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 Rd, Cebu Business Park, Bgy. Luz, Cebu City

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,434	June 16	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, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City

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

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

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, including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

DENNIS N.A. GARCIA
Chairman of the Board/Chief Executive Officer

MINUEL CARMELA N. FRANCO
Chief Financial Officer

Signed this ________ day of MAR 27 2018, 2018.

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

Tel. no. (032) 234-2256
Telefax: (032) 234-2285
E-mail: vivant@vivant.com.ph

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Cebu, this 28TH day of March 2018. Affiants personally appeared **DENNIS N.A. GARCIA** with his Philippine Passport with No. EC0044262 issued on January 20, 2014 at DFA Cebu and **MINUEL CARMELA N. FRANCO** exhibited to me her Philippine Passport with No. P2168178A which will expire on March 5, 2022 issued at DFA Cebu as competent proof of their identities.

Witness my hand and notarial seal.

ATTY. JOAN A. GIDUQUIO-BARON
NOTARIAL COMMISSION NO. 049-17
NOTARY PUBIC
UNTIL DECEMBER 31, 2019
UNITS 1501-1502 AYALA LIFE-FGU CENTER
CEBU BUSINESS PARK, CEBU CITY
ROLL NO. 41829
PTR NO. 1434687 - CEBU CITY
IBP NO. AR000748 - CEBU CITY

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

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Building a better working world

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Vivant Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Accounting for the Investment in Visayan Electric Company, Inc.

The Group owns 34.81% of Visayan Electric Company, Inc. (VECO), an associate engaged in power distribution services, as at December 31, 2017 and accounts for the investment under the equity method. The application of the equity method of accounting to the Group's investment in VECO is significant to our audit because VECO accounted for 16% of the consolidated total assets and contributed 51% to the consolidated net income of the Group as at and for the year ended December 31, 2017. VECO's net income is significantly driven by the electricity revenue which depends on the electric consumption captured, the rates applied across different customer groups and the systems involved in the billing process. The electric consumption captured is based on the meter readings taken on various dates for the different groups of customers (i.e., industrial, commercial, and residential customers) within the franchise area of operation.

The disclosures relating to the investment in VECO are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained the relevant financial information of VECO and recomputed the Group's share in the net income of VECO for the year ended December 31, 2017. We also evaluated the design and tested the controls over VECO's billing and revenue recognition process. This includes the capture and accumulation of meter data in the billing system as well as a calculation of the billed amounts, and uploading of the billed amounts from the billing system to the financial reporting system. We also performed a test calculation of the rates using the Energy Regulatory Commission-approved rates and formulae, and compared them with the rates masterfile used in billing.

Valuation of Investment Properties at Fair Value

The Group accounts for its investment properties using the fair value model. Investment properties consist of land and buildings and improvements and represent 3.2% of the consolidated assets as at December 31, 2017. The determination of the fair values of these properties involves significant management judgment and estimation. The valuation requires the assistance of appraisers whose calculations depend on certain assumptions, such as sales and listing of comparable properties registered within the vicinity and adjustments to sales price based on internal and external factors.

The disclosures relating to investment properties are included in Note 12 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and qualifications of the external appraiser by considering their qualifications, experience and reporting responsibilities. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment properties. We assessed the methodology adopted by referencing common valuation models and reviewed the relevant information supporting the sales and listings of comparable properties. We also inquired from the appraiser the basis of adjustments made to the sales price.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leovina Mae V. Chu.

SYCIP GORRES VELAYO & CO.

Leovina Mae V. Chu

Leovina Mae V. Chu
Partner
CPA Certificate No. 99910
SEC Accreditation No. 1199-AR-1 (Group A),
June 22, 2015, valid until June 21, 2018
Tax Identification No. 209-316-911
BIR Accreditation No. 08-001998-96-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 6621343, January 9, 2018, Makati City

March 27, 2018

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱4,635,082,495**	₱4,437,776,262
Trade and other receivables (Note 7)	**532,943,339**	404,070,919
Advances to associates and stockholders (Note 16)	**83,736,329**	59,445,542
Inventories - at cost (Note 8)	**122,863,321**	96,845,759
Prepayments and other current assets (Note 9)	**913,386,427**	926,979,573
Total Current Assets	**6,288,011,911**	5,925,118,055
Noncurrent Assets		
Investments in and advances to associates and joint ventures (Note 10)	**8,385,408,898**	7,446,422,945
Property, plant and equipment (Note 11)	**528,096,174**	634,186,208
Investment properties (Note 12)	**502,711,090**	514,801,557
Deferred income tax assets - net (Note 20)	**15,974,331**	14,369,016
Pension asset (Note 19)	**–**	2,874,791
Other noncurrent assets (Note 13)	**33,335,299**	24,182,258
Total Noncurrent Assets	**9,465,525,792**	8,636,836,775
TOTAL ASSETS	**₱15,753,537,703**	₱14,561,954,830
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱1,350,518,998**	₱1,267,102,534
Advances from related parties (Note 16)	**72,406,345**	111,676,791
Income tax payable	**10,083,687**	453,865
Current portion of long-term notes payable (Note 15)	**25,616,946**	25,812,744
Short-term notes payable (Note 15)	**–**	103,500,000
Total Current Liabilities	**1,458,625,976**	1,508,545,934
Noncurrent Liabilities		
Long-term notes payable - net of current portion (Note 15)	**2,870,154,989**	2,895,771,935
Pension liability (Note 19)	**31,825,980**	20,717,401
Deferred income tax liabilities (Note 20)	**107,174,550**	109,574,367
Total Noncurrent Liabilities	**3,009,155,519**	3,026,063,703
Total Liabilities	**4,467,781,495**	4,534,609,637
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
Other components of equity:		
Share in revaluation increment of an associate (Note 10)	**1,472,399,497**	1,207,387,400
Remeasurement gain on employee benefits (Note 19)	**51,576**	4,652,158

(Forward)

	December 31	
	2017	2016
Share in remeasurement losses on employee benefits of associates and a joint venture (Note 10)	**(₱74,564,481)**	(₱58,895,444)
Unrealized valuation loss on available-for-sale (AFS) investments	**(5,291)**	(5,291)
Equity reserve	**(43,845)**	–
Retained earnings (Notes 10 and 21):		
Appropriated for business expansion	**3,422,808,228**	2,778,783,261
Unappropriated	**4,850,457,874**	4,493,321,226
Equity Attributable to Equity Holders of the Parent	**10,702,899,708**	9,457,039,460
Equity Attributable to Non-controlling Interests (Note 21)	**582,856,500**	570,305,733
Total Equity	**11,285,756,208**	10,027,345,193
TOTAL LIABILITIES AND EQUITY	**₱15,753,537,703**	₱14,561,954,830

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Sale of power (Note 23)	**₱2,620,388,465**	₱2,365,257,193	₱2,797,425,370
Equity in net earnings of associates and joint ventures (Note 10)	**1,290,172,769**	1,288,333,002	1,009,709,570
Management fees (Note 16)	**151,921,967**	157,242,224	149,044,346
Interest income (Note 6)	**72,537,322**	59,249,869	59,747,515
	4,135,020,523	3,870,082,288	4,015,926,801
GENERATION COSTS (Notes 17 and 23)	**2,187,471,307**	1,792,937,494	2,292,370,990
OPERATING EXPENSES			
Salaries and employee benefits (Note 18)	**157,851,176**	134,616,326	127,327,809
Professional fees (Notes 16 and 23)	**72,216,680**	53,886,293	55,774,694
Taxes and licenses	**50,650,520**	28,671,551	42,571,432
Travel	**32,058,796**	24,514,349	21,360,359
Management fees (Note 16)	**24,789,731**	25,565,790	45,312,413
Depreciation and amortization (Notes 11 and 13)	**19,718,279**	20,837,177	18,667,737
Rent and association dues	**11,212,411**	7,809,735	5,514,472
Representation	**7,754,481**	5,392,548	6,261,621
Communication and utilities	**7,039,981**	5,777,843	4,560,920
Security and janitorial	**688,385**	566,548	833,276
Other operating expenses (Note 17)	**58,846,193**	71,518,167	47,452,075
	442,826,633	379,156,327	375,636,808
INCOME FROM OPERATIONS	**1,504,722,583**	1,697,988,467	1,347,919,003
OTHER INCOME (CHARGES)			
Finance costs (Note 15)	**(176,224,968)**	(177,545,814)	(172,833,443)
Insurance claims (Note 7)	**87,129,498**	–	–
Gain on fair value measurement of investment properties (Note 12)	**72,501,133**	–	240,730,557
Gain on disposal of a subsidiary (Note 1)	**12,068,717**	–	–
Foreign exchange gains - net (losses)	**(1,249,454)**	1,541,433	(302,360)
Other income - net (Notes 12 and 16)	**21,439,195**	38,573,788	5,164,859
	15,664,121	(137,430,593)	72,759,613
INCOME BEFORE INCOME TAX	**1,520,386,704**	1,560,557,874	1,420,678,616
PROVISION FOR INCOME TAX (Note 20)	**94,877,898**	131,975,187	170,716,071
NET INCOME	**1,425,508,806**	1,428,582,687	1,249,962,545
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss:			
Unrealized valuation loss on AFS investments	–	(385,500)	(124,600)
Items that will not be reclassified to profit or loss:			
Share in revaluation increment of an associate, net of tax (Note 10)	**291,996,394**	–	–

(Forward)

	Years Ended December 31		
	2017	2016	2015
Remeasurement gain (loss) on employee benefits (Note 19)	**(₱7,642,270)**	₱3,041,578	₱7,738,786
Income tax effect	**1,942,528**	(418,665)	(2,296,210)
	(5,699,742)	2,622,913	5,442,576
Share in the remeasurement gains (losses) on employee benefits of associates, net of tax (Note 10)	**(15,669,037)**	277,480	8,332,187
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**270,627,615**	2,514,893	13,650,163
TOTAL COMPREHENSIVE INCOME	**₱1,696,136,421**	₱1,431,097,580	₱1,263,612,708
NET INCOME			
Attributable to:			
Equity holders of the parent	**₱1,259,926,428**	₱1,293,430,993	₱1,052,735,864
Non-controlling interests	**165,582,378**	135,151,694	197,226,681
	₱1,425,508,806	₱1,428,582,687	₱1,249,962,545
TOTAL COMPREHENSIVE INCOME			
Attributable to:			
Equity holders of the parent	**₱1,531,685,794**	₱1,294,538,940	₱1,066,364,976
Non-controlling interests	**164,450,627**	136,558,640	197,247,732
	₱1,696,136,421	₱1,431,097,580	₱1,263,612,708
EARNINGS PER SHARE			
Basic and diluted, for net income for the year attributable to equity holders of the parent (Note 22)	**₱1.231**	₱1.264	₱1.029

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 21)	Additional Paid-in Capital	Share in Revaluation Increment of an Associate	Remeasurement Gain (Loss) on Employee Benefits	Share in Remeasurement Losses on Employee Benefits of Associates and a Joint Venture	Equity Reserve	Unrealized Valuation Gain (Loss) on AFS Investments	Retained Earnings (Note 21) Appropriated	Retained Earnings (Note 21) Unappropriated	Total	Equity Attributable to Non-Controlling Interests (Note 21)	Total Equity
Balances at January 1, 2017	₱1,023,456,698	₱8,339,452	₱1,207,387,400	₱4,652,158	(₱58,895,444)	₱–	(₱5,291)	₱2,778,783,261	₱4,493,321,226	₱9,457,039,460	₱570,305,733	₱10,027,345,193
Total comprehensive income (loss)	–	–	291,996,394	(4,567,991)	(15,669,037)	–	–		1,259,926,428	1,531,685,794	164,450,627	1,696,136,421
Appropriation for business expansion	–	–	–	–	–	–	–	1,250,000,000	(1,250,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(605,975,033)	605,975,033	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	3,894,000	3,894,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(26,984,297)	–	–	–	–	–	26,984,297	–	–	–
Purchase of 1590's NCI and deconsolidation of VAHC	–	–	–	(32,591)	–	(43,845)	–	–	–	(76,436)	(13,893,860)	(13,970,296)
Cash dividends	–	–	–	–	–	–	–	–	(285,749,110)	(285,749,110)	(141,900,000)	(427,649,110)
Balances at December 31, 2017	₱1,023,456,698	₱8,339,452	₱1,472,399,497	₱51,576	(₱74,564,481)	(₱43,845)	(₱5,291)	₱3,422,808,228	₱4,850,457,874	₱10,702,899,708	₱582,856,500	₱11,285,756,208
Balances at January 1, 2016	₱1,023,456,698	₱8,339,452	₱1,234,371,697	₱3,625,317	(₱59,172,924)	₱–	₱191,083	₱2,493,584,261	₱3,726,045,896	₱8,430,441,480	₱507,623,093	₱8,938,064,573
Total comprehensive income (loss)	–	–	–	1,026,841	277,480		(196,374)		1,293,430,993	1,294,538,940	136,558,640	1,431,097,580
Appropriation for business expansion	–	–	–	–	–	–	–	690,500,000	(690,500,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(405,301,000)	405,301,000	–	–	–
Additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	12,210,000	12,210,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(26,984,297)	–	–	–	–	–	26,984,297	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(267,940,960)	(267,940,960)	(86,086,000)	(354,026,960)
Balances at December 31, 2016	₱1,023,456,698	₱8,339,452	₱1,207,387,400	₱4,652,158	(₱58,895,444)	₱–	(₱5,291)	₱2,778,783,261	₱4,493,321,226	₱9,457,039,460	₱570,305,733	₱10,027,345,193
Balances at January 1, 2015	₱1,023,456,698	₱8,339,452	₱1,261,492,837	(₱1,735,079)	(₱67,505,111)	₱–	₱254,554	₱2,810,784,261	₱2,596,929,852	₱7,632,017,464	₱358,610,361	₱7,990,627,825
Total comprehensive income (loss)	–	–	–	5,360,396	8,332,187		(63,471)		1,052,735,864	1,066,364,976	197,247,732	1,263,612,708
Appropriation for business expansion	–	–	–	–	–	–	–	534,000,000	(534,000,000)	–	–	–
Reversal of appropriation for business expansion	–	–	–	–	–	–	–	(851,200,000)	851,200,000	–	–	–
Conversion of deposits for future stock subscription and additional investments of non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	10,890,000	10,890,000
Share in the amount transferred to retained earnings representing depreciation on the revaluation increment of an associate (Note 10)	–	–	(27,121,140)	–	–	–	–	–	27,121,140	–	–	–
Cash dividends	–	–	–	–	–	–	–	–	(267,940,960)	(267,940,960)	(59,125,000)	(327,065,960)
Balances at December 31, 2015	₱1,023,456,698	₱8,339,452	₱1,234,371,697	₱3,625,317	(₱59,172,924)	₱–	₱191,083	₱2,493,584,261	₱3,726,045,896	₱8,430,441,480	₱507,623,093	₱8,938,064,573

See accompanying Notes to Consolidated Financial Statements.

VIVANT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,520,386,704**	₱1,560,557,874	₱1,420,678,616
Adjustments for:			
Equity in net earnings of associates and joint ventures (Note 10)	**(1,290,172,769)**	(1,288,333,002)	(1,009,709,570)
Finance costs	**176,224,968**	177,545,814	172,833,443
Depreciation and amortization (Notes 11 and 13)	**106,515,695**	108,249,891	52,255,128
Interest income (Note 6)	**(72,537,322)**	(59,249,869)	(59,747,515)
Gain on fair value remeasurement of investment properties (Note 12)	**(72,501,133)**	–	(240,730,557)
Gain on disposal of a subsidiary (Note 1)	**(12,068,717)**	–	–
Pension expense (Note 19)	**8,838,915**	8,838,434	10,802,650
Loss (gain) on disposal of property and equipment	**5,045,198**	24,623,822	(892,010)
Unrealized foreign exchange losses (gains)	**1,249,454**	(2,501,097)	(2,868,471)
Operating income before working capital changes	**370,980,993**	529,731,867	342,621,714
Decrease (increase) in:			
Trade and other receivables	**(135,642,345)**	(93,592,673)	(69,504,409)
Prepayments and other current assets	**13,573,919**	(223,116,310)	(277,657,089)
Inventories	**(26,017,562)**	(7,749,820)	17,735,790
Increase (decrease) in trade and other payables	**90,429,279**	(218,084,752)	302,170,265
Cash generated from (used in) operations	**313,324,284**	(12,811,688)	315,366,271
Interest paid	**(172,300,087)**	(176,758,688)	(172,958,893)
Income taxes paid	**(87,310,681)**	(124,073,920)	(130,571,660)
Contributions to the retirement fund	**(2,497,815)**	(2,724,889)	(11,502,247)
Net cash flows from (used in) operating activities	**51,215,701**	(316,369,185)	333,471
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments and advances to associates and joint ventures (Note 10)	**(558,842,078)**	(558,071,005)	(1,436,488,703)
Dividends received from associates and joint ventures (Note 10)	**1,178,759,551**	1,392,332,133	1,013,754,256
Additions to property, plant and equipment (Note 11)	**(27,853,213)**	(48,543,697)	(313,549,045)
Decrease (increase) in:			
Other noncurrent assets	**(9,994,912)**	15,118,638	(18,743,166)
Intangible assets (Note 13)	**–**	(1,645,533)	(930,837)
Interest received	**69,700,628**	59,591,550	58,049,267
Net cash outflow from disposal of a subsidiary (Note 1)	**(688,002)**	–	–
Proceeds from:			
Sale of investment properties (Note 12)	**53,960,000**	–	–
Disposal of property and equipment	**53,855,824**	210,729,493	954,869
Redemption of an equity interest in an associate (Note 10)	**–**	–	151,200,000
Net cash flows from (used in) investing activities	**758,897,798**	1,069,511,579	(545,753,359)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 21)	**(427,288,549)**	(412,048,495)	(267,073,599)
Proceeds from availment of notes payable - net of transaction costs (Note 15)	**–**	207,000,000	143,000,000

(Forward)

	Years Ended December 31		
	2017	2016	2015
Payments of loans (Note 15)	**(₱133,500,000)**	(₱166,500,000)	(₱140,000,000)
Increase (decrease) in advances from related parties	**(54,663,263)**	(26,814,535)	4,490,191
Additional investments and deposits for future stock subscriptions of non-controlling interests of a subsidiary (Note 21)	**3,894,000**	12,210,000	10,890,000
Net cash flows used in financing activities	**(611,557,812)**	(386,153,030)	(248,693,408)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**198,555,687**	366,989,364	(794,113,296)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(1,249,454)**	2,501,097	2,868,471
TOTAL CASH AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 6)	**4,437,776,262**	4,068,285,801	4,859,530,626
Restricted cash (Notes 9 and 13)	**650,000**	775,000	775,000
	4,438,426,262	4,069,060,801	4,860,305,626
TOTAL CASH AT END OF YEAR			
Cash and cash equivalents (Note 6)	**4,635,082,495**	4,437,776,262	4,068,285,801
Restricted cash (Note 13)	**650,000**	650,000	775,000
	₱4,635,732,495	₱4,438,426,262	₱4,069,060,801

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 by Mai-I Resources Corporation (MRC) and JEG Development Corporation (JDC) with a combined ownership of 75.86%. 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, retail electricity supply and real estate.

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

The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries, associates and joint ventures, all incorporated in the Philippines, as of December 31, 2017 and 2016:

	2017		2016	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Subsidiaries				
Hijos De F. Escaño (HDFE)	**50.94**	–	50.94	–
Southern Grove Properties and Development Corp. (SGPDC) [o]	**100.00**	–	100.00	–
Vivant Energy Corporation (VEC)	**100.00**	–	100.00	–
Vivant Integrated Generation Corporation (VIGC)	–	**100.00** [a]	–	100.00 [a]
Vivant Geo Power Corp. (VGPC)	–	**100.00** [b] [g]	–	100.00 [b] [g]
Vivant Isla, Inc. (VII)	–	**100.00** [a] [h]	–	100.00 [a] [h]
Vivant Renewable Energy Corporation (VREC) [f]	–	**100.00** [a]	–	100.00 [a]
Corenergy Inc. (Core)	–	**100.00** [a]	–	100.00 [a]
Vivant Integrated Diesel Corporation (VIDC)	–	**100.00** [a] [i]	–	–
Vivant Enercore Integrated Inc. (VEII)	–	**100.00** [a] [m]	–	100.00 [a] [m]
Vivant Powercore Active Inc. (VPAI)	–	**100.00** [a] [n]	–	100.00 [a] [n]
Vivant Realty Ventures Corporation (VRVC)	–	**100.00** [r] [s]	–	–
Southern Powercore Holding Corp. (SPHC)	–	**100.00** [b] [t]	–	–
Amberdust Holding Corporation (AHC)	–	**100.00** [b] [u]	–	–
Vivant-Malogo Hydropower, Inc. (VMHI)	–	**67.00** [a]	–	67.00 [a]
1590 Energy Corp. (1590 EC)	–	**55.20** [a]	–	52.70 [a]
Vics-Amlan Holdings Corp. (Vics-Amlan)	–	–	–	60.00 [a]

(Forward)

	2017		2016	
	Percentage of Ownership			
	Direct	**Indirect**	Direct	Indirect
Associates				
Visayan Electric Company, Inc. (VECO)	**34.81** [e]	–	34.81 [e]	–
Prism Energy, Inc. (PEI)	**40.00**	–	40.00	–
Abovant Holdings, Inc. (AHI)	–	**40.00** [c]	–	40.00 [c]
Cebu Private Power Corporation (CPPC)	–	**40.00** [a]	–	40.00 [a]
Minergy Power Corporation (MPC)	–	**40.00** [c]	–	40.00 [c]
Amlan Hydroelectric Power Corporation (AHPC)	–	–	–	30.00 [d]
Therma Visayas, Inc. (TVI)	–	**20.00** [c]	–	20.00 [c]
Lunar Power Core Inc. (LPCI)		**42.50** [c] [l]	–	42.50 [c] [l]
Global Luzon Energy Development Corporation (GLEDC)	–	**42.50** [c] [p]	–	42.50 [c] [p]
Sabang Renewable Energy Corporation (SREC)	–	**30.00** [b] [q]	–	–
Culna Renewable Energy Corp. (CREC)	–	**35.00** [b] [v]	–	–
Joint Ventures				
Calamian Islands Power Corp. (CIPC)	–	**50.00** [a]	–	50.00 [a]
Vivant Sta. Clara Northern Renewables Generation Corporation (VSNRGC)	–	**47.64** [b] [j]	–	47.64 [b] [j]
Delta P, Inc. (Delta P)	–	**50.00** [a] [k]	–	50.00 [a] [k]

a. Indirect ownership through VEC
b. Indirect ownership through VREC
c. Indirect ownership through VIGC
d. Indirect ownership through Vics-Amlan
e. Indirect ownership through HDFE until December 31, 2013
f. Incorporated on January 8, 2010. Changed its corporate name from Vics-Bakun Holdings Corporation (Vics-Bakun) to VREC on October 2, 2015.
g. Incorporated on April 23, 2014
h. Incorporated on July 11 2014
i. Incorporated on August 7, 2015
j. Increased to 47.64% effective November 6, 2015
k. Increased to 50% effective May 28, 2015
l. Incorporated on June 10, 2016
m. Incorporated on May 26, 2016
n. Incorporated on June 13, 2016
o. Incorporated on December 8, 2004. Changed its corporate name from VC Ventures Net, Inc. (VNI) to SGPDC on January 6, 2016.
p. Incorporated on January 31, 2013. Ownership interest in GLEDC is through LPCI.
q. Incorporated on September 27, 2013
r. Indirect ownership through SGPDC
s. Incorporated May 19, 2017
t. Incorporated April 20, 2017
u. Incorporated August 16, 2017
v. Incorporated April 12, 2017

Subsidiaries. Except for 1590 EC, VEC, VMHI, Core, VII, VGPC and VIDC, 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 is in its pre-operating stage of building a hydro power plant in Silay, Negros Occidental. Core is operating as a retail electricity supplier. VEC is administering 17 mega-watt (MW) of geothermal power and operates as a holding and investing company at the same time.

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, 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.