

# COVER SHEET

SEC Registration Number

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**Company Name**

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

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### Form Type

Department requiring the report

Secondary License Type, If Applicable

1	7	-	Q	3rd Qtr. 2017
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N	A		
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## COMPANY INFORMATION

**Company's Email Address**

ortrud\_ting@joh.ph

**Company's Telephone Number/s**

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Mobile Number

\_\_\_\_\_

No. of Stockholders

34

## Annual Meeting

Month/Day

JUNE 14

Fiscal Year

Month/Day

December 31

## CONTACT PERSON INFORMATION

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

Name of Contact Person

ORTRUD T. YAO

Email Address

ortrud\_ting@joh.ph

**Telephone Number/s**

**373-3038**

Mobile Number

\_\_\_\_\_

**Contact Person's Address**

4TH FLOOR LANSBERGH PLACE 170 TOMAS MORATO AVE. COR. SCOUT CASTOR ST., QUEZON 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.

# JOLLIVILLE HOLDINGS CORPORATION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(b)(2) THEREUNDER

1. For the quarterly period ended: **September 30, 2017**
2. SEC Identification No. **134800**
3. BIR Tax Identification **No. 000-590-608-000**
4. Exact name of registrant as specified in its charter:  
**JOLLIVILLE HOLDINGS CORPORATION**
5. Province, Country or other jurisdiction of incorporation or organization:  
**PHILIPPINES**
6. Industry Classification Code : \_\_\_\_\_ (SEC Use Only)
7. Address of principal office and Postal Code:  
**4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St.,  
1103 Quezon City**
8. Registrant's telephone no. and area code: **(632) 373-3038**
9. Former name, address, and fiscal year, if changed since last report:  
**Not applicable**
10. Securities registered pursuant to Sections 4 & 8 of the RSA:

<u>Title of Each Class</u>	<u>No. of Shares of Common Stock</u>
	<u>Outstanding &amp;/or Amount of Debt</u>
	<u>Outstanding</u>
<b>Common Stock, ₱ 1 par value</b>	<b>281,500,000 shares</b>

11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes ☒ No ☐
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes ☒ No ☐
  - (b) has been subject to such filing requirements for the past 90 days:  
Yes ☒ No ☐

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## **FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

Please find attached herein the Unaudited Consolidated Financial Statements (as Exhibit I) for the third (3rd) Quarter ending September 30, 2017.

### **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

#### **Results of Operations**

The consolidated financial statements for the third quarter ended September 30, 2017 resulted in a net income after tax of ₱62,266,613 compared to ₱78,085,644 of the same period last year.

Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 6.92% from ₱238.26 million to ₱254.75 million for the nine months ended of this year as against the same period last year due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of third quarter of 2017, contracted energy was at 29,872,024 kilowatt hours (kWh) as against 33,129,684 kWh for the same period in 2016.

Water service revenues have been steadily increasing and this is attributable to the additional number of subscribers for MAWI. Water service revenues grew by 5.79% from ₱164.88 million to ₱174.43 million for nine months of this year as against the same period last year.

Rental revenues increased by 7.27% or ₱3,279,025 resulting from an additional lease that started last August 2016 and rental rate escalation.

Technical services increased by 5.00% or ₱1,498,420 due to rate escalation starting January 2017.

Cost of services increased by 14.30% or ₱38,808,458 for the period. This was mainly due to increase in fuel expenses brought about by higher fuel prices.

Operating expenses decreased by 8.12% or ₱7,247,059 for the period. The decrease is the net effect of higher depreciation expense, increase in transportation and travel expenses, additional seminar fees, lower personnel cost, lesser taxes and licenses, decrease in repairs and maintenance and no commission fee incurred during the period.

The decrease in net income this period compared to the same period last year resulted from less than ideal power generation of OPI due to lower offtake from ORMECO and expected initial losses from our water operations in Agoo.

Net other charges increased by 65.14% or ₱8,688,027 for the nine months ended September 30, 2017. Higher finance charges are due to additional loan availments made during the period.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of Philippine H2O Ventures, Corp., Nation Water Corp., Metro Agoo Waterworks Incorporated, Buyayao Island Resort Corp., Sapulville Enterprises Corp., Sapul Ventures Corp. and Philippine Hydro Electric Ventures, Inc. The fluctuation in this account is tied-in to the operating results and to the Company's overall ownership in the former.

### **Financial Position**

Total assets increased by 2.96% or ₱143,034,055 from ₱4,828,003,954 as of December 31, 2016 to ₱4,971,038,009 as of September 30, 2017.

The biggest contributor to the increase of total assets came from property, plant and equipment account with carrying value of ₱3,029,055,192 as of September 30, 2017. It increased by 5.09% or ₱146,638,013 due to additional capital expenditures for the construction in progress of OPI's 10MW Hydro Electric Power Plant.

Cash and cash equivalents account decreased by 18.42% or ₱50,705,882 during the period. This represents the net effect of loan availments made and payment of obligations as of third quarter of 2017.

Receivables increased by 6.64% or ₱10,560,397 during the first nine months of 2017 due to additional advances made to suppliers.

Due from related parties increased by 21.21% from ₱64,079,473 as of December 31, 2016 to ₱77,672,553 as of September 30, 2017 as advances were made to affiliates for working capital requirements.

Inventories amounting to ₱18,769,374 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 37.60% from last year's balance of ₱13,640,735.

Other current assets decreased by 1.45% from ₱76,241,273 as of December 31, 2016 to ₱75,132,559 as of September 30, 2017. The decrease mainly pertains to the amortization of prepayment expenses.

The construction of the Inabasan hydro power plant suggests a potential growth in market standing of OPI and of the Company as a whole. The ongoing construction contributed to the increase of other noncurrent assets by 27.31% or ₱18,928,522 which mainly represents additional development costs of the power plant.

Investment property, investment in associates, deferred tax assets and available-for-sale investments were unchanged from their balances as of September 30, 2017.

Loans payable increased by 7.23% or ₱125,287,260 as of September 30, 2017. The increase is the net effect of principal payments made by CWC, MAWI and OPI, additional releases from DBP loan facility intended for the construction of the OPI's Inabasan Power Plant and JLRC's loan availment from a local bank for the construction of Jolly Waves Waterpark Resort.

Accounts payable and other current liabilities decreased by 3.44% from ₱661,426,948 as of December 31, 2016 to ₱638,696,564 as of September 30, 2017. Much of this is attributed to CWC's, MAWI's and OPI's settlement of amount due to contractors.

Due to related parties decreased by 10.44% from ₱250,926,832 as of December 31, 2016 to ₱224,725,129 as of September 30, 2017 as payments were made to affiliates.

The income tax liability as of December 31, 2016 was due and paid on April 2017. The income tax liability as of September 30, 2017 consists of income tax accruals for the third quarter of 2017. Income tax payable increased by 14.19% as of September 30, 2017.

Customers' deposits increased by 7.84% or ₱2,087,956 as of September 30, 2017. This account pertains to additional water meter maintenance collected by CWC and MAWI.

Retirement benefit obligation, deferred tax liabilities and deposit for future stock subscription were unchanged from year-end.

Non-controlling interest represents the share of non-controlling shareholders in the net assets of subsidiaries namely Philippine H2O Ventures, Corp., Nation Water Corp., Metro Agoo Waterworks Incorporated, Buyayao Island Resort Corp., Sapulville Enterprises Corp., Sapul Ventures Corp. and Philippine Hydro Electric Ventures, Inc. The change in this account is tied-in to the discussion on the related item shown in the statements of comprehensive income discussed earlier.

### **Liquidity and Solvency**

The Company's cash balance decreased from ₱275,312,575 as of end of 2016 to ₱224,606,693 as of September 30, 2017. The decrease was due to payments made to creditors. There are sufficient cash and credit to finance operating and investing activities of the Group.

### **Dividends**

None

### **Issuances, Repurchases, and Repayments of Debt and Equity Securities**

None

### **Events that will trigger Direct or Contingent Financial Obligation that is Material to the Company, including any Default or Acceleration of an Obligation**

None

### **Material Off-Balance Sheet Transactions, Arrangements, Obligations (including Contingent Obligations), and Other Relationships of the Company with Unconsolidated Entities or Other Persons created during the Reporting Period**

None

### **Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations**

On June 21, 2016, the Energy Regulatory Commission (ERC) issued a Decision for the approval of the Power Supply Agreement (PSA) between ORMECO and Ormin Power Inc. (OPI). The ERC only granted the generation rates of ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) from OPI's proposed rate of ₱2.95/kWh under the PSA. The difference in rate is primarily due among others, to ERC's exclusion of pre-operating expenses, contingency, permits/licenses and other development costs in the computation of the total project cost as a component of the capacity fee and the use of the contracted energy of 3,800,000 kWh/ month and 4,939,200 kWh/month in fixing the billing determinants.

On October 17, 2016, OPI filed an Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order to the ERC. On January 11, 2017, OPI filed a Supplemental Motion for Partial Reconsideration to submit supporting documents based on OPI's incurred actual expenses.

On June 6, 2017, the Commission issued a Status Quo Ante Order deferring the implementation of the decision dated June 21, 2016 for a period of no more than six (6) months or until the issues are earlier resolved.

**Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item**

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

**Seasonal Aspects that has a Material Effect on the Financial Statements**

None

**Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures**

Ormin Power, Inc. is currently constructing its 10 MW Mini Hydro Power Plant facility in San Teodoro, Oriental Mindoro. The project cost is ₱1.6 billion and it is currently being financed through a term loan from the Development Bank of the Philippines. The total principal and interest released amounted to ₱804.9 million and ₱122.7 million as of September 30, 2017. Expected project completion is on December 2017.

On March 14, 2014, OPI entered into an agreement with a foreign supplier for the purchase of various hydroelectric equipment to be used in the Inabasan Mini Hydro Power Plant. Total contract price of the equipment amounted to US\$3.0 million.

Calapan Waterworks Corporation has completed the 2<sup>nd</sup> Phase Expansion Program for Calapan City Water Supply System. Phase II involved development of new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase II was estimated to cost about ₱162 million, about ₱118 million was financed through bank borrowing while the balance has been funded through internally generated funds.

Metro Agoo Waterworks, Inc. is currently undertaking Phase I of its proposed water system in Agoo, La Union. The estimated cost is ₱313.73 million, about ₱280 million will be financed through bank borrowings while the balance will be funded through internally generated funds.

**Any Significant Elements of Income or Loss that did not arise from Continuing Operations**

None

## **Financial Risk Disclosure**

Please refer to Note 2 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The Group's principal financial instruments comprise of cash, receivables, short-term bank deposits, available-for-sale investments, bank loans, trade payables, due to related parties and payable to property owners. The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk.

The main objectives of the Group's financial risk management areas are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Group's Board reviews and agrees with policies for managing each of these risks. These are summarized below:

### *Liquidity risk*

The Group seeks to manage its liquid funds through cash planning on a weekly basis. The Group uses historical figures and experiences and forecasts from its collections and disbursements. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

### *Interest rate risk*

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates. Also, the Group manages its exposure to interest rate risk by closely monitoring bank interest rates with various banks and maximizing borrowing period based on market volatility of interest rates.

### *Credit risk*

This risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through monitoring procedures and regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Given the Group's diverse customer base, it is not exposed to large concentration of credit risk.



*Currency risk* is the risk that a business' operations or an investment's value will be affected by changes in exchange rates. If Philippine pesos, the Group's functional currency, has to be converted into another currency to buy or sell goods and services, or to make certain investments, a gain or loss may arise when these are converted back into pesos. This risk has been assessed to be insignificant given that all the Group's transactions are made in pesos. The Group has no investments in foreign securities.

*Market risk* is the risk of losses arising from changes in market prices. This usually affects an entire class of assets or liabilities. The value of investments may decline over a given period of time simply because of economic changes or other events that impact large portions of the market. Management has assessed this risk to be insignificant since the Group's financial instruments are not openly traded in the open market (stock exchange, foreign exchange, commodity market, etc.) nor does it engage in exotic financial instruments such as derivatives, spot or forward contracts and the like. The fair values of the Group's financial instruments did not change between this period and the preceding period thus no gain or loss was recognized.

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(Amounts in Philippine Pesos)*

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P 224,606,693	P 275,312,575
Receivables – net	169,620,082	159,059,685
Due from related parties	77,672,553	64,079,473
Inventories - net	18,769,374	13,640,735
Other current assets	75,132,559	76,241,273
Total Current Assets	565,801,261	588,333,741
<b>Noncurrent Assets</b>		
Property, plant and equipment – net	3,029,055,192	2,882,417,179
Investment property	1,214,226,772	1,214,226,772
Investment in associates	50,432,876	50,432,876
Deferred tax assets	20,343,817	20,343,817
Available-for-sale (AFS) investments	2,945,303	2,945,303
Other noncurrent assets	88,232,788	69,304,266
Total Noncurrent Assets	4,405,236,748	4,239,670,213
	P 4,971,038,009	P 4,828,003,954
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Current portion of loans payable	P 481,001,676	P 473,177,821
Accounts payable and other current liabilities	638,696,564	661,426,948
Due to related parties	224,725,129	250,926,832
Income tax payable	18,708,918	16,384,605
Total Current Liabilities	1,363,132,287	1,401,916,206
<b>Noncurrent Liabilities</b>		
Noncurrent portion of loans payable	1,377,819,154	1,260,355,749
Retirement benefit obligation	44,568,155	44,568,155
Deferred tax liabilities	59,246,413	59,246,413
Customers' deposits	28,725,949	26,637,993
Deposit for future stock subscription	35,000,000	35,000,000
Total Noncurrent Liabilities	1,545,359,671	1,425,808,310
Total Liabilities	2,908,491,958	2,827,724,516

(Forward)

(Carryforward)

	<b>September 30, 2017 (Unaudited)</b>	December 31, 2016 (Audited)
<b>Equity</b>		
<b>Attributable to Equity Holders of Parent Company</b>		
Capital stock	<b>P 281,500,000</b>	P 281,500,000
Additional paid-in capital	<b>812,108</b>	812,108
Revaluation surplus on investment property and property and equipment	<b>223,589,552</b>	223,589,552
Revaluation reserves on AFS investments	<b>773,399</b>	773,399
Reserve for actuarial loss	<b>(4,588,097)</b>	(4,588,097)
Retained earnings	<b>1,065,381,168</b>	1,013,518,435
	<b>1,567,468,130</b>	1,515,605,397
<b>Noncontrolling Interests</b>	<b>495,077,921</b>	484,674,041
<b>Total Equity</b>	<b>2,062,546,051</b>	2,000,279,438
	<b>P 4,971,038,009</b>	P 4,828,003,954

See accompanying Notes to Consolidated Financial Statements.

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(Amounts in Philippine Pesos)*

	Quarter Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
<b>REVENUES</b>				
Power sales	P 90,978,960	P 93,054,482	P 254,754,241	P 238,257,532
Water services	60,719,592	57,625,002	174,428,401	164,881,597
Rental	16,066,359	15,173,439	48,401,441	45,122,416
Technical services	10,488,939	9,989,466	31,466,818	29,968,398
	<b>178,253,850</b>	175,842,389	<b>509,050,901</b>	478,229,943
<b>COSTS OF SALES AND SERVICES</b>	<b>111,900,681</b>	103,883,179	<b>310,116,278</b>	271,307,820
<b>GROSS INCOME</b>	<b>66,353,169</b>	71,959,210	<b>198,934,623</b>	206,922,123
<b>OPERATING EXPENSES</b>	<b>24,939,541</b>	32,369,234	<b>82,050,700</b>	89,297,759
<b>INCOME FROM OPERATIONS</b>	<b>41,413,628</b>	39,589,976	<b>116,883,923</b>	117,624,364
<b>OTHER INCOME (CHARGES) – Net</b>	<b>(7,347,275)</b>	(4,269,557)	<b>(22,026,347)</b>	(13,338,320)
<b>INCOME BEFORE INCOME TAX</b>	<b>34,066,353</b>	35,320,419	<b>94,857,576</b>	104,286,044
<b>INCOME TAX EXPENSE</b>				
Current	11,710,882	8,729,115	32,590,963	26,172,067
Deferred	–	28,333	–	28,333
	<b>11,710,882</b>	8,757,448	<b>32,590,963</b>	26,200,400
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P 22,355,471</b>	P 26,562,971	<b>P 62,266,613</b>	P 78,085,644
<b>NET INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	20,634,455	18,439,659	P 51,862,733	P 55,255,942
Noncontrolling interests	1,721,016	8,123,312	10,403,880	22,829,702
	<b>P 22,355,471</b>	P 26,562,971	<b>P 62,266,613</b>	P 78,085,644
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the parent company	P 20,634,455	P 18,439,659	P 51,862,733	P 55,255,942
Noncontrolling interests	1,721,016	8,123,312	10,403,880	22,829,702
	<b>P 22,355,471</b>	P 26,562,971	<b>P 62,266,613</b>	P 78,085,644
<b>EARNINGS PER SHARE</b>	<b>P 0.0733</b>	P 0.0655	<b>P 0.1842</b>	P 0.1963

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	2017	2016
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>		
<b>CAPITAL STOCK</b> – P1 par value		
Authorized – 1,000,000,000 shares		
Subscribed and fully paid		
– 281,500,000 shares	P 281,500,000	P 281,500,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	812,108	812,108
<b>REVALUATION SURPLUS ON INVESTMENT PROPERTY AND PROPERTY AND EQUIPMENT - Net</b>	223,589,552	207,365,658
<b>REVALUATION RESERVES ON AFS INVESTMENTS</b>	773,399	781,642
<b>RESERVE FOR ACTUARIAL LOSS</b>	(4,588,097)	(4,675,669)
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	1,013,518,435	698,378,813
Net income during the period	51,862,733	55,255,942
Balance at end of period	1,065,381,168	753,634,755
	1,567,468,130	1,239,418,494
<b>NONCONTROLLING INTERESTS</b>		
Balance at beginning of year	484,674,041	403,712,942
Share in total comprehensive income	10,403,880	22,829,702
Balance at end of period	495,077,921	426,542,644
	P 2,062,546,051	P 1,665,961,138

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	P 94,857,576	P 104,286,044
Adjustments for:		
Depreciation and amortization	50,051,626	46,576,072
Interest expense	22,278,294	13,409,938
Interest income	(539,143)	(366,894)
Rental income for straight line recognition under PAS 17	-	(94,444)
Operating income before working capital changes	166,648,353	163,810,716
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(10,560,397)	13,335,196
Inventories	(5,128,639)	4,127,366
Other current assets	1,108,714	(13,531,264)
Increase (decrease) in:		
Accounts payable and other current liabilities	(22,730,384)	(57,545,305)
Customers' deposits	2,087,956	4,426,089
Cash generated from operations	131,425,603	114,622,798
Income tax paid	(30,266,650)	(27,473,575)
Interest paid	(22,278,294)	(13,409,938)
Interest received	539,143	366,894
Net cash provided by operating activities	79,419,802	74,106,179
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	P (196,689,639)	P (394,307,659)
Additions to investment in associates	-	(7,500,000)
Additions to investment property	-	(224,923)
Increase in:		
Due from related parties	(13,593,080)	(29,340,843)
Other noncurrent assets	(18,928,522)	(3,246,217)
Net cash used in investing activities	(229,211,241)	(434,619,642)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan availments	146,753,008	228,504,218
Payments of loan	(21,465,748)	(28,669,365)
Increase in due to related parties	(26,201,703)	29,354,820
Net cash provided by financing activities	99,085,557	229,189,673
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(50,705,882)	(131,323,790)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	275,312,575	373,045,395
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P 224,606,693	P 241,721,605

*(Forward)*

(Carryforward)

	2017		2016	
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>				
<b>CONSISTS OF:</b>				
Cash in bank	<b>P</b>	<b>136,046,791</b>	P	130,152,548
Placements		<b>88,221,379</b>		111,250,534
Cash on hand		<b>338,523</b>		318,523
	<b>P</b>	<b>224,606,693</b>	P	241,721,605

*See accompanying Notes to Consolidated Financial Statements.*

# **JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Basis of Preparation of the Financial Statements**

The accompanying consolidated financial statements have been prepared on the historical cost basis except for available-for-sale investments, investment property and certain property and equipment which are stated at fair market value and appraised values, respectively. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

#### Basis of Consolidation

The consolidated financial statements include the accounts of Jolliville Holdings Corporation (the Parent Company) and the following subsidiaries held directly or indirectly through wholly and majority-owned subsidiaries.

<b>Subsidiaries</b>	<b>Percentage of Ownership</b>	
Ormina Realty and Development Corporation (ORDC)	<b>100.00</b>	
Jolliville Group Management, Inc. (JGMI)	<b>100.00</b>	
Servwell BPO International Inc. (Servwell)	<b>100.00</b>	
Granville Ventures Inc. (GVI)*	<b>100.00</b>	
Jollideal Marketing Corporation (JMC)*	<b>100.00</b>	
Jolliville Leisure and Resort Corporation (JLRC)*	<b>100.00</b>	
Buyayao Island Resort Corporation (Buyayao Island)*	<b>51.00</b>	
Sapulville Enterprises Corp.	<b>75.00</b>	
Sapul Ventures Corp.	<b>75.00</b>	
Ormin Holdings Corporation (OHC)* and Subsidiaries:		<b>100.00</b>
OTY Development Corp. (ODC)*		<b>100.00</b>
Melan Properties Corp. (MPC)*		<b>100.00</b>
KGT Ventures, Inc. (KVI)*		<b>100.00</b>
Ibayo Island Resort Corp. (IIRC)*		<b>100.00</b>
NGTO Resources Corp. (NRC)*		<b>100.00</b>
Philippine Hydro Electric Ventures, Inc.		<b>100.00</b>
Ormin Power, Inc. (OPI)	<b>60.00</b>	
Tabuk Water Corp. (TWC)		<b>100.00</b>
Philippine H2O Ventures, Corp. and Subsidiaries		
Direct ownership of the Parent Company	<b>33.51</b>	
Parent Company's ownership through OHC Subsidiaries	<b>24.67</b>	<b>58.18</b>
Calapan Waterworks Corporation (CWC)		<b>58.01</b>
Metro Agoo Waterworks Inc. (MAWI)		
Parent Company's ownership through CWC		<b>48.21</b>
Nation Water Corporation (NWC) *		
Parent Company's ownership through CWC and TWC		<b>58.18</b>

\*preoperating stage



Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

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

Noncontrolling interests share in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the noncontrolling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interests in excess of the noncontrolling interests share in the subsidiary's equity are allocated against the interest of the Group except to the extent that the noncontrolling interests has a binding obligation and is able to make an additional investment to cover losses.

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## 2. **Changes in Accounting and Financial Reporting Policies**

### Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended and improved PFRS and PAS which became effective in 2016:

- PFRS 10, PFRS 12 and PAS 28, "*Investment Entities*": *Applying the Consolidation Exception*  
The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with PFRS 10. Consequential amendments have also been made to PAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12 Disclosure of Interests in Other Entities.

This amendment does not have significant impact on the Group's consolidated financial statements.

- PFRS 11, "*Accounting for Acquisitions of Interests in Joint Operations*"  
The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply the principles on business combinations accounting. Previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. Amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party. The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted.

The amendment does not apply to the Group as it currently has no interest in a joint operation.

- 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.

The standard has no impact on the Group's consolidated financial position or performance.

- PAS 1, "*Presentation of Financial Statements*": *Disclosure Initiative*  
The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in PAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are follows:
  - An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
  - An entity need not provide a specific disclosure required by a PFRS if the information resulting from that disclosure is not material.
  - In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosure for the following items:
    - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
    - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments have no significant impact on the Group's consolidated financial statements.

- PAS 16, "*Property, Plant and Equipment*" and PAS 38, "*Intangible Assets*": *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify that revenue-based methods to calculate the depreciation of an asset is inappropriate because revenue generated by an activity that includes the use of an asset reflects factors other than the consumption of the economic benefits embodied in 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 do not have significant impact on the Group's consolidated financial position or performance.

- PAS 16, "*Property, Plant and Equipment*" and PAS 41, "*Agriculture*": *Bearer Plants*

The amendment clarifies that biological assets that meet the definition of bearer plants will be accounted for in the same way as property, plant and equipment PAS 16 *Property, Plant and Equipment*. The amendment also clarifies that produce growing on bearer plants continues to be accounted under PAS 41. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

The amendments are not applicable to the Group as it currently has no biological assets.

- PAS 27, "*Separate Financial Statements*": *Equity Method in Separate Financial Statements*

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 the 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 do not have an impact on the Group's consolidated financial position or performance.

#### Annual Improvements to PFRS and PAS (2012-2014 Cycles)

- PFRS 5, "*Noncurrent Assets Held for Sale and Discontinued Operations*": *Changes in Methods of Disposal*

The amendment clarify the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to other should not be considered a new plan rather as 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 date of classification.

This amendment is not applicable to the Group as it has no noncurrent assets held for sale and discontinued operations.

- PFRS 7, "*Financial Instruments: Disclosure – Servicing Contracts*"  
This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to disclose any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will be applied retrospectively. An entity that first applies the amendments is not required to provide comparative disclosures for any period beginning before the annual period of first application.

This amendment does not have significant impact on its consolidated financial statements.

- PFRS 7, "*Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*"  
The amendment 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. This amendment is applied.

This amendment does not have significant impact on its consolidated financial statements.

- PAS 19, "*Employee Benefits*": *Regional Market Issue Regarding Discount Rate*  
This amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus the depth of the market for high quality corporate bonds should be assessed.)

This amendment does not have significant impact on the Group's consolidated financial statements.

- PAS 34, "*Interim Financial Reporting*" *Disclosure of information 'elsewhere in the Interim Financial Report'*  
These amendments clarify that an entity discloses information elsewhere in the interim financial report when it incorporates disclosures by cross-reference to information in another statement and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

This amendment does not have significant impact on the Group's consolidated financial statements.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2016

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2017

- PAS 7, "*Cash Flow Statements*": *Disclosure Initiative*

The amendments require the entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that maybe necessary in order to satisfy the above requirement includes:

- changes in liabilities arising from financing activities caused by changes in financing cashflows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and
- a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

These amendments are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted. The Group does not expect that the amendments will have significant impact on the consolidated financial statements.

- PAS 12, "*Income Taxes*": *Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

These amendments are effective for annual periods beginning on or after January 1, 2017, with earlier application permitted. As transition relief, an entity may recognize the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity.

The Group does not expect that the amendments will have significant impact on the consolidated financial statements.

Effective in 2018

PFRS 9, "*Financial Instruments: Classification 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 FVPL. For liabilities designated as at FVPL using the FVO, 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 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Group is currently assessing the impact of this new standard to its consolidated financial statements.

This is not expected to have a significant impact on the Group's consolidated financial statements.

#### Effective in 2019

- PFRS 16, "*Leases*"

On January 13, 2016, the IASB issued its new standard, PFRS 16, Leases, which replaces PAS 17, the current leases standard, and the related Interpretations. Under the new standard (renamed as PFRS 16), lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statements of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its consolidated statements of financial position.

#### Deferred

- 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 Philippine 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. Currently, the Group has no activities to which this interpretation will apply.

- 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 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.

The amendments do not have an impact on the Group's consolidated financial position or performance as it currently has no such transaction. The Group will accordingly recognize the effect of sale or contribution of assets under the amended standards when such transaction exists.

Standards adopted by the Philippines Financial Reporting Standards Council (FRSC) but not yet been approved by the Board of Accountancy (BOA)

- Amendments to PFRS 2, "*Classification and Measurement of Share-based Payment Transactions*" – effective beginning on or after January 1, 2018
- Amendments to PFRS 4, "*Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*" – effective beginning on or after January 1, 2018
- PFRS 15, "*Revenue from Contracts with Customers*" – effective beginning on or after January 1, 2018
- Amendments to PFRS 15, "*Clarifications to PFRS 15*" – effective beginning on or after January 1, 2018
- *Annual Improvements to PFRSs 2014 to 2016 Cycle*
- Amendments to PFRS 1, "*Deletion of Short-term Exemptions for First-time Adopters*" – effective beginning on or after January 1, 2018
- Amendments to PFRS 12, "*Clarification of the Scope of the Standard*" – effective beginning on or after January 1, 2017
- Amendments to PAS 28, "*Measuring an Associate or Joint Venture at Fair Value*" – effective beginning on or after January 1, 2018
- Amendments to PAS 40, "*Transfers of Investment Property*" – effective beginning on or after January 1, 2018
- Philippine Interpretation IFRIC 22, "*Foreign Currency Transactions and Advance Consideration*" – effective beginning on or after January 1, 2018

The Group will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Group's financial statements when these are adopted.

The principal accounting policies applied in the preparation of the Group's consolidated financial statements are set out below:

Financial Assets and Liabilities

Recognition

The Group recognizes a financial asset or liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. It determines the classification of financial assets and liabilities at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and 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 FVPL in which the transaction costs are recognized in profit or loss.

Determination of Fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instruments with similar maturities.

Financial assets and liabilities are further classified into the following categories: financial assets or financial liabilities at FVPL, loans and receivables, held-to-maturity investments, and available-for-sale financial assets and other financial liabilities. The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation at every reporting date.

As of September 30, 2017 and December 31, 2016, the Group holds financial asset under loans and receivables, available-for-sale and financial liability under other financial liabilities.

A more detailed description of the categories of financial assets and liabilities that the Group has is as follows:

- *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at fair value. Subsequent to initial recognition, loans and receivables that are classified as non-current are carried at amortized cost in the statements of financial position. Assets that are classified as current are carried at their undiscounted amount. Amortization is determined using the effective interest rate method. Loans and receivables are included in current assets if maturity is within twelve (12) months of each end of financial reporting period. Otherwise, these are classified as noncurrent assets.

This category includes cash and cash equivalents, receivables, due from related parties and deposits and reserve fund.

- *Available-for-Sale (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 other preceding categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as 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 fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flows analysis and option pricing models.



Classified under this category are the Group's mutual fund managed by an insurance company.

- *Other Financial Liabilities*

Other financial liabilities pertain to liabilities that are not held for trading or not designated as FVPL upon inception of the liability. A financial liability at FVPL is acquired principally for the purpose of repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL.

Other financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings.

This category includes accounts payable and other current liabilities, due to related parties, loans payable, and customers' deposit in the consolidated statements of financial positions.

*Impairment of Financial Assets*

The Group assesses at the end of each financial reporting period whether a financial asset or group of financial assets is impaired. Impairment losses, if any are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows or current fair value.

- *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 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 shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's 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 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.

- *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 profit or loss, is transferred from equity to the consolidated statement of comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

#### *Derecognition of Financial Assets and Liabilities*

##### *Financial Assets*

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) 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 (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated statement of comprehensive income.

#### *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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

### Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for the subsequent measurement in accordance with the Group's accounting policies.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment. Goodwill is tested annually for impairment and carried at cost less accumulated impairment. Impairment losses on goodwill are not reversed.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

### 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 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 nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

#### Revenue, Cost and Expense Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

- *Power sales and water services* are recognized when the related services are delivered.
- *Rental income* is recognized on a straight-line basis in accordance with the substance of the lease agreement.
- *Technical services* comprise the value of all services provided and are recognized when rendered.
- *Sale of goods* is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.
- *Interest income* is recognized on a time proportion basis that reflects the effective yield on the asset.
- *Other income* is recognized when the related income/service is earned.

#### Cost and Expenses Recognition

Cost and expenses are recognized in the consolidated statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

#### 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 three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

#### *Special Bank Deposit and Reserve Fund*

Certain bank deposits are restricted for withdrawal by the creditor bank as hold-out fund for the Group's loan availments. These are classified as noncurrent assets.

#### Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

#### Other Assets

This account comprises the following:

- *Input tax* is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.
- *Prepayments* are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of comprehensive income when incurred.
- *Creditable withholding tax* is deducted from income tax payable in the same year the revenue is recognized.

Prepayments and other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current assets. Otherwise, these are classified as other noncurrent assets.

#### Investment in an Associate

An associate is an entity in which the Group's ownership interest ranges between 20% and 50% or where it has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not in control or joint control over those policies.

The Group carries its investment in an associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee company since date of acquisition and reduced by dividends received. Equity in net losses is recognized only up to the extent of acquisition costs.

#### Investment Property

Investment property represents property held either to earn rental income or for capital appreciation or 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 property is accounted for under the fair value model. Generally, it is revalued annually and is included in the Group's statement of financial position at its fair value. Fair value is supported by market evidence and is determined by independent appraisers with sufficient experience with respect to both the location and the nature of the investment property.

Investment property, which consists mainly of land, buildings and condominium units, is initially measured at acquisition cost, including transaction costs.

Any gain or loss resulting from either a change in the fair value or the sale or retirement of an investment property is immediately recognized in profit or loss as fair value adjustment on investment property under other income in the Group's statements of comprehensive income. In case of fair value loss and there is a carrying revaluation surplus balance as a result of transfer from property, plant and equipment carried at appraised value, the loss shall be applied first to the balance of revaluation surplus before recognizing the remaining loss to profit or loss.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal.

A Group-occupied property classified under property and equipment account becomes an investment property when it ends Group-occupation.

#### Property, Plant and Equipment

Land and building and improvements are carried at appraised values as determined by an independent firm of appraisers on January 15, 2016. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus" shown under Equity section in the consolidated statement of financial position. Other property, plant and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

Initial cost of property, plant and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Depreciation and amortization is computed using the straight-line method over the following estimated useful lives except for leasehold improvements which are amortized over the estimated useful life of the assets or term of the lease, whichever is shorter.

	Years
Leasehold improvements	20
Buildings, condominium units and improvements	10 - 25
Furniture, furnishings and equipment for lease	10
Water utilities and distribution system	10 - 50
Power plant	15
Office furniture, fixtures and equipment	5
Transportation equipment	8

The residual values, useful life and depreciation and amortization method are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction in progress, included in the property and equipment, is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress and equipment for installation is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

#### Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property, Plant and Equipment" account in the consolidated statement of financial position.

Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

#### Research and Development Costs

Research costs are expensed as incurred. Development expenditures incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized in line with the expected future revenue from the related project. Otherwise, development costs are expensed as incurred. The costs will be amortized on a straight-line basis over a period of 25 years upon completion.

#### Impairment of Nonfinancial Assets

The carrying values of long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

#### Loans Payables

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the settlement amount is recognized over the term of the loan in accordance with the Group's accounting policy for borrowing costs.

Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

#### Employee benefits

##### *Short-term benefits*

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

##### *Retirement benefits*

Retirement benefits liability, as presented in the consolidated statement of financial position, 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, adjusted for the 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 plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the 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 profit or loss. 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 profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

#### Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) and, individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### Foreign Currency Transactions and Translations

Transactions denominated in foreign currencies are recorded in Philippine pesos using the exchange rate at the date of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are stated using the closing exchange rate at the end of financial reporting period. Gains or losses arising from foreign currency transactions are credited or charged directly to current operations.

### Equity

- *Capital stock* is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related taxes.
- *Revaluation surplus accounts* for the excess of the fair market value over the carrying amounts of "Land and improvements" and "power plant" included under the Property, plant and equipment account and certain investment property. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.
- *Revaluation reserves on available-for-sale* investment accounts are the excess of the fair market value over the carrying amounts of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to consolidated statement of comprehensive income in the year that the permanent fluctuation is determined.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated statement of comprehensive income.
- *Reserve for actuarial gain (loss)* comprises the net actuarial gains and losses on the Group's retirement obligation as a result of re-measurement.

### Leases

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

#### *The Group as lessor*

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting period so as to reflect a constant periodic rate of return on the Group's net investment in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the lease asset and recognized on a straight-line basis over the term of the lease.

#### *The Group as lessee*

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental is recognized as expense in the periods in which it is incurred.

Rental expense under operating leases is charged to profit or loss on a straight-line basis over the term of the lease.

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

#### Income Taxes

Income taxes represent the sum of current year tax and deferred tax.

The current year tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

#### Earnings per Share (EPS)

EPS is determined by dividing net income for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

#### Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

#### 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. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

#### Events after the End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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### **3. Management's Use of Judgments and Estimates**

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates. The effect of any changes in estimates will be recorded in the Group's consolidated financial statements when determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### 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:

- *Determination of Control.*

The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

- Power over the entity;
- Exposure, or rights, to variable returns from its involvement with the entity; and,
- The ability to use its power over the entity to affect the amount of the Parent Company's returns.

The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Classification of Leases*

The Group has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Currently, all of the Group's lease agreements are determined to be operating leases.

- *Determination of Impairment of AFS Investment*

The Group follows the guidance of PAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

- *Classification of Fair Value of Financial Instruments*

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

- *Measurement of Security Deposits*

The future cash flows of security deposits from the leases cannot be readily determined nor reliably measured because the actual timing of payment cannot be reasonably predicted as these deposits are generally redeposited every renewal of lease contracts, the new terms and conditions thereof are not yet known. Further, the deposit that will actually be repaid to the Company is also attached to a conditional repayment provision that is the faithful performance by the Company as a lessee of its obligations under the lease contracts. Accordingly, security deposits are carried at cost less any impairment.

- *Distinction between Investment Property and Owner-Occupied Property*

The Group determines whether a property qualifies as an investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If the portion cannot be sold separately, the property is accounted for as an investment property only if an insignificant portion is held for use in the production or supply of goods and services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

- *Classification of Financial Instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition financial liability or an equity instrument in accordance with the substance of the contractual definitions of a financial asset, a financial liability or an equity instrument. The substance rather than its legal form, governs its classification in the consolidated statements of financial position.

Estimates

The key assumptions concerning the future and other sources of estimation of uncertainty at the end of financial reporting period 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:

- *Impairment of Receivables*

The Group maintains allowance for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts.

The factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

- *Net Realizable Value (NRV) of Inventories*

The Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at financial reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made of different estimates were utilized.

- *Allowance for Inventory Obsolescence*

Provision is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for obsolescence if any, is made.

- *Fair Value Measurement of Investment Property*

The Group's investment property composed of parcels of land and buildings and improvements are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

- *Useful Lives of Property, Plant and Equipment*

Useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

There were no significant changes in the estimated useful lives of the Group's property, plant and equipment during the year.

- *Determination of Pension and Other Retirement Benefits*

The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts.

Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Impairment of Nonfinancial Assets*

Impairment review is performed when certain impairment indicators are present. Such indicators would include significant changes in asset usage, significant decline in market value and obsolescence or physical damage on an asset. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

- *Impairment of Goodwill*

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. 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 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 to calculate the present value of those cash flows.

- *Realizability of Deferred Tax Assets and Deferred Tax Liabilities*

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- *Fair Value of Financial Assets and Liabilities*

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.



- *Provisions for Contingencies*

The estimate of the probable costs for possible third party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the consolidated financial statements, no provision for probable losses is recognized in the consolidated financial statements.

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#### 4. **Loans Payable**

This account pertains to long-term loans from local banks as follows:

- a. On April 8, 2011, OPI entered into a loan agreement with a local bank for the establishment of a power plant for ₱275.9 million payable in ten (10) years with six months grace period. Interest is fixed at 9.0% per annum but subject to re-pricing. As of September 30, 2017, interest rate is 5.75% per annum.

*Debt Covenant*

OPI entered into a Deed of Assignment with Hold-Out relative to the loan, in favor of the bank, OPI's trade receivable under the Power Supply Agreement (PSA) entered with Oriental Mindoro Electric Cooperative, Inc. (ORMECO). Also, the loan requires a portion of OPI's cash in bank pertaining to a Reserve Fund equivalent to two (2) months amortization payable under the loan agreement.

Also, as a security for the loan, OPI mortgaged its 6.4 MW Bunker C-Fired Packaged Power Station in favor of the bank.

On June 25, 2013, OPI availed a term loan agreement with a local bank for the construction of Inabasan Mini-Hydro Power Plant amounting to ₱1.1 billion. The release of loan proceeds depends on the fulfillment, compliance or submission by OPI of the specific conditions for the following project components: civil works, electro-mechanical works, and contingent works. The total principal and interest released amounted to ₱804.9 million and ₱122.7 million, respectively as of September 30, 2017.

On July 15, 2015, OPI availed a term loan agreement with a local bank amounting to ₱90.6 million to finance the costs incurred for OPI's Calapan Diesel Power Plant Expansion. The loan is payable within 10 years with six months grace period with 5.75% interest rate per annum. As of September 30, 2017 and December 31, 2016, the loan amounted to ₱74.7 million and ₱81.04 million, respectively.

In 2016 and 2015, OPI availed short-term loans from various local banks. Total loan proceeds amounted to ₱220.0 million in 2016 and ₱158.0 million in 2015 of which ₱73.5 million and ₱79.0 million has been paid on the respective years. Interest on loans ranges from 2.90% to 4.75% per annum. The loans are payable within 1 month to 6 months from availment of the loans subject to renewal upon mutual agreements of the parties. As of September 30, 2017 and December 31, 2016, OPI's short-term loans from various local banks amounted to ₱375.0 million and ₱370.0 million, respectively.

In 2016 and 2015, OPI entered into various car loan agreements with a local bank for its BOD and officers' requirement. The cost of the cars was capitalized as part of "Transportation equipment" account. The amount financed by the bank amounted to ₱3.25 million in 2016 and ₱1.42 million in 2015 payable in monthly installments for 5 years with annual interest rate of 9.35% in 2016 and 9.59% in 2015. As of September 30, 2017 and December 31, 2016, the loan balance amounted to ₱3.64 million and ₱4.24 million, respectively.

- b. In December 2005, CWC entered into loan agreement from a local bank for the rehabilitation, expansion and improvements of its waterworks system for ₱137 million payable in fifteen (15) years. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWC was able to negotiate the interest rate at 6.25% in 2016 and 2015.

In 2014, CWC entered into another loan agreement with local bank for ₱118.25 million. Total proceeds during the year amounted to ₱92.3 million payable in ten (10) years with annual interest of 6%. The proceeds of the loan will be used exclusively to finance the water source development, acquisition of three (3) sets of electro-mechanical equipment, site and land development, construction of a high ground reservoir and expansion of its waterworks system.

*Debt Covenant*

CWC executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of CWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards and (b) billed water/receivables until the amount of the loan is fully paid. The Reserve Fund shall be maintained for CWC's expenses for maintenance, operation and emergency fund.

Also, the Parent Company, CWC and major stockholders mortgaged their real estate and other equipment situated in Calapan City, Oriental Mindoro in favor of the bank. The titles of the mortgaged property have already been delivered to the bank.

As of September 30, 2017 and December 31, 2016, this loan amounted to ₱125.72 million and ₱140.38 million, respectively.

- c. On September 14, 2015, MAWI entered into a loan agreement with DBP to partially finance the Phase 1 of the proposed improvement and expansion of water supply system in Agoo, La Union. Total proceeds amounted to ₱109.9 million payable in fifteen (15) years inclusive of a maximum of two years grace period on principal with interest rate of 6.78% per annum.

*Debt Covenant*

MAWI executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of MAWI's Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after six (6) months from the date of commercial operation; and (b) billed water services until the amount of the loan is fully paid. The said Reserve Fund is subject to a hold-out provision equivalent to at least one (1) quarterly amortization due under this agreement.

Also, MAWI entered to in a Deed of Undertaking and Deed of Trust to constitute (a) within six (6) months from the date of full release of loan a real estate mortgage over all real properties, together with improvements to be acquired out of the total proceeds of the loan; (b) to increase its authorized capital stock and paid up capital within one (1) year of loan availment to at least ₱45.0 million and within two (2) years from the date of full release of loan to at least ₱92.0 million; and (c) a chattel mortgage over property and equipment to be acquired under the loan agreement.

As of September 30, 2017 and December 31, 2016, this loan amounted to ₱216.98 million and ₱217.44 million, respectively.

- d. On July 20, 2017, JLRC entered into a loan agreement with a local bank for the construction of Jolly Waves Waterpark Resort for ₱246.0 million which is payable in ten (10) years with one (1) year grace period from the initial drawdown. Interest is fixed at 4.0% per annum but subject to re-pricing. As of September 30, 2017, this loan amounted to ₱31.84 million, respectively.
- e. In October 2015, Servwell availed auto loan financing from a local bank. Total loan proceeds amounted to ₱0.7 million with interest rate of 9.08% which is payable in twelve (12) monthly installments from the date of availment. This loan has been fully paid as of September 30, 2016.

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## 5. Related Party Transactions

The Group has the following transactions with related parties:

- a. Unsecured and non-interest bearing cash advances made by stockholders to the Group for working capital purposes which are payable on demand and usually settled in cash.
- b. Unsecured and noninterest bearing cash advances from affiliates for working capital purposes which are payable on demand and usually settled in cash.
- c. On July 15, 2014, CWC entered into another construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of 2014 Expansion Program. Total contract price of the project amounted to ₱162 million.
- d. On March 4, 2015, MAWI entered into a construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of the Proposed Water System. Total contract price of the project amounted to ₱313.7 million.
- e. In 2015, JGMI entered into a contract with an affiliate to manage and supervise the construction of a water work system. Total contract price is ₱12.5 million to be paid based on progress billings. Also, the Company rendered services to the affiliate in connection with the detailed engineering design of Agoo water system.

Affiliates are entities that are owned and controlled by the Parent Company and neither a subsidiary nor associate of the Group. These affiliates are effectively sister companies of the Group by virtue of ownership of the Parent Company.

## 6. Other Income (Charges) - net

This account consists of:

	Nine months ended September 30	
	2017	2016
Interest expense	(P22,278,294)	(P13,409,938)
Interest income	539,143	366,894
Financial host expense	(298,720)	(519,568)
Bank charges	(290,899)	(246,651)
Net foreign exchange gain	4,099	9,526
Gain on sale of asset	—	40,000
Others	298,324	421,417
	<b>(P22,026,347)</b>	<b>(P13,338,320)</b>

## 7. Income Taxes

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

Deferred tax assets consist of tax effect of retirement benefit obligation, net operating loss carry-over, allowance for impairment losses of receivables, rent expense as result of PAS 17 and carryforward benefit of minimum corporate income tax.

Deferred tax liabilities include tax effect of fair value adjustments and appraisal increase in property and equipment classified as ordinary asset, capitalized borrowing costs, rental income as result of PAS 17 and unrealized foreign exchange gain/loss.

The Group did not recognize the deferred tax asset on NOLCO since management believes this could not be realized prior to its expiration.

## 8. Earnings Per Share (EPS)

Computation of EPS is as follows:

	Nine months ended September 30	
	2017	2016
Net income attributable to equity holders of the parent company	<b>P51,862,733</b>	P55,255,942
Divided by weighted average number of common shares	<b>281,500,000</b>	281,500,000
	<b>P0.1842</b>	P0.1963

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9. **Other Matters**

*Issuance of Decision for Jolliville Holdings Corporation versus Jollibee Foods Corporation; Appeal No. 14-2014-0035; IPC No. 14-2013-00076, Office of the Director General ("ODG"), Intellectual Property Office, Makati City*

On March 10, 2014, the Parent Company filed its Position Paper with Bureau of Legal Affairs ("BLA"). Jollibee did not file any Position Paper. On September 23, 2014, the Company received a copy of the BLA of the Philippine Intellectual Property Office ("IPO") Decision No. 2014-226 dated September 16, 2014 ("Decision") sustaining the opposition of Jollibee Foods Corporation and denying the registration of the Jolliville Holdings Corporation's name and logo application with the IPO Office. The decision was made in connection to a case filed by Jollibee Foods Corporation vs. Jolliville Holdings Corporation against the mark "JOLLIVILLE HOLDINGS CORPORATION & LOGO".

The Parent Company maintains its position that it has the lawful right to use its name and logo and has filed an appeal with the IPO Office.

On October 23, 2014, the Parent Company appealed the decision in IPC No. 14-2013-00076, by filing its Appeal Memorandum with the IPO's ODG. To facilitate efforts to secure an amicable settlement of the case, successive, mediation conferences were scheduled on February 20, 2015, March 19, 2015, April 20, 2015, and May 20, 2015. Mediation proceedings were terminated during the fifth mediation conference on May 20, 2015 with the agreement of both parties after all efforts to secure an amicable settlement of the case proved unsuccessful.

On October 27, 2015, the Parent Company received, through undersigned counsel, the ODG's Order dated October 23, 2015 granting both parties fifteen (15) days from the receipt thereof within which to file their respective memoranda. Accordingly, undersigned counsel filed on November 11, 2015 the Parent Company's Memorandum dated November 10, 2015. On November 13, 2015, undersigned counsel was received a copy of Jollibee's Memorandum dated November 11, 2015. With the submission of respective Memoranda by both parties, the instant case is now deemed submitted for resolution by the ODG.

With the submission of respective *Memoranda* by both parties, the instant case is now deemed submitted for resolution by the ODG.

On January 12, 2017, undersigned counsel received a copy of Jollibee's *Manifestation* dated January 5, 2017, alleging therein that the Parent Company had failed to timely submit the Third (3<sup>rd</sup>) Year Declaration of Actual Use ("DAU") for Trademark Application No. 4-2012-010131, resulting in the automatic refusal of the Parent Company's pending trademark application. Consequently, Jollibee sought the dismissal of the pending appeal for being moot and academic based on the alleged abandonment of the mark subject of the appeal. In response thereto, undersigned counsel filed on January 31, 2017 with the BLA its Comment [Re: *Manifestation* dated January 5, 2017] dated January 30, 2017, explaining that the 3<sup>rd</sup> Year DAU for Trademark Application No. 4-2012-010131 was submitted together with the trademark application thereof on August 17, 2012, and was accepted by the IPO on July 19, 2013. Accordingly, Jollibee filed its *Withdrawal of Manifestation* dated February 7, 2017.

On June 8, 2017, the ODG issued a Decision on this case. Wherefore, in view of all the foregoing, the decision of the BLA Director is hereby reversed and the appeal is hereby granted.

*Increase of Authorized Capital Stock of Ormin Power, Inc.*

On August 11, 2017, SEC approved Ormin Power, Inc. (OPI)'s increase in authorized capital stock from ₱466,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share to ₱766,000,000 divided into 466,000,000 common shares with par value of ₱1.00 per share and 300,000 preferred shares with par value of ₱1,000.00 per share.

*Increase of Authorized Capital Stock of Philippine H2O Ventures, Corp.*

On October 5, 2015, SEC approved Philippine H2O Ventures, Corp. (Phil. H2O)'s increase in authorized capital stock from ₱200.0 million divided into 200 million common shares with a par value of ₱1.00 to ₱500.0 million divided into 500 million common shares with a par value of ₱1.00. Furthermore, in an Order dated October 20, 2015, SEC upon consideration of the application of Phil. H2O's increase of authorized capital stock, authorized the issuance of 81,080,500 common shares with par value of ₱1.00 or ₱81,080,500 to cover the latter's stock dividend declaration and such issuance shall be to stockholders of record as of November 4, 2015.

**KEY PERFORMANCE INDICATORS**

**September**

2017 2016

**I PROFITABILITY**

**Return on Total Assets**

It measures efficiency of the Group in using its assets to generate net income.

ROA=	$\frac{\text{NI} + \{(\text{interest exp} \times (1 - \text{tax rate}))\}}{\text{Ave. Total Assets}}$	77,861,419	87,472,600
		4,899,520,982	4,187,827,369
		0.0159	0.0209

**Return on Equity**

It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.

ROE=	$\frac{\text{Net Income}}{\text{Ave. Stockholders Equity}}$	62,266,613	78,085,644
		2,031,412,745	1,626,918,316
		0.0307	0.0480

**Water Revenue per Subscriber**

Measures how well service and facilities improvements have influence consumer's usage.

WRS=	$\frac{\text{Water Revenue}}{\text{Ave. No. of Water Subscribers}}$	174,428,401	164,881,597
		19,535	16,048
		8,929	10,274

**II FINANCIAL LEVERAGE**

**Debt Ratio**

It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.

Debt Ratio=	$\frac{\text{Total Liabilities}}{\text{Total Assets}}$	2,908,491,958	2,648,307,694
		4,971,038,009	4,314,268,832
		0.5851	0.6138

**Debt to Equity Ratio**

It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.

Debt to Equity=	$\frac{\text{Total Liabilities}}{\text{Shareholder's Equity}}$	2,908,491,958	2,648,307,694
		2,062,546,051	1,665,961,138
		1.4101	1.5897

**III MARKET VALUATION**

**Price to Book Ratio**

Relates the Group's stock to its book value per share.

PB ratio=	$\frac{\text{Market value/share}}{\text{Book value/share}}$	4.89	4.00
		7.33	5.92
		0.6671	0.6757

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**SEPTEMBER 30, 2017 AND DECEMBER 31, 2016**

<b>SEPTEMBER 30, 2017</b>					
	Current	1-30 days	31-60 days	Over 60 days	Total
Trade	64,078,010	2,846,850	2,438,838	17,458,533	86,822,231
Advances and nontrade	389,842	9,708	5,768	82,392,533	82,797,851
	<u>64,467,852</u>	<u>2,856,558</u>	<u>2,444,606</u>	<u>99,851,066</u>	<u>169,620,082</u>
<b>DECEMBER 31, 2016</b>					
	Current	1-30 days	31-60 days	Over 60 days	Total
Trade	16,664,634	447,988	312,146	25,778,430	43,203,198
Advances and nontrade	8,452,953	127,366	10,775	107,265,393	115,856,487
	<u>25,117,587</u>	<u>575,354</u>	<u>322,921</u>	<u>133,043,823</u>	<u>159,059,685</u>



**JOLLIVILLE HOLDINGS CORPORATION**  
**(A Subsidiary of Jolliville Holdings Corporation)**  
**SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**SEPTEMBER 30, 2017**

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<b>Beginning Unappropriated Retained Earnings, as adjusted</b>	P	(48,506,789)
<b>Add net income during the period</b>		<u>3,063,018</u>
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	P	<u><u>(45,443,771)</u></u>

**JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER**  
**PHILIPPINE FINANCIAL REPORTING STANDARDS**  
**SEPTEMBER 30, 2017**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>				
Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for First time adopters*		✓	
<b>PFRS 2</b>	Share-based Payment			✓ **
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓ **
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓ **
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition		✓	
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓ **
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓ **

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓ **
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal *			✓ **
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓ **
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓ **
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓ **
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓ **
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts*			✓ **
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*			✓ **
<b>PFRS 8</b>	Operating Segments	✓		
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets		✓	
<b>PFRS 9</b>	Financial Instruments*	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓ **
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*	✓		
<b>PFRS 10</b>	Consolidated Financial Statements			✓ **
	Amendments for Investment Entities			✓ **
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception*			✓
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and			✓

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*			
PFRS 11	Joint Arrangements			✓ **
	Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations*			✓ **
PFRS 12	Disclosure of Interests in Other Entities			✓ **
	Amendments for Investment Entities*			✓ **
	Amendment to PFRS 10, PFRS 12 and PAS 28: Investment Entities – Applying the Consolidation Exception			✓ **
	Annual Improvements to PFRSs (2014-2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard*		✓	
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		
	Annual Improvements (2011-2013 Cycle): Portfolio Exception			✓ **
PFRS 14	Regulatory Deferral Accounts*			✓ **
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendment to PFRS 15: Clarifications to PFRS 15*		✓	
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 (Annual Improvements 2009-2011 Cycle)	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative*			✓ **
PAS 2	Inventories			✓ **
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓ **
	Amendment to PAS 12: Recognition of Deferred Tax: Assets for Unrealized Losses*		✓	
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓ **
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓ **
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization*			✓ **
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓ **
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate*			✓ **
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓ **
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓ **
	Amendment: Net Investment in a Foreign Operation			✓ **
PAS 23 (Revised)	Borrowing Costs			✓ **
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments in Investment Entities			✓ **

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements*			✓ **
<b>PAS 28</b>	Investments in Associates	✓		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures			✓ **
	Amendment to PFRS 10, PFRS 12 and PAS 28: Investment Entities – Applying the Consolidation Exception			✓ **
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associates and Joint Venture		✓	
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to Pas 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 31</b>	Interests in Joint Ventures			✓
<b>PAS 32</b>	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			✓ **
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓ **
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting			✓ **
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset			✓ **
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets			✓ **
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓ **
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization*			✓ **

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>PAS 39</b>	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			✓ **
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓ **
<b>PAS 40</b>	Investment Property	✓		
	Amendments to PAS 40: Investment Property*			✓ **
<b>PAS 41</b>	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer of Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 8</b>	Scope of PFRS 2			✓ **
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓ **
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓ **
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment			✓ **
<b>IFRIC 11</b>	PFRS 2- Group and Treasury Share Transactions			✓ **

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<b>IFRIC 12</b>	Service Concession Arrangements			✓ **
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓ **
<b>IFRIC 14</b>	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			✓ **
<b>IFRIC 15</b>	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓ **
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓ **
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓ **
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓ **
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓ **
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration*		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-12</b>	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓ **
<b>SIC-15</b>	Operating Leases - Incentives			✓ **
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓ **
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓ **
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			✓ **
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓ **
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓ **

\*These are effective subsequent to December 31, 2016.

\*\*Adopted but no significant impact.



## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **JOLLIVILLE HOLDINGS CORP.**

FOR THE REGISTRANT

Chief Executive Officer: **JOLLY L. TING**

Signature and Title: \_\_\_\_\_

Chief Executive Officer

Chief Financial Officer: **ORTRUD T. YAO**

Signature and Title: \_\_\_\_\_

Chief Financial Officer

Date: November 9, 2017