group's investments in CIPC and VSNRGC.

  For all financial years up to December 31, 2012, CIPC and VSNRGC were considered to be associates under the previous PAS 28.

  At the date of initial adoption of PFRS 10, the Parent Company assessed that it jointly controls CIPC and VSNRGC on the basis that the decisions about the relevant activities of CIPC and VSNRGC require the unanimous consent of the parties sharing control.

  The adoption of PFRS 10 affects the disclosures only and has no significant impact on the Group's financial position or performance since the accounting of the said interests in joint ventures are still accounted for under the equity method of accounting.

- PFRS 11, *Joint Arrangements*

  On January 1, 2013, the Group adopted PFRS 11, *Joint Arrangements*. Under PFRS 11, when an entity has rights to the assets, and obligations for the liabilities, relating to the arrangement, the arrangement is a joint operation. When an entity has rights to the net assets of the arrangement, the arrangement is a joint venture. A joint arrangement that is not structured through a separate vehicle is a joint operation.

  A separate vehicle is a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality. A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation. Whether a party is a joint operator or a joint venturer depends on the party's rights to the assets and obligations for the liabilities, relating to the arrangements that are held in the separate vehicle. When the parties have structured a joint arrangement in a separate vehicle, the parties need to assess whether the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, any other facts and circumstances give the (a) rights to the assets, and obligations for the liabilities, relating to the arrangement (i.e., the arrangement is a joint operation) or (b) rights to the net assets of the arrangement (i.e., the arrangement is a joint venture).

PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The application of PFRS 11 resulted to the accounting of the Parent Company's interests in CIPC and VSNRGC as interests in joint ventures and accounted for such interests under the equity method.

The impact on the adoption of PFRS 11 was discussed under PFRS 10, *Consolidated Financial Statements*, above.

- PAS 19, *Employee Benefits* (Revised)

  On January 1, 2013, the Group adopted the Revised PAS 19, *Employee Benefits.*

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Group's financial position and financial performance.

Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The impact of these changes on the relevant positions in the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows are shown below:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Consolidated statement of financial position:			
Pension liability	**₱26,469,237**	₱15,687,514	₱8,982,382
Deferred tax assets - net	**7,940,771**	4,706,254	2,694,715
Investment in associate	**(39,910,926)**	(32,378,815)	(33,157,449)
Remeasurement loss on employee benefits	**(874,453)**	(202,184)	–
Share in the remeasurement losses on employee benefits of associates	**(67,070,264)**	(59,416,917)	(58,955,501)
Retained earnings	**9,505,325**	16,259,026	19,510,385

	2013	2012
Increase (decrease) in:		
Consolidated statement of comprehensive income:		
Equity in net earnings of associates and joint ventures	**(₱362,682)**	₱1,771,500
Salaries and employee benefits (under Operating Expenses)	**7,528,113**	3,545,467
Salaries, wages and employee benefits (under "Generation costs")	**1,757,350**	2,870,831
	9,285,463	6,416,298
Income before income tax	**(9,648,145)**	(4,644,798)
Income tax benefit	**2,894,444**	1,393,439
Net income	**(6,753,701)**	(3,251,359)
Other comprehensive income:		
Remeasurement loss on employee benefits	**(960,384)**	(288,834)
Income tax effect	**288,115**	86,650
Other comprehensive income for the year, net of tax	**(672,269)**	(202,184)
Share in the remeasurement losses on employee benefits of associates, net of tax	**(7,653,347)**	(461,416)
Total other comprehensive income	**(8,325,616)**	(663,600)
Total comprehensive income for the year	**(15,079,317)**	(3,914,959)

Other than the restatement of the income before income tax and pension expense, the adoption of the Revised PAS 19 did not have any significant impact on the 2012 and 2011consolidated statements of cash flows.

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The adoption of PFRS 12 affects disclosures only and has no impact on the Group's financial position or performance. PFRS 12 disclosures are provided in Note 10.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values. The Group has assessed that the application of PFRS 13 has no significant impact to its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 24.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)

  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  The application of PFRS 11 had an impact to the Parent Company's accounting of its investments in CIPC and VSNRGC (see Notes 4 and 10). The Parent Company has an indirect ownership interest in CIPC of 50%, through VEC, and VSNRGC of 46%, through Vics-Bakun. Prior to the transition to PFRS 11, CIPC and VSNRGC were accounted for as investments in associates and the Parent Company accounted for these entities as associates under the previously existing PAS 28 on the basis that the Parent Company has significant influence to govern the financial and operating policies of CIPC and VSNRGC. Upon adoption of PFRS 11, the Parent Company has determined that its interest in CIPC and VSNRGC should be accounted for as joint ventures under PFRS 11.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)

  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle). The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment does not have any significant impact on the Group's financial position or performance.

New Standards and Interpretation Issued and Effective after December 31, 2013. The Group will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its consolidated financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36.

  In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendment does not have any significant impact on the Group's financial position or performance.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)

  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Group.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Group does not expect that the amendments will have an impact on its financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Group as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  - The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  - The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

4. Summary of Significant Accounting Policies

<u>Financial Assets and Financial Liabilities</u>

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

- *Financial Assets at FVPL.* Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the consolidated statement of comprehensive income.

  When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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 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 recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2013 and 2012, no financial assets have been designated as FVPL.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

  Classified as loans and receivables are the Group's cash and cash equivalents and trade and other receivables.

- *HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus 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. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

  As of December 31, 2013 and 2012, the Group has no HTM investments.

- *AFS Financial Assets.* AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of comprehensive income. The Group has available for sale financial assets of ₱3.8 million and ₱8.9 million as of December 31, 2013 and 2012, respectively.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

  The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

  Included under this category are the Group's long-term debt and trade and other payables.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position 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.

Fair Value Measurement
The Group measures financial instruments, such as, cash on hand and in banks, short-term placements, trade and other receivables, trade and other payables, long-term debt and non-financial assets such as investment properties and AFS investments, at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible 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.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as cash on hand and in banks, short-term investments, trade and other receivables, advances to associates and stockholders, AFS investments, trade and other payables, advances from related parties, long-term debt and notes payable and for non-recurring measurement, such as investment properties.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the management after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every 3–6 years. The management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The management, in conjunction with the Group's external valuers, also compares each the changes in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

On an interim basis, the management and the Group's external valuers present the valuation results to the audit committee. This includes a discussion of the major assumptions used in the valuations.

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.

<u>Derecognition of Financial Assets and Liabilities</u>

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. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 the consolidated statement of comprehensive income.

Impairment of Financial Assets. The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

  The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined 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.

  If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

  In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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

Investment in Associates and Interest in 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 interests in 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 comprehensive 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 consolidated 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 comprehensive 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.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing the inventory to its present location and condition is determined primarily on the basis of the moving average method. NRV is the current replacement cost. An allowance for inventory obsolescence is provided for slow-moving, defective or damaged goods based on analyses and physical inspection.

Prepayments and Other Current Assets

Prepayments and other current assets are recognized and carried at cost, less any impairment in value. These are recognised as assets when it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured with reliability. An asset is not recognised in the consolidated statement of financial position when expenditure has been incurred for which it is considered improbable that economic benefits will flow to the entity beyond the current accounting period. Instead such a transaction results in the recognition of an expense in the consolidated statement of comprehensive income.

Property, Plant and Equipment

Property, plant and equipment, except distribution utility assets, are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property, plant and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, building and improvements	5–40
Plant machineries and equipment	5–10
Leasehold and land improvements	3–10
Office furniture, fixtures and equipment	2–10
Transportation equipment	5
Tools and other assets	5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Investment Properties

Investment properties are properties held by the Group either to earn rentals or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost. Subsequently, investment properties are measured at fair value with any change therein recognized in profit or loss following the fair value model.

The fair value of the Group's investment properties measured using the fair value model is based on the valuation carried out by independent appraisers.

The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices of similar properties.

Any gain or loss resulting from either a change in the fair value or the sale of investment properties is recognized in profit or loss in the year of change or derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

Goodwill

Goodwill recognized in a business combination accounted for using the acquisition method, 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 Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive 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.

Equity

- *Capital Stock.* Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value for all issued shares.

- *Additional Paid-in Capital.* Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

- *Retained Earnings.* Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition

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

Sale of Power. Revenue from sale of power is recognized when delivery of power generated or purchased by the Group to the spot market or customers is completed, and is based on actual power delivered at prices prevailing in the spot market or agreed prices in power supply agreements.

Management Fees. Revenue from management fees are recognized when the related services are rendered based on management consultancy and service contracts.

Interest Income. Revenue is recognized as interest accrues taking into account the effective yield on the assets.

Other Income, such as Rental Income, Gain on Redemption of an Equity Share in an Associate, Gain on Rescinded Contract. These are generally recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease while gain on redemption of an equity share in an associate is recognized as the difference between the proceeds received upon redemption and the corresponding carrying amount of the investment redeemed. Gain on rescinded contract is recognized as the difference between the carrying amount of the recorded asset returned, liability extinguished at the time of the rescission.

Cost and Expense Recognition

Cost 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. Cost and expenses are recognized in the consolidated statement of comprehensive income when incurred.

Related Party Transactions

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

Provisions

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

The expense relating to any provision is presented in the consolidated statement of comprehensive 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.

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 comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Income Taxes

Current Income Tax. Current 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 reporting date.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, 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, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting 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 of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

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

Sales Tax. Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangements is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset.
A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

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

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at reporting date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited or charged to current operations.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Group's position at the reporting 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 Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Group by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Group 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.

As at December 31, 2013 and 2012, the Group does not have dilutive common stock equivalents.

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. 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 future periods.

The Group believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which 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 Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of service and the cost of providing the service.

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

Where the fair value of the financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The 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 consolidated financial statements.

As of December 31, 2013 and 2012, the carrying values of the Group's financial instruments approximate fair values due to their relatively short-term maturity (see Note 24).

Determining Fair Value of Investment Properties. The Group carries its investment properties at fair value, with changes in fair value being recognized in the consolidated statements of comprehensive income. The Group engaged an independent valuation specialist to assess the fair values of these properties as of December 31, 2013. The valuation which conforms to the International Valuation Standards was arrived at by reference to market evidence of transaction prices for similar properties.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 24.

Any gain or loss from a change in the fair value of each investment property is included in the consolidated statement of comprehensive income in the year in which the change arises.

As of December 31, 2013 and 2012, the carrying value of the Group's investment properties amounted to ₱274.1 million (see Note 12).

Determining Operating Lease Commitments - Group as a Lessor. The Group leased part of its office space to one of its associates and property leases on its investment properties. The Group has determined that all significant risks and rewards of ownership from the property remain with the lessor.

Determining Operating Lease Commitments - Group as a Lessee. 1590 EC entered into a Memorandum of Agreement (MOA) with the Provincial Government of La Union (PGLU) for the right to preserve, maintain and operate the Bauang Diesel Power Plant (BDPP), including the right to use and sell the power generated therefrom, and lease of office spaces. The Group has determined that it does not acquire all the significant risks and rewards of these properties which are leased on operating leases.

Determining Joint Arrangements. Judgment is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as the considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement. Specifically, it considers (a) the structure of the joint arrangement - whether it is structured through a separate vehicle and, (b) when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from the legal form of the separate vehicle, the terms of the contractual arrangement and other facts and circumstances (when relevant).

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting. The Group has joint arrangements pertaining to its interests in CIPC and VSNRGC, which are structured through separate vehicles, being a company structure. This structure, and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangements. Given this, the Group then had to assess the other facts and circumstances relating to these arrangements. After undertaking this assessment, there were a number of indicators for both a joint venture classification and a joint operation classification. Significant judgment was therefore required to determine how these factors would be analyzed. The final conclusion was that the Parent Company's investments in CIPC and VSNRGC were joint ventures.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 below.

Estimating Impairment of Trade and Other Receivables and, Advances to Associates and Stockholders. The Group maintains allowance for impairment losses at a level that management considers adequate to provide for potential uncollectibility of receivables. A review of the factors that affect the collectibility of the accounts including age and status of the receivables is made by management on a continuing basis to identify accounts to be provided with allowance. 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 losfses will increase the Group's recorded expenses and decrease current assets.

As of December 31, 2013 and 2012, trade and other receivables amounted to ₱746.1 million and ₱620.6 million, respectively, and advances to associates and stockholders amounted to ₱115.5 million and ₱28.8 million, respectively (see Note 16). No provision for impairment losses was recognized in 2013, 2012 and 2011.

Estimating Allowance for Inventory Write-down. The Group writes down inventory for an amount equal to the difference between the cost of inventory and the estimated NRV or current replacement cost based on assumptions about future use and sale, and technology that would affect the cost of inventories.

There was neither a provision nor a reversal of the write-down of inventories recognized in 2013, 2012 and 2011 (see Note 8). The NRV of inventories amounted to ₱99.2 million and ₱103.2 million as of December 31, 2013 and 2012, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment and Intangible Assets. The Group reviews annually the estimated useful lives of property, plant and equipment and intangible assets and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property, plant and equipment and intangible assets. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property, plant and equipment and intangible assets.

The carrying value of the property, plant and equipment amounted to ₱62.6 million and ₱47.3 million as of December 31, 2013 and 2012, respectively (see Note 11). The carrying value of intangible assets amounted ₱0.3 million and ₱1.0 million as of December 31, 2013 and 2012, respectively (see Note 13).

Estimating Impairment of AFS Investments. The computation for the impairment of AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In applying this judgment, the Group evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments, including normal volatility in share price for quoted equities and future cash flows and the discount factors for unquoted equities.

The fair value of Group's AFS investments amounted to ₱3.8 million and ₱8.9 million as of December 31, 2013 and 2012, respectively (see Note 9). In 2013, 2012 and 2011, the Group recognized impairment loss amounting to ₱5.0 million, ₱2.7 million and nil, respectively.

Estimating Impairment of Non-financial Assets. Internal and external sources of information are reviewed at each reporting date to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may be decreased:

- Property, plant and equipment
- Investment properties
- Intangible assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the recoverable amount, 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 property, plant and equipment, investment properties and intangible assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	2013	2012
Property, plant and equipment (see Note 11)	**₱62,647,848**	₱47,343,703
Investment properties (see Note 12)	**274,071,000**	274,071,000
Intangible assets (see Note 13)	**343,872**	951,746

The Group did not recognize any impairment loss on its nonfinancial assets in 2013, 2012 and 2011.

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, 2013 and 2012 amounted to ₱42.6 million (see Note 13).

Estimating Provision for Pension Expense. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An 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 reporting date.

As of December 31, 2013 and 2012, the Parent Company's pension liability amounted to ₱18.7 million and ₱11.6 million, respectively (see Note 19). As of December 31, 2013, 1590 EC's pension asset amounted to ₱1.5 million and pension liability amounted to ₱4.1 million in 2012 (see Note 19).

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

Deferred income tax assets that are recognized amounted to ₱21.4 million and ₱21.2 million as of December 31, 2013 and 2012, respectively (see Note 20). Deferred income tax assets have not been recognized on allowance for impairment loss of ₱4.7 million as of December 31, 2013 and 2012, net operating loss carry-over (NOLCO) of ₱36.8 million and ₱20.9 million as of December 31, 2013 and 2012, respectively, and minimum corporate income tax (MCIT) of ₱0.1 million as of December 31, 2013 and 2012 (see Note 20).

Estimating Legal Contingencies. The estimate of probable costs for the resolution of possible claims has been developed in consultation with outside counsel 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 as of December 31, 2013 and 2012.

6. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱1,711,048,047**	₱484,836,823
Short-term placements	**1,346,358,366**	1,315,433,489
	₱3,057,406,413	₱1,800,270,312

Cash in banks generally earn interest at the respective bank deposit rates. Short-term placements represent time deposits with terms of not more than three months, with annual interest ranging from 1% to 4.625% and 0.50% to 4.60% in 2013 and 2012, respectively.

Interest income earned from the deposits in bank and short-term investments amounted to ₱29.0 million, ₱33.7 million and ₱16.6 million in 2013, 2012 and 2011, respectively.

7. Trade and Other Receivables

	2013	2012
Trade receivables	**₱717,947,963**	₱488,703,955
Accounts receivable (see Note 16)	**23,820,924**	54,161,927
Advances to officers and employees (see Note 16)	**2,236,002**	1,897,262
Rent receivable	**32,578**	40,908
Note and interest-bearing receivables (see Note 16)	**–**	75,601,295
Others	**2,388,727**	3,601,758
	746,426,194	624,007,105
Less allowance for impairment losses	**333,032**	3,395,274
	₱746,093,162	₱620,611,831

Trade receivables represent the receivables from Philippine Electricity Market Corporation (PEMC) through the Group's active participation in Wholesale Electricity Spot Market (WESM) which has a term of 30 days and earns interest of 1% plus the rate of the prevailing 91-day Treasury Bill published by the Bureau of Treasury per annum on the past due receivables.

Portion of the accounts receivable represents claims from VECO, CEDC, VSNRGC, DPI and TPC for management services rendered by the Group. These are noninterest-bearing and collectible within 30 to 45 days (see Note 16).

The movement in the allowance for impairment loss follows:

	2013	2012
At January 1	**₱3,395,274**	₱3,395,274
Write-off during the year	**(3,062,242)**	–
At December 31	**₱333,032**	₱3,395,274

8. Inventories and Prepayments and Other Current Assets

Inventories
The following are the inventories held by the Group which are carried at cost being lower than its NRV:

	2013	2012
Spare parts	**₱45,910,443**	₱50,855,029
Heavy fuel oil	**42,418,530**	48,668,205
Lube oil	**7,691,793**	1,115,122
Light fuel oil	**3,139,238**	2,563,413
	₱99,160,004	₱103,201,769

The cost of materials and supplies recognized under "Generation costs and other operating expenses" in the consolidated statement of comprehensive income amounted to ₱1,311.5 million, ₱1,426.3 million, and ₱560.9 million in 2013, 2012 and 2011, respectively (see Note 17).

Prepayments and Other Current Assets

	2013	2012
Advances to suppliers	**₱199,904,425**	₱395,822,967
Input VAT	**51,154,197**	12,323,259
Prepaid insurance	**22,595,060**	4,615,530
Prepaid royalty fees	**12,739,990**	–
Prepaid taxes	**6,811,886**	15,885,238
Deferred input VAT	–	22,186,356
Creditable withholding taxes	–	1,453,422
Others	**1,565,721**	1,183,785
	₱294,771,279	₱453,470,557

Advances to suppliers represent advance payments for the purchase of various plant parts and supplies for the succeeding year.

Input VAT represents the VAT imposed by the Group's suppliers of goods and services as required by Philippine taxation laws and regulations.

Prepaid royalty fees pertain to excess payments made by 1590 EC to PGLU pursuant to the MOA executed by the parties for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom (see Note 23).

Deferred input VAT in 2012 represents input taxes on service level contracts entered by 1590 EC where services have already been performed but not yet paid.

Others include prepaid rent and advance payments of minor purchases of inventories for use in operations.

9. Available-for-Sale (AFS) Investments

This account is composed of investments in shares of stock of the following entities:

	2013	2012
At Fair Value		
Aboitiz Equity Ventures, Inc.	**₱395,500**	₱395,500
Philippine Long Distance Telephone Co.	**600**	600
Paper Industries of the Phils.	**31**	31
	396,131	396,131
At Cost		
VC Exchange, Inc. (VEI) (net of impairment allowance of ₱8.34 million and ₱2.74 million in 2013 and 2012, respectively)	**–**	5,007,071
Cebu Country Club, Inc. (CCCI)	**3,400,000**	3,400,000
INCA Plastic Philippines (net of impairment allowance of ₱1.95 million)	**50,000**	50,000
	3,450,000	8,457,071
	₱3,846,131	₱8,853,202

As of December 31, 2013 and 2012, the carrying amount of the Group's AFS investments includes unrealized valuation gain on fair value changes amounting to nil in 2013 and 2012, and ₱0.4 million in 2011 (see Note 24).

The movement in the allowance for impairment on AFS investments follows:

	2013	2012
At January 1	**₱4,688,047**	₱1,950,000
Impairment loss for the year	**5,007,071**	2,738,047
At December 31	**₱9,695,118**	₱4,688,047

Except for the investment in VEI and CCCI, the above investments represent the investments of HDFE in listed and non-listed equity securities that present opportunities for returns through dividend income and trading gains.

The fair values of the listed securities are based on quoted market prices. The non-listed equity securities are stated at cost, as their fair values cannot be reliably measured, less any impairment in value.

The investment in VEI represents VNI's investment in the former's common shares of stock, representing 15% ownership as of December 31, 2013 and 2012. In 2012, the Group determined that there are no further economic benefits to be recognized on 40% of the AFS investment in VEI after the latter ceased its operations. Hence, the Group recognized provision for impairment loss on AFS investment amounting to ₱2.7 million. In 2013, the Group recognized additional provision for impairment loss on AFS investment equal to the remaining book value investment in VEI (see Note 16).

In 2012, the Group acquired a proprietary ownership share in CCCI.

10. Equity Investments

a. Investments in Associates

	2013	2012 (As restated - see Note 3)
Acquisition cost:		
At January 1	**₱2,407,217,791**	₱2,187,090,004
Additions	**200,000**	251,032,342
Conversion to equity	**7,643,900**	2,431,100
Disposals	**(27,507,600)**	(33,335,655)
At December 31	**2,387,554,091**	2,407,217,791
Deposit for future stock subscription:		
At January 1	**7,643,900**	10,075,000
Conversion to equity	**(7,643,900)**	(2,431,100)
	–	7,643,900
Accumulated share in net earnings (losses):		
At January 1, as previously reported	**567,444,249**	761,527,769
Share in the remeasurement of employee benefits of associates (see Note 3)	**(32,378,813)**	(33,157,449)
At January 1, as restated	**535,065,436**	728,370,320
Equity in net earnings of associates	**1,005,180,724**	930,259,014
Cash dividends received and receivable	**(979,868,460)**	(894,787,365)
Share in the amount transferred from revaluation surplus representing depreciation on revaluation increment	**46,926,081**	52,431,943
Property dividends	**(265,421,432)**	(215,398,053)
Reversal relating to property and equipment disposed, net of tax	**–**	2,444,350
Disposals	**(97,664,776)**	(69,033,407)
Share in the remeasurement of employee benefits of associates (see Note 3)	**(7,653,347)**	778,634
At December 31, as restated	**236,564,226**	535,065,436
Share in revaluation increment:		
At January 1	**525,045,410**	848,386,078
Property dividends declared	**–**	(268,464,375)
Share in revaluation increment of an associate, net of tax	**884,597,344**	–
Share in the amount transferred to equity in net earnings representing depreciation on revaluation increment	**(46,926,081)**	(52,431,943)
Reversal relating to property and equipment disposed, net of tax	**–**	(2,444,350)
At December 31	**1,362,716,673**	525,045,410
Carrying amount at December 31	**₱3,986,834,990**	₱3,474,972,537

b. Investments in Joint Ventures

The carrying amount of the Group's interest in joint ventures, which are immaterial, are accounted for using the equity method for the year ended December 31 follows:

	2013	2012 (As restated - see Note 3)
Acquisition cost:		
At January 1	**₱49,125,000**	₱6,431,250
Conversion to equity	**–**	42,693,750
At December 31	**49,125,000**	49,125,000
Deposit for future stock subscription:		
At January 1	**–**	42,693,750
Conversion to equity	**–**	(42,693,750)
	–	–
Accumulated share in net earnings (losses):		
At January 1	**₱138,887,734**	₱107,707,890
Equity in net earnings (losses) of joint ventures	**(188,012,734)**	31,179,844
At December 31, as restated	**(49,125,000)**	138,887,734
Carrying amount at December 31	**₱–**	₱188,012,734

The Group has unrecognized share in losses from results of operations of its joint ventures amounting to ₱212.8 million in 2013 and nil in 2012 and 2011.

The carrying values of investments in associates and joint ventures, which are accounted for under the equity method follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Associates:			
VECO	**₱2,248,531,902**	₱1,841,343,426	₱2,078,994,068
AHI	**1,545,891,226**	1,335,973,374	1,336,893,867
DPI	**104,517,094**	121,950,435	118,713,109
CPPC	**83,488,205**	168,323,639	228,999,487
AHPC	**3,902,854**	6,881,663	9,820,871
PEI	**503,709**	500,000	500,000
Joint ventures:			
VSNRGC	**–**	186,253,053	154,499,327
CIPC	**–**	1,759,681	2,333,563
	₱3,986,834,990	₱3,662,985,271	₱3,930,754,292

The Group's associates and joint ventures, and the corresponding equity ownership as of December 31 follow:

		Percentage of Ownership		
	Nature of Business	**2013**	2012	2011
Associates:				
VECO	Power distribution	**34.74**	34.74	34.74
CPPC	Power generation	**40.00**	40.00	40.00
DPI	Power generation	**35.00**	35.00	35.00
PEI	Power generation	**40.00**	40.00	40.00
AHPC	Power generation	**30.00**	30.00	30.00
AHI	Holding company	**40.00**	40.00	40.00
Joint ventures:				
VSNRGC	Power generation	**46.00**	46.00	46.00
CIPC	Power generation	**50.00**	50.00	50.00

The following are selected financial information of the material associates of the Group as of and for the years ended December 31, 2013, 2012 and 2011:

<u>VECO</u>

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Total current assets	**₱3,208,266,606**	₱2,566,547,673	₱2,665,290,943
Total noncurrent assets*	**12,153,346,296**	8,873,482,820	9,475,413,396
Total current liabilities	**3,165,796,160**	2,640,800,180	2,310,321,027
Total noncurrent liabilities	**5,723,358,762**	3,498,875,029	3,845,944,428
Total equity	**6,472,457,980**	5,300,355,284	5,984,438,884

**Inclusive of adjustments not taken up by the Group*

	2013	2012	2011
Gross revenue	**19,387,138,622**	18,574,241,503	16,296,842,070
Operating profit	**2,265,158,396**	1,475,939,835	1,256,591,063
Net income	**1,588,026,904**	1,038,257,891	885,612,773
Group's share in net income	**551,680,547**	360,690,791	307,661,877
Proportion of Group's ownership	**34.74%**	34.74%	34.74%
Carrying amount of the investment	**2,248,531,902**	1,841,343,426	2,078,994,068

The goodwill included in "Other noncurrent assets" account in the consolidated statements of financial position represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of HDFE, a subsidiary (see Note 13). Due to the acquisition of HDFE, the Group was able to obtain majority representation in VECO's BOD and is able to exercise significant influence over the financial and operating policies of VECO with whom HDFE has direct ownership interest of 25%.

On May 15, 2012, HDFE declared 50% or 95,638 common shares of its investment in VECO as property dividends to stockholders of record as of that date, hence reducing its investment to 12.5% or equivalent to ₱489.7 million. As a result, the Parent Company received 48,733 common shares or equivalent to ₱249.5 million of VECO increasing its direct interest to 28.37% as of December 31, 2012.

On February 12, 2013, HDFE declared the remaining 50% or 95,638 common shares of its investment in VECO as property dividends to stockholders of record as of the same date. The property dividend was approved by the SEC on April 19, 2013. Hence, such declaration reduced its remaining 12.5% investment to zero or equivalent to ₱489.69 million. As a result, the Parent Company received 48,733 common shares or equivalent to ₱249.45 million of VECO increasing its direct interest to 34.74% as of December 31, 2013.

AHI

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Total current assets	**₱795,384,316**	₱331,933,342	₱432,669
Total noncurrent assets*	**3,069,343,749**	3,008,013,382	3,541,622,701
Total current liabilities	**–**	13,289	199,820,703
Total equity	**3,864,728,065**	3,339,933,435	3,342,234,667

**Inclusive of adjustments not taken up by the Group*

Gross revenue	**850,892,671**	875,740,286	580,107,924
Operating profit	**850,808,979**	875,571,053	578,642,904
Net income	**850,799,577**	875,567,437	578,636,947
Group's share in net income	**340,319,831**	350,226,974	231,454,779
Proportion of Group's ownership	**40%**	40%	40%
Carrying amount of the investment	**₱1,545,891,226**	₱1,335,973,374	₱1,336,893,867

In 2011, the Group's deposit for future stock subscription in AHI, representing common and preferred shares, previously paid in 2010 amounting to ₱112.7 million was converted to paid-up capital and additional investment amounting to ₱1,014 million was made while maintaining the 40% ownership, or for a total additional investment in AHI amounting to ₱1,127 million.

Individually Immaterial Associates

The carrying amount of the Group's interest in all individually immaterial associates that are accounted for using the equity method for the year ended December 31 follows:

	2013	2012 (As restated - see Note 3)
Income from continuing operations	**₱146,947,127**	₱190,882,791
Net income	**105,431,369**	135,372,957
Other comprehensive income (loss)	**2,262,509**	(838,777)
Total comprehensive income	**107,693,878**	134,534,180

c. Material Partly-Owned Subsidiary

1590 EC

As of December 31, 2013, the Parent Company has a 52.70% indirect ownership interest in 1590 EC which is primarily engaged in power generation and is incorporated in the Philippines.

The summarized financial information of 1590 EC as of December 31 is provided below.

	2013	2012 (As restated - see Note 3)
Total current assets	**₱2,304,275,290**	₱2,000,481,641
Total noncurrent assets	**13,005,100**	8,361,506
Total current liabilities	**1,644,289,711**	949,727,562
Total noncurrent liabilities	**–**	1,359,405
Total equity	**672,990,679**	1,057,756,180
Sale of power	**2,601,488,956**	2,665,545,488
Operating profit	**679,947,151**	1,083,458,627
Net income	**476,654,563**	955,709,563
Total comprehensive income	**475,861,511**	955,709,563
Net income attributable to non-controlling interests	**225,457,608**	452,050,623
Total comprehensive income attributable to non-controlling interests	**225,082,495**	452,050,623
Dividends paid to non-controlling interests	**272,410,356**	–

11. Property, Plant and Equipment

2013

	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Tools and Other Assets	Total
Cost								
At January 1	₱25,146,101	₱–	₱12,761,110	₱11,009,940	₱20,029,454	₱34,711	₱381,501	₱69,362,817
Additions	3,465	714,286	8,346,607	8,647,609	8,586,129	1,624,125	124,169	28,046,390
At December 31	25,149,566	714,286	21,107,717	19,657,549	28,615,583	1,658,836	505,670	97,409,207
Accumulated Depreciation								
At January 1	7,462,203	–	3,125,859	5,948,652	5,393,915	–	88,485	22,019,114
Depreciation	882,493	83,333	2,317,393	4,681,707	4,662,319	–	115,000	12,742,245
At December 31	8,344,696	83,333	5,443,252	10,630,359	10,056,234	–	203,485	34,761,359
Net Book Value	₱16,804,870	₱630,953	₱15,664,465	₱9,027,190	₱18,559,349	₱1,658,836	₱302,185	₱62,647,848

2012

	Condominium Units, Building and Improvements	Plant Machineries and Equipment	Leasehold and Land Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Construction in Progress	Tools and Other Assets	Total
Cost								
At January 1	₱158,869,201	₱2,965,670,207	₱9,532,819	₱7,477,288	₱14,946,849	₱–	₱199,891	₱3,156,696,255
Additions	–	–	3,458,126	3,532,652	5,856,355	34,711	181,610	13,063,454
Disposal	–	–	(229,835)	–	(773,750)	–	–	(1,003,585)
Derecognition	(133,723,100)	(2,965,670,207)	–	–	–	–	–	(3,099,393,307)
At December 31	25,146,101	–	12,761,110	11,009,940	20,029,454	34,711	381,501	69,362,817
Accumulated Depreciation								
At January 1	31,464,118	556,627,867	1,863,898	2,666,127	1,820,444	–	23,283	594,465,737
Depreciation	5,746,630	103,196,057	1,491,796	3,282,525	3,791,708	–	65,202	117,573,918
Disposal	–	–	(229,835)	–	(218,237)	–	–	(448,072)
Derecognition	(29,748,545)	(659,823,924)	–	–	–	–	–	(689,572,469)
At December 31	7,462,203	–	3,125,859	5,948,652	5,393,915	–	88,485	22,019,114
Net Book Value	₱17,683,898	₱–	₱9,635,251	₱5,061,288	₱14,635,539	₱34,711	₱293,016	₱47,343,703

The Group has no fully depreciated assets still being used in operations as of December 31, 2013 and 2012.

Total depreciation and amortization charged to the following accounts in the consolidated statements of comprehensive income:

	2013	2012	2011
Generation costs	**₱115,000**	₱107,912,497	₱323,509,983
Operating expenses	**12,627,245**	9,661,421	4,427,771
	₱12,742,245	₱117,573,918	₱327,937,754

On April 26, 2012, 1590 EC entered into a Mutual Rescission Agreement (MRA) with PGLU; as a result, the cost and the corresponding accumulated depreciation of the plant, buildings, machineries, improvements, equipment and other facilities included and integrated in the recognition of the power plant were derecognized (see Note 23).

12. Investment Properties

Land	₱270,103,000
Buildings and improvements	3,968,000
	₱274,071,000

Some of the Group's properties were leased out to outside parties to earn rental income (see Note 23). Total rental income amounted to ₱1.7 million in 2013 and 2012 recorded as part of "Other income" in the consolidated statements of comprehensive income.

A fair value gain of land amounting to ₱91.7 million was recognized in 2011. This was determined based on the appraisal report carried out in March 2012 by an independent appraiser. The valuation, which conforms to the International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. There was no appraisal made in 2013 and management has assessed that there is no significant change in the fair value of these properties since its valuation date.

Real property taxes pertaining to the land amounted to ₱1.2 million and ₱0.5 million in 2013 and 2012, respectively, included under "Taxes and licenses" account in the consolidated statements of comprehensive income.

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

Fair value hierarchy disclosures and description of the valuation techniques used and key inputs to the valuation for investment properties have been provided in Note 24.

13. Other Noncurrent Assets

	2013	2012
Goodwill (see Note 10)	**₱42,559,451**	₱42,559,451
Advances to suppliers	**26,311,872**	21,745,696
Pension asset (see Note 19)	**1,525,382**	–
Software cost	**343,872**	951,746
Others	**1,215,530**	731,912
	₱71,956,107	₱65,988,805

Goodwill represents the excess of the acquisition cost over the Group's interest in recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities at the time of acquisition of HDFE, a subsidiary (see Note 10).

Impairment Testing of Goodwill
Goodwill acquired through business combination has been allocated to a single cash-generating unit that is pertaining to an investment company, which is a reportable segment.

The recoverable amount of each unit 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.

Carrying amount of goodwill related to HDFE amounting to ₱42.6 million as of December 31, 2013 and 2012 is recorded as part of "Other noncurrent assets" in the consolidated statements of financial position (see Note 13). The goodwill is attributed to the expected synergies and other benefits from combining the assets of the investment company with those of the Group.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Interest rate used to discount the net cash flows from operations is 2.01% based on a one-year Philippine Treasury bill rate quoted by the Bureau of Treasury.

- Annual growth in metered sales and city street lighting is projected with an annual growth rate of 9% to 24% and 6% to 22%, respectively.

- Operating expenses are projected to increase from 12% to 22% depending on the nature of the expenses.

- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, no impairment was recognized on goodwill in 2013 and 2012.

Sensitivity to Changes in Assumptions
With regard to the assessment of the value-in-use of HDFE, management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

Advances to Suppliers

Advances to suppliers pertain to cash advances given to contactors and project partners that are to be used to finance the cost of project study, site development, plant rehabilitation, among others.

Software Costs

Software cost pertains to a subsidiary's accounting software. The movement of computer software is as follows:

	2013	2012
Cost		
At January 1	**₱1,268,995**	₱–
Additions	**49,150**	1,268,995
At December 31	**1,318,145**	1,268,995
Accumulated Amortization		
At January 1	**317,249**	–
Additions	**657,024**	317,249
At December 31	**974,273**	317,249
Net Book Value	**₱343,872**	₱951,746

Due from RFM Corporation

Due from RFM Corporation is a receivable from the Group's previous owner. Based on management's assessment of this receivable, a full allowance for impairment losses was provided as of December 31, 2013 and 2012.

14. Trade and Other Payables

	2013	2012
Trade payables (see Note 23)	**₱986,289,902**	₱413,599,418
Deferred output VAT	**146,151,528**	192,016,176
Output VAT	**129,763,407**	41,793,905
Dividends payable	**57,553,747**	1,730,948
Accrued expenses	**41,556,191**	8,950,395
Accrued taxes payable	**16,035,630**	8,034,054
Accounts payable	**9,265,285**	1,986,866
Accrued interest (see Note 15)	**6,775,368**	4,111,538
Unearned income	**3,000,000**	4,000,000
Others	**19,400,684**	7,289,927
	₱1,415,791,742	₱683,513,227

Trade payables significantly consist of liabilities for a subsidiary's purchases of inventories from its suppliers, and the Group's collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills for the supply months of November and December 2013. The said adjustments are currently the subject of the Motion for Reconsideration filed by the Group with the ERC (see Note 23). Trade payables for purchases of inventories are noninterest-bearing and are normally settled on a 30 to 45-day term.

Deferred output VAT is related to the recognition of the Group's revenue from WESM and its corresponding receivable. The deferred output tax is eventually closed to output VAT upon collection of the related receivable.

Dividends payable consists of dividends to the non-controlling interests of the Group arising from declarations made by 1590 EC and HDFE. Dividends declared relating to non-controlling interests amounted to ₱477.8 million, ₱358.0 million and ₱94.5 million in 2013, 2012 and 2011, respectively.

Unearned income pertains to advance payments received by the Group from CPPC representing management fees (see Note 16).

Accrued expenses mainly consist of accruals of salaries and employee benefits, utilities expense, statutory payables, outside services and communication expenses, among others.

15. Notes Payable

	2013	2012
Metropolitan Banking and Trust Company (Metrobank)	₱–	₱200,000,000
Bank of the Philippine Islands (BPI)	–	100,000,000
Rizal Commercial Banking Corporation (RCBC)	–	50,000,000
China Banking Corporation (Chinabank)	–	15,000,000
	₱–	₱365,000,000

The above balance of notes payable, which are unsecured, as of December 31, 2012 is presented as "Current portion of notes payable" in the 2012 consolidated statement of financial position.

Metrobank
The balance of the note payable from Metrobank consists of the ₱15.0 million and ₱185.0 million obtained in 2009 and 2012, respectively. The ₱15.0 million loan bears interest at prevailing market rate and has a maturity of one (1) year from the drawdown date, subject to renewal. The ₱185.0 million loan bears interest at 3.75%. These loans were paid on their respective maturity dates in 2013.

BPI
The balance of the note payable from BPI consists of the ₱20.0 million and ₱80.0 million loan obtained in 2010 and 2012, respectively. The ₱20.0 million is a 7-day contract payable on January 5, 2011, with an interest rate of 4.4%. The ₱80.0 million loan was divided into two (2) promissory notes of ₱43.0 million and ₱37.0 million each, renewed every month with interest rate at 3.75% upon initial recognition and payable in lump sum at maturities. These loans were paid in 2013.

RCBC
In 2011, the Parent Company obtained unsecured loans from RCBC amounting to ₱87.0 million covering four (4) loans which bear interests ranging from 3.75% and 4.25%. In 2012, two (2) loans covering ₱37.0 million was paid off. The remaining loans which bear interest ranging from 4.00% to 5.00% were paid in 2013.

Chinabank
In 2010, a ₱100.0 million contracts payable was entered with Chinabank covering two loan agreements. The 7-day note of ₱70.0 million with an interest rate of 4.50% was payable on January 5, 2011 and the second note of ₱30.0 million was payable on April 22, 2011 with an interest rate of 5.25%. Only ₱85.0 million was paid in 2011, and the remaining balance paid in 2013.

Total interest expense related to notes payable in 2013, 2012 and 2011 amounted to ₱11.3 million, ₱27.3 million and ₱32.7 million, respectively, shown as part of "Finance costs" in the consolidated statements of comprehensive income, and the related accrued interest expense as of December 31, 2013 and 2012 amounted to nil and ₱0.9 million, respectively, shown as part of "Trade and other payables" account in the consolidated statements of financial position (see Note 14).

16. Related Party Transactions

Parties are considered related if one party has the ability, directly or indirectly, to control 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 significant influence. Related parties may be individuals or corporate entities. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

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

	2013			
Category	Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Advances Granted (see Note 16a)				
Joint venture:				
VSNRGC	**₱4,954,210**	**₱8,339,782**	**Payable on demand; noninterest-bearing**	**Unsecured; no impairment**
CIPC	**75,344,630**	**86,729,830**	**Payable on demand; noninterest-bearing**	**Unsecured; no impairment**
Associate:				
AHPC	**60,021,898**	**18,291,470**	**Payable on demand; noninterest-bearing**	**Unsecured; no impairment**
PEI	–	**1,532,400**	**Payable on demand; noninterest-bearing**	**Unsecured; no impairment**
AHI	**79,927,875**	–	**Payable on demand; noninterest-bearing**	**Unsecured; no impairment**
Stockholder with significant influence:				
GPI	–	**(67,617)**	**Payable on demand; noninterest-bearing**	**Unsecured**
Interest on notes receivable (see Note 16b)				
Stockholder with significant influence:				
GPI	**751,416**	–	**3.6462% p.a. interest on notes receivable**	**Unsecured; no impairment**
EUVHCI	**692,549**	–	**3.6462% p.a. interest on notes receivable**	**Unsecured; no impairment**

(Forward)

Category	Volume	2013 Outstanding Balance - Receivable (Payable)	Terms	Conditions
Stockholder with no significant influence:				
IHI	₱86,569	₱–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
Other non-controlling stockholder	107,345	–	3.6462% p.a. interest on notes receivable	Unsecured; no impairment
Advances Received (see Note 16c)				
Associate:				
Delta P.	4,719,413	(58,156,080)	Payable on demand; noninterest-bearing	Unsecured
VECO	–	9,543	Payable on demand; noninterest-bearing	Unsecured; no impairment
Stockholder with no significant influence:				
IHI	–	(25,000)	Payable on demand; noninterest-bearing	Unsecured
Other non-controlling stockholder	5,232,068	(8,897,840)	Payable on demand; noninterest-bearing	Unsecured
Notes Payable (see Note 16c)				
Joint venture:				
VSNRGC	31,250	(70,790,180)	Payable within 3 years; bears interest-rate of 4.1577% p.a.	Unsecured
Management Fees - Income (see Note 16d)				
Associates:				
VECO	30,056,400	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Delta P.	2,016,000	162,960	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	12,000,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service Fees - Income (see Note 16d)				
Joint venture:				
VSNRGC	8,260,156	10,177,647	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates:				
VECO	24,127,708	–	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	7,700	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Management Fees - Expense (see Note 16e)				
Stockholder with significant influence:				
GPI	27,000,000	–	30-60 days; noninterest-bearing	Unsecured; no impairment
Service Fees - Expense (see Note 16e)				

(Forward)

Category	2013 Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Stockholder with significant influence				
GPI	₱23,870,000	₱–	30-60 days; noninterest-bearing	Unsecured; no impairment
EUVHCI	22,000,000	(3,300,000)	30-60 days; noninterest-bearing	Unsecured
Stockholder with no significant influence				
IHI	2,750,000	(412,500)	30-60 days; noninterest-bearing	Unsecured
Other non-controlling stockholder	3,410,000	(511,500)	30-60 days; noninterest-bearing	Unsecured
Rental Income (see Note 16f)				
Associate:				
VECO	3,937,647	–	30-60 days; noninterest-bearing	Unsecured; no impairment
	₱391,304,834	(₱16,917,085)		

Category	2012 Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Advances Granted (see Note 16a)				
Joint venture:				
CIPC	₱11,472,168	₱–	Payable on demand; noninterest-bearing	Unsecured; no impairment
Associate:				
AHPC	1,411,843	3,223,149	Payable on demand; noninterest-bearing	Unsecured; no impairment
PEI	–	1,532,401	Payable on demand; noninterest-bearing	Unsecured; no impairment
AHI	79,927,875	–	Payable on demand; noninterest-bearing	Unsecured; no impairment
Affiliates:				
VEI	600,000	–	Payable on demand; noninterest-bearing	Unsecured; no impairment
Stockholder with significant influence:				
GPI	26,345,312	4,594,298	Payable on demand; noninterest-bearing	Unsecured; no impairment
Notes Granted (see Note 16b)				
Associate:				
AHPC	2,570,133	2,594,999	Payable in 1 year; bears 14.4% and 10% interest	Unsecured; no impairment
Stockholder with significant influence:				
GPI	34,683,892	34,683,892	Payable in 1 year; bears 3.6462% p.a. interest	Unsecured; no impairment

(Forward)

		2012		
Category	Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
EUVHCI	₱31,966,720	₱31,966,720	Payable in 1 year; bears 3.6462% p.a. interest	Unsecured; no impairment
Stockholder with no significant influence:				
IHI	4,954,842	4,954,842	Payable in 1 year; bears 3.6462% p.a. interest	Unsecured; no impairment
Other non-controlling stockholders	3,995,841	3,995,841	Payable in 1 year; bears 3.6462% p.a. interest	Unsecured; no impairment
Advances Received (see Note 16c)				
Joint venture:				
VSNRGC	3,017,616	(68,258,119)	Payable on demand; noninterest-bearing	Unsecured
Associate:				
Delta P.	13,363,578	(53,436,667)	Payable on demand; noninterest-bearing	Unsecured
Stockholder with no significant influence:				
Other non-controlling stockholder	93,156,887	(1,281,852)	Payable on demand; noninterest-bearing	Unsecured
Notes Payable (see Note 16c)				
Joint venture:				
VSNRGC	3,157,204	(3,238,997)	Payable on demand;	Unsecured
Management Fees - Income (see Note 16d)				
Joint venture:				
VSNRGC	26,004,370	28,109,807	30-60 days	Unsecured; no impairment
Associate:				
Delta P.	1,944,000	–	30-60 days	Unsecured; no impairment
CPPC	12,000,000	4,000,000	30-60 days	Unsecured; no impairment
VECO	35,056,400	2,699,795	30-60 days	Unsecured; no impairment
Affiliate:				
CEDC	70,200,000	6,435,000	30-60 days	Unsecured; no impairment
TPC	721,196	–	30-60 days	Unsecured; no impairment
Management Fees - Expense (see Note 16e)				
Stockholder with significant influence:				
GPI	119,500,000	(59,675,000)	Payable on demand; noninterest-bearing	Unsecured
JDC	13,656,588	–	Payable on demand; noninterest-bearing	Unsecured; no impairment
MRC	17,233,711	–	Payable on demand; noninterest-bearing	Unsecured; no impairment

(Forward)

Category	Volume	2012 Outstanding Balance - Receivable (Payable)	Terms	Conditions
Stockholder with no significant influence				
IHI	₱6,250,000	(₱6,875,000)	Payable on demand; noninterest-bearing	Unsecured
Other non-controlling stockholder	150,000	–	Payable on demand; noninterest-bearing	Unsecured; no impairment
Rental Income (see Note 16f)				
Associate:				
VECO	2,932,586	–	30-60 days	Unsecured; no impairment
Receivables from officers and employees				
Officers and employees	5,146,877	1,897,262	Payable on demand; noninterest-bearing	Unsecured; no impairment
	₱621,419,639	(₱62,077,629)		

a. These are noninterest-bearing cash advances to associates, affiliates and stockholders. Also, the Group advances funds for certain expenses of associates.

   The outstanding current portion of the advances, presented as "Advances to associates and stockholders" account in the consolidated statements of financial position, are noninterest-bearing and are due on demand.

b. On August 10, 2012, 1590 EC granted loans to its stockholders with a term of one (1) year and earns interest of 3.6462% per annum. This was subsequently collected in 2013.

   Interest income recognized from the Group's interest-bearing notes receivable amounted to ₱3.5 million, ₱2.3 million and ₱0.1 million in 2013, 2012 and 2011, respectively, and are presented as part of "Interest income" account in the consolidated statements of comprehensive income.

c. "Advances from related parties" accounts are interest and noninterest-bearing cash advances from the Group's associates and stockholders.

   All of the outstanding advances are unsecured, noninterest-bearing and are due on demand except for the advances from VSNRGC in 2012. Advances from VSNRGC which are payable on demand within 3 years with the interest accrued at the PDST-F rate, which is 3.6577% plus 0.50% for a term of three (3) years from the date of the loan. Interest expense and accrued interest related to this amounted to ₱2.9 million and ₱5.9 million, respectively, in 2013.

   Advances from "non-controlling stockholders" pertain to cash advances provided by certain non-controlling stockholders of VMHI in 2012 and of 1590 EC in 2013 and 2012 to augment the working capital requirements.

   "Trade and other payables" account also includes noninterest-bearing due on demand advances from VEI, an affiliate of VNI, which was offset against the latter's AFS investment in 2012 (see Note 14).

d. Management and service fees represent the compensation for the services rendered by the Group to and for the use of its facilities by the associates. These are governed by management consultancy and service-level contracts executed by the Group and its associates. These are recognized as "Management fees" and "Service fees" presented as part of the Group's revenue in the consolidated statements of comprehensive income.

e. Outstanding receivables for management fees presented as part of "Accounts receivable" under "Trade and other receivables" account in the consolidated statements of financial position (see Note 7) as of December 31, 2013 and 2012 amounted to ₱29.6 million and ₱226.9 million.

f. The Group also entered into a consultancy and management service agreement with its stockholders to perform management consultancy services.

   Expenses incurred related to the consultancy and management service agreements are recognized as part of "Professional fees" and "Repairs and maintenance" under "Generation costs" and "Management fees" and "Professional fees" under "Operating expenses" in 2013 and 2012 (see Note 17).

   Outstanding balance from these service agreements included as part of "Advances from related parties" in the consolidated statements of financial position amounted to ₱4.2 million and ₱66.6 million as of December 31, 2013 and 2012, respectively.

g. The Group has a lease agreement with VECO (see Note 23). VECO leased an office space owned by the Group to be utilized as their Customer Care Office. The monthly rental is ₱0.3 million in 2013, ₱0.2 million in 2012 and 2011, subject to an annual increase of 10%.

   The Group recognized, as part of "Other income" account in the consolidated statements of comprehensive income, the amount of ₱3.0 million in 2013, ₱2.9 million in 2012 and ₱2.7 million in 2011 representing rent income received from VECO.

The above transactions are generally settled through cash.

The retirement fund of a subsidiary is in the form of a trust being maintained and managed by a trust and investment entity in the Philippines. The fund, which is invested mostly in fixed income securities, has a carrying amount and fair value of ₱9.3 million as of December 31, 2013 (see Note 19). The Group does not have any other transactions with the fund since its establishment in 2013.

Compensation and Benefits of Key Management Personnel

The compensation of the of the Group's key management personnel by benefit type as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Short-term employee benefits	**₱40,254,493**	₱30,831,832	₱7,138,724
Post-employment pension benefits (see Note 19)	**6,476,063**	2,454,658	–
	₱46,730,556	₱33,286,490	₱7,138,724

17. Generation Costs and Operating Expenses

Generation Costs

The Group's generation costs pertain to the costs incurred in the operation of the BDPP (see Note 23):

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Heavy fuel oil (see Note 23)	**₱1,120,423,098**	₱990,396,899	₱456,152,899
Rent (see Note 23)	**140,000,000**	84,000,000	18,734,064
Materials and supplies	**128,782,038**	381,012,270	66,726,978
Salaries, wages and employee benefits (see Note 18)	**42,247,517**	38,694,109	34,319,555
Lube oil	**32,746,186**	29,425,334	8,176,919
Light fuel oil	**25,093,002**	22,263,940	27,927,336
Supply and metering charges	**23,698,987**	23,785,736	12,952,735
Professional fees (see Note 16e)	**20,250,000**	20,357,899	20,279,425
Repairs and maintenance	**18,935,187**	71,771,310	24,157,376
Insurance	**18,625,942**	32,077,511	25,786,734
Contractual and outside services	**17,199,290**	14,954,094	13,664,442
Purchased power (see Note 23)	**16,883,018**	27,102,921	18,485,047
Royalty fees (see Note 23)	**12,698,043**	–	–
Market fees (see Note 23)	**3,022,906**	1,445,248	969,569
Taxes and licenses	**1,478,989**	337,692	430,843
Light and power	**1,207,528**	1,233,539	1,058,952
Transportation	**626,331**	1,214,976	1,092,038
Depreciation and amortization (see Notes 11 and 23)	**115,000**	107,912,497	323,509,983
Miscellaneous	**9,504,547**	158,464	2,243,700
	₱1,633,537,609	₱1,848,144,439	₱1,056,668,595

Other Operating Expenses

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Office supplies	**₱4,442,200**	₱3,215,892	₱1,921,493
Repairs and maintenance	**2,741,534**	1,844,284	1,388,718
Regulatory expenses	**1,047,707**	397,587	3,013,091
Stockholders' meeting expenses	**951,335**	349,240	360,614
Miscellaneous expenses	**20,166,900**	6,614,451	6,026,352
	₱29,349,676	₱12,421,454	₱12,710,268

Regulatory expenses represent payments of various charges imposed by the PSE and SEC.

Miscellaneous expenses represents employee training and development expenses, donations and contributions, brokerage fees, insurance expenses, medical and health expenses, outing expenses, and bank charges among others.

18. Personnel Expenses

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Salaries, wages and employee benefits	**₱104,599,326**	₱66,240,402	₱49,918,145
Directors' compensation and benefit	**2,787,493**	2,733,333	2,294,444
Pension costs (see Note 19)	**9,285,463**	6,416,298	8,982,382
	₱116,672,282	₱75,390,033	₱61,194,971

19. Retirement Plan

The Group has an unfunded, noncontributory, defined benefit pension plan covering all regular, permanent employees for VC while it has a funded, noncontributory defined benefit pension plan for 1590 EC. Both plans provide lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Group.

The retirement fund of 1590 EC's employees is administered by a trust and investment entity in the Philippines under the supervision of a trustee. The trustee is responsible for the investment strategy of the plan.

Under the existing regulatory framework, Republic Act 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense recognized in the consolidated statements of comprehensive income and the funded status and amounts recognized in the consolidated statements of financial position for the pension plan.

The components of the pension expense recognized under "Generation costs" and "Operating expenses" in the consolidated statements of comprehensive income follow:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current service cost	**₱4,261,557**	₱5,783,040	₱8,982,382
Past service cost	**4,066,629**	–	–
Net interest cost	**957,277**	633,258	–
Pension expense	**₱9,285,463**	₱6,416,298	₱8,982,382

Remeasurement effects recognized in the consolidated statements of comprehensive income follow:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Actuarial loss on defined benefit plan	**₱1,507,689**	₱288,834	₱–
Return on assets excluding amount included in net interest cost	**(11,429)**	–	–
	₱1,496,260	₱288,834	₱–

The pension liability resulting from the unfunded retirement plan of the Parent Company amounted to ₱18.72 million and ₱11.59 million as of December 31, 2013 and 2012, respectively.

The pension liability (asset) resulting from the funded retirement plan of 1590 EC follows:

	2013	2012 (As restated - see Note 3)
Present value of defined benefit obligation	**₱7,756,047**	₱4,101,187
Fair value of plan asset	**(9,281,429)**	–
Pension liability (asset)	**(₱1,525,382)**	₱4,101,187

Changes in the present value of the defined benefit obligation follow:

	2013	2012 (As restated - see Note 3)
At January 1	**₱15,687,514**	₱8,982,382
Current service cost	**4,261,557**	5,783,040
Interest cost on defined benefit obligation	**957,277**	633,258
Past service cost	**4,066,629**	–
Actuarial loss (gain) due to:		
Changes in financial assumptions	**1,368,129**	924,304
Experience adjustments	**139,560**	(635,470)
At December 31	**₱26,480,666**	₱15,687,514

Changes in the fair value of plan assets representing the funded retirement plan of 1590 EC follow:

	2013	2012 (As restated - see Note 3)
At January 1	**₱–**	₱–
Contributions to the retirement fund	**9,270,000**	–
Return on assets excluding amount included in net interest income	**11,429**	–
At December 31	**₱9,281,429**	₱–

Changes in the amounts recognized in the consolidated statement of financial position for pension follows:

	2013	2012 (As restated - see Note 3)
At January 1	**₱15,687,514**	₱8,982,382
Pension expense for the year	**9,285,463**	6,416,298
Actuarial loss recognized for the year	**1,496,260**	288,834
Contributions to retirement fund	**(9,270,000)**	–
At December 31	**₱17,199,237**	₱15,687,514

The fair value of the plan assets of by each class as at December 31, 2013 are as follows:

Fixed income securities:	
Savings deposit	₱1,232
Due from Bangko Sentral ng Pilipinas	9,269,000
Accrued interest receivable	16,920
Total assets	9,287,152
Liabilities of the fund:	
Accrued trust fees	3,663
Withholding taxes payable	2,060
	5,723
Fair value of plan assets	₱9,281,429

The control and administration of the fund vest on the trustee. The trustee shall have the full and complete power and authority to hold, manage, administer, convert, sell, assign, alter, divide, invest and reinvest the fund without distinction between principal and income, to the same extent and with the same effect as might be lawfully done by persons who own and control property and may thus exercise every power and right with respect to each item of property in this trust authority specified in the agreement and expressly conferred upon it by law.

The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as the trustee shall, in its discretion, deem appropriate in the circumstances. The Group's current investment strategy consists substantially of fixed income securities.

The principal assumptions used in determining pension liability (asset) for the Group's pension plan as of December 31 follow:

	2013	2012
Discount rate	**6.38%–5.79%**	6.11%–6.08%
Future salary increase rate	**7.50%–6.00%**	7.50%–6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as at December 31, 2013, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation
Discount rate	+100 basis points	(₱4,132,237)
	−100 basis points	1,820,569
Future salary increase rate	+100 basis points	1,594,574
	−100 basis points	(4,012,212)

The average duration of the defined benefit obligation as at December 31, 2013 is 13.5 years for the Parent Company and 25.1 years for 1590 EC.

The Group expects to contribute ₱8.7 million to the defined benefit plan in 2014.

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payment as at December 31, 2013:

Less than one year	₱6,163,290
More than one year to five years	8,221,121
More than five years to 10 years	8,668,848
More than 10 years to 15 years	13,092,768
More than 15 years to 20 years	17,125,631
More than 20 years	170,838,117
Total	₱224,109,775

20. **Income Taxes**

	2013	2012 (As restated- see Note 3)	2011 (As restated- see Note 3)
Current	**₱216,784,056**	₱176,533,911	₱11,597,307
Final	**6,695,118**	3,060,829	2,755,887
	223,479,174	179,594,740	14,353,194
Deferred	**(2,046,742)**	(629,252)	31,780,100
	₱221,432,432	₱178,965,488	₱46,133,294

The reconciliation of income tax expense computed at the applicable statutory rates to income tax expense in the consolidated statements of comprehensive income is as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Income before income tax	**₱1,525,877,276**	₱2,210,613,128	₱853,877,396
Tax calculated at 30% statutory rate	**₱457,763,183**	₱663,183,938	₱256,163,219
Adjustments for the tax effects of:			
Equity in net earnings of associates	**(245,150,397)**	(288,803,672)	(207,238,785)
Non-deductible expenses	**10,472,475**	1,762,191	3,598,027
Unrecognized NOLCO and derecognition of expired NOLCO	**5,479,453**	5,874,536	699,305
Interest income subject to final tax	**(5,183,737)**	(10,074,730)	(2,233,281)
Gain on redemption of an equity interest subjected to final tax	**(3,046,662)**	(5,451,357)	(6,826,680)
Change in value of unrecognized deferred income tax assets	**1,279,421**	681,491	437,212
Nontaxable gain on rescinded contract	**–**	(193,138,547)	–
Others	**(181,304)**	4,931,638	1,534,277
	₱221,432,432	₱178,965,488	₱46,133,294

The components of the Group's deferred tax asset as of December 31 are as follows:

	2013	2012 (As restated - see Note 3)
Deferred income tax assets on:		
Allowance for impairment losses	**₱13,923,329**	₱14,842,002
Pension liability	**5,081,858**	4,619,604
NOLCO	**1,562,021**	1,563,723
Remeasurement loss on employee benefits	**535,528**	86,650
Deferred expenses	**348,723**	7,500
MCIT	**2,148**	12,253
Unrealized foreign exchange loss	**–**	117,686
	21,453,607	21,249,418
Deferred income tax liability on unrealized foreign exchange gain	**54,324**	–
	₱21,399,283	₱21,249,418

The components of the Group's deferred tax liabilities are as follows:

	2013	2012
Unrealized fair value gain on investment property	**₱27,521,100**	₱27,521,100
Accrued rent	**6,264**	9,047
Unrealized foreign exchange gain	–	1,441,326
Capitalized issue cost on capital increase	–	901,647
	₱27,527,364	₱29,873,120

As at December 31, 2013, the Group has accumulated NOLCO and MCIT which can be claimed as deduction against future taxable income and income tax due, respectively, as follows:

Period of Recognition	Availment Period	As at December 31, 2012	Additions	Applied	Expired	As at December 31, 2013
NOLCO						
2010	2011-2013	₱2,385,852	₱–	₱–	(₱2,385,852)	₱–
2011	2012-2014	5,263,993	–	–	–	5,263,993
2012	2013-2015	18,505,890	–	–	–	18,505,890
2013	2014-2016	–	18,259,171	–	–	18,259,171
		₱26,155,735	₱18,259,171	–	(₱2,385,852)	₱42,029,054
MCIT						
2010	2011-2013	₱22,415	₱–	₱–	(₱22,415)	₱–
2011	2012-2014	132,610	–	–	–	132,610
		₱155,025	₱–	₱–	(₱22,415)	₱132,610

In 2013 and 2012, the Group has deductible temporary differences for which deferred tax assets have not been recognized since management believes that no sufficient taxable income will be available in the year these are expected to be reversed, settled or realized. These unrecognized deductible temporary differences follow:

	2013	2012
NOLCO	**₱36,822,317**	₱20,943,325
Allowance for impairment losses	**4,688,047**	4,688,047
	41,510,364	25,631,372
MCIT	**130,462**	142,772
	₱41,640,826	₱25,774,144

21. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding shares in 2013, 2012 and 2011.

The Parent Company's issued common shares as of December 31, 2013 and 2012 consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares.

The Parent Company has 1,481 and 1,501 stockholders as of December 31, 2013 and 2012, respectively, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD of the Parent Company declared cash dividends to its stockholders as follows:

	2013	2012	2011
Date of declaration	**June 21, 2013**	June 15, 2012	June 23, 2011
Date of record	**July 4, 2013**	July 4, 2012	July 7, 2011
Date of payment	**July 30, 2013**	July 16, 2012	August 2, 2011
Dividends declared:			
Regular dividends	**159,501,588**	144,968,499	131,765,909
Special dividends	**50,000,000**	50,000,000	50,000,000
	₱209,501,588	₱194,968,499	₱181,765,909
Dividends per share	**₱0.2047**	₱0.1905	₱0.1776

Appropriation of Retained Earnings for Business Expansion

On December 20, 2013, a resolution was passed and duly approved by the BOD allowing the participation and investment by the Parent Company in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which are expected to start in the first quarter of 2014.

Unappropriated Retained Earnings

As at December 31, 2013 and 2012, the consolidated retained earnings include earnings of the subsidiaries, associates and joint ventures amounting to ₱1.4 billion and ₱1.9 billion, respectively, which are not available for dividend declaration.

22. Earnings Per Share (EPS)

The amounts of earnings per share are computed as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Net income attributable to shareholders of the Parent Company	**₱1,008,748,891**	₱1,461,200,409	₱670,651,494
Weighted average number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted EPS	**₱0.986**	₱1.428	₱0.655

There are no potential dilutive shares as of December 31, 2013, 2012 and 2011.

23. Contracts and Commitments

Supply Agreement for Heavy Fuel
On April 1, 2012, 1590 EC entered into a Supply Agreement (Consignment) with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of the entity's petroleum product requirements. Under the agreement, PSPC shall sell and deliver, or procure to be delivered, and 1590 EC shall purchase the entity's entire petroleum products exclusively from PSPC. The agreement is in force for a period of two (2) years commencing April 1, 2012 to April 30, 2014.

Heavy fuel oil expense recognized in the consolidated statements of comprehensive income amounted to ₱1,120.4 million, ₱990.4 million and ₱456.2 million in 2013, 2012 and 2011, respectively (see Note 17).

Operating Leases - Group as Lessor
The Group entered into lease agreements with third parties to lease out its land and building classified under "Investment properties" in the consolidated statements of financial position (see Note 12).

The Group also leased out an office space to VECO (see Note 16g). The lease agreement has no lease term and can be terminated upon mutual agreement of parties and upon 30 days prior written notice.

Participation in WESM
The revenue from sale of power recognized by 1590 EC amounting to ₱2.6 billion in 2013, ₱2.6 billion in 2012 and ₱1.3 billion in 2011 were generated from its participation in the trading of electricity at the Wholesale Electricity Supply Market (WESM).

On December 23, 2013, as a result of two separate Petitions filed against the Manila Electric Company (Meralco), the Energy Regulatory Commission (ERC), and the Department of Energy (DOE), the Supreme Court (SC) issued a temporary restraining order (TRO) to Manila Electric Company (Meralco) enjoining it from increasing the generation rates it charged to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013, including the supply from the Wholesale Electricity Supply Market (WESM). The said TRO also enjoined the ERC from implementing its December 9, 2013 letter authorizing Meralco to implement from its customers a staggered collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded Meralco's suppliers of generation costs, including Philippine Electricity Market Corporation (PEMC), the operator of the WESM, as additional parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014 and expanded the TRO to prevent PEMC from collecting from Meralco the increased generation costs. 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 been prevented from paying its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (in ERC Case No. 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. Based on the WESM adjustment bills from PEMC for the said billing periods, the Group recorded a reduction in its 2013 revenue from sale of power of 1590 EC and NR aggregating to ₱2.1 billion. The Group also recognized as liabilities the collections of revenue from sale of power in excess of the amounts determined by PEMC in the adjustment bills amounting to ₱385.9 million (see Note 14).

The Group filed for Motion for Reconsideration on ERC's decision on March 28, 2014 and are currently awaiting the resolution thereof.

Amounts recognized in the consolidated statements of comprehensive income related to 1590 EC's participation in WESM trading, are presented as "Purchased power" and "Market fees" under "Generation costs" aggregating to ₱19.9 million, ₱28.5 million and ₱19.5 million in 2013, 2012 and 2011, respectively. Trade receivable from WESM has a term of 30 days and earns interest of 2% plus the rate of the prevailing 91-day Treasury Bill per annum on the past due receivables. Total interest income earned amounted to ₱0.6 million, ₱3.7 million and ₱0.7 million in 2013, 2012 and 2011, respectively.

Contract to Sell Involving a Power Plant

On December 8, 2010, a Contract to Sell (CTS) was executed in favor of 1590 EC to purchase the diesel power plant owned by PGLU. 1590 EC recognized a long-term debt equivalent to the purchase price of the power plant in the amount of ₱3.1 billion subject to a total down payment of ₱559.5 million payable on January 26, 2011 and July 26, 2011 in the amount of ₱146.5 million and ₱413.0 million plus 6% interest rate per annum, respectively. The balance of ₱2.5 billion (after deducting the consideration from the interim agreement of ₱50.0 million) plus 6% interest rate per annum, is payable in thirty-six (36) equal monthly installments commencing on August 26, 2011 (see Note 11). Payments made for the purchases of the power plant are allocated between PGLU and to an escrow account, managed by a reputable commercial banking institution. Upon full payment, PGLU shall execute a Deed of Absolute Sale transferring ownership to 1590 EC and all payments deposited into the escrow account shall be transferred to PGLU.

On July 23, 2011, an amendment to the CTS was made moving the deadline for payment of the ₱413.0 million plus 6% interest per annum from July 26, 2011 to January 26, 2012. As a result of the deferral of the second down payment, incremental monthly interest payments shall be made every 26th day of each month commencing on August 26, 2011 until the second down payment is due on January 26, 2012 for a total amount of ₱12.5 million. All other payments indicated in the CTS and the schedule of payments remained the same.

As of December 31, 2011, 1590 EC paid a total of ₱550.6 million as first down payment and monthly amortization inclusive of the consideration for the extension of the exclusive right to purchase and the right to an interim management and operation of the power plant under the Interim Agreement.

The PGLU remains to be the owner of the property until full payment by 1590 EC of the purchase price. In the event that 1590 EC will discontinue its payments to PGLU, the payments already made shall be forfeited in favor of the latter and 1590 EC shall transfer possession of the properties to PGLU without need of demand.

On April 26, 2012, 1590 EC and PGLU agreed to mutually rescind the December 8, 2010 CTS and its amendments on July 23, 2011 through a MRA. As a result of the MRA, the ownership of the BDPP shall remain with the PGLU and any obligation of the PGLU to sell the BDPP and all assets included in the CTS to the 1590 EC shall be extinguished. Likewise, any and all payment obligations of 1590 EC under the CTS shall also be extinguished.

The MRA also provides that in consideration, as well as, the grant of concomitant rights to preserve, maintain, and operate the BDPP, together with the right to use and sell power from December 8, 2010 until the execution of the MRA, PGLU shall be entitled to the monthly payments already received under the CTS which shall be credited in favor of the settlement of this obligation by 1590 EC amounting to ₱228.7 million. Further, total monthly payments deposited to the escrow account from the execution of the CTS shall be reverted back in favor of 1590 EC.

As a result of the MRA, the Company recorded a "Gain on rescinded contract" amounting to ₱643.8 million, as the difference of the derecognition of the property, plant, and equipment and long-term debt (see Note 11), and the return of cash from the escrow account amounting to ₱674.4 million. Cash received from the escrow account includes interest earned, net of final tax, amounting to ₱9.8 million.

Immediately upon execution of the MRA, PGLU authorized 1590 EC to preserve, maintain and operate the BDPP, as well as the right to use and sell power, in order to ensure the continued operation and maintenance of the BDPP as a source of power as required by public interest for a consideration of a monthly payment of ₱10.5 million (see Note 17).

Operating Leases - Group as Lessee

On May 11, 2012, a MOA was entered into by 1590 EC and PGLU for the right to preserve, maintain and operate the BDPP, including the right to use and sell the power generated therefrom. The MOA commenced on May 26, 2012 until June 25, 2013, but subject to yearly renewal unless otherwise terminated by a mutual agreement, for a monthly consideration of ₱10.5 million.

On March 22, 2013, a new MOA was executed by the Company and PGLU for the continued operation, preservation, maintenance and management of the BDPP. The MOA is for a period of one year commencing immediately after the expiration of the first MOA or on June 26, 2013, provided that it shall be renewed under the same terms and conditions set forth in the MOA for another one year. The new MOA provides for a monthly consideration of ₱12.5 million. On April 2, 2014, an amendment to the MOA was executed thereby extending the agreement to December 31, 2015. All other terms and conditions remain.

In addition, the MOA stipulates for the payment by 1590 EC to PGLU of royalty fees equivalent to 1590 EC's one and one-half percent (1.5%) of monthly gross profit, the latter computed as 1590 EC's monthly revenues less monthly costs related to heavy fuel, light fuel and lube oil.

Total rent expense from this operating lease amounted to ₱140.0 million and ₱84.0 million in 2013 and 2012, respectively, and total royalty fees recognized in the 2013 consolidated statement of comprehensive income amounted to ₱12.7 million (see Note 17).

Professional Fees

Professional fees represent expenses for management consultancy, technical consultancy, legal, and auditing services. These are covered by consultancy and service contracts. These are recognized as "Professional fees" presented as part of the Group's operating expenses in the consolidated statement of comprehensive income.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, trade and other receivables, advances to related parties, AFS investments, trade and other payables, notes payable and advances from related parties. The main purpose of these financial instruments is to raise funds for the Group's operations.

The main risks from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

<u>Credit Risk</u>
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for Due from RFM which is fully provided with allowance for impairment and portion of the receivables provided with allowance amounting to ₱3.40 million, management evaluated that the Group's consolidated financial assets as summarized above are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱3.9 million and ₱2.5 million as of December 31, 2013 and 2012, respectively.

There are no significant concentrations of credit risk within the Group.

The following tables set out the aging analysis per class of financial assets that were past due but not impaired as of December 31:

	2013						
	Neither Past Due nor Impaired	Past Due But not Impaired				Impaired	Total
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 days		
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱3,057,081,413	₱–	₱–	₱–	₱–	₱–	₱3,057,081,413
Trade and other receivables	600,141,776	19,323,198	27,756,231	1,261,833	97,610,124	333,032	746,426,194
Advances to related parties	106,118,219	–	–	–	9,368,764	–	115,486,983
AFS Investments	3,846,131	–	–	–	–	–	3,846,131
	₱3,767,187,539	₱19,323,198	₱27,756,231	₱1,261,833	₱106,978,888	₱333,032	₱3,922,840,721

	2012						
	Neither Past Due nor Impaired	Past Due But not Impaired					
		Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	Impaired	Total
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱1,800,270,312	₱–	₱–	₱–	₱–	₱–	₱1,800,270,312
Trade and other receivables	619,511,831	1,100,000	–	–	–	3,395,274	624,007,105
Advances to related parties	28,753,622	–	–	–	–	–	28,753,622
AFS Investments	8,853,202	–	–	–	–	–	8,853,202
	₱2,457,388,967	₱1,100,000	₱–	₱–	₱–	₱3,395,274	₱2,461,884,241

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2013				
		Neither Past Due nor Impaired			Past Due or Individually Impaired
	Total	**High Grade**	**Standard**	**Substandard**	
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	**₱3,057,081,413**	**₱3,057,081,413**	**₱–**	**₱–**	**₱–**
Trade and other receivables	**746,426,194**	**746,093,162**	**–**	**–**	**333,032**
Advances to related parties	**115,486,983**	**115,486,983**	**–**	**–**	**–**
AFS investments	**3,846,131**	**3,846,131**	**–**	**–**	**–**
	₱3,922,840,721	**₱3,922,507,689**	**₱–**	**₱–**	**₱333,032**

	2012				
		Neither Past Due nor Impaired			Past Due or Individually Impaired
	Total	High Grade	Standard	Substandard	
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱1,800,270,312	₱1,800,270,312	₱–	₱–	₱–
Trade and other receivables	624,007,105	620,611,831	–	–	3,395,274
Advances to related parties	28,753,622	28,753,622	–	–	–
AFS investments	8,853,202	8,853,202	–	–	–
	₱2,461,884,241	₱2,458,488,967	₱–	₱–	₱3,395,274

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Trade and Other Receivables* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Group.

- *Advances to Related Parties* - high grade since these pertains to advances to related parties since these are from related parties who are consistent in the payment of its accounts.

- *AFS Investments* - high grade since these pertains to investments in AFS securities, which include listed shares, of companies with good credit standing.

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Group's trade receivables are maintained to meet maturing obligations. The Group, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as of December 31:

		2013				
		Contractual Undiscounted Payments				
	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱3,057,406,413	₱3,057,406,413	₱3,057,406,413	₱–	₱–	₱–
Trade and other receivables	746,093,162	746,426,194	–	746,093,162	333,032	–
Advances to related parties	115,486,983	115,486,983	115,486,983	–	–	–
AFS Investments:						
AFS Investments	3,846,131	3,846,131	–	3,846,131	–	–
	3,922,832,689	3,923,165,721	3,172,893,396	749,939,293	333,032	–
Financial Liabilities						
Trade and other current payables*	1,118,904,665	1,118,904,665	–	1,118,904,665	–	–
Notes payable	–	–	–	–	–	–
Advances from related parties	142,744,333	142,744,333	142,744,333	–	–	–
	1,261,648,998	1,261,648,998	142,744,333	1,118,904,665	–	–
Net Financial Assets (Liabilities)	₱2,661,183,691	₱2,661,516,723	₱3,030,149,063	(₱368,965,372)	₱333,032	₱–

**Excluding statutory payables and unearned income*

		2012				
		Contractual Undiscounted Payments				
	Total Carrying Amount	Total	On Demand	Less than 1 Year	1 to 5 Years	More than 5 Years
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	₱1,800,270,312	₱1,800,270,312	₱1,800,270,312	₱–	₱–	₱–
Trade and other receivables	617,216,557	620,611,831	–	617,216,557	3,395,274	–
Advances to related parties	28,753,622	28,753,622	28,753,622	–	–	–
AFS Investments:						
AFS Investments	8,853,202	8,853,202	–	8,853,202	–	–
	2,455,093,693	2,458,488,967	1,829,023,934	626,069,759	3,395,274	–
Financial Liabilities						
Trade and other current payables*	450,681,212	450,681,212	450,681,212	–	–	–
Notes payable	365,000,000	365,000,000	–	365,000,000	–	–
Advances from related parties	197,458,244	197,458,244	197,458,244	–	–	–
	1,013,139,456	1,013,139,456	648,139,456	365,000,000	–	–
Net Financial Assets	₱1,441,954,237	₱1,445,349,511	₱1,180,884,478	₱261,069,759	₱3,395,274	₱–

**Excluding statutory payables and unearned income*

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expense is denominated in a different currency from the Group's functional currency.

The Group has recognized in its consolidated statements of comprehensive income, net foreign exchange gain of ₱3.0 million and ₱4.5 million on its foreign currency transactions in 2013 and 2012, respectively.

The table below demonstrates the sensitivity to a reasonable possible change in the Philippine Peso, with all other variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2013 and 2012.

	Change in Philippine Peso to US Dollar	
	3.29% Appreciation	2.89% Depreciation
Effect in income before income tax:		
2013	**(₱13,067,211)**	**₱11,480,247**
2012	2,818,927	(2,476,200)
	Change in Philippine Peso to Euro	
	4.34% Appreciation	4.94% Depreciation
Effect in income before income tax:		
2013	**(₱1,541)**	**₱1,175**
2012	(11,504)	13,094

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

The foreign-currency-denominated monetary assets and their Philippine Peso equivalents follow:

	2013		
	USD	**EUR**	**Php Equivalent**
Assets			
Cash	**US$3,246,080**	**€584**	**₱144,145,218**
Prepayments and other current assets	**5,700,416**	**–**	**253,069,968**
	US$8,946,496	**€584**	**₱397,215,186**

	2012		
	USD	EUR	Php Equivalent
Asset			
Cash	US$2,086,997	€4,861	₱85,998,733
Liability			
Trade and other payables	2,434,300	–	108,070,749
	(US$347,303)	€4,861	(₱22,072,016)

The December 31 exchange rate used follows:

	2013	2012
US Dollar	**₱44.40 to US$1**	₱41.05 to US$1
Euro Dollar	**₱60.82 to €1**	₱54.53 to €1

As a result of the translation of these net foreign-currency-denominated assets and liabilities, the Group reported an unrealized foreign exchange gain of ₱2.1 million and ₱2.9 million in 2013 and 2012, respectively.

Fair Value of Financial Instruments
Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial instruments:

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

As of December 31, 2013 and 2012, the carrying values of the Group's financial instruments approximate fair values due to their relatively short-term maturity.

The Group's AFS investments and investment properties, which are classified under Level 1 and Level 3, respectively, are measured at fair value. As of December 31, 2013 and 2012, 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.

Changes in Valuation Techniques
There were no changes in the valuation techniques used by the Group in determining the fair value of its AFS investments and investment properties during the year.

Highest and Best Use
As at December 31, 2013, the current use of the Group's investment properties is considered its highest and best use.

Fair Value Hierarchy
The following table shows an analysis of the Group's assets measured at fair value recognized in the consolidated statements of financial position by level of the fair value hierarchy:

		Fair Value Measurement Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value:				
AFS investments (see Note 9)	₱395,500	₱395,500	₱–	₱–
Investment properties (see Note 12):				
Land	270,103,000	–	–	270,103,000
Buildings and improvements	3,968,000	–	–	3,968,000
	274,071,000	–	–	274,071,000
	₱274,466,500	₱395,500	₱–	₱274,071,000

Unrealized valuation gain on AFS investments, recognized in the consolidated statement of comprehensive income, amounted to nil in 2013 and 2012, and ₱385,500 in 2011 (see Note 9). Unrealized gain on fair value remeasurement of investment properties, recognized in the consolidated statement of comprehensive income, amounted to nil in 2013 and 2012, ₱91.7 million in 2011 (see Note 12).

All gains and losses recorded in the consolidated statements of comprehensive income for recurring fair value measurement categorized within Level 3 of the fair value hierarchy are attributable to changes in unrealized valuation gain on AFS investments and unrealized gain on fair value remeasurement of investment properties held at the end of the reporting period.

As of December 31, 2013, the Group does not have liabilities measured at fair value. There were no transfers between Levels 1 and 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Valuation Techniques Used to Derive Level 3 Fair Value
The table below presents the following for each class of the Group's investment properties as of December 31, 2013 (see Note 12):

- The fair value measurements at the end of the reporting period;
- The level of the fair value hierarchy within which the fair value measurements are categorized in their entirety;
- A description of the valuation techniques applied;
- The inputs used in the fair value measurement; and
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

Class of Property	Fair Value as of December 31, 2013	Valuation Technique	Key Unobservable Inputs	Range
Investment properties (see Note 10):				
Land	₱270,103,000	Sales Comparison Approach	Price per square meter	₱787–₱34,920
Buildings	3,968,000	Cost Approach	Reproduction cost	488,000–1,882,000

Descriptions and Definitions
The table above includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining the fair values:

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.

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, plus the value of the land to which an estimate of entrepreneurial incentive or developer's profit/loss is commonly added.

Sensitivity Analysis to Significant Changes in Unobservable Inputs within Level 3 of the Hierarchy

- *Land.* Significant increases (decreases) in price per square meter in isolation would result in a significantly higher (lower) fair value measurement.

- *Buildings and Improvements.* Significant increases (decreases) in the reproduction cost in isolation would result in a significantly higher (lower) fair value measurement.

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.

No changes were made in the objectives, policies or processes during the years ended 2013, 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Group determines net debt as the sum of long-term debt and notes payable less cash and cash equivalents.

Gearing ratios of the Group as of December 31 are as follows:

	2013	2012 (As restated - see Note 3)
Notes payable	**₱–**	₱365,000,000
Less: cash and cash equivalents	**3,057,406,413**	1,800,270,312
Net cash and cash equivalents (a)	**(3,057,406,413)**	(1,435,270,312)
Equity	**6,470,070,702**	4,794,551,671
Equity and net cash and cash equivalents (b)	**₱3,412,664,289**	₱3,359,281,359
Gearing ratio (a/b)	**(0.90):1.00**	(0.43):1.00

25. Operating Segment Information

The Group is currently organized into two operating segments: the Group's activity of investing in shares of stock and 1590 EC's power generation operation.

The operating segments and their corresponding principal activities are as follows:

Investing in Shares of Stock
As disclosed in Note 1, except for 1590 EC, VMHI and Core, the Parent Company and all other subsidiaries are operating as holding and investing companies. Revenue from this segment principally comes from equity in net earnings and management fees from investee companies.

Power Generation
1590 EC operates a diesel power plant wherein power generated is primarily traded at WESM while VMHI and Core are on its pre-operating stage of building a hydro power plant in Silay, Negros Occidental and operating as a retail electricity supplier, respectively (see Note 1).

The segment results for the years ended December 31, 2013, 2012 and 2011 are as follow:

	2013		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Revenues from external customers	₱2,593,003,368	₱2,003,536	₱2,595,006,904
Revenue from inter-segment, associates and affiliates	212,467	3,292,454,538	3,292,667,005
Interest income	8,677,984	24,914,968	33,592,952
Inter-segment revenues	–	(2,304,004,049)	(2,304,004,049)
	2,601,893,819	1,015,368,993	3,617,262,812
Income from operations	755,376,797	796,232,227	1,551,609,024
Finance cost	–	(17,210,327)	(17,210,327)
Forex currency exchange gain	2,951,800	–	2,951,800
Gain on redemption of an equity interest in an associate	–	10,155,539	10,155,539
Other expense	(1,013,045)	(20,615,715)	(21,628,760)
Income before income tax	757,315,552	768,561,724	1,525,877,276
Income tax expense	(203,292,588)	(18,139,844)	(221,432,432)
Net income for the period	₱554,022,964	₱750,421,880	₱1,304,444,844

	2012 (As restated - see Note 3)		
	Power Generation	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱2,638,625,802	₱1,849,261	₱2,640,475,063
Revenue from inter-segment, associates and affiliates	–	1,271,689,004	1,271,689,004
Interest income	24,907,255	22,685,071	47,592,326
Inter-segment revenues	–	(156,590,000)	(156,590,000)
	2,663,533,057	1,139,633,336	3,803,166,393
Income from operations	464,809,891	1,140,437,875	1,605,247,766
Finance cost	(29,677,774)	(31,454,568)	(61,132,342)
Forex currency exchange gain	643,795,158	–	643,795,158
Gain on redemption of an equity interest in an associate	–	18,171,194	18,171,194
Other income	4,531,352	–	4,531,352
Income before income tax	1,083,458,627	1,127,154,501	2,210,613,128
Income tax expense	(127,749,064)	(51,216,424)	(178,965,488)
Net income for the period	₱955,709,563	₱1,075,938,077	₱2,031,647,640

	2011 (As restated - see Note 3)		
	Power Generation	Investing in Shares of Stock	Consolidated
Revenues from external customers	₱1,298,454,988	₱6,533,782	₱1,304,988,770
Revenue from inter-segment, associates and affiliates	–	843,250,835	843,250,835
Interest income	1,264,040	15,462,205	16,726,245
Inter-segment revenues	–	(21,940,000)	(21,940,000)
	1,299,719,028	843,306,822	2,143,025,850
Income from operations	183,677,843	745,552,356	929,230,199
Finance cost	(156,949,254)	(32,896,149)	(189,845,403)
Forex currency exchange gain	–	91,737,000	91,737,000
Gain on redemption of an equity interest in an associate	–	22,755,600	22,755,600
Income before income tax	26,728,589	831,975,555	853,877,396
Income tax expense	(8,375,529)	(37,757,765)	(46,133,294)
Net income for the period	₱18,353,060	₱794,217,790	₱807,744,102

The Group's Chief Operating Officer monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Of the Group's total revenues, about 54% and 69% pertains to energy fees of 1590 EC in 2013 and 2012, respectively. In 2013, 100% of energy fees arising from power generation segment revenue are derived from trading at WESM, an external customer, of the electricity generated. In 2012, approximately 3% of the energy fees were derived also by selling energy through a bilateral contract.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'inter-segment revenues' row.

Other segment information included in the consolidated statement of financial position as of December 31, 2013, 2012 and 2011 is as follows:

	2013		
	Power Generation	**Investing in Shares of Stock**	**Consolidated**
Assets	**₱2,340,743,316**	**₱6,392,929,883**	**₱8,733,673,199**
Liabilities	**1,677,380,531**	**89,533,163**	**1,766,913,694**
Capital expenditures	**663,362,785**	**6,303,396,720**	**6,966,759,505**

	2012		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱2,008,843,147	₱4,234,912,052	₱6,2943,755,199
Liabilities	951,086,967	407,230,751	1,358,317,718
Capital expenditures	1,057,756,180	4,639,350,564	5,697,106,744

	2011		
	Power Generation	Investing in Shares of Stock	Consolidated
Assets	₱3,320,462,410	₱5,074,290,875	₱8,394,753,285
Liabilities	3,218,415,793	957,251,158	4,175,666,951
Capital expenditures	102,046,617	4,117,039,717	4,219,086,334

Other segment information included in the consolidated statement of comprehensive income for the year ended December 31, 2013, 2012 and 2011 is as follows:

	Power Generation	Investing in Shares of Stock	Consolidated
Depreciation and amortization:			
2013	₱4,045,852	₱8,382,012	₱12,427,864
2012	110,359,046	6,900,491	117,259,537
2011	325,017,864	2,626,665	327,644,529

VIVANT CORPORATION

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

(With Comparative Figures as at December 31, 2012 and January 1, 2012)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 6)	**₱1,250,179,847**	₱374,894,339	₱108,795,895
Trade and other receivables (Note 7)	**42,078,327**	195,808,174	106,557,797
Prepaid expenses and other current assets (Note 8)	**6,572,338**	3,646,275	35,721,305
Total Current Assets	1,298,830,512	574,348,788	251,074,997
Noncurrent Assets			
Investments (Note 9)	**2,817,109,839**	2,642,957,395	2,477,349,416
Property and equipment (Note 10)	**45,339,968**	33,695,166	32,099,040
Deferred tax assets - net (Note 16)	**19,486,392**	18,353,664	17,571,494
Other noncurrent assets (Note 11)	**1,184,238**	731,912	403,000
Total Noncurrent Assets	2,883,120,437	2,695,738,137	2,527,422,950
TOTAL ASSETS	**₱4,181,950,949**	₱3,270,086,925	₱2,778,497,947
LIABILITIES AND EQUITY			
Current Liabilities			
Current portion of notes payable (Note 13)	**₱–**	₱365,000,000	₱498,809,523
Trade and other current liabilities (Note 12)	**86,041,008**	69,479,032	21,814,094
Income tax payable (Note 16)	**900,344**	–	–
Total Current Liabilities	86,941,352	434,479,032	520,623,617
Noncurrent Liabilities			
Notes payable - noncurrent portion (Note 13)	–	–	297,476,191
Pension liability (Note 15)	**18,724,619**	11,586,327	8,982,382
Total Noncurrent Liabilities	18,724,619	11,586,327	306,458,573
Total Liabilities	105,665,971	446,065,359	827,082,190
Equity			
Capital stock (Note 17)	**1,023,456,698**	1,023,456,698	1,023,456,698
Additional paid-in capital	**8,339,452**	8,339,452	8,339,452
Remeasurement of employee benefits (Notes 3 and 15)	**(456,514)**	(202,184)	–
Retained earnings (Note 17):			
Appropriated for business expansion	**1,856,476,291**	–	–
Unappropriated	**1,188,469,051**	1,792,427,600	919,619,607
Total Equity	4,076,284,978	2,824,021,566	1,951,415,757
TOTAL LIABILITIES AND EQUITY	**₱4,181,950,949**	₱3,270,086,925	₱2,778,497,947

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
REVENUES			
Dividend income (Note 9)	**₱1,429,010,710**	₱949,399,678	₱271,072,557
Management fees (Note 14)	**227,298,418**	288,100,172	125,743,949
Interest income (Note 6)	**17,429,559**	15,304,143	13,779,434
Others	**4,230,700**	5,149,974	2,754,820
	1,677,969,387	1,257,953,967	413,350,760
EXPENSES			
Professional fees	**78,895,504**	48,888,182	42,404,275
Salaries and employee benefits (Note 15)	**58,630,747**	29,982,536	21,551,307
Travel	**11,417,648**	7,851,881	7,437,732
Depreciation and amortization (Note 10)	**8,187,477**	6,840,139	2,626,670
Rent and association dues	**4,757,013**	2,952,402	1,481,561
Supplies	**4,449,029**	2,968,426	2,041,117
Directors' compensation and benefit	**2,787,493**	2,733,333	2,294,444
Communication and utilities	**2,440,328**	1,888,762	1,677,311
Repairs and maintenance	**2,248,805**	1,253,536	1,309,673
Taxes and licenses	**2,013,148**	2,775,871	1,522,382
Representation	**2,002,498**	761,526	1,321,801
Corporate social responsibility	**1,484,457**	24,851	–
Meetings and conferences	**951,336**	349,240	360,614
Impairment loss	–	–	3,395,274
Other operating expenses	**8,725,546**	2,833,981	2,429,954
	188,991,029	112,104,666	91,854,115
INCOME FROM OPERATIONS	**1,488,978,358**	1,145,849,301	321,496,645
INTEREST EXPENSE (Note 13)	**11,318,163**	27,290,425	32,682,783
INCOME BEFORE INCOME TAX	**1,477,660,195**	1,118,558,876	288,813,862
PROVISION FOR INCOME TAX (Note 16)	**15,640,865**	50,782,384	5,490,952
NET INCOME	**1,462,019,330**	1,067,776,492	283,322,910
OTHER COMPREHENSIVE INCOME			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement of employee benefits	**(363,329)**	(288,834)	–
Income tax effect	**108,999**	86,650	–
Other comprehensive loss for the year, net of tax	**(254,330)**	(202,184)	–
TOTAL COMPREHENSIVE INCOME	**₱1,461,765,000**	₱1,067,574,308	₱283,322,910
EARNINGS PER SHARE (BASIC/DILUTED)	**₱1.429**	₱1.043	₱0.274

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2013

(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

	Capital Stock Common	Additional Paid-in Capital	Remeasurement of Employee Benefits (Notes 3 and 13)	Retained Earnings (Note 17) Appropriated	Retained Earnings (Note 17) Unappropriated	Total
At January 1, 2013, as previously reported	₱1,023,456,698	₱8,339,452	₱–	₱–	₱1,800,335,845	₱2,832,131,995
Effect of change in accounting for employee benefits, net of tax (Note 3)	–	–	(202,184)	–	(7,908,245)	(8,110,429)
At January 1, 2013, as restated	1,023,456,698	8,339,452	(202,184)	–	1,792,427,600	2,824,021,566
Total comprehensive income	–	–	(254,330)	–	1,462,019,330	1,461,765,000
Appropriation for business expansion (Note 17)	–	–	–	1,856,476,291	(1,856,476,291)	–
Cash dividends declared (Note 17)	–	–	–	–	(209,501,588)	(209,501,588)
At December 31, 2013	₱1,023,456,698	₱8,339,452	(₱456,514)	₱1,856,476,291	1,188,469,051	₱4,076,284,978
At January 1, 2012, as previously reported	₱1,023,456,698	₱8,339,452	₱–	₱–	₱925,907,274	₱1,957,703,424
Effect of change in accounting for employee benefits, net of tax (Note 3)	–	–	–	–	(6,287,667)	(6,287,667)
At January 1, 2012, as restated	1,023,456,698	8,339,452	–	–	919,619,607	1,951,415,757
Total comprehensive income, as previously reported	–	–	–	–	1,069,397,070	1,069,397,070
Effect of change in accounting for employee benefits, net of tax (Note 3)	–	–	(202,184)	–	(1,620,578)	(1,822,762)
Total comprehensive income, as restated	–	–	(202,184)	–	1,067,776,492	1,067,574,308
Cash dividends declared (Note 17)	–	–	–		(194,968,499)	(194,968,499)
At December 31, 2012, as restated	₱1,023,456,698	₱8,339,452	(₱202,184)	₱–	₱1,792,427,600	₱2,824,021,566
At January 1, 2011, as previously reported	₱1,023,456,698	₱8,339,452	₱–	₱–	₱818,062,606	₱1,849,858,756
Total comprehensive income, as previously reported	–	–	–	–	289,610,577	289,610,577
Effect of change in accounting for employee benefits, net of tax (Note 3)	–	–	–	–	(6,287,667)	(6,287,667)
Total comprehensive income, as restated	–	–	–	–	283,322,910	283,322,910
Cash dividends declared (Note 17)	–	–	–	–	(181,765,909)	(181,765,909)
At December 31, 2011, as restated	₱1,023,456,698	₱8,339,452	₱–	₱–	₱919,619,607	₱1,951,415,757

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for the Years Ended December 31, 2012 and 2011)

	December 31, 2013	December 31, 2012 (As restated - Note 3)	January 1, 2012 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,477,660,195**	₱1,118,558,876	₱288,813,862
Adjustments to reconcile income before income tax to net cash flows:			
Dividend income (Note 9)	**(1,429,010,710)**	(949,399,678)	(271,072,557)
Interest income (Note 6)	**(17,429,559)**	(15,304,143)	(13,779,434)
Interest expense	**11,318,163**	28,297,364	32,682,783
Depreciation and amortization (Note 10)	**8,187,477**	6,840,139	2,626,670
Pension expense (Note 15)	**6,774,963**	2,315,111	8,982,382
Loss (gain) on disposal of vehicle (Note 10)	**–**	155,513	(50,000)
Impairment loss on AFS investments	**–**	–	3,395,274
Operating income before working capital adjustments	**57,500,529**	191,463,182	51,598,980
Decrease (increase) in:			
Trade and other receivables (Note 7)	**153,847,730**	(88,372,299)	(45,782,768)
Prepaid expenses and other current assets (Note 8)	**(2,926,063)**	(16,342,045)	(4,903,010)
Other noncurrent assets (Note 11)	**(452,326)**	(328,912)	(333,000)
Increase in trade and other current liabilities	**10,869,379**	103,523,132	4,187,211
Net cash generated from operations	**218,839,249**	189,943,058	4,767,413
Interest paid	**(11,318,163)**	(32,134,030)	(33,929,235)
Income tax paid (Note 16)	**(12,419,381)**	(3,060,830)	(9,149,810)
Net cash flows from (used in) operating activities	**195,101,705**	154,748,198	(38,311,632)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from a subsidiary and an associate	**1,255,058,266**	787,191,700	271,072,557
Interest received (Note 6)	**14,084,691**	14,899,847	13,779,434
Additions to:			
Property and equipment (Note 10)	**(19,832,279)**	(8,991,778)	(16,273,581)
Investments (Note 9)	**(200,000)**	(3,400,000)	(643,564)
Advances to related parties (Note 14)	**–**	(52,495,310)	(151,046,200)
Proceeds from disposal of vehicle (Note 10)	**–**	400,000	50,000
Net cash flows from investing activities	**1,249,110,678**	737,604,459	116,938,646
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of notes payable (Note 13)	**(387,200,989)**	(696,285,714)	(493,714,286)
Cash dividends paid (Note 17)	**(209,501,588)**	(194,968,499)	(181,765,909)
Proceeds from related party financing	**5,574,713**	–	–
Proceeds from availment of notes payable (Note 13)	**22,200,989**	265,000,000	382,000,000
Net cash flows used in financing activities	**(568,926,875)**	(626,254,213)	(293,480,195)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**875,285,508**	266,098,444	(214,853,181)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**374,894,339**	108,795,895	323,649,076
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱1,250,179,847**	₱374,894,339	₱108,795,895

See accompanying Notes to Financial Statements.

VIVANT CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(With Comparative Figures for the Year Ended December 31, 2012)

1. Corporate Information

Vivant Corporation (the "Parent Company" or "Vivant") was incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on May 28, 1990. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) with the symbol VVT.

The Parent Company is owned and controlled by the Garcia Family through Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86% as of December 31, 2013 and 2012 and 84.93% as of December 31, 2011. MRC and JDC are entities incorporated and domiciled in the Philippines.

The Parent Company's primary purpose is to invest in and manage the general business of any other corporation or corporations except management of fund, securities portfolios and other similar assets of the managed entity.

Details of the Parent Company's equity interests in its subsidiaries and associates as of December 31, 2013, 2012 and 2011 are shown below:

	Percentage of Direct Ownership		
	2013	2012	2011
Subsidiaries			
Hijos De F. Escaño (HDFE)	**50.94**	50.94	50.94
VC Ventures Net, Inc. (VNI)	**100.00**	100.00	100.00
Vivant Energy Corporation (VEC)	**100.00**	100.00	100.00
Associates			
Visayan Electric Company, Inc. (VECO)	**34.74**	28.40	22.00
Prism Energy, Inc. (PEI)	**40.00**	40.00	40.00

Subsidiaries
HDFE, VNI and VEC qualify as the Parent Company's subsidiaries. The relevant operations of the subsidiaries are as follows:

HDFE. HDFE was incorporated on December 24, 1926, which registration was renewed for another 50 years effective November 26, 1974. The primary purpose of HDFE is to invest in and exercise all the rights, powers and privileges of ownership, including all voting powers of any stock so owned, without acting as, or engaging in, the business of an investment company, or dealer or broker in securities. HDFE currently exists as a holding company with direct equity shareholdings in VECO of 12.5% as of December 31, 2012. As of December 31, 2013, HDFE has divested all of its shareholdings in VECO resulting to Parent Company having direct equity shareholdings in VECO.

VNI. VNI was incorporated on December 8, 2004 and its primary purpose is to invest in, purchase, or otherwise acquire and own, hold, develop, use, sell, lease, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description for whatever purpose the same may have been organized.

VEC. VEC was incorporated on January 25, 2005 and its primary purpose is to establish, maintain and operate power plants of any kind and such other sources that may be a viable source of electric light, heat and power system and to sell to the general public, electricity as the corporation may determine.

VEC currently exists as a holding company with direct equity shareholdings in Cebu Private Power Corporation (CPPC), Delta P, Inc. (Delta P), 1590 Energy Corp. (1590 EC), Calamian Islands Power Corp. (CIPC) and Vivant-Malogo Hydropower, Inc. (VMHI), entities engaged in the power generation business and Corenergy Inc. (Corenergy), an entity engaged as a retail electricity supplier. VEC also has direct equity shareholdings on holding entities namely Vivant Integrated Generation Corporation (VIGC), Vics-Amlan Holdings Corporation (Vics-Amlan) and Vics-Bakun Holdings Corporation (Vics-Bakun).

	Percentage of Direct Ownership		
	2013	2012	2011
Subsidiaries			
VIGC	**100**	100	100
Vics-Bakun	**100**	100	100
Corenergy	**100**	100	–
VMHI	**75**	75	–
Vics-Amlan	**60**	60	60
1590 EC	**53**	53	51
Associates			
CIPC	**50**	50	–
CPPC	**40**	40	40
Delta P	**35**	35	35
Vivant Sta. Clara Northern Renewables Corp. (VSNRC)	–	–	40

Associates

VECO and PEI qualify as associates of the Parent Company.

VECO. VECO was incorporated on February 22, 1961 and whose corporate term was extended for another 50 years from and after the date of its expiration on February 23, 2011. VECO is a power distribution entity, the primary activities of which are to establish, maintain and operate electric light, heat and power systems and to sell to the general public electricity for light, heat and power purposes.

VECO serves the electrical power needs of four cities (Cebu, Mandaue, Talisay and Naga) and four municipalities (Minglanilla, San Fernando, Consolacion and Lilo-an) of the greater part of Metro Cebu by virtue of legislative franchise grants.

PEI. PEI was incorporated on March 24, 2009 as a retail electricity supplier. As of December 31, 2013, it has not yet started commercial operations.

The Parent Company's principal place of business is located at Unit 907-908, Ayala Life FGU Center, Cebu Business Park, Cebu City.

The Parent Company's financial statements as of and for the year ended December 31, 2013, 2012 and 2011 were approved and authorized for issuance by the Board of Directors (BOD) on April 15, 2014.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The financial statements of the Parent Company have been prepared on a historical cost basis and are presented in Philippine Peso, the Parent Company's functional currency. All values are rounded to the nearest Peso except as otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Parent Company presents an additional parent company statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement or a reclassification of items in the parent company financial statements.

An additional parent company statement of financial position as of January 1, 2012 is presented in the parent company financial statements due to retrospective application of a certain accounting policy.

Statement of Compliance
The financial statements of the Parent Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) which were applied starting January 1, 2013. Except for the adoption of Philippine Accounting Standards (PAS) 19 Revised, *Employee Benefits*, these new and revised standards and interpretations did not have any significant impact on the Parent Company's financial statements:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;

  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

  c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   - Amounts related to financial collateral (including cash collateral); and

e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments have no impact on the Parent Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*

  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

  The adoption of PFRS 10 does not have any impact to the Parent Company based on the assessment performed. With the application of the new set of guidelines, the Parent Company has not made any changes in the classification of currently held investments of the Parent Company. Companies previously designated as either subsidiaries or associates maintain the same classification upon effectivity of the standard.

- PFRS 11, *Joint Arrangements*

  On January 1, 2013, the Parent Company adopted PFRS 11, *Joint Arrangements*. Under PFRS 11, when an entity has rights to the assets, and obligations for the liabilities, relating to the arrangement, the arrangement is a joint operation. When an entity has rights to the net assets of the arrangement, the arrangement is a joint venture. A joint arrangement that is not structured through a separate vehicle is a joint operation.

  A separate vehicle is a separately identifiable financial structure, including separate legal entities or entities recognized by statute, regardless of whether those entities have a legal personality. A joint arrangement in which the assets and liabilities relating to the arrangement are held in a separate vehicle can be either a joint venture or a joint operation. Whether a party is a joint operator or a joint venturer depends on the party's rights to the assets and obligations for the liabilities, relating to the arrangements that are held in the separate vehicle. When the parties have structured a joint arrangement in a separate vehicle, the parties need to assess whether the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, any other facts and circumstances give the (a) rights to the assets, and obligations for the liabilities, relating to the arrangement (i.e., the arrangement is a joint operation) or (b) rights to the net assets of the arrangement (i.e., the arrangement is a joint venture).

  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method.

The application of PFRS 11 has no impact on the Parent Company since there are no jointly controlled entities that are accounted for under the proportionate consolidation method.

- PAS 19, *Employee Benefits* (Revised)

  On January 1, 2013, the Parent Company adopted the Revised PAS 19, *Employee Benefits.*

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Parent Company recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Parent Company changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Parent Company's financial position and financial performance.

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

The impact of these changes on the relevant positions in the parent company statement of financial position, parent company statement of comprehensive income, parent company statement of changes in equity and parent company statement of cash flows are shown below:

	December 31, 2013	December 31, 2012	January 1, 2012
Increase (decrease) in:			
Parent company statement of financial position:			
Pension liability	**₱18,724,619**	₱11,586,327	₱8,982,382
Deferred tax assets - net	**5,617,386**	3,475,898	2,694,715
Remeasurement of employee benefits	**(456,514)**	(202,184)	–
Retained earnings	**(12,650,719)**	(7,908,245)	(6,287,667)

	2013	2012
Increase (decrease) in:		
Parent company statement of comprehensive income:		
Salaries and employee benefits	**₱6,774,963**	₱2,315,111
Income before income tax	**(6,774,963)**	(2,315,111)
Income tax benefit	**2,032,489**	694,533
Net income	**(4,742,474)**	(1,620,578)
Other comprehensive income:		
Remeasurement of employee benefits	**(363,329)**	(288,834)
Income tax effect	**108,999**	86,650
Other comprehensive income for the year, net of tax	**(254,330)**	(202,184)
Total comprehensive income for the year	**(₱4,996,804)**	(₱1,822,762)

Other than the restatement of the income before income tax and pension expense, the adoption of the Revised PAS 19 did not have any significant impact on the 2012 parent company statement of cash flows.

- PFRS 12, *Disclosure of Interests in Other Entities*

  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The adoption of PFRS 12 affects disclosures only and has no impact on the Parent Company's financial position or performance. PFRS 12 disclosures are provided in Note 9.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Parent Company re-assessed its policies for measuring fair values. The Parent Company has assessed that the application of PFRS 13 has no significant impact to its fair value measurements. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 19.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)

  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the Parent Company.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  Companies previously designated as either subsidiaries or associates maintain the same classification upon effectivity of the standard.

- PFRS 1, *First-time Adoption of International Financial Reporting Standards - Government Loans* (Amendments)

  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, *Financial Instruments: Recognition and Measurement*, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Parent Company.

Annual Improvements to PFRSs (2009-2011 cycle). The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Parent Company adopted these amendments for the current year.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Parent Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment does not have any significant impact on the Parent Company's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The amendment does not have any significant impact on the Parent Company's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment does not have any significant impact on the Parent Company's financial position or performance.

New Standards and Interpretation Issued and Effective after December 31, 2013. The Parent Company will adopt the standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)

  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36.

  In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendment does not have any significant impact on the Parent Company's financial position or performance.

- *Investment Entities* (Amendments to PFRS 10, PFRS 12 and PAS 27)

  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Parent Company.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)

  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Parent Company does not expect that IFRIC 21 will have material financial impact in future parent company financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)

  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. It is not expected that this amendment would be relevant to the Parent Company.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)

  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)

  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The Parent Company does not expect that the amendments will have an impact on its financial position or performance.

Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*

  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Parent Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Parent Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*

  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Parent Company's financial position or performance.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.

  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment will have no impact on the Parent Company's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*

  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Parent Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

- PAS 40, *Investment Property*

  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Parent Company's financial position or performance.

- PFRS 9, *Financial Instruments*

  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition.

A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Parent Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Parent Company.

4. Summary of Significant Accounting Policies

Financial Assets and Financial Liabilities
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit-or-loss (FVPL).

The Parent Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument and derecognizes a financial asset (or part of a financial asset) when it no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed to an independent third party.

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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following categories: FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS). The Parent Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial Assets at FVPL. Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the parent company statement of comprehensive income.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset 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 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 recognizing the gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

As of December 31, 2013 and 2012, no financial assets have been designated as FVPL.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the parent company statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Classified as loans and receivables are the Parent Company's cash and cash equivalents and trade and other receivables.

HTM Investments. Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Parent Company has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus 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. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2013 and 2012, the Parent Company has no HTM investments.

AFS Financial Assets. AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the parent company statement of comprehensive income.

As of December 31, 2013 and 2012, the Parent Company has AFS investments (see Note 9).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any directly attributable transaction costs.

Included under this category is the Parent Company's accounts payable and accrued interest payable.

<u>Offsetting Financial Instruments</u>

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statement of financial position 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.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- The Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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 the parent company statement of comprehensive income.

Impairment of Financial Assets. The Parent Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

- *Assets Carried at Amortized Cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the parent company statement of comprehensive income.

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to trade receivables, a provision for impairment loss is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivables is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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 Parent Company.

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 Parent Company 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 parent company 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 parent company financial statements on a recurring basis, the Parent Company 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 Parent Company 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.

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization, and impairment losses, if any.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Parent Company. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Depreciation and amortization is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized using the straight-line method over the estimated useful life of the improvements or the term of the lease, whichever is shorter. The estimated useful lives are as follows:

	Number of Years
Condominium units, buildings and improvements	5–40
Leasehold improvements	3–10
Office furniture and equipment	2–10
Transportation equipment	5

The useful lives and depreciation and amortization method are reviewed at each reporting date to ensure that such useful lives and depreciation and amortization method are consistent with the expected pattern of economic benefits from those assets.

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

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

An asset's carrying amounts is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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.

Investments in Associates and Subsidiaries
The Parent Company's investments in its associates and subsidiaries are accounted for at cost less any impairment loss. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. A subsidiary is an entity that is controlled by the Parent Company.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company 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 (CGU) 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company estimates the asset's or CGU's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive 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.

Equity

Capital Stock. Capital stock is recognize as is recognized as issued when the stock is paid for or subscribed under a binding subscribing agreement and is measured at par value for all issued shares.

Additional Paid-in Capital. Consideration received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable to the issuance of new shares.

Retained Earnings. Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition
Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duties. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The following specific recognition criteria must also be met before revenue is recognized.

- *Dividends.* Dividends are recognized when the stockholders' right to receive the payment is established.

- *Management Fees.* Revenue from management fees are recognized when the related services are rendered based on management consultancy and service contracts.

- *Interest Income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

- *Other Income.* Revenue is recognized when earned. Rental income is recognized on a straight-line basis over the term of the lease.

Cost and Expense Recognition
Cost 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. Cost and expenses are recognized in the parent company statement of comprehensive income when incurred.

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

Provisions
Provisions are recognized when the Parent Company 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 Parent Company 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 parent company statement of comprehensive 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.

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 parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability 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 parent company statement of comprehensive 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 parent company 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 Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current Income Tax. Current 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 reporting date.

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, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses 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 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 reporting 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 of the reporting date. Income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

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

Sales Tax. Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company statement of financial position.

<u>Leases</u>
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangements is dependent on the use of specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;

b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or

d. there is a substantial change to the asset.

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

- *Company as a Lessor.* Leases where the Parent Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

- *Company as a Lessee.* 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 parent company statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the rate of exchange at balance sheet date. Exchange gains and losses arising from foreign currency transactions and translations of foreign currency denominated monetary assets and liabilities are credited or charged to current operations.

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

Events After the Reporting Period
Post year-end events that provide additional information about the Parent Company's position at the reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed when material.

Earnings Per Share
Basic earnings per common share is calculated by dividing net income for the year attributable to the common stockholders of the Parent Company by the weighted average number of common shares issued and outstanding during the year, after retroactive adjustments for any stocks dividend declared.

Diluted earnings per share is calculated by dividing the net income for the year attributable to the common stockholders of the Parent Company 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.

As of December 31, 2013 and 2012, the Parent Company does not have dilutive common stock equivalents.

5. Significant Accounting Estimates, Judgments and Assumptions

The preparation of the parent company financial statements in compliance with PFRS requires the Parent Company to make judgments, estimates and assumptions that affect the amounts reported in the parent company financial statements and related notes. In preparing these parent company financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. 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 in future periods.

The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments

In the process of applying the Parent Company'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 parent company financial statements:

Determining Functional Currency. Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sale of service and the cost of providing the service.

Determining Fair Value of Financial Instruments. The Parent Company carries certain financial assets and liabilities to be carried at fair value which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair values would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the parent company statement of comprehensive income and parent company statement of changes in equity.

Where the fair value of the financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The 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 parent company financial statements.

As of December 31, 2013 and 2012, the carrying values of the Parent Company's financial instruments approximate fair values due to their relatively short-term maturity (see Note 19).

Determining Operating Lease Commitments. The Parent Company leased part of its office space to one of its associates. The Parent Company has determined that all significant risks and rewards of ownership from the property remain with the lessor.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 below.

Estimating Impairment of Receivables. The Parent Company maintains allowance for impairment 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 collectability of the accounts. These factors include, but are not limited to, the Parent Company's relationship with its clients, client's current credit status and other known market factors. The Parent Company 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 Parent Company made different judgment or utilized different estimates. An increase in the Parent Company's allowance for impairment will increase the Parent Company's recorded expenses and decrease current assets.

No provisions for impairment were recognized in 2013, 2012 and 2011. As of December 31, 2013 and 2012, allowance for impairment losses amounted to ₱0.3 million and ₱3.4 million, respectively (see Note 7). Trade and other receivables amounted to ₱42.1 million and ₱195.8 million as of December 31, 2013 and 2012, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment. The Parent Company reviews annually the estimated useful lives of property, plant and equipment and updates the estimates based on expected asset utilization, market demands and future technological developments consistent with the Parent Company's pursuit of constant modernization of its machineries, equipment and software. However, it is possible that the factors mentioned above may change in the future which could change the estimated useful lives of the property and equipment. A reduction in the estimated useful lives could result in a significant increase in depreciation and amortization of property and equipment.

As of December 31, 2013 and 2012, the net book value of property and equipment amounted to ₱45.3 million and ₱33.7 million, respectively (see Note 10).

Estimating Impairment of Property and Equipment. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

No impairment loss was recognized on the Parent Company's property and equipment in 2013, 2012 and 2011. As of December 31, 2013 and 2012, the net book value of property and equipment amounted to ₱45.3 million and ₱33.7 million, respectively (see Note 10).

Estimating Provision for Pension Expense. The costs of defined benefit pension plans, as well as the present value of the pension obligation, are determined using actuarial valuations. An 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 reporting date.

The pension liability as of December 31, 2013 and 2012 amounted to ₱18.7 million and ₱11.6 million, respectively (see Note 15).

Further details about the assumptions used are provided in Note 15.

Estimating Realizability of Deferred Income Tax Assets. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company.

Deferred income tax assets amounted to ₱19.6 million and ₱18.4 million as of December 31, 2013 and 2012, respectively (see Note 16).

6. Cash and Cash Equivalents

	2013	2012
Cash on hand and in banks	**₱106,477,009**	₱23,452,125
Short-term placements	**1,143,702,838**	351,442,214
	₱1,250,179,847	₱374,894,339

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

Interest income earned from deposits in bank and short-term investments amounted to ₱17.4 million, ₱15.3 million and ₱13.8 million in 2013, 2012 and 2011, respectively.

7. Trade and Other Receivables

	2013	2012
Accounts receivable	**₱30,620,224**	₱187,246,637
Advances to related parties (see Note 14)	**9,109,065**	9,598,353
Advances to officers (see Note 14)	**1,452,449**	1,682,999
Advances to shareholders	**20,910**	–
Others	**1,208,711**	675,459
	42,411,359	199,203,448
Less allowance for impairment losses	**333,032**	3,395,274
	₱42,078,327	₱195,808,174

Accounts receivable represents claims from VSNRGC, CEDC, VNI, VMHI, AHPC, VECO, 1590 EC, DPI, TPC (Toledo Power Company) and HDFE for management services rendered by the Parent Company. These are noninterest-bearing and collectible within 30 to 45 days.

The movement in the allowance for impairment losses follows:

	2013	2012
At January 1	₱3,395,274	₱3,395,274
Write-off during the year	(3,062,242)	–
At December 31	₱333,032	₱3,395,274

8. Prepaid Expenses and Other Current Assets

	2013	2012
Input VAT - net	₱3,657,948	₱–
Prepayments	2,548,814	1,811,198
Creditable withholding tax	–	1,453,422
Others	365,576	381,655
	₱6,572,338	₱3,646,275

Others include advances for dues and subscription, legal services and rent.

9. Investments

	Nature of Business	Ownership	2013	2012
Subsidiaries				
VEC	Holding company	100.00	₱1,131,819,340	₱1,131,819,340
HDFE	Holding company	50.94	760,507,362	760,507,362
VNI	IT services	100	1,250,000	1,250,000
Associates				
VECO	Power distribution	34.74	919,633,137	745,480,693
PEI	Retail electricity supplier	40.00	500,000	500,000
AFS Investment				
Investment in shares of stock:				
Cebu Country Club, Inc.		–	3,400,000	3,400,000
			₱2,817,109,839	₱2,642,957,395

In 2012, the Parent Company acquired proprietary ownership shares in the Cebu Country Club, Inc. The non-listed equity security is stated at cost, as its fair value cannot be reliably measured, less any impairment in value.

10. Property and Equipment

	2013					
	Condominium Units and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱25,146,101	₱4,690,633	₱6,803,368	₱13,392,489	₱34,711	₱50,067,302
Additions	3,465	8,032,768	5,731,618	4,777,020	1,287,408	19,832,279
At December 31	25,149,566	12,723,401	12,534,986	18,169,509	1,322,119	69,899,581
Accumulated Depreciation and Amortization						
At January 1	7,462,203	827,058	4,657,313	3,425,562	–	16,372,136
Additions	882,494	1,414,971	3,018,702	2,871,310	–	8,187,477
At December 31	8,344,697	2,242,029	7,676,015	6,296,872	–	24,559,613
Net Book Value	₱16,804,869	₱10,481,372	₱4,858,971	₱11,872,637	₱1,322,119	₱45,339,968

	2012					
	Condominium Units and Improvements	Leasehold Improvements	Office Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
At January 1	₱25,146,101	₱1,507,842	₱4,966,285	₱10,424,170	₱34,711	₱42,079,109
Additions	–	3,412,626	1,837,083	3,742,069	–	8,991,778
Disposal	–	(229,835)	–	(773,750)	–	(1,003,585)
At December 31	25,146,101	4,690,633	6,803,368	13,392,489	34,711	50,067,302
Accumulated Depreciation and Amortization						
At January 1	6,366,811	467,519	2,303,561	842,178	–	9,980,069
Additions	1,095,392	589,374	2,353,752	2,801,621	–	6,840,139
Disposal	–	(229,835)	–	(218,237)	–	(448,072)
At December 31	7,462,203	827,058	4,657,313	3,425,562	–	16,372,136
Net Book Value	₱17,683,898	₱3,863,575	₱2,146,055	₱9,966,927	₱34,711	₱33,695,166

As of December 31, 2013 and 2012, there are no fully depreciated property and equipment.

11. Other Noncurrent Assets

	2013	2012
Due from RFM Corporation	**₱46,078,063**	₱46,078,063
Others	**1,184,238**	731,912
	47,262,301	46,809,975
Less allowance for impairment losses	**46,078,063**	46,078,063
	₱1,184,238	₱731,912

Due from RFM Corporation is a receivable from the Parent Company's previous owner. Based on management's assessment of this receivable, a full allowance for impairment losses was provided as of December 31, 2013 and 2012.

12. Trade and Other Current Liabilities

	2013	2012
Advances from a related party (see Note 14)	**₱37,267,892**	₱31,693,179
Accrued expenses	**32,271,846**	8,663,751
Accounts payable	**9,263,285**	1,765,390
Unearned income (see Note 14)	**3,000,000**	4,000,000
Accrued interest	**872,541**	872,541
Output VAT	**–**	18,731,701
Others	**3,365,444**	3,752,470
	₱86,041,008	₱69,479,032

Accrued expenses consist of accruals for personnel and utility expenses.

Others include HDMF, SSS, PHIC, and withholding taxes.

13. Notes Payable

	2013	2012
Metropolitan Banking and Trust Company (Metrobank)	₱–	₱200,000,000
Bank of the Philippine Islands (BPI)	–	100,000,000
Rizal Commercial Banking Corporation (RCBC)	–	50,000,000
China Banking Corporation (Chinabank)	–	15,000,000
	₱–	₱365,000,000

Metrobank
The balance of the note payable from Metrobank consists of the ₱15.0 million and ₱185.0 million obtained in 2009 and 2012, respectively. The ₱15.0 million loan bears interest at prevailing market rate and has a maturity of one (1) year from the drawdown date, subject to renewal. The ₱185.0 million loan bears interest at 3.75%. These loans were paid on their respective maturity dates in 2013.

BPI
The balance of the note payable from BPI consists of the ₱20.0 million and ₱80.0 million loan obtained in 2010 and 2012, respectively. The ₱20.0 million is a 7-day contract payable on January 5, 2011, with an interest rate of 4.4%. The ₱80.0 million loan was divided into two (2) promissory notes of ₱43.0 million and ₱37.0 million each, renewed every month with interest rate at 3.75% upon initial recognition and payable in lump sum at maturities. These loans were paid in 2013.

RCBC
In 2011, the Parent Company obtained unsecured loans from RCBC amounting to ₱87.0 million covering four (4) loans which bear interests ranging from 3.75% and 4.25%. In 2012, two (2) loans covering ₱37.0 million was paid off. The remaining loans which bear interest ranging from 4.00% to 5.00% were paid in 2013.

Chinabank
In 2010, a ₱100.0 million contracts payable was entered with Chinabank covering two loan agreements. The 7-day note of ₱70 million with an interest rate of 4.50% was payable on January 5, 2011 and the second note of ₱30.0 million was payable on April 22, 2011 with an interest rate of 5.25%. Only ₱85.0 million was paid in 2011, and the remaining balance paid in 2013.

Total interest expense related to notes payable in 2013, 2012 and 2011 amounted to ₱11.3 million, ₱27.29 million and ₱32.68 million, respectively, shown as part of "Finance costs" in the parent company statements of comprehensive income, and the related accrued interest expense as of December 31, 2013 and 2012 amounted to nil and ₱0.9 million, respectively, shown as part of "Trade and other current liabilities" account in the parent company statements of financial position (see Note 14).

14. Related Party Transactions

Parties are considered to be related if the one party has the ability, directly, or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities. In the normal course of business, the Parent Company enters into transactions with related parties principally consisting of the following:

	2013			
Category	**Volume**	**Outstanding Balance - Receivable (Payable)**	**Terms**	**Conditions**
Subsidiaries				
Management fees:				
HDFE	₱840,000	₱–	30-60 days; noninterest-bearing	Unsecured
VECO	30,056,400	–		Unsecured
Service income:				
1590 EC	81,375,670	13,083,850	30-60 days; noninterest-bearing	Unsecured; no impairment
VMHI	28,750	–	30-60 days; noninterest-bearing	Unsecured
VNI	6,250	–	30-60 days; noninterest-bearing	Unsecured
Advances:				
VEC	726,289,803	(37,267,892)	30-60 days; noninterest-bearing	Unsecured
VNI	18,926	7,566,579	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	4,433	543	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates				
Management fees:				
Delta P	2,016,000	162,960	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates				
Management fees:				
VECO	30,056,400	–	30-60 days; noninterest-bearing	Unsecured
CPPC	12,000,000	–	30-60 days; noninterest-bearing	Unsecured
Service income:				
NR	8,260,156	10,177,647	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	24,127,708	–	30-60 days; noninterest-bearing	Unsecured
AHPC	7,700	–	30-60 days; Noninterest-bearing	Unsecured
Advances:				
PEI	–	1,532,400	30-60 days; noninterest-bearing	Unsecured; no impairment
VECO	–	9,543	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	44,332,277	–	30-60 days; noninterest-bearing	Unsecured

(Forward)

		2013		
Category	**Volume**	**Outstanding Balance - Receivable (Payable)**	**Terms**	**Conditions**
Operating lease:				
VECO	**₱3,030,687**	**₱–**	**30-60 days; noninterest-bearing**	**Unsecured**
Affiliates				
CEDC	**64,000,000**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**
VSNRGC	**8,850,181**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**
TPC	**2,989,760**	**–**	**30-60 days; noninterest-bearing**	**Unsecured**

		2012		
Category	Volume	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management fees:				
1590 EC	₱155,750,000	₱155,509,244	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	840,000	70,000	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances:				
VEC	32,185,101	(31,693,179)	30-60 days; noninterest-bearing	Unsecured
VNI	7,917	7,547,652	30-60 days; noninterest-bearing	Unsecured; no impairment
HDFE	502,306	18,300	30-60 days; noninterest-bearing	Unsecured; no impairment
Associates				
Management fees:				
VECO	30,056,400	2,504,700	30-60 days; noninterest-bearing	Unsecured; no impairment
DPI	1,944,000	162,000	30-60 days; noninterest-bearing	Unsecured; no impairment
Advances:				
PEI	–	1,532,401	30-60 days; noninterest-bearing	Unsecured; no impairment
AHPC	500,000	500,000	30-60 days; noninterest-bearing	Unsecured; no impairment
Operating lease:				
VECO	2,932,586	–	30-60 days; noninterest-bearing	Unsecured
Affiliates				
Management fees:				
CEDC	61,505,402	5,333,334	30-60 days; noninterest-bearing	Unsecured; no impairment
CPPC	12,000,000	(4,000,000)	30-60 days; noninterest-bearing	Unsecured
VSNRGC	26,004,370	27,667,360	30-60 days; noninterest-bearing	Unsecured; no impairment
Key Management Personnel	1,678,165	1,682,999	Collectible within 12 months; noninterest bearing	Unsecured; no impairment

The above transactions are generally settled in cash.

- Management fees from subsidiaries and associates represent compensation for consultancy, management, technical and other related services rendered by the Parent Company and use of the Parent Company's facilities in accordance with the terms of the respective agreements with the related parties. These are recognized as part of the "Management fees" account in the parent company statements of comprehensive income.

- The Parent Company received an advance payment for management fees from CPPC amounting to ₱12.0 million in both 2013 and 2012 of which ₱3.0 million is presented as "Unearned income" under "Trade and other current liabilities" (see Note 12).

- The Parent Company has a lease agreement with VECO. VECO leases an office space owned by the Parent Company to be utilized as their Customer Care Office. The monthly rental is ₱0.3 million in 2013, ₱0.2 million in 2012 and 2011, subject to an annual increase of 10%. There is no lease term. However, the lease can be terminated upon mutual agreement of the parties and upon 30 days' prior written notice.

- In December 2012, the Parent Company extended a loan to Amlan Hydroelectric Power Corporation (formerly ICS Renewables, Inc.) in the amount of ₱500,000. The loan is subject to17.96% interest per annum. The loan amount is included as part of "Advances to related parties" in the parent company statements of financial position.

Compensation and Benefits of Key Management Personnel
The compensation of the Parent Company's key management personnel by benefit type as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Short-term employee benefits	**₱40,254,493**	₱30,831,832	₱7,138,724
Post-employment pension benefits (see Note 15)	**6,476,063**	2,454,658	–
	₱46,730,556	₱33,286,490	₱7,138,724

15. **Retirement Plan**

The Parent Company has an unfunded, noncontributory, defined benefit pension plan ("the Plan") covering all regular, permanent employees. The Plan provides lump sum benefits upon a member's normal retirement. The benefits are based on the member's final monthly salary and length of service with the Parent Company.

Under the existing regulatory framework, Republic Act 7641, The Retirement Pay Law, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of pension expense recognized in the parent company statements of comprehensive income and the funded status and amounts recognized in the parent company statements of financial position for the pension plan.

The components of the pension expense recognized under "Salaries and employee benefits" in the parent company statements of comprehensive income follow:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current service cost	**₱2,000,409**	₱1,681,853	₱8,982,382
Past service cost	**4,066,629**	–	–
Net interest cost	**707,925**	633,258	–
Pension expense	**₱6,774,963**	₱2,315,111	₱8,982,382

Remeasurement effects recognized in the parent company statements of comprehensive income follow:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Actuarial loss on defined benefit plan	**₱363,329**	₱288,834	₱–

The pension liability recognized in the parent company statements of financial position as follows:

	2013	2012 (As restated - see Note 3)
Present value of defined benefit obligation	**₱18,724,619**	₱11,586,327

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

	2013	2012
At January 1	**₱11,586,327**	₱8,982,382
Current service cost	**2,000,409**	1,681,853
Interest cost on defined benefit obligation	**707,925**	633,258
Actuarial loss due to:		
Changes in financial assumptions	**1,012,418**	924,304
Experience adjustments	**(649,089)**	(635,470)
Past service cost	**4,066,629**	–
	₱18,724,619	₱11,586,327

Changes in the amounts recognized in the parent company statements of financial position for pension follows:

	2013	2012 (As restated - see Note 3)
At January 1	**₱11,586,327**	₱8,982,382
Pension expense	**6,774,963**	2,315,111
Actuarial loss recognized for the year	**363,329**	288,834
At December 31	**₱18,724,619**	₱11,586,327

The overall investment policy and strategy of the Parent Company's defined benefit pension plan is guided by the objective of providing the necessary funding for the benefits payable under the plan and achieving such liquidity as deemed appropriate in the circumstances.

The principal assumptions used in determining pension liability obligations for the Parent Company's plan as of December 31 are shown below:

	2013	2012
Discount rate	**6.38%**	6.11%
Future salary increase rate	**7.50%**	7.50%

The sensitivity analysis below has been determined based on reasonable possible changes of the significant assumptions on the present value of the defined benefit obligation of the most recent actuarial valuation report as of December 31, 2013, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation)
Discount rate	+100 basis points	(₱2,993,678)
	-100 basis points	398,559
Future salary increase rate	+100 basis points	238,703
	-100 basis points	(2,902,297)

The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31, 2013:

Less than one year	₱6,163,290
More than 1 year to 5 years	6,032,828
More than 5 years to 10 years	3,566,956
	₱15,763,074

The average duration of the defined benefit obligation at the end of the reporting period is 13.5 years. The Parent Company expects to contribute ₱5.6 million to its defined benefit plan in 2014.

16. Income Tax

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current tax:			
RCIT (at 30%)	**₱13,319,725**	₱48,417,075	₱7,919,881
Final (at 20%)	**3,344,868**	3,060,829	2,755,887
	16,664,593	51,477,904	10,675,768
Deferred	**(1,023,728)**	(695,520)	(5,184,816)
	₱15,640,865	₱50,782,384	₱5,490,952

The provision for income tax in 2013 and 2012 represents regular corporate income tax.

The reconciliation of the income tax expense computed at the statutory tax rate to provision for income tax reported in the parent company statements of comprehensive income follows:

	2013	2012 (As restated - see Note 3)
Income before income tax	**₱1,477,660,195**	₱1,118,558,876
Income tax computed at 30%	**₱443,298,059**	₱335,567,663
Adjustments to income tax resulting from:		
Nontaxable dividend income	**(428,703,213)**	(284,819,903)
Interest income subjected to final tax	**(5,183,258)**	(1,530,414)
Nondeductible expenses	**4,518,802**	–
Nondeductible interest expense	**1,710,475**	1,530,261
Realization of foreign exchange loss - DTA	–	34,777
	₱15,640,865	₱50,782,384

The Parent Company's net deferred income tax assets as of December 31 relate to the following:

	2013	2012 (As restated - see Note 3)
Deferred income tax assets:		
Allowance for impairment losses	**₱13,923,328**	₱14,842,001
Pension liability	**5,421,737**	3,389,248
Actuarial loss recognized in other comprehensive income	**195,649**	86,650
Unrealized foreign exchange loss	**35,765**	35,765
	19,576,479	18,353,664
Deferred income tax liability on unrealized foreign exchange gain	**90,088**	–
	₱19,486,391	₱18,353,664

17. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding shares in 2013, 2012 and 2011.

The Parent Company's issued common shares as of December 31, 2013 and 2012 consists of 224,880,067 common shares and 600,000,000 preferred shares that were listed in the Philippine Stock Exchange (PSE) since 2003 and 198,576,631 preferred shares that were approved for listing by the PSE on June 29, 2004. In June 2005, the SEC approved the amendment to Article VII that relates to the conversion of the Parent Company's preferred shares to common shares.

The Parent Company has 1,481 and 1,501 stockholders as of December 31, 2013 and 2012, respectively, and has complied with the Minimum Public Ownership requirement of the PSE for listed entities as of the same dates.

Dividends

The BOD declared cash dividends to its stockholders as follows:

	2013	2012	2011
Date of declaration	**June 21, 2013**	June 15, 2012	June 23, 2011
Date of record	**July 4, 2013**	July 4, 2012	July 7, 2011
Date of payment	**July 30, 2013**	July 16, 2012	August 2, 2011
Dividends declared:			
Regular dividends	**₱159,501,588**	₱144,968,499	₱131,765,909
Special dividends	**50,000,000**	50,000,000	50,000,000
	₱209,501,588	₱194,968,499	₱181,765,909
Dividends per share	**₱0.2047**	₱0.1905	₱0.1776

Appropriation of Retained Earnings for Business Expansion

On December 20, 201,3 a resolution was passed and duly approved by the BOD allowing the participation and investment by the Parent Company in prospective power plant projects in the Visayas and Mindanao. In the same board meeting, a resolution was approved allocating and restricting part of its retained earnings amounting to ₱1,856.5 million to be used for future investments in these projects which are expected to start in the first quarter of 2014.

Earnings per share

The earnings per share as of December 31 are computed as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Net income for the year	**₱1,462,019,330**	₱1,067,776,492	₱283,322,910
Number of outstanding common shares	**1,023,456,698**	1,023,456,698	1,023,456,698
Basic and diluted earnings per share	**₱1.429**	₱1.043	₱0.277

There are no potential dilutive shares as of December 31, 2013, 2012 and 2011.

18. Personnel Expenses

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Salaries and employee benefits	**₱51,855,784**	₱27,667,425	₱12,568,925
Pension expense (see Note 15)	**6,774,963**	2,315,111	8,982,382
	₱58,630,747	₱29,982,536	₱21,551,307

19. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents, accounts receivable, advances to related parties, advances to officers, advances to shareholders, accounts payable and accrued interest payable. The main purpose of these financial instruments is to raise funds for the Parent Company's operations.

The main risks arising from the Parent Company's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these policies are summarized below.

Credit Risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Parent Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

With respect to cash investments, the risk is mitigated by the short-term and/or liquid nature of its investments mainly in bank deposits and placements, which are placed with financial institutions of high credit standing.

Receivable balances are actively monitored on an ongoing basis and acted upon regularly to avoid significant concentrations of credit risk.

Except for Due from RFM which is fully provided with allowance for impairment and portion of the receivables provided with allowance amounting to ₱3.4 million, management evaluated that the Parent Company's financial assets as summarized above are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for doubtful accounts, amounted to ₱1,295.9 million and ₱574.0 million as of December 31, 2013 and 2012, respectively.

There are no significant concentrations of credit risk within the Parent Company.

The following tables set out the aging analysis per class of financial assets that were past due but not impaired as of December 31:

	2013						
		Neither	Past Due but not Impaired				Past Due or
	Total	Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Individually Impaired
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱1,250,104,847	₱1,250,104,847	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							
Accounts receivable	30,620,224	–	26,099,752	2,200,000	149,448	1,837,992	333,032
Advances to related parties	9,109,065	–	–	7,567,122	–	1,541,943	–
Advances to officers	1,452,449	–	576,533	–	–	875,916	–
Advances to shareholders	20,910	–	–	–	20,910	–	–
Others	1,208,711	–	532,499	–	–	676,212	–
	1,292,516,206	1,250,104,847	27,208,784	9,767,122	170,358	4,932,063	333,032
AFS Investments	3,400,000	3,400,000	–	–	–	–	–
	₱1,295,916,206	₱1,253,504,847	₱27,208,784	₱9,767,122	₱170,358	₱4,932,063	₱333,032

	2012						
		Neither	Past Due but not Impaired				Past Due or
	Total	Past Due nor Impaired	Less than 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days	Individually Impaired
Loans and Receivables							
Cash and cash equivalents (excluding cash on hand)	₱374,834,339	₱374,834,339	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:							–
Accounts receivable	187,246,637	184,184,395	–	–	–	–	3,062,242
Advances to related parties	9,598,353	9,598,353	–	–	–	–	–
Advances to officers	1,682,999	1,682,999	–	–	–	–	–
Others	675,459	342,427	–	–	–	–	333,032
	574,037,787	570,642,513	–	–	–	–	3,395,274
AFS Investments	3,400,000	3,400,000	–	–	–	–	–
	₱577,437,787	₱574,042,513	₱–	₱–	₱–	₱–	₱3,395,274

The following tables summarize the credit quality per class of financial assets that were neither past due nor impaired as of December 31:

	2013				
		Neither Past Due nor Impaired			Past Due or Individually
	Total	High	Medium	Low	Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱1,250,104,847	₱1,250,104,847	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	30,620,224	30,287,192	–	–	333,032
Advances to related parties	9,109,065	9,109,065	–	–	–
Advances to officers	1,452,449	1,452,449	–	–	–
Advances to shareholders	20,910	20,910	–	–	–
Others	1,208,711	1,208,711	–	–	–
	1,292,516,206	1,292,183,174	–	–	333,032
AFS Investments	3,400,000	3,400,000	–	–	–
	₱1,295,916,206	₱1,295,583,174	₱–	₱–	₱333,032

	2012				
		Neither Past Due nor Impaired			Past Due or Individually
	Total	High	Medium	Low	Impaired
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱374,834,339	₱374,834,339	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	187,246,637	184,184,395	–	–	3,062,242
Advances to related parties	9,598,353	9,598,353	–	–	–
Advances to officers	1,682,999	1,682,999	–	–	–
Others	675,459	342,427	–	–	333,032
	574,037,787	570,642,513	–	–	3,395,274
AFS Investments	3,400,000	3,400,000	–	–	–
	₱577,437,787	₱574,042,513	₱–	₱–	₱3,395,274

The credit quality of the financial assets was determined as follows:

- *Cash and Cash Equivalents* - high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.

- *Accounts Receivable, Advances to Officers and Advances to Shareholders* - high grade since these pertains to receivables from customers or parties who have established good credit standing with the Parent Company.

- *Advances to Related Parties* - high grade since these pertains to advances to related parties since these are from related parties who are consistent in the payment of its accounts.

- *AFS Investments* - high grade since these pertains to investments in AFS securities, which include listed shares, of companies with good credit standing.

Liquidity Risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due.

The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements and the Parent Company's trade receivables are maintained to meet maturing obligations. The Parent Company, in general, matches the appropriate long-term funding instruments with the general nature of its equity instruments.

The following tables summarize the Parent Company's financial assets that can be used to manage its liquidity risk and the maturity profile of the Parent Company's financial liabilities based on contractual undiscounted payments as of December 31:

	2013				
	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱1,250,179,847	₱1,250,179,847	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	30,620,224	–	30,287,192	333,032	–
Advances to related parties	9,109,065	–	9,109,065	–	–
Advances to officers	1,452,449	–	1,452,449	–	–
Advances to shareholders	20,910	–	20,910	–	–
Others	1,208,711	–	1,208,711	–	–
	1,292,591,206	1,250,179,847	42,078,327	333,032	–
AFS Investments	3,400,000	3,400,000	–	–	–
	1,295,991,206	1,253,579,847	42,078,327	333,032	–
Financial Liabilities					
Other financial liabilities:					
Accounts payable	9,263,285	–	9,263,285	–	–
Accrued interest payable	872,541	–	872,541	–	–
	10,135,826	–	10,135,826	–	–
Net Financial Assets	₱1,285,855,380	₱1,253,579,847	₱31,942,501	₱333,032	₱–

	2012				
	Total	On Demand	Less than 1 Year	1 to 5 Years	> 5 Years
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱374,894,339	₱374,894,339	₱–	₱–	₱–
Trade and other receivables:					
Accounts receivable	187,246,637	–	187,246,637	–	–
Advances to related parties	9,598,353	–	9,598,353	–	–
Advances to officers	1,682,999	–	1,682,999	–	–
Others	675,459	–	675,459	–	–
	574,097,787	374,894,339	199,203,448	–	–
AFS Investments	3,400,000	3,400,000	–	–	–
	577,497,787	378,294,339	199,203,448	–	–
Financial Liabilities					
Other financial liabilities:					
Accounts payable	1,765,390	–	1,765,390	–	–
Accrued interest payable	872,541	–	872,541	–	–
	2,637,931	–	2,637,931	–	–
Net Financial Assets	₱574,859,856	₱378,294,339	₱196,565,517	₱–	₱–

Fair Value of Financial Instruments

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Value Hierarchy
The Group uses the following hierarchy for determining the fair value of financial instruments:

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

As of December 31, 2013 and 2012, the carrying values of the Parent Company's financial instruments approximate fair values due to their relatively short-term maturity.

Although the Company has an AFS investment, which is classified under Level 3, it is measured at cost less any impairment in value since its fair value cannot be reliably measured (see Note 9). As of December 31, 2013 and 2012, 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.

Capital Management
The Parent Company considers its total equity as its capital. The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 2013, 2012 and 2011.

As of December 31, 2013 and 2012, the Parent Company has no interest-bearing loans and externally imposed capital requirements.

20. Supplementary Information Required under Revenue Regulations 15-2010

The Parent Company reported and/or paid the following types of taxes in 2013:

Value-Added Tax (VAT)

Output VAT. The Parent Company's sales are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

Net Sales/Receipts and Output VAT Declared in the Parent Company's VAT Returns

	Net Sales/ Receipts	Output VAT
Net sales	₱363,337,109	₱43,600,453

The Parent Company's sales of services are based on actual collections received, hence, may not be the same as the amounts accrued in the parent company's statement of income.

Input VAT. Input VAT is recognized for payments made to VAT-registered individuals or corporations, and is recorded under "Prepaid expenses and other current assets" in the parent company statement of financial position. The movement in input VAT during the year is summarized below:

At January 1	₱–
Current year's purchases/payments of goods and services	3,658,548
Adjustments	(600)
At December 31	₱3,657,948

Documentary Stamp Tax
The Parent Company paid documentary stamp tax amounting to ₱9,124 in relation to the loan from RCBC..

Customs Duties
The Parent Company does not engage in import/export transactions, hence, no customs duties were paid or recorded during the year.

Withholding Taxes
The amount of taxes withheld in 2013 follows:

Expanded withholding taxes	₱13,070,235
Creditable withholding taxes	12,419,382
Withholding taxes on compensation and benefits	8,988,065
Final withholding taxes	117,883
	₱34,595,565

Other Taxes and Licenses
Other taxes paid during the year recognized under "Taxes and Licenses" account under Expenses in the parent company statement of comprehensive income are as follows:

Mayor's permit	₱821,070
Capital gains tax	505,242
Real estate tax	73,315
Community tax	10,500
BIR annual registration fee	500
Others	602,521
	₱2,013,148

Deficiency Tax Assessments

In 2013, the Parent Company fully paid the deficiency taxes assessed by the BIR for taxable year 2010 as follows:

Expanded withholding tax	₱73,142
Value added tax	63,346
Income tax	25,000
	₱161,488

Tax Assessments and Cases

As of December 31, 2013, the Parent Company has no outstanding final assessment notice from the BIR nor does it have any pending tax cases outside the administration of the BIR.

VIVANT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2013

Items	Amount
Unappropriated Retained Earnings, Beginning	₱1,800,335,845
Adjustment:	
Deferred income tax assets that reduced the amount of provision for income tax	(18,267,014)
Unappropriated Retained Earnings, as Adjusted, Beginning	1,782,068,831
Net Income Based on the Face of AFS	1,462,019,330
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of an associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(300,293)
Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of investment property resulting to gain	–
Adjustment due to deviation from PFRS/GAAP - gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Deferred income tax assets that reduced the amount of provision for income tax	(1,113,816)
Add: Non-actual Losses	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	–
Equity in net loss of an associate/joint venture	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP - loss	–
Loss on fair value adjustment of investment property (after tax)	–
Net Income Actual/Realized	1,460,605,221
Add (Less)	
Dividend declarations during the period	–
Appropriations of retained earnings during the period	(1,856,476,291)
Reversals of appropriations	–
Effects of prior period adjustments	(7,908,425)
Treasury shares	–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱1,378,289,336