C O V E R   S H E E T

SEC Registration Number

1 3 4 8 0 0

COMPANY NAME

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

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

4/F 20 LANSBERGH PLACE BLDG. 170 TOMAS MORATO AVE. COR. SCOUT CASTOR ST., QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**CRMD**	**NA**

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
claire.depasion@joh.ph	**373-3038**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
38	**Any day in June**	**DECEMBER 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ortrud T. Yao	ortrud_ting@joh.ph	**373-3038**	**N/A**

CONTACT PERSON'S ADDRESS

4/F 20 Lansbergh Place, 170 Tomas Morato Avenue cor. Scout Castor St., Quezon City

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended **December 31, 2016**

2. SEC Identification Number **134800** 3. BIR Tax Identification No. **000-590-608-000**

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

5. **PHILIPPINES**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **4/F 20 Lansbergh Place**
   170 Tomas Morato Ave., corner Scout Castor St.
   Quezon City **1103**
   Address of principal office Postal Code

8. **(632) 373-3038**
   Issuer's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1 par value	**281,500,000 shares**

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

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    PHILIPPINE STOCK EXCHANGE **COMMON STOCK**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X**] No [ ]

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

Yes [ ] No [**X**]

13. Aggregate market value of the voting stock held by non-affiliates is: ₱414,483,476 as of December 31, 2016 and ₱457,859,654 as of March 31, 2017.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Originally incorporated as a realty company in September 1986 by the Ting family, the Company underwent a transformation to that of a holding company on April 15, 1999 after securing Securities and Exchange Commission (SEC) approval for the change in its primary purpose. Subsequently, on May 4, 1999, the SEC approved the increase in capitalization of Jolliville Holdings Corporation ("JOH" or "the Company"). The authorized capital stock of the Company was increased from 30,000 shares with a par value of ₱100 per share to 1 billion shares with a new par value of ₱1 per share. To date, 281.5 million common shares are issued and fully paid.

After this transformation into a holding company, JOH acquired the entire capital stock of its affiliates namely, Jolliville Group Management, Inc. ("JGMI"), Jollideal Marketing Corporation ("JMC"), Ormina Realty and Development Corporation ("ORDC"), Jolliville Leisure and Resort Corporation ("JLRC"), Granville Ventures, Inc. ("GVI"), and Ormin Holdings Corporation ("OHC"). It acquired the foregoing companies through the assignment of shares of stock, which was paid for in cash to members of the Ting Family who held ownership in the former prior to JOH's acquisition.

JGMI was incorporated on March 9, 1994 and at present, has an authorized capital stock of ₱10 million divided into 100,000 common shares, with a par value of ₱100 per share. On December 18, 2013, the Board of Directors of JGMI declared cash dividends amounting to ₱28.09 million. Likewise, on December 16, 2015, JGMI declared cash dividends in the amount of ₱20 million or 100,000 shares at ₱200 per share. To date, five million common shares of JGMI are issued and fully paid.

ORDC was incorporated on April 22, 1997 with an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. The Board of Directors of ORDC has declared cash dividends out of 2014 retained earnings amounting to ₱40 million on December 16, 2014. To date, 64,227,236 common shares of the corporation are subscribed and ₱87,977,236 has been received as payment on subscription inclusive of additional paid-in capital of ₱23,750,000.

JLRC was incorporated on March 20, 1995, and at present, has an authorized capital stock of ₱20 million divided into 200,000 common shares, with a par value of ₱100 per share. To date, 5 million common shares are issued and fully paid.

During 2016, the construction for Jolly Waves Waterpark Resort located in Calapan City, Oriental Mindoro has started. JLRC entered into contract agreements with various suppliers for the construction of the said resort.

The Company, through JLRC's subscription in shares of stock on July 2016, indirectly acquired Sapul Ventures Corp. and Sapulville Enterprises Corp.

Sapul Ventures Corp. was incorporated on June 10, 2011 with an authorized capital stock of ₱5 million divided into 5 million common shares, with a par value of ₱1 per share. Currently, 5 million common shares are subscribed and fully paid.

Sapulville Enterprises Corp. was incorporated on May 27, 2011 with an authorized capital stock of ₱5 million divided into 5 million common shares, with a par value of ₱1 per share. Currently, 5 million common shares are subscribed and fully paid.

JMC was incorporated on April 10, 1999 with an authorized capital stock of ₱2 million divided into 20,000 common shares, with a par value of ₱100 per share. To date, 10,000 common shares are issued and fully paid.

OHC was incorporated on March 1, 1994 with an authorized capital stock of ₱50 million divided into 500,000 common shares, with a par value of ₱100 per share. Currently, 361,630 common shares are subscribed and ₱16,540,750 have been received as payment on subscription.

Granville Ventures, Inc. ("GVI") was incorporated on March 19, 2001 with an initial authorized capital stock of ₱1 million divided into 1 million common shares, with a par value of ₱1 per share. To date, 500 thousand common shares are subscribed and fully paid.

Servwell BPO International Inc. ("Servwell" or "SBI") was incorporated on May 19, 2009 as a wholly-owned subsidiary of JOH primarily to design, implement, and operate certain business processes; to assist companies in running their accounting units; to provide receivables and payables processing, billings and collections, treasury, escrow and other related services; to provide provident fund accounting; and to provide human-resource related processes. It has an authorized capital stock of ₱5 million divided into 5 million common shares with a par value of ₱1 a share.

Servwell has declared cash dividends of ₱11.91 million, as approved by the members of the board on December 18, 2013. On December 2, 2015, SBI declared another cash dividend out of the retained earnings as of November 30, 2015. To date, all SBI shares have been fully subscribed to and paid for.

In a meeting held on December 2, 2016, the Board of Directors of SBI authorized and approved the declaration of cash dividends in the amount of ₱15,000,000 or ₱3.00 per share on the Corporation's 5 million outstanding common shares. The cash dividends were paid out of the unrestricted retained earnings as of November 30, 2016.

Calapan Waterworks Corporation ("CWWC" or "Calapan Water") was incorporated on May 23, 1991, and at present, has an authorized capital stock of ₱200 million divided into 200 million common shares, with a par value of ₱1 per share. As of December 31, 2015, 118,331,139 common shares of Calapan Water are subscribed and ₱289,742,310 have been received as payment for these subscriptions. The total payment received by Calapan Water consisted of additional paid in capital of its parent company (H2O) in the amount of ₱171,411,171.

On November 24, 2014, Calapan Water's Board of Directors approved the declaration of cash dividends amounting to ₱101,007,839 or ₱1 per common share, out of the unrestricted retained earnings as of October 2014. The dividends were distributed to stockholders of record as of November 24, 2014 on December 8, 2014.

On January 31, 2015, H2O subscribed to 16,781,000 additional shares in Calapan Water. Philippine H2O Ventures Corp. ("H2O") was incorporated on January 30, 2009 under its original name "Calapan Equity Ventures, Inc." primarily as an investment holding company. On December 23, 2009, the SEC approved the amendment of the Articles of Incorporation and By-Laws of H2O changing (i) its name from "Calapan Equity Ventures, Inc." to "Calapan Ventures, Inc." and (ii) its primary purpose from a holding company to one that is engaged in the business of trading, processing, assembling, manufacturing and/or fabricating and exporting and importing, and dealing in goods, materials, merchandise, commodities, minerals, metals and real and personal properties of every kind, class and description. It performed the function as a holding company as a secondary purpose.

The BOD, in its regular meeting held on December 12, 2016, approved another cash dividend declaration of One Peso (₱1.00) per share, out of the retained earnings as of November 30, 2016. On March 15, 2017, H2O subscribed 19,577,914 additional shares of CWWC at six pesos (₱6.00) per share resulting to ₱137,909,053.

Upon its incorporation on January 30, 2009, H2O had an authorized capital stock of ₽200,000,000 divided into 200,000,000 common shares with a par value of One Peso (₽1.00) per share. As of December 31, 2014, the issued and outstanding capital stock of H2O consisted of 162,161,000 common shares.

On October 9, 2013, H2O stopped its trading business following years of losses in 2011 and 2012.

On July 16, 2014, H2O filed its application for Amended Articles of Incorporation and By-Laws with the SEC changing (i) its corporate name from "Calapan Ventures Inc." to "Philippine H2O Ventures Corp.", (ii) its primary purpose from "trading" to a "holding company", (iii) the date of its annual stockholders' meeting from the "last Friday of June" to "every 3rd Wednesday of June". The SEC has approved the changes and issued a certificate of filing of amended articles of incorporation and By-Laws on August 18, 2014.

A 50% stock dividend corresponding to 81,080,500 shares was declared and approved during the board of directors' meeting held on May 20, 2015 and was confirmed, ratified, and approved in the annual stockholders' meeting of the Company on June 17, 2015. Relative to the declaration of stock dividend, H2O filed an increase of authorized capital stock in the amount of ₱300 million and it was approved by the Securities and Exchange Commission on October 5, 2015. The Commission also authorized the issuance of 81,080,500 common shares with ₱1.00 par value or ₱81,080,500 through SEC Order dated October 20, 2015 to cover stock dividends declared by its Board of Directors. The record and payment dates were set by the Commission to November 4, 2015 and December 1, 2015, respectively. Simultaneous to H2O's application for an increase, the Company filed with the Philippine Stock Exchange an application for listing of the 81,080,504 shares, inclusive of four (4) fractional shares, and this was likewise approved on December 2015. Currently, H2O has ₱243,241,504 issued and outstanding common shares out of its 500,000,000 authorized capital stock.

To date, H2O directly owns 99.54% of Calapan Waterworks Corporation.

Ormin Power Inc. ("OPI") was incorporated on April 27, 2009 to provide power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease, maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services. JOH effectively became owner of 60% of OPI's outstanding capital stock in November 2010. As of December 31, 2016, OPI's authorized capital stock is ₽466 million consisting of 466 million common shares with a par value of ₽1 per share. Subscribed and paid-up capital amounted to ₱450 million and ₱346.31 million, respectively.

On March 15, 2014, OPI's authorized capital stock increased to ₱466 million divided into 466 million common shares with a par value ₱1 per share. As of December 31, 2014, the subscribed and issued capital stock of OPI consisted of ₱248.5 million with paid-up capital in the amount of ₱184 million. On Dec 8, 2014 the BOD approved the declaration of stock dividends out of the unrestricted retained earnings amounted to ₱82 million.

On December 15, 2015, OPI declared stock dividends in the amount of ₱45,972,500,000 and issued the same to stockholders of record as new issuances.

On December 6, 2016, the BOD approved the declaration of stock dividends in the form of preferred stock out of the unrestricted retained earnings amounting to ₱30,000,000. Also, on the same date, Company's stockholders representing at least two-thirds (2/3) of the outstanding capital stock, approved the dividend declaration and the increase of the Company's authorized capital stock (ACS) 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. Out of the ₱300,000,000 increase in capital, ₱75,000,000 worth of shares was subscribed, the amount of ₱11,250,000 was paid in cash, and ₱30,000,000 was paid in the form of stock dividends.

The Company, through Ormin Holdings Corporation, indirectly acquired the following corporations: (a) OTY Development Corp; (b) Melan Properties Corp.; (c) NGTO Resources Corp.; (d) KGT Ventures Inc.; and (e) Ibayo Island Resort Corp.

OTY Development Corp. ("ODC") was incorporated on March 7, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2016, 24,995 common shares of ODC are subscribed and ₱312,500 have been received as payment for these subscriptions.

Melan Properties Corp. ("MPC") was incorporated on March 3, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2016, 24,995 common shares of MPC are subscribed and fully paid.

NGTO Resources Corp. ("NRC") was incorporated on March 5, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2016, 24,995 common shares of NRC are subscribed and fully paid.

KGT Ventures Inc. ("KVI") was incorporated on March 11, 2008, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2016, 24,995 common shares of KVI are subscribed and fully paid.

Ibayo Island Resort Corp. ("IIRC") was incorporated on August 14, 2007, and at present, has an authorized capital stock of ₱5 million divided into 50,000 common shares, with a par value of ₱100.00 per share. As of December 31, 2016, 12,500 common shares of IIRC are subscribed and fully paid.

The BOD of Melan, KGT, NGTO, and OTY has approved the declaration of cash dividends in the amount of ₱1,249,500 for each company on March 2016.

Metro Agoo Waterworks Inc. (MAWI) was incorporated on September 17, 2012 to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production and supply of water for domestic, municipal, agricultural, industrial, commercial or recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. The authorized capital stock of MAWI is ten million (10,000,000) shares with a par value of One Peso (PhP1.00) per share. Two million five hundred thousand (2,500,000) common shares are subscribed and the paid-in capital is ₱625,000. CWWC owns 85% of the outstanding capital stock of MAWI.

On December 29, 2016, MAWI's BOD and stockholders approved the increase of MAWI's authorized capital stock from ₱10,000,000 divided into 10,000,000 common shares with par value of ₱1 per share to ₱110,000,000 divided into 10,000,000 common shares with par value of ₱1 per share and 100,000 preferred shares with par value of ₱1,000 per share. MAWI received ₱35,000,000 from a third party as deposit for future stock subscription. Out of the 110,000,000 shares increase in authorized capital stock, 25,000 shares was subscribed by a third party and the amount of ₱25,000,000 was paid in cash. As of April 5, 2017, MAWI's application for increase of authorized capital stock is still pending for SEC's approval.

MAWI is an indirect subsidiary of the company through Calapan Water.

On March 24, 2014, the Board of Directors of JOH approved to purchase 100% of the total outstanding shares of pre-operating company Philippine Hydro Electric Ventures Inc. equivalent to 79,999,300 common shares at ₱1 a share. Subsequently, JOH sold all of its shareholdings in subsidiary Ormin Power Inc. to Philippine Hydro Electric Ventures Inc. These transactions did not affect the consolidated financial results of the Company.

Philippine Hydro Electric Ventures Inc. ("PHEVI"), formerly, Bia Ventures Inc., was incorporated on July 17, 2009, primarily to lease and purchase land, marine, aquatic and environmental resources of the Philippines to the extent permitted by law and to develop and conserve places with tourism value. The Securities and Exchange Commission has approved PHEVI's amended articles of incorporation on November 23, 2014, amending its primary purpose as to engage in, own develop, construct, rehabilitate, operate and maintain water and electric power plant systems and facilities, renewable and indigenous power generation plants and other types of power generation and/or converting stations; and to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding company or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants. It has an authorized capital stock of ₱300 million divided into 300 million shares with a par value of ₱1 a share. To date, the subscribed and paid-up capital of PHEVI is ₱80 million.

On November 13, 2014, CWWC and Tabuk Water subscribed shares in Nation Water which resulted in H2O owning 74.98% of Nation Water indirectly.

Nation Water is a preoperating company that was formally registered with the SEC on November 13, 2014 primarily to engage in, carry on, conduct, operate, manage and maintain the general business of development and utilization of water resources which have for their objects the harnessment, production, and supply of water for domestic, municipal, agricultural, industrial, commercial and recreational purposes to this end, to acquire, own, lease, construct, install, equip, operate, manage and maintain plants for the harnessment, production, conveyance and supply of water and other plants and other related system elements required thereto. It has an authorized capital stock of ₱10 million divided into 10 million common shares with a par value of ₱1 per share. Currently, 2.5 million common shares are subscribed and ₱625,000 has been received as payment on subscription.

On October 14, 2015, the Company through its subsidiary JLRC, indirectly owned 51% or 152,999,996 common shares of Buyayao Island Resort Corporation.

Buyayao Island Resort Corporation ("BIRC" or "Buyayao") was incorporated on October 14, 2015 primarily to acquire by purchase, negotiation or otherwise land and other real property, including buildings, construct resorts, hotels, or establishments for dining, leisure or recreation, by itself or with other entities or persons, to establish all facilities and services such as but not limited to transportation necessary, incidental or desirable for the operation of such hotels, resorts or establishments, to operate and manage such resorts, hotels, and establishment and the facilities and services to do any other acts for the preservation, protection, improvement or enhancement of the value of any such property or venture, and to exercise all the rights, powers and privileges of ownership of every kind and description over such properties or ventures. BIRC has an authorized capital stock of ₱500 million divided into 500 million common shares, with a par value of ₱1 per share. To date, 300 million common shares of the corporation are subscribed and ₱150 million has been received as payment on subscription.

Neither the Company nor its subsidiaries are the subject of any bankruptcy, receivership or similar proceedings.

(2) Business of Issuer

The Group (refers to Jolliville Holdings Corporation and its subsidiaries) has principal business interests in leasing, management services, property development, land banking, local waterworks system, business process outsourcing, and power generation.

JOH and ORDC leases and rents out certain assets including land, buildings & improvements, furnishings and fixtures, equipment, and machineries to a number of independent business entities involved in the operation and management of KTV entertainment/recreation centers in the Metro Manila area.

A group subsidiary, JGMI provides general management services and assistance to companies within and affiliated to the Group, notably ORDC and Calapan Water. Another consolidated subsidiary, SBI, on the other hand, provides business process outsourcing services to third parties engaged in the KTV entertainment and leisure/recreation business, and construction. The services are provided based on a pre-agreed monthly retainer that is reviewed annually.

The Group owns and holds title to a number of properties in Metro Manila, Calapan City and Puerto Galera in Oriental Mindoro. These property investments, which include parcels of urban land, provincial and beachfront properties, as well as condominium units, are held for future operations and/or development.

Through JLRC, the Company has ventured with other investors (Aviso Holdings, Inc., Sta. Lucia Realty and Dev't., Inc., Alson's Land Corp. and Blue River Holdings, Inc.) to invest in a businessman's hotel at the Eagle Ridge Golf and Country Club in General Trias, Cavite. Known as the Eagle Ridge Microtel, it is the first value-for-money businessman's hotel in the area designed to cater not only to the accommodation needs of transient businessmen and tourists, but also to golf players and enthusiasts of the golf course and facilities of Eagle Ridge. JLRC has a 37.6% stake in Eagle Ridge Hotel Corporation.

The Company, through Calapan Water, needs special government approvals as discussed in detail below.

Calapan Water owns, operates and manages the waterworks system of Calapan City, Oriental Mindoro by virtue of its legislative franchise under Republic Act No. 9185 which will expire on February 9, 2028 and a CPC issued by the National Water Resources Board ("NWRB") which will expire on January 17, 2018. It is one of the few privately owned water systems in the country today. It has no competitor nor known oppositor to its franchise within its franchise area.

As of December 31, 2016, the water supply system serves twenty-two (22) urban barangays and thirteen (13) adjoining rural barangays. The total number of water service connections is now at 13,384 from the previous year's 11,788. It currently serves 12,648 residential and 736 commercial clients.

Groundwater is the source of water supply in Calapan City. A total of six (6) wells are operational with combined capacity of 175.63 liters per second (lps). All wells are equipped with production meters and Non-Revenue Water (NRW) for the year 2016 averaged 23.47% as against 23.95% in 2015 and 27.04% in 2014.

Regular bacteriological and chemical/physical test results released by the Batangas Water District Laboratory indicate that all of CWWC's water sources conform to the Philippine National Standards for Drinking Water (PNSDW).

In May 26, 2010, the NWRB approved Calapan Water's petition for increase of water rates for the operation and maintenance of water supply system within Calapan City, Oriental Mindoro. The approved CPC is valid for five (5) years with authority to charge the following rates:

Residential	
Consumption Bracket	2nd Stage Implementation (succeeding two years) *Full implementation of the modified rates*
0-10 cu.m.	P321.00 min. charge
11-20 cu.m.	47.90 per cu.m.
21-30 cu.m.	59.00 per cu.m.
31-40 cu.m.	62.60 per cu.m.
41-50 cu.m.	66.80 per cu.m.
Over 50 cu.m.	72.30 per cu.m.

Commercial	
Consumption Block	Approved Rates
0-25 cu.m.	P1,605.00 min. charge
26-1000 cu.m.	118.00 per cu.m.
Over 1000 cu.m.	133.60 per cu.m.

The above chart shows the residential and commercial rates approved by the NWRB that are currently being implemented in Calapan.

Calapan Water has fully completed its 2nd Phase Expansion Program for Calapan City Water Supply System. This will ensure 24-hour service to the serviced areas and enough water pressure after its completion. Further, it will expand the water supply system coverage that could service areas with no access to potable water.

On July 2, 2014, Development Bank of the Philippines (DBP) approved a One Hundred Eighteen Million Two Hundred Fifty Thousand Pesos (₱118,250,000) term loan to CWWC to finance the Phase 2 Expansion Program of the existing water distribution system. As of 31 December 2016, Ninety-Two Million Two Hundred Ninety-Eight Thousand Three Hundred Pesos (₱92,298,300) has been drawn.

Calapan Water formally took over the operation of the water system of the Municipality of Tabuk, the capital of Kalinga province, in October 2006. Under the contract with the Local Government of Tabuk, Calapan Water will operate and maintain the water system in Tabuk City for a period of 15 years. This lease agreement was extended for another 10 years (from year 2021) or up to September 30, 2031 through a resolution passed by the legislative council of Tabuk City on February 2, 2010. The system remains the property of the local government.

The subscriber base stood at 3,475 as of December 31, 2016, 3,636 as of December 31, 2015, and 3,616 as of December 31, 2014. The system is capable of accommodating up to around 9,000 subscribers.

Groundwater is the source of water supply in Tabuk City. Three (3) out of four (4) wells with a total capacity of 80 lps are operational. Aside from the existing three (3) wells, an elevated water steel storage and a ground level concrete reservoir with a total capacity of 350 cu.m. and 640 cu.m., respectively, has been built to ensure consistent water supply.

As part of its campaign to reduce the non-revenue water, the company implemented the use of leak detection equipment last 2013. By using this device, the distribution system water losses will be minimized and water will be conserved.

The NRW for the years 2016, 2015, and 2014 averaged 36.04%, 28.50%, and 32.03%, respectively.

The current rates for Tabuk City are as follows:

Consumption Bracket	Water Rates
Residential	
0 to 10 cu.m.	Php 210.00 minimum
11 to 20 cu.m.	23.15 per cu.m.
21 to 30 cu.m.	25.30 per cu.m.
Over 31cu.m.	27.45 per cu.m.
Commercial A	
0 to 10 cu.m.	Php 315.00 minimum
11 to 20 cu.m.	34.70 per cu.m.
21 to 30 cu.m.	37.95 per cu.m.
Over 31 cu.m.	41.15 per cu.m.
Commercial B	
0 to 10 cu.m.	Php 367.00 minimum
11 to 20 cu.m.	40.50 per cu.m.
21 to 30 cu.m.	44.25 per cu.m.
Over 31 cu.m.	48.00 per cu.m.

The standard rates are adjusted taking into consideration the movements in the consumer price index of the Cordillera Autonomous Region with respect to power, labor and other related costs.

The Company has no direct competition for the waterworks business in its service area.

The Company is very much dependent on its being able to have continuing business with its existing customers. Calapan and Tabuk water subscribers are dependent on Calapan Water for their daily water needs. As such, the Company does not foresee losing clients as long as Calapan Water continues to deliver quality potable water service.

On December 10, 2012, MAWI entered into Memorandum of Agreements (MOA) with the Municipality of Agoo and with the Municipality of Tubao, Province of La Union. The MOA with Agoo covers the joint and mutual cooperation of MAWI and Agoo LGU in the successful construction, installation, operation and maintenance of a water supply system for the supply and distribution of water in Agoo for domestic, industrial and/or commercial use for a period of twenty-five (25) years, renewable for another 25 years. On the other hand, the MOA with Tubao covers the sourcing of water by MAWI within the former's territorial jurisdiction to supply and distribute water to its constituents and the adjacent Municipality of Agoo, including the right of way to install, lay, construct and maintain water mains, pipes, conduits and all other necessary apparatus and appurtenances for a period of 25 years also, renewable for another 25 years.

The construction of well sites and laying of pipes in Agoo were accomplished last December 2015. MAWI has laid 53.4 kilometers of distribution pipelines and 6.7 kilometers of transmission pipelines. It has built two (2) pumping stations and two (2) boosters. It has two (2) deep well sources covered by Conditional Water Permit Nos. 10-16-13-038 and 12-11-3-008, with a total discharge of 60.536 lps. (or 5,230.31 cum) per day.

The National Water Resources Board (NWRB) in its Decision dated October 21, 2015, granted MAWI a Certificate of Public Convenience and approved the following water rates:

Residential/Institutional/Public Taps	
Consumption Block	Approved Rates
0-10 cu.m.	P475.00 min. charge
11-20 cu.m.	61.70 per cu.m.
21-30 cu.m.	85.20 per cu.m.
31-40 cu.m.	108.90 per cu.m.
41-50 cu.m.	132.90 per cu.m.
Over 50 cu.m.	160.00 per cu.m.

Commercial/Industrial	
Consumption Block	Approved Rates
0-25 cu.m.	P2,372.50 min. charge
26-1000 cu.m.	151.90 per cu.m.
Over 1000 cu.m.	234.00 per cu.m.

On November 19, 2014, Development Bank of the Philippines (DBP) extended MAWI, a Two Hundred Eighty Million Pesos (₱280,000,000) term loan to finance the construction of water distribution system in Agoo. As of 31 December 2016, Two Hundred Seventeen Million Seven Hundred Forty-Five Thousand Eight Hundred Twenty-Seven Pesos (₱217,745,827) has been drawn from the term loan facility.

MAWI started its formal business operations last February 2, 2016.

OPI began its commercial operations last November 11, 2011. It operates a 9.6 MW diesel fired power plant in Calapan City to supply the Oriental Mindoro Electric Cooperative. It is also currently constructing a 10 MW mini hydro power facility in the Municipality of San Teodoro in Oriental Mindoro.

Except for the waterworks business where it has no direct competition, the Company carries out most of its business activities in a competitive environment and competes in terms of market reach, diversity, customer relations, and pricing, among others. Heightened competition could negatively affect the Company's operational results.

In the leasing business, it competes with a number of financial institutions and real estate companies, both domestic and international. While its competitors offer their leasing lines to the general public, none of them have concentrated and specialized on servicing the particular market niche of the Company, the KTV operators. The long-established relationship of the Company with its KTV clients in the renting out of facilities, furnishings and equipment puts it at some advantage vis-à-vis its competitors. This competitive advantage is further strengthened by the management services and consultancy contracts of the Company with its KTV clients.

The Company's primary competitors in the management services and business process outsourcing industries are Accenture, the management services and the business process outsourcing units of the other major independent accountancy firms, and international BPO companies. However, the Company considers as its competitive advantage, its long-time relationship with its clients as well as the fact that it has multi-faceted business relationship with them (it also rents out to the same clients furnishing, fixtures, furniture and equipment for their KTV operations). The management services and business process outsourcing lines are highly dependent on the continuing renewals of its contracts with its clients. The Company is confident though that, for as long as the KTV operations of its clients are viable and profitable, it will continue to service the specialized business process outsourcing needs of these clients.

Land banking and property development is a highly competitive industry. The major industry and sector leaders of this industry include the SM Group and Robinsons Land that are more focused on retail mall development, Ayala Land that is involved in residential, commercial, high rise, and industrial development, Sta. Lucia Realty which is into residential, commercial and leisure/resort development, Filinvest Land which is into central business district development, Megaworld and Empire East Land which are into both horizontal (subdivision & townhouses) and vertical (condominium) residential and commercial development.

In the leisure and resort development businesses, JOH adopts a strategy of "product and market niching". It enters into strategic alliances with more seasoned partners as in the case of the Eagle Ridge Microtel hotel project.

The Group does not plan nor propose going into other types of businesses or offer any new service.

The Company is very much dependent on its being able to have continuing business with its existing clients and customers. The Company has had a long-time relationship with these clients and does not foresee losing any of them.

The Company considers the Oriental Mindoro Electric Cooperative (ORMECO) as a significant customer being the primary off-taker of the power produced by Ormin Power Inc. The Group does not spend material amounts for business development activities as most plans are developed internally.

The Company's subsidiaries involved in the service industries need no special government approvals. However, its waterworks business through Calapan Water and its power generation business through OPI require several special government approvals such as Environment Compliance Certificate from the Department of Environment and Natural Resources (DENR) and water permits from the National Water Resources Board. Tariff rates are subject to regulation by the NWRB, while power rates are approved by the Department of Energy.

Calapan Water owns and operates exclusively the local waterworks system of Calapan City by virtue of its legislative franchise under Republic Act No. 9185 which expires on February 9, 2028 and a Certificate of Public Convenience issued by the National Water Resources Board ("NWRB") which expires on January 17, 2018. Calapan Water's application for the renewal of its CPC was approved on January 22, 2014.

The franchise shall be deemed by the fact itself revoked in the event Calapan Water fails to implement fully its medium-term development plan submitted to Congress in support of its application for the franchise. Said plan is discussed in depth in JOH's prospectus relating to its initial public offering of June 2002.

Item 2. Properties

The Company's real properties, owned directly and indirectly, through its consolidated subsidiaries, are summarized in the following table. These properties are covered with the titles (TCTs and CCTs) in the name of the Company itself or its subsidiaries.

Type/Location	Area (sq.m.)	Nature of Property
LAND IN METRO MANILA:		
Quezon Ave. Q.C.	757.65	Commercial (on lease out)
Quezon Ave. Q.C.	757.65	"
Martinez St., Diliman, Q.C.	473.30	Residential
J. Bocobo St., Malate, Manila	281.60	Commercial
Lot 7, Blk. WT-7, West Ave., Q.C.	1,250.00	Commercial (on lease out)
McArthur Highway, Caloocan City	1,400.00	"

Type/Location	Area (sq.m.)	Nature of Property
PROVINCIAL LAND:		
Brgy Calero, Calapan City	574.00	Institutional/Commercial
" "	812.00	"
Pulong Gitna, Calapan City	60,496.00	Nature reserve island/agric.
Pulong Malaki, Calapan City	6,666.00	"
" "	6,874.00	"
" "	6,874.00	"
" "	33,865.00	"
" "	7,481.00	"
" "	39,273.00	"
Puerto Galera, Oriental Mindoro	16,393.00	Agri./Commercial
" "	7,122.00	"
" "	66,096.00	"
" "	6,185.00	Commercial
" "	47,911.00	Agri./Commercial
" "	176,511.00	Agricultural (exempt)
Brgy Tawiran, Calapan City	301.00	Well site
" "	500.00	"
Brgy Sta Maria, "	377.00	"
Brgy Pachoca, "	210.00	"
Brgy Lalud, "	200.00	Well site/residential
Brgy Pachoca "	182.00	Well site
Brgy Ilaya "	205.00	"
" "	286.00	"
Brgy Sta. Isabel "	2,090.00	Commercial
" "	1,237.00	"
" "	200.00	Residential
" "	200.00	"
" "	353.00	"
" "	1,148.00	"
Pola, Oriental Mindoro	40,000.00	"
" "	60,000.00	"
Macalva Sur, Agoo La Union	3,229.00	Agricultural
Barangay Garcia, Tubao La Union	3,214.00	Residential
"	143.50	"
Poblacion, Municipality of Roxas, Oriental Mindoro	216.00	Commercial
Barrio Bulusan (Bondoc) Calapan City, Oriental Mindoro	5,802.00 5,803.00	Agricultural "
Biga, Calapan City, Oriental Mindoro	8,079.00	"
Poblacion/Barrio Silonay, Calapan City, Oriental Mindoro	30,001.00	"
Barangay Garcia, Tubao, La Union	200.00	Well site
BUILDING:		
Heartbeat Bldg, Quezon Ave.	3,200.00	Commercial structure
Loveboat Bldg., McArthur Highway, Caloocan City	1,831.26	Commercial structure
Prince Plaza, West Ave.	2,406.00	"
CONDOMINIUM UNITS:		
Goldland Tower, Greenhills		
3-BR, Unit A-16/F	160.45	Residential Condo
Parking Slot, B3-2	12.50	Owner's parking slot
Chateau de Baie, Roxas, Pñque		
2-BR, Unit 1702	157.02	Residential Condo
Parking Slot No.10	12.50	Owner's parking slot
3-BR, Unit 705	185.87	Residential Condo
Parking Slot No. 13	12.50	Owner's parking slot
Maple Tower, Binondo, Mla		
3-BR, Unit 801	96.00	Residential Condo
Parking Slot No. 12	12.50	Owner's parking slot
Nobel Plaza, Valero St., Makati		
2-BR, Unit 1202	110.00	Residential Condo
Lansbergh Place, T. Morato, Q.C.		
4th Floor Commercial Space	922.04	Commercial (office use)
15 Parking Slots	187.50	Parking slots
EGI Rufino Plaza, Pasay City		
11th Floor Commercial Space	1,653.49	Commercial

Item 3. Legal Proceedings

Please refer to Note 29 of the attached 2016 Consolidated financial statements.

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

NOT APPLICABLE

Item 5. Business Risk

Business risk is defined as threats to the organization's capability to achieve its objectives and execute its business strategies successfully. The organization's value creation objectives define the context for management's determination of risk management goals and objectives which, in turn, drive and focus the process of managing business risk.

The major risks facing the Group’s businesses are briefly described below. Since the Group caters to a niche market (KTV operators) for its leasing and management services businesses, our risk sourcing is ultimately tied-in to the risks facing our clients.

Economic Circumstances

Economic circumstances are the characteristics and condition of the general business within which commerce is conducted. Due to the difficult business climate and reduced business activity, companies have become prudent spenders and are continuously trying to identify expenditures it could reduce or completely do without. One of the areas most affected are its budgets for leisure and recreation.

Human Caused Disasters

Human caused disasters pertain to major events that cause significant damage, destruction, and/or human casualties arising from human caused events such as acts of terrorism. Peace and order remains a concern and densely populated establishments such as malls, entertainment centers, cinemas and the like are the most likely targets. As a result, people tend to avoid these places.

Government Activities

Government activities are the functions undertaken to operate a political unit, including adopting and enforcing laws and regulations, supplying goods and services, and contracting for goods and services from private businesses. Calapan Water is moderately regulated and the actions of government agencies such as the NWRB hold with respect to rate increases and the operation of new water sources.

Human Behavior

Human behavior is defined as a broad range of positive and negative human activity that may affect a business’ ability to reach its goals. The habits of consumers with regard to water usage may adversely affect the Group’s businesses.

Through an integrated business risk management process, senior management determines how much risk they are willing to accept when balancing risks and rewards, and allocating resources. They communicate to operating managers, risk managers and process/activity owners the level of acceptable risk.

Our business risk management is a continuous process of:

- **Establishing** risk management objectives, tolerances and limits for all of the Group's significant risks
- **Assessing** risks within the context of established tolerances
- **Developing** cost-effective risk management strategies and processes consistent with the overall goals and objectives
- **Implementing** risk management processes
- **Monitoring** and reporting upon the performance of risk management processes
- **Improving** risk management processes continuously
- **Ensuring** adequate communication and information for decision making

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PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 6. Market for Issuer's Common Equity and Related Stockholder Matters

(1) Market Information

JOH only has unclassified common shares that is traded at the Philippine Stock Exchange ("PSE").

The high and low sales prices of the Company's securities for each quarter are indicated in the table below:

Quarter	High	Low
1st quarter 2017	4.91	4.12
4th quarter 2016	4.05	394
3rd quarter 2016	4.05	4.04
2nd quarter 2016	4.67	4.60
1st quarter 2016	4.79	4.26

Last transaction date was on April 7, 2017 and the closing price was at ₱4.48 per share.

The market capitalization of JOH as of December 31, 2016 based on the closing price on December 29, 2016 of ₱4.30 per share is ₱1,210,450,000.

As of December 31, 2015, JOH's market capitalization stood at ₱1,041,550,000 based on the closing price of ₱3.70 on December 1, 2015.

(2) Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of December 31, 2016:

Shareholder	Shares Held	Percentage
Elgeete Holdings, Inc.	125,783,791	44.68
IGC Securities Inc.	56,425,639	20.04
Myron Ventures Corp.	18,000,000	6.39
Lucky Securities, Inc.	14,170,000	5.03
Dopero Corporation	13,000,000	4.62
Febra Resources Corporation	12,503,925	4.44
A-Net Resources Corporation	12,503,925	4.44
Kenly Resources Corporation	12,503,925	4.44
Oltru Holdings Corporation	12,503,925	4.44
Belson Securities Inc.	8,285,000	2.94
See, Rodolfo Lim	5,994,000	2.13
Unicapital Securities, Inc	5,626,500	2.00
Philstocks Financial Inc.	3,312,598	1.18
Genmaco Corp.	2,709,500	0.96

Shareholder	Shares Held	Percentage
Papa Securities Corporation	2,502,000	0.89
Tower Securities, Inc.	1,424,800	0.51
Ting, Catalina O.	1,076,000	0.38
Phyvita Enterprises Corp.	1,047,200	0.37
Yao, Ortrud T.	1,000,001	0.36
Ting, Jolly L.	959,999	0.34

(3) Dividends

Dividends of the group were discussed in Item 1 of this report.

(4) Recent Sales of Unregistered or Exempt Securities, including recent issuance of Securities constituting an exempt transaction

NONE.

Item 7. Management's Discussion and Analysis

The information herein should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated financial statements and related notes thereto contained in this Report.

Results of Operations

2016 compared with 2015

The consolidated financial statements for the year ended December 31, 2016 resulted to a net income after tax of ₱342,175,769 compared to ₱264,805,645 in 2015.

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 decreased by 10.07% from ₱350,841,395 to ₱315,525,125 for this year as against last year due to lower fuel prices and lower energy off-take from ORMECO. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of December 31, 2016, contracted energy was at 42,761,124 kilowatt hours (kWh) as against 43,365,420 kWh in 2015.

Water service revenues have been steadily increasing and this is attributable to the additional number of subscribers in the Cities of Calapan and Tabuk and the Municipality of Agoo from 15,424 as of end of 2015 to 17,907 as of end of 2016. Water service revenues grew by 13.56% from ₱196,436,420 to ₱223,079,762 for this year as against last year. MAWI started its operations in February 2016 and has started generating revenues.

Rental revenues slightly increased by 0.41% or ₱245,794 resulting from additional leases that started last August 2016 and June 2015.

Technical services remained unchanged as the rates were maintained at the same level.

Equity share in net earnings of an associate amounted to ₱267,345 as of December 31, 2016 and decreased by 60.58% or ₱410,874 compared to ₱678,219 in 2015.

Other revenue pertains to sale of plumbing materials which increased by 121.40% or₱30,167.

Cost of services decreased by 0.85% or ₱3,272,914 for the period. This is mainly due to the net effect of lower fuel prices and volume consumption for OPI's generation requirements, additional outside services and repairs and maintenance incurred, increase in salaries and employees benefits and depreciation from acquisition of property and equipment.

Operating expenses increased by 2.31% or ₱2,795,123 for the year. Much of the increase could be attributed to additional depreciation expense and provision for impairment in 2016.

Net other income increased by 64.88% or ₱99,680,261 this year. This is mainly due to increase in fair value of investment property amounted to ₱272,812,897 in 2016 compared to ₱176,725,230 in 2015.

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. 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.

2015 compared with 2014

The consolidated financial statements for the year ended December 31, 2015 resulted in a net 104.08% increase in net income after tax from ₱129,755,828 in 2014 to ₱264,805,645 in 2015.

Power sales from the electricity generation activity of OPI decreased by 30.10% from ₱501,909,524 in 2014 to ₱350,841,395 in 2015 due to lower energy off-take from ORMECO. As of December 31, 2015, contracted energy was at 43,365,420 kilowatt hours (kWh) as against 47,581,968 kilowatt hour (kWh) in 2014.

Water service revenues grew by ₱8,106,871 or by 4.30% from ₱188,329,549 in 2014 to ₱196,436,420 by end 2015. The increase is attributable to the increase in total number of subscribers in Calapan and Tabuk Cities. Total subscriber base stood at 15,424 by the end of 2015 compared to 14,557 subscribers by the end of 2014.

Rental revenues stayed relatively unchanged from 2014 as leases were maintained this year.

Technical services grew by ₱2,464,320 or 6.57% from ₱37,493,544 to ₱39,957,864 as a result of higher rates charged to clients this year.

Equity share in net earnings of an associate pertains to JLRC's share in earnings of Eagle Ridge Hotel Corporation. This account amounted to ₱678,219 in 2015 and decreased by 8.13% compared to ₱738,209 in 2014.

Other revenue pertains to sale of plumbing materials which increased by 36.50% or ₱6,644.

Cost of services decreased by 24.68% or ₱125,486,105 for the year 2015 as compared to 2014. This is mainly due to the net effect of decrease in OPI's fuel consumption in relation to lower power output and additional outside services incurred by OPI.

Operating expenses increased by 10.25% or ₱11,263,171 this year. Much of the increase could be attributed to the higher repairs and maintenance expenses, higher personnel costs, and higher transportation, travel and communication expenses.

Net other income increased by 1,707.29% or ₱163,190,477 this year. Bulk of the increase came from gain on investment property as property assets were appraised during the year. Increase in fair value of investment property amounted to ₱176,725,230 and ₱14,243,119 in 2015 and 2014, respectively. Finance charges decreased due to lower principal balances from earlier term loans, further improving other income by ₱496,710.

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

Financial Position

Total assets increased by 18.88% or ₱766,618,048 from ₱4,061,385,906 as of December 31, 2015 to ₱4,828,003,954 as of December 31, 2016.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱2,882,417,179 as of December 31, 2016. It increased by 26.43% or ₱602,644,487 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant and MAWI's construction of the new water distribution system in Agoo, La Union.

Cash and cash equivalents account decreased by 26.20% or ₱97,732,820 from ₱373,045,395 as of December 31, 2015 to ₱275,312,575 as of December 31, 2016. This is mainly due to payment of obligations which were due and paid in 2016.

Receivables account decreased by 20.94% or ₱42,123,238 from ₱201,182,923 as of December 31, 2015 to ₱159,059,685 as of December 31, 2016. This is due to prompt collections from several customers and recoupment of advances to contractors related to progress billings received.

Inventories amounting to ₱13,640,735 pertain mostly to OPI's fuel and oil. There was a decrease of 16.12% from last year's end-2015 balance of ₱16,262,210 due to lower fuel requirements by the power plant.

Due from related parties decreased by 15.08% from ₱75,461,935 as of December 31, 2015 to ₱64,079,473 as of December 31, 2016. The decrease in the related party transactions is dependent upon the liquidity and financial status of the concerned parties at any given point in time. None of the parties involved is in financial distress and there is no reason to believe that any accounts may be impaired in the immediate or near future. Also, these accounts have no definite call dates and do not bear interest. The purpose of these advances is for operating and investing activities.

Other current assets increased by 21.03% from ₱62,995,139 as of December 31, 2015 to ₱76,241,273 as of December 31, 2016. The increase mainly pertains to OPI's input VAT paid during the year.

The available-for-sale investment amounting to ₱2,945,303 pertains to a single payment managed trust fund deposit in an insurance company made in the last quarter of 2009. This fund invests in fixed income securities, money market instruments, and shares listed in the PSE. Although the amount can be withdrawn anytime, management intends to hold it long-term for a specific purpose. The decrease of ₱10,442 or 0.35% represents unrealized loss on this investment credited to equity portion of the consolidated statements of financial position for the same amount.

Investment in associates account increased by 5.35% or ₱2,563,310 from ₱47,869,566 to ₱50,432,876 as of December 31, 2016. This increase mainly pertains to Sapulville Enterprises Corp. and Sapul Ventures Corp. subscribed shares of various companies.

In 2016, some of the Group's investment properties located in Manila and Oriental Mindoro was appraised. Also, Buyayao Island, KGT and NRC acquired various parcels of land during the year. These resulted to an increase of 30.73% or ₱285,444,767 from ₱928,782,005 in 2015 to ₱1,214,226,772 in 2016.

The deferred tax effects of NOLCO and accrued retirement benefit obligation for the year caused the deferred tax assets account to increase by 43.52% from ₱14,175,220 in 2015 to ₱20,343,817 in 2016.

Construction of OPI's 10MW Hydro Electric Power Plant also caused the noncurrent assets to increase by 17.70% or ₱10,421,190 which represents additional development costs of the power plant.

Accounts payable and other current liabilities increased by 5.38% from ₱627,672,713 as of December 31, 2015 to ₱661,426,948 as of December 31, 2016. Much of this increase could be attributed to OPI's and MAWI's obligation to contractors.

Loans payable increased by 19.60% to ₱1,733,533,570 as of December 31, 2016. The increase of ₱284,064,041 mainly represents additional releases from the loan facility with DBP intended for the construction of Inabasan power plant and MAWI's water utilities and distribution system.

Due to related parties increased by 28.06% or ₱54,985,307 from ₱195,941,525 as of December 31, 2015 to ₱250,926,832 as of December 31, 2016 as additional advances were made from affiliates.

Income tax payable has decreased by 7.37% or ₱1,302,704 as the related current income tax expense also decreased.

For the year 2016, the Group's actuarial valuation reports resulted to an increase in retirement obligation by 14.03% or ₱5,483,802 which represents additional retirement expense and actuarial loss.

The increase in the deferred tax liability account by ₱32,908,282 represents the net tax effects of fair value adjustments in investment properties, property, plant and equipment and interest capitalized in previous years.

Deposit for future stock subscription decreased by 63.16% or ₱60,000,000 as of December 31, 2016.

The customers' deposits account, which primarily pertain to water meter maintenance, increased by 19.36% from ₱22,316,852 as of end-2015 to ₱26,637,993 at end-2016.

Noncontrolling interest pertains to Philippine H2O Ventures, Corp., Philippine Hydro Electric Ventures, Inc., Nation Water Corp. and Buyayao Island Resort Corp. This represents the share of its noncontrolling shareholders in the net assets of said subsidiaries. The change in this account is tied-in to the discussion on the related item shown in the consolidated statements of comprehensive income discussed earlier.

Financial Risk

Please refer to Notes 3, 25 and 26 to the Consolidated Financial Statements for the description, classification and measurements applied for financial instruments and the financial risk management objectives and policies of the Group.

Key Performance Indicators

			DECEMBER 2016	DECEMBER 2015
PROFITABILITY				
Return on Total Assets It measures efficiency of the Company in using its assets to generate net income.	**ROA=**	NI+{(interest exp x (1-tax rate)}	357,400,768	282,208,836
		Ave. Total Assets	4,444,694,930	3,344,539,026
			0.0804	0.0844
Return on Equity It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.	**ROE=**	Annual Net Income	342,175,769	264,805,645
		Ave. Stockholder's Equity	1,794,077,466	1,404,172,975
			0.1907	0.1886
Water Revenue per Subscriber Measures how well service and facilities improvements have influence consumer's usage	**WRS=**	Water Revenue	223,079,762	196,436,420
		Ave. No. of Water Subscribers	17,907	15,424
			12,458	12,736
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=**	Total Liabilities	2,827,724,516	2,473,510,412
		Total Assets	4,828,003,954	4,061,385,906
			0.5857	0.6090
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=**	Total Liabilities	2,723,909,948	2,408,087,928
		Shareholder's Equity	2,000,279,438	1,587,875,494
			1.3618	1.5165
MARKET VALUATION				
Price to Book Ratio Relates the Company's stock to its book value per share	**PB ratio=**	Market value/share	4.30	3.70
		Book value/share	5.38	4.21
			0.7987	0.8796

The reason for the decrease in the Group's profitability is discussed in the results of operations. From the point of view of its water business, which the Group considers to be its major growth driver, water revenues has shown steady improvement, more so beginning 2010 as increased water rates took effect, and is expected to improve even further in the succeeding years as the Company already has in line the addition of new wells and expansion of its coverage area and identification of new target markets such as Agoo, La Union.

Following the positive developments in the local stock market, activity in the Company's stock has picked up recently and the prices have gone up to reflect trends in the market.

Liquidity and Solvency

The Company's cash balance decreased from end-2015 of ₱373,045,395 to ₱275,312,575 as of December 31, 2016.

Meanwhile, liability to equity ratios increased to 1.36:1.00 from 1.51:1.00 as of end-2016. Ratio was maintained at this very low level.

Item 8. Financial Statements

Please refer to the attached Consolidated financial statements audited by Constantino Guadalquiver & Co. (CGCo).

Item 9. Information on Independent Accountant and Other Related Matters

CGCo, independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2016, 2015, and 2014, included in this report.

Rogelio M. Guadalquiver is the current audit partner for the Company and its subsidiaries. Pursuant to SEC Memorandum Circular No. 8, Series of 2003, the Company will either change its External Auditor or rotate the engagement partner every five (5) years.

There have been no disagreements between the Company and CGCo over the length of their relationship with regard to any matter involving accounting principles or practices, financial statement disclosures, and auditing scope and procedures.

CGCo has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. CGCo will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto). The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

In connection with the audit of the Company's financial statements, the Audit Committee had, among other activities, (a) evaluated significant issues reported by the external auditor in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company; (b) ensured that no other work is provided by the external auditor that would impair its independence and conflict with its function as independent accountants; and (c) ensured the compliance of the Company with acceptable auditing and accounting standards and regulations.

The aggregate fees paid to CGCo for services rendered are ₱1,182,000 in 2016, ₱1,095,500 in 2015 and ₱1,074,500 in 2014. The services are those normally provided by the external auditor in connection with statutory and regulatory filings or engagements. There had been no consulting or tax engagements with CGCo.

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PART III - CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Issuer

Listed below are the Directors and Senior Officers of the Company as of December 31, 2016 with their qualifications and credentials:

Name	***Positions Held***	***Company/Organization***
JOLLY L. TING 71, Filipino Bachelor of Science in Business Administration, University of the East	**Present:** ○ Chairman (since March 21, 2011) ○ Chairman (since January 2009) ○ Founder, Chairman, Chief Executive Officer (since April 3, 1999) ○ Chairman (since April 26, 2002) ○ Chairman (since April 26, 2002) ○ Chairman (since May 19, 2009) ○ Chairman (since July 19, 1992) ○ Chairman (since April 7, 1990) ○ Chairman (since 1997) ○ Member (since 1978) **Previous:** ○ President (January 2009 to April 2010) ○ President (1991-1992) ○ Director, Treasurer (1994-1997) ○ Chairman (since April 26, 2002)	Ormin Power, Inc. Philippine H2O Ventures Corp. Jolliville Holdings Corporation Jolliville Group Management, Inc. Ormina Realty and Development Corp. Servwell BPO International Inc. Jolliville Leisure and Resort Corporation Jollideal Marketing Corporation Calapan Waterworks Corporation Mirage Resources & Holdings Corp. (manages the renowned Gloria Maris Sharksfin Restaurant and Dimsum chains) Calapan Ventures, Inc. Rotary Club, University District, Manila Rotary Club, University District, Manila Uptrend Concepts Management Corp.

Name	*Positions Held*	*Company/Organization*
NANETTE T. ONGCARRANCEJA 43, Filipino Fine Arts Advertising Studies, College of the Holy Spirit Advanced Courses, Columbia College, Vancouver Community College, Kwantlen University	**Present:** ○ President (since April 2010) ○ President (since September 15, 2004) ○ Director (since April 19, 1999) ○ President, Director (since October 26, 2000) ○ Vice President (since April 5, 2008) ○ Director (since November 6, 2000) ○ Director (since August 17, 1999) ○ Director, Secretary, Treasurer (since January 6, 2005) **Previous:** ○ Secretary and Director (January 2009 to April 2010) ○ Vice President (July 2001 to September 2004) ○ Secretary/Treasurer (April 1999 to July 2001) ○ Assistant Secretary (March-April 1999) ○ Treasurer (November 6, 2000 to April 4, 2008) ○ Treasurer (since August 2010) ○ Chairman (since January 2013)	Philippine H2O Ventures Corp. Jolliville Holdings Corporation - do - Jolliville Group Management, Inc. Jollideal Marketing Corporation - do - Ormin Holdings Corporation Vitanutrition Incorporated Calapan Ventures, Inc. Jolliville Holdings Corporation - do - - do - Jollideal Marketing Corporation Ormin Power, Inc. Rural Bank of Roxas (Or.Min.), Inc.
ORTRUD T. YAO 39, Filipino Honors, Bachelor of Commerce, Major in Finance, University of British Columbia	**Present:** ○ Director, Treasurer and Chief Finance Officer (since January 2009) ○ Secretary (since April 2010) ○ Secretary/Treasurer, Chief Finance Officer (since July 20, 2001) ○ Chief Compliance Officer (since June 17, 2002) ○ President, Director (since September 28, 2005) ○ President, Director (since August 15, 2005) ○ Secretary, Director (since January 12, 2004) ○ President, Director (since March 30, 1999) ○ Vice President, Director (since March 26, 1999) ○ Treasurer, Director (since March 19, 2001)	Philippine H2O Ventures Corp. - do – Jolliville Holdings Corporation - do - Calapan Waterworks Corporation Ormin Holdings Corporation Kenly Resources, Inc. Oltru Holdings Corp. A-Net Resources Corp. Granville Ventures, Inc.

Name	*Positions Held*	*Company/Organization*
	○ President, Director (since January 6, 2005) ○ Vice-President for Finance & Secretary (since August 2010) ○ President (since October 2012)	Vitanutrition Incorporated Ormin Power, Inc. Rural Bank of Roxas (Or. Min.), Inc.
MELODY T. LANCASTER 45, Filipino Bachelor of Science in Management Engineering Ateneo de Manila University Computer Systems Technology British Columbia Institute of Technology Certified Project Management Professional Project Management Institute	**Present:** ○ Vice-President (since July 2, 2014) ○ Vice President (since June 25, 2014) ○ Secretary (since June 18, 2014) ○ Vice-President (since February 7, 2014) ○ Director (since March 29, 2010) ○ Director (since 2009) ○ Vice-President (since March 30, 2007) ○ Director (since March 26, 1999) ○ Management Consultant (since 2004) ○ Director (since March 2002) ○ President ○ Treasurer (since 1986	Philippine H2O Ventures Corp. Jolliville Hodlings Corporation Menakeo Construction, Inc. Melan Properties Corp. Kenly Resources Inc. Febra Resources Corp. Elgeete Holdings Inc. A-Net Resources Corp. RBS Citizens Bank of Rhode Island Oltru holdings Corp. Fortress Industries Ltd. (Canada) Jolliville Realty and Development Inc. (former name of Jolliville Holdings Corporation)
RODOLFO L. SEE 75, Filipino Bachelor of Science in Business Administration, Far Eastern University	**Present:** ○ Director (since January 2009) ○ Director (since August 18, 2004) ○ Chairman, President (since 1980) ○ Chairman, President (since 1974) ○ Owner (since 1982)	Philippine H2O Ventures Corp. Jolliville Holdings Corporation Gold Prize Food Manufacturing Corp. Gold Medal Food Manufacturing Corp. International Food Snack Corp. (exporter of locally produced dried fruit products)
DEXTER E. QUINTANA 65, Filipino Masters in Business Administration, Graduate School of Business, University of the Philippines	**Present:** ○ President (since 1984) ○ President (since 1987) ○ Managing Director (since 2008) **Previous:** Independent Director (From July 20, 2001 to June 24, 2014)	First Property Ventures, Inc. (realty development and commercial property leasing firm) Quintas Management Insurance Brokers, Inc. (life and non-life underwriting firm) Strategic Partners Alliance Inc. (management consultancy & financial intermediation firm) Jolliville Holdings corporation

Name	*Positions Held*	*Company/Organization*
SERGIO ORTIZ-LUIS JR. 73, Filipino Bachelor of Science in Business Administration Master of Business Administration (Candidate) De La Salle University PhD Humanities hc Central Luzon State University PhD Business Technology hc Eulogio "Amang" Rodriguez Institute of Science and Technology	**Present:** ○ President (since 1991)	Philippine Exporters Confederation Inc.
	○ Honorary Chairman/Treasurer (since 2013)	Philippine Chamber of Commerce & Industry
	○ Honorary Chairman/Governor (since 1991)	Employers' Confederation of the Philippines
	○ Member, Council of Advisers (since 2013)	Philippine Trade Foundation, Inc. (Team Phil.)
	○ Founding Director (since 2001)	International Chamber of Commerce of the Phil.
	○ Vice Chairman (since 2005)	Philippine Small & Medium Enterprises Devt.
	○ Vice Chairman (since 2008	Alliance Global, Inc.
	○ Director (since 2008)	Waterfront Philippines, Inc.
	○ Director (since 1997)	Manila Exposition Complex, Inc. (World Trade Ctr.)
	○ Director (since 2000)	Lasaltech Adademy
	○ Director (since 2012)	Philippine Estate Corporation
	○ Director (since 2012)	BA Securities
	○ Director (since 2012)	Rural Bank of Baguio
	○ Honorary Chairman (since 2008)	Integrated Concepts & Solutions, Inc.
	○ Board of Advisers (since 2009)	Southville International School and Colleges
	○ Founding Director (since 1995)	GSI (Formerly Philippine Article Numbering Council)
	○ Vice Chairman (since 2012)	Export Development Council (EDC)
	○ Commissioner/Auditor (since 1992)	Patrol 117 (Foundation for Crime Prevention)
	○ Independent Director (since June 25, 2014)	Jolliville Holdings Corporation
	○ Independent Director (since July 2, 2014)	Philippine H2O Ventures Corp.

The Company's success and growth depends in no small measure to the continued service of its Founder, Chairman and Chief Executive Officer, Mr. Jolly Lim Ting. His vision and strategic plans have allowed the Company and the Group to grow to where it is now. While Mr. Ting continues to provide the strategic direction to the Group, he has put to work in the business his children as well as some professional managers to add depth to his management team. Mr. Ting is the closest there is to a significant employee in the Group. There are no other such persons.

Ms. Ortrud T. Yao, Ms. Nanette T. Ongcarranceja, and Ms. Melody T. Lancaster are siblings and they are all children of Mr. Jolly L. Ting.

None of the members of the Board is involved in any legal proceeding, pending or otherwise, for the past 5 years and up to the date of this report.

Item 11. Executive Compensation

SUMMARY COMPENSATION TABLE

Annual Compensation

	(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Others
A	Jolly L. Ting, Chairman & Chief Executive Officer				
B	Nanette T. Ongcarranceja, President/Chief Operating Officer				
C	Ortrud T. Yao, Treasurer/Asst. Corp. Sec./Chief Finance Officer				
D	Melody T. Lancaster, Vice President	2017*	8,612,519	667,637	55,566
		2016	8,202,399	635,845	52,920
		2015	7,665,793	594,248	50,400
		2014	7,300,755	565,950	48,000
E	All other officers and directors as a group unnamed	2017*	6,940,213	2,570,292	168,084
		2016	6,609,727	2,447,897	160,080
		2015	6,177,315	2,287,754	160,000
		2014	6,568,912	521,903	-

**estimated amounts*

There are no existing arrangements/agreements in which said directors and officers are to be compensated during the last and ensuing year. Neither are there any employment contracts and termination of employment and change-in-control arrangements.

Item 12. Security Ownership of Certain Record and Beneficial Owners

The following table presents the record/beneficial owners who in person or as group own more than five percent (5%) of the issued and outstanding capital stock of the Company.

Title of Class	*Name and Address of Record and relationship with Issuer*	*Beneficial Owner and relationship with record owner*	*Citizenship*	*Number of Shares*	*Percent of Record Owner*
Common	Elgeete Holdings, Inc. (4/F 20 Lansbergh Place, 170 Tomas Morato Ave., cor. Sct. Castor St., Quezon City)	Ting Family	Filipino	125,783,791	44.68
Common	IGC Securities Inc. (Suite 1006, Tower I & Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City)		Filipino	56,425,639	20.04

Title of Class	Name and Address of Record and relationship with Issuer	Beneficial Owner and relationship with record owner	Citizenship	Number of Shares	Percent of Record Owner
Common	Myron Ventures, Corp.		Filipino	18,000,000	6.39
Common	Lucky Securities, Inc. (1402-B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City)		Filipino	14,170,000	5.03

Elgeete Holdings, Inc. is a private holding company, substantially owned and controlled by members of the Ting Family. Mr. Jolly L. Ting, the single largest stockholder among the Ting Family in this company, exercises the voting power over the shares.

IGC Securities Inc. and Lucky Securities, Inc. are participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. None of their clients own more than five percent of the Company's total outstanding common shares of stock.

Myron Ventures Corp. is a domestic corporation duly registered with the Securities and Exchange Commission and authorized its Chairman, Mr. Ray Anthony T. Ong, to vote for its shares during the Annual Stockholders' Meeting.

Item 13. Security Ownership of Management

The shares owned of record or beneficially by the directors and each of the named executive officers previously named are as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Jolly L. Ting	959,999 (direct)	Filipino	0.34
Common	Jolly L. Ting	21,280,175 (indirect)	Filipino	7.56
Common	Rodolfo L. See	5,994,000 (direct)	Filipino	2.13
Common	Nanette T. Ongcarranceja	500,001 (direct)	Filipino	0.18
Common	Nanette T. Ongcarranceja	9,366,278 (indirect)	Filipino	3.33
Common	Melody T. Lancaster	1 (direct)	Filipino	0.00
Common	Melody T. Lancaster	9,181,491 (indirect)	Filipino	3.26
Common	Ortrud T. Yao	1,000,001 (direct)	Filipino	0.36
Common	Ortrud T. Yao	9,181,491 (indirect)	Filipino	3.26
Common	Dexter E. Quintana	854,001 (direct)	Filipino	0.30
Common	Sergio R. Ortiz-Luis Jr.	1,000 (direct)	Filipino	-

Directors and officers as a group hold a total of 58,318,438 shares equivalent to 20.72% of Jolliville Holdings Corporation's issued and outstanding capital stock.

Item 14. Certain Relationships and Related Transactions

The Company, in the regular course of trade or business, enters into transactions with affiliates/related companies principally consisting of management fees, leasing agreements and cash advances. Generally, management and leasing arrangements are renewed on an annual basis and are based on terms similar to those offered to non-related parties.

There are no other transactions undertaken or to be undertaken by the Company in which any Director or Executive Officer, nominee for election as Director, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

Please refer to Note 17 of the attached 2016 Consolidated financial statements.

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PART IV – CORPORATE GOVERNANCE

Item 15. Corporate Governance

The Board of Directors and Management of Jolliville Holdings Corporation (the "Company" or the "Corporation") commit themselves to the principles and best practices contained in the Company's manual on corporate governance.

The Company believes that compliance with the principles of good corporate governance begins with the Board of Directors. It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which must be exercised in the best interest of the Corporation, its shareholders and other stakeholders. The Board conducts itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities.

Among the Board's duties are to fix a process of selection to ensure a competent directors and officers who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies, to determine the company's purposes, its vision and mission, and strategies to carry out its objectives, ensures compliance with all relevant laws, regulations and codes of best business practices, adopt a system of internal checks and balances, identify key risk areas and key performance indicators and monitor these factors with due diligence. It is also the Board's duties to formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions, to properly discharge Board functions by meeting regularly, constitute an audit, nomination, compensation and remuneration and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities

The Company also recognized code of business conduct and ethics to express the Corporation's commitment to full compliance of its existing business interests, shareholdings, personal activities, or relationships that may directly or indirectly conflict with the Corporation's customers, suppliers, competitors, and other third parties, to promote honest and ethical conduct and handling of apparent conflicts of interest between personal professional relationships, and to help foster a culture of honesty and accountability.

The Company plans to continue adopting the SEC and other reputable organization's recommendations for improved corporate governance.

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PART V - EXHIBITS AND SCHEDULES

Item 16. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

The only exhibit applicable is the “Subsidiaries of the Registrant”. The required information has already been discussed in Part I, Item I of this Report.

(b) Reports on SEC Form 17-C

Date	***Excerpts***
January 5, 2016	Certification of Director Attendance for the year 2015
April 29, 2016	Notice of the Company’s annual stockholders’ meeting
June 29, 2016	Results of Annual Stockholders’ Meeting held on 29 June 2016 and election of Directors to serve under the Audit and Risk, Nomination, Executive, and Compensation and Remuneration Committees
July 5, 2016	Certification of Independent Directors – Mr. Sergio Ortiz-Luis Jr. and Mr. Dexter Quintana
Aug. 4, 2016	Certificate of completion to Corporate Governance Seminar in Compliance with SEC Memorandum Circular No. 20, Series of 2013 issued to Anna Francesca Respicio
August 9, 2016	Certificate of completion to Corporate Governance Seminar in Compliance with SEC Memorandum Circular No. 20, Series of 2013 issued to Jolly Ting, Nanette Ongcarranceja, Melody Lancaster, Ortrud Yao, Dexter Quintana, and Rodolfo See
December 1, 2016	Certificate of completion to Corporate Governance Seminar in Compliance with SEC Memorandum Circular No. 20, Series of 2013 – Sergio Ortiz-Luis Jr.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on 06 APR 2017.

By:

Jolly L. Ting Chairman	Ortrud T. Yao Chief Finance Officer
Nanette T. Ongcarranceja President	Princess O. Montecir Principal Accounting Officer

SUBSCRIBED AND SWORN to before me this _____ day of 06 APR 2017 affiant(s) exhibiting to me their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Jolly L. Ting	21851815	January 20, 2017	Quezon City
Nanette T. Ongcarranceja	21851806	January 20, 2017	Quezon City
Ortrud T. Yao	21851824	January 20, 2017	Quezon City
Princess O. Montecir	21851799	January 19, 2017	Quezon City

DOC. NO. 424
PAGE NO. 86
BOOK NO. XVIII
SERIES OF 2017.

JOSHUA P. LAPUZ
NOTARY Public City of Makati
Appointment No. M-231
Until December 31, 2018
Roll No. 45790
IBP Lifetime Roll No. 04897
PTR No. 5323503 / 1-4-16 / Makati City
G/F Fedman Suites, 199 Salcedo St.,
Legaspi Village, Makati City

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2016

* *These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements*

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

					1	3	4	8	0	0

Company Name

JOLLIVILLE HOLDINGS
CORPORATIONS AND SUBSIDIARIES

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

4/F 20 LANSBERGH PLACE BLDG.,
170 TOMAS MORATO AVE., COR.
SCT. CASTOR ST., QUEZON CITY

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
claire.depasion@joh.ph	(02) 373-3038	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
38	Any day in June	Dcember 31, 2016

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ortrud T. Yao	ortrud_ting@joh.ph	373-3038	N/A

Contact Person's Address

4/F 20 Lansbergh Place Bldg, 170 Tomas Morato Ave., Quezon City

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

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

JOLLIVILLE HOLDINGS CORPORATION

The Securities and Exchange Commission
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Jolliville Holdings Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Constantino Guadalquiver & Co., the independent auditor, appointed by the stockholders has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOLLY L. TING
Chairman
CTC No. 21851815
Issued on 01-20-17 at Quezon City

NANETTE T. ONGCARRANCEJA
President
CTC No. 21851806
Issued on 01-20-17 at Quezon City

ORTRUD T. YAO
Treasurer
CTC No. 21851824
Issued on 01-20-17 at Quezon City

Signed this 5th day of April,2017.

SUBSCRIBED AND SWORN to before me this 06 APR 2017 day of ____, 2017 in the city of MAKATI CITY, Philippines. Affiant exhibiting to their Community Tax Number as above stated.

Doc No. 393;
Page No. 80;
Book No. XVIII;
Series of 2017.

JOSHUA P. LAPUZ
NOTARY Public City of Makati
Appointment No. M-231
Until December 31, 2018
Roll No. 45790
IBP Lifetime Roll No. 04897
PTR No. 5323503 / 1-4-16 / Makati City
G/F Fedman Suites, 199 Salcedo St.,
Legaspi Village, Makati City

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants
22nd Floor Citibank Tower
8741 Paseo de Roxas Street
Salcedo Village, Makati City, Philippines
Telephone (+632) 848-1051
Fax (+632) 728-1014
E-mail address: mail@cgco.com.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Jolliville Holdings Corporation
4th Floor, 20 Lansbergh Place Building
170 Tomas Morato corner Scout Castor Street

Report on the Financial Statements

Opinion

We have audited the consolidated financial statements of Jolliville Holdings Corporation and Subsidiaries (the Group) which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Provisions and contingencies
The Group is involved in certain legal proceedings. This matter is significant to our audit because the determination of whether the provision should be recognized and the estimation of the potential liability resulting from these legal proceedings requires significant judgement by the management. We considered this as a key audit matters. The disclosures on contingencies are discussed in Note 29 to the consolidated financial statements.

Audit response
Our procedures focused on the evaluation of management's assessment on whether any provision for contingencies should be recognized and the estimation of such amount. Obtaining information from the Group's legal counsels were included in the procedures conducted.

Consolidation Process
The Group's consolidated financial statements comprise the financial statements of Jolliville Holdings Corporation and its subsidiaries. The Group's consolidation process is significant to the audit because of the complexity of the process which involves identifying and eliminating several intercompany transactions and balances to properly reflect the consolidated financial position and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

Audit response
Our audit procedure involves obtaining an understanding of the Group's corporate structure and its consolidation process and policy, such as identifying intercompany transactions and reconciliation of intercompany balances. Appropriateness of intercompany elimination entries were also verified.
To address further the risk, we performed analytical procedures at the consolidated level and evaluate the sufficiency of the disclosures in the Group's consolidated financial statements.

Other Information
Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2016 but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2016, which are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Rogelio M. Guadalquiver.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 003-FR-3, valid until November 10, 2017 (Group A)
BIR A.N. 08-001507-0-2014, valid until January 5, 2018

By:

ROGELIO M. GUADALQUIVER
Partner
CPA License No. 13608
SEC AN 017-AR-3, valid until December 16, 2017 (Group A)
TIN 123-305-015-000
BIR AN 08-001507-1-2014, valid until January 5, 2018
PTR No. 5966639, issued on February 8, 2017, Makati City

Makati City, Philippines
April 5, 2017

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Pesos)

	Note		**2016**		2015
ASSETS					
Current Assets					
Cash and cash equivalents	6	**₱**	**275,312,575**	₱	373,045,395
Receivables – net	7		**159,059,685**		201,182,923
Due from related parties	17		**64,079,473**		75,461,935
Inventories	8		**13,640,735**		16,262,210
Other current assets	9		**76,241,273**		62,995,139
Total Current Assets			**588,333,741**		728,947,602
Noncurrent Assets					
Property, plant and equipment – net	13		**2,882,417,179**		2,279,772,692
Investment property	12		**1,214,226,772**		928,782,005
Investment in associates	11		**50,432,876**		47,869,566
Deferred tax assets	22		**20,343,817**		14,175,220
Available-for-sale (AFS) investments	10		**2,945,303**		2,955,745
Other noncurrent assets - net	14		**69,304,266**		58,883,076
Total Noncurrent Assets			**4,239,670,213**		3,332,438,304
		₱	**4,828,003,954**	₱	4,061,385,906
LIABILITIES AND EQUITY					
Current Liabilities					
Current portion of loans payable	15	**₱**	**473,177,821**	₱	292,202,878
Accounts payable and other current liabilities	16		**661,426,948**		627,672,713
Due to related parties	17		**250,926,832**		195,941,525
Income tax payable			**16,384,605**		17,687,309
Total Current Liabilities			**1,401,916,206**		1,133,504,425
Noncurrent Liabilities					
Noncurrent portion of loans payable	15		**1,260,355,749**		1,157,266,651
Retirement benefit obligation	18		**44,568,155**		39,084,353
Deferred tax liabilities	22		**59,246,413**		26,338,131
Customers' deposits			**26,637,993**		22,316,852
Deposit for future stock subscription			**35,000,000**		95,000,000
Total Noncurrent Liabilities			**1,425,808,310**		1,340,005,987
Total Liabilities			**2,827,724,516**		2,473,510,412

(Forward)

(Carryforward)

	Notes		2016		2015
Equity					
Attributable to Equity Holders of Parent Company					
Capital stock	27	₱	**281,500,000**	₱	281,500,000
Additional paid-in capital	27		**812,108**		812,108
Revaluation surplus on investment property and property, plant and equipment	12, 13		**223,589,552**		207,365,658
Revaluation reserves on AFS investments	10		**773,399**		781,642
Reserve for actuarial gain (loss)	18		**(4,588,097)**		(4,675,669)
Retained earnings	27		**1,013,518,435**		698,378,813
			1,515,605,397		1,184,162,552
Noncontrolling Interests			**484,674,041**		403,712,942
Total Equity			**2,000,279,438**		1,587,875,494
		₱	**4,828,003,954**	₱	4,061,385,906

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	**2016**	2015	2014
REVENUES				
Power sales – net of discount of ₱559,013 in 2016, ₱506,728 in 2015 and ₱665,334 in 2014	23	₱ **315,525,125**	₱ 350,841,395	₱ 501,909,524
Water services	23	**223,079,762**	196,436,420	188,329,549
Rental	23	**60,046,692**	59,800,898	59,820,720
Technical services	23	**39,957,864**	39,957,864	37,493,544
Equity share in net earnings of associates	11	**267,345**	678,219	738,209
Others		**55,016**	24,849	18,205
		638,931,804	647,739,645	788,309,751
COSTS OF SERVICES	19	**379,664,896**	382,937,810	508,423,915
GROSS INCOME		**259,266,908**	264,801,835	279,885,836
OPERATING EXPENSES	20	**123,934,613**	121,139,490	109,876,319
INCOME FROM OPERATIONS		**135,332,295**	143,662,345	170,009,517
OTHER INCOME (CHARGES) – Net	21	**253,312,278**	153,632,017	(9,558,460)
INCOME BEFORE INCOME TAX		**388,644,573**	297,294,362	160,451,057
INCOME TAX EXPENSE (BENEFIT)	22			
Current		**31,414,912**	37,116,713	32,674,662
Deferred		**15,053,892**	(4,627,996)	(1,979,433)
		46,468,804	32,488,717	30,695,229
NET INCOME		**342,175,769**	264,805,645	129,755,828
OTHER COMPREHENSIVE INCOME				
Reclassifiable to profit or loss				
Increase (decrease) in:				
Revaluation surplus – net		**39,045,670**	8,827,249	–
Fair value of AFS investments	10	**(10,442)**	20,146	152,848
		39,035,228	8,847,395	152,848

(Forward)

(Carryforward)

	Note	2016	2015	2014
Not reclassifiable to profit or loss				
Actuarial gain (loss)		₱ **189,172**	₱ (7,742,785)	₱ –
Deferred tax effect		**(101,600)**	2,331,645	–
		87,572	(5,411,140)	–
		39,122,800	3,436,255	152,848
TOTAL COMPREHENSIVE INCOME		₱ **381,298,569**	₱ 268,241,900	₱ 129,908,676
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the parent company		**315,141,637**	239,206,059	₱ 98,800,471
Noncontrolling interests		**27,034,132**	25,599,586	30,955,357
		₱ **342,175,769**	₱ 264,805,645	₱ 129,755,828
EARNINGS PER SHARE		**1.1195**	0.8498	0.3510
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the parent company		₱ **354,676,508**	₱ 237,717,744	₱ 99,287,957
Noncontrolling interests		**26,622,061**	30,524,156	30,620,719
		₱ **381,298,569**	₱ 268,241,900	₱ 129,908,676
EARNINGS PER SHARE	24	₱ **1.2600**	₱ 0.8445	₱ 0.3527

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**2016**	2015	2014
ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY				
CAPITAL STOCK – ₱1 par value				
Authorized – 1,000,000,000 shares				
Subscribed and fully paid – 281,500,000 shares	27	**₱ 281,500,000**	₱ 281,500,000	₱ 281,500,000
ADDITIONAL PAID-IN CAPITAL	27	**812,108**	812,108	812,108
REVALUATION SURPLUS ON INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT - Net				
Balance at beginning of year	12,13	**207,365,658**	205,595,633	205,654,298
Appraisal increase		**16,399,182**	1,815,491	–
Depreciation on property and equipment		**(175,288)**	(45,466)	(58,665)
Balance at end of year		**223,589,552**	207,365,658	205,595,633
REVALUATION RESERVES ON AFS INVESTMENTS	10			
Balance at beginning of year		**781,642**	820,821	727,298
Increase in fair value		**(8,243)**	(39,179)	93,523
Balance at end of year		**773,399**	781,642	820,821
RESERVE FOR ACTUARIAL GAIN (LOSS)				
Balance at beginning of year		**(4,675,669)**	735,471	735,471
Actuarial gain (loss) during the year		**87,572**	(5,411,140)	–
Balance at end of year	18	**(4,588,097)**	(4,675,669)	735,471
RETAINED EARNINGS				
Balance at beginning of year		**698,378,813**	459,172,754	355,521,854
Change in ownership interest		–	–	4,850,429
Dividends declared		**(2,015)**	–	–
Net income during the year		**315,141,637**	239,206,059	98,800,471
Balance at end of year	27	**1,013,518,435**	698,378,813	459,172,754
		1,515,605,397	1,184,162,552	948,636,787
NONCONTROLLING INTERESTS				
Balance at beginning of year		**403,712,942**	271,833,668	246,063,378
Adjustment		–	(147,529)	–
Balance at beginning of year as adjusted		**403,712,942**	271,686,139	246,063,378
Increase (decrease) in noncontrolling interests		**54,339,038**	101,502,647	(4,850,429)
Share in total comprehensive income		**26,622,061**	30,524,156	30,620,719
Balance at end of year		**484,674,041**	403,712,942	271,833,668
		₱ 2,000,279,438	₱ 1,587,875,494	₱ 1,220,470,455

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Philippine Pesos)

	Notes	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱ 388,644,573**	₱ 297,294,362	₱ 160,451,057
Adjustments for:				
Depreciation and amortization	13	**64,157,455**	52,054,389	59,253,579
Increase in fair value of investment property through profit or loss	12	**(272,812,897)**	(173,387,754)	(17,548,000)
Finance charges	15	**21,749,999**	24,861,702	25,705,153
Interest income	6	**(2,244,160)**	(2,267,882)	(3,174,106)
Gain on disposal of property and equipment		**(332,857)**	(27,713)	–
Provisions for:				
Retirement expense	18	**5,731,355**	3,787,857	3,123,232
Impairment loss	9	**1,452,000**	–	1,197,641
Unrealized foreign exchange gain	6	**(22,216)**	(29,221)	52,372
Equity share in net earnings of associates	11	**(267,345)**	(678,219)	(738,209)
Realized loss on AFS investments	10	**10,442**	49,665	–
Operating income before working capital changes		**206,066,349**	201,657,186	228,322,719
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	7	**42,123,238**	35,575,813	(40,996,853)
Inventories	8	**2,621,475**	(234,503)	8,282,061
Other current assets	9	**(11,134,589)**	6,045,635	4,427,907
Increase (decrease) in:				
Accounts payable and other current liabilities	16	**30,877,481**	318,592,876	94,902,219
Customers' deposits		**4,321,141**	(2,409,943)	5,631,121
Cash generated from operations		**274,875,095**	559,227,064	300,569,174
Interest paid		**(44,181,491)**	(33,557,382)	(26,708,976)
Income tax paid		**(34,829,161)**	(36,860,601)	(31,097,790)
Interest received		**2,244,160**	2,267,882	3,174,106
Net cash provided by operating activities		**198,108,603**	491,076,963	245,936,514

(Forward)

(Carryforward)

	Notes	**2016**	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment	13	**₱ (614,375,887)**	₱ (1,050,975,452)	₱ (441,969,733)
Investment property	12	**(12,565,770)**	(140,544,250)	–
Investment in associates	11	**(2,295,965)**	(26,163,000)	–
Decrease (increase) in:				
Due from related parties	17	**11,382,462**	(19,650,266)	(8,800,868)
Other noncurrent assets	14	**(11,729,723)**	(10,784,222)	(14,310,557)
Proceeds from disposal of property, plant and equipment	13	**332,857**	32,400	–
Net cash used in investing activities		**(629,252,026)**	(1,248,084,790)	(465,081,158)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loan availment	15	**353,856,004**	795,556,977	478,418,406
Payments of loans	15	**(69,791,963)**	(186,456,792)	(156,211,206)
Increase (decrease) in:				
Noncontrolling interests		**54,339,038**	72,398,187	(4,526,545)
Due to related parties	17	**(5,014,693)**	133,214,713	(10,964,740)
Net cash provided by financing activities		**333,388,386**	814,713,085	306,715,915
EFFECT OF EXCHANGE RATE CHANGES O CASH AND CASH EQUIVALENTS	6	**22,216**	29,221	(52,372)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(97,732,820)**	57,734,479	87,518,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**373,045,395**	315,310,916	227,792,017
CASH AND CASH EQUIVALENTS AT END OF YEAR	6, 29	**₱ 275,312,575**	₱ 373,045,395	₱ 315,310,916

See accompanying Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. Corporate Information

Jolliville Holdings Corporation ("JOH" or "the Parent Company") and subsidiaries, collectively referred to as "the Group" were incorporated and organized under the laws of the Philippines and registered with the Securities and Exchange Commission (SEC) on various dates.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

Subsidiaries	Percentage of Ownership			
		2016		2015
Ormina Realty and Development Corporation (ORDC)		**100.00**		100.00
Jolliville Group Management, Inc. (JGMI)		**100.00**		100.00
Servwell BPO International Inc. (Servwell)		**100.00**		100.00
Granville Ventures Inc. (GVI)*		**100.00**		100.00
Jollideal Marketing Corporation (JMC)*		**100.00**		100.00
Jolliville Leisure and Resort Corporation (JLRC)*		**100.00**		100.00
Buyayao Island Resort Corporation (Buyayao Island)*	**51.00**			51.00
Sapulville Enterprises Corp. (Sapulville)*	**75.00**			
Sapul Ventures Corp. (SVC)*	**75.00**			
Ormin Holdings Corporation (OHC)* and Subsidiaries:		**100.00**		100.00
OTY Development Corp. (ODC)*		**100.00**		100.00
Melan Properties Corp. (MPC)*		**100.00**		100.00
KGT Ventures, Inc. (KVI)*		**100.00**		100.00
Ibayo Island Resort Corp. (IIRC)*		**100.00**		100.00
NGTO Resources Corp. (NRC)*		**100.00**		100.00
Tabuk Water Corp. (TWC)*		**100.00**		100.00
Philippine Hydro Electric Ventures, Inc. (PHEVI)		**100.00**		100.00
Ormin Power, Inc. (OPI)		**60.00**		60.00
Philippine H20 Venture Corp. (H20) and Subsidiaries				
Direct ownership of the Parent Company	**33.51**		33.51	
Parent Company's ownership through OHC Subsidiaries	**24.67**	**58.18**	24.67	58.18
Calapan Waterworks Corporation (CWC) (see Note 2)		**58.01**		58.01
Metro Agoo Waterworks Inc. (MAWI)*		**48.21**		48.21
Nation Water Corporation (NWC) * (see Note 2)				
Parent Company's ownership through CWC and TWC		**58.18**		58.18

**preoperating*

The Parent Company was incorporated primarily to acquire, invest in, hold, sell, exchange and generally deal in with securities of every kind and description (without in any way acting as investment house, or securities dealer or broker), and to purchase, lease or otherwise acquire lands or interest in lands, and to build, construct or erect thereon buildings, factories, or other structures.

Currently, the Parent Company's principal activity is holdings in subsidiaries and associates and leasing its investment property and movable property.

The principal activities of the subsidiaries are as follows:

Name of subsidiary	Principal activity
ORDC	Engages in real estate business including property development, sale or lease. Develops, sells and/or leases movable property.
JGMI	Provides management, investment and technical advices and services except the management of funds, securities, portfolio or similar assets of the managed entities or corporations.
Servwell	Designs, implements, and operates certain business processes; assists companies in running their accounting units; provides receivables and payables processing, billings and collections, treasury, escrow and other related services; provides provident fund accounting; and provides human resource-related processes.
GVI/ OHC*	Will engage in real estate business including property acquisition, development, sale or lease. Also, will engage in the purchase, investment and sale of securities of any kind, without, in any way, acting as investment house or security dealer or broker.
JMC*	Will engage in the purchase and sale of construction and other related materials.
JLRC/MPC KVI/ODC IIRC/NRC/ Buyayao Island*	Will engage in the lease and purchase of marine, aquatic and environmental resources located in the Philippines and develop and conserve places with tourism value.
TWC*/MAWI*	Will engage in the operation, management and maintenance of development and utilization of water resources. Also, will acquire, own, lease, construct, install, equip, operate, manage and maintain plants.
PHEVI*	Will engage in, own, develop, construct, rehabilitate, operate, and maintain water and electric power plant systems and facilities, indigenous power generation plants and other types of power generation and/or converting stations; to make the necessary undertaking for the distribution of such facilities to consumers; to act as holding Group or joint venture partner or investor in the business of developing, operating, and/or owning power generation plants, converting stations, and/or distribution facilities; to acquire, build, construct, own, maintain and operate all necessary and convenient building, structures, dows, machinery, sub-stations, transmission lines, poles, wires, and other devices; and in relation thereto, engage in all allied services and business necessary for the conduct and maintenance of the above projects.
OPI	Provides power generation and electricity supply services to distribution utilities, including but not limited to, electric cooperatives; to install, build, own, lease maintain or operate power generation facilities, using fossil fuel, natural gas, or renewable energy; and to engage in any and all acts which may be necessary, or convenient, in the furtherance of such power generation services.

Name of subsidiary	Principal activity
H20	Currently engaged in investing and owning water companies that engage and will engage in the operating management of the development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial and recreational purposes.
CWC	Operates, manages and maintains the general business of development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
NWC*	Will operate, manage and maintain the general business of, development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
Sapulville	To acquire by purchase, assigned, gift or or otherwise, and to sell, assign, transfer, exchange, develop or improve mortgage, pledge, deal in with and otherwise operate, enjoy, and dispose of all or any of its properties of every kind and description and whatever situated as to the extent permitted by law including but not limited to real estate of all kinds whether improved or unimproved, and any interest of right therein, and bonds, debentures, shares of stocks, promissory notes, or other securities or obligations created, negotiated or issued by any corporation without however managing securities portfolio or other similar securities or to act as broker/ dealer of securities.
SVC	To acquire by purchase, lease, donation or otherwise, and to own, improve, develop, subdivide, sell, mortgage, exchange, lease, hold for investment or otherwise real estate of all kinds, whether improved, managed or otherwise dispose of buildings, houses, apartments and other structures of whatever kind together with their appurtenances.

**preoperating stage*

The Parent Company's registered office and principal place of business is 4F 20 Lansbergh Place, 170 Tomas Morato corner Scout Castor Street, Quezon City.

The consolidated financial statements of the Parent Company and subsidiaries (Group) were approved and authorized for issue by the Board of Directors (BOD) on April 5, 2017.

2. Basis of Preparation

Presentation of Financial Statements

The consolidated financial statements of the Group 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 value. The Group presents all items of income and expenses in a single statement of comprehensive income. 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.

Statement of Compliance
The financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by SEC.

Basis of Consolidation
The consolidated financial statements of the Group include the accounts of Jolliville Holdings Corporation and its subsidiaries where the Parent Company has control.

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are entities controlled by the Parent Company. Then 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 interGroup 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 interest's 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.

Disposals of equity investments to noncontrolling interests resulting in gains and losses for the Group are recorded in the consolidated statements of comprehensive income. Purchase of equity shares from noncontrolling interests are accounted for as equity transaction (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and noncontrolling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

The following are the major events affecting the Parent Company and subsidiaries for the years ended December 31, 2016, 2015, and 2014:

	2016		
Date	Subsidiary	Transaction	Amount
March 9, 2016	KGT, MELAN, OTY, NGTO	Reversed the appropriation of retained earnings	₱1.8 million
		Declared cash dividends	1.25 million
March 16, 2016	OHC	Subscribed additional 12,495 shares each from KGT, NGTO, and OTY at ₱100 par value per share.	3.7 million
July 29, 2016	JLRC	Acquired 75% or a total of 7,500,000 common shares with ₱1 par value of the authorized capital stock of Sapulville Enterprise Corp. and Sapul Ventures Corp.	7.5 million
November 7, 2016	CWC	Declared cash dividends at ₱1 per common share. Out of the total amount of dividends declared, dividends attributable to H2O amounting to ₱117.5 were converted into deposit for future stock subscription in 2016.	117.8 million
December 6, 2016	OPI	Declared stock dividends in the form of preferred stock out of the unrestricted retained earnings.	30.0 million
		Declared dividends and increased of authorized capital stock (ACS) 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. Out of the ₱300,000,000 increase in capital, ₱75,000,000 worth of shares was subscribed, the amount of ₱11,250,000 was paid in cash and ₱30,000,000 was paid in the form of stock dividends. As of April 5, 2017, application for increase of ACS is still pending for SEC's approval.	41.25 million

		2016	
Date	Subsidiary	Date	Subsidiary
December 12, 2016	Servwell	Declared cash dividends.	₱15.0 million
December 16, 2016	PHEVI	Subscribed 27,000 shares of OPI's preferred shares with ₱1,000 par value	6.75 million
December 29, 2016	MAWI	Increased authorized capital stock from ₱10,000,000 divided into 10,000,000 common shares with par value of ₱1 per share to ₱110,000,000 divided into 10,000,000 common shares with par value of ₱1 per share and 100,000 preferred shares with par value of ₱1,000 per share. Out of the 110,000,000 shares increase in authorized capital stock, 25,000 shares were subscribed by a third party and the amount of ₱25,000,000 was paid in cash. As of April 5, 2017, the Company's application for increase of authorized capital stock is still pending for SEC's approval.	93.3 million
		Issued additional 7,500,000 common shares with ₱1 par value	7.5 million
2016	JOH	Acquired additional 20,477,816 common shares of ORDC with book value of ₱2.93 out of its deposit for future stock subscription	60.0 million
		Acquired additional shares of JLRC at ₱1 par	7.5 million

		2015	
Date	Subsidiary	Transaction	Amount
January 31, 2015	H20	Subscribed additional 16,781,000 shares of CWC at ₱6 per share using its deposit for future stock subscription at the former.	₱100.7 million
May 13, 2015	H20 and JOH	H2O sold 9,999,995 shares of TWC to JOH, for ₱1 per share.	10.0 million
May 20, 2015	H20	Declared stock dividends out of its unrestricted retained earnings; SEC approval date - October 20, 2015.	81.1 million
October 5, 2015	H20	Increased in authorized capital from ₱200 million divided into 200 million shares with par value of ₱1 per share to ₱500 million divided into 500 million shares with the same par value per share.	500.0 million
October 14, 2015	JLRC	Subscribed 152,999,996 shares of Buyayao Island Resort Corporation at ₱1 per share. As of December 31, 2016 and 2015, the related subscriptions payable amounted to ₱76.5 million.	153.0 million

	2015		
Date	Subsidiary	Transactions	Amount
December 2, 2015	Servwell	Declared cash dividends.	₱18.0 million
December 16, 2015	JGMI	Declared cash dividends.	20.0 million
December 28, 2015	PHEVI	Subscribed additional 93,316,500 shares of OPI shares at ₱1 per share. As of December 31, 2015, unpaid subscription amounted to ₱41,463,375.	93.3 million

	2014		
Date	Subsidiary	Transactions	Amount
March 24, 2014	JOH	Purchased 100% of the outstanding shares of pre-operating Company, Bia Ventures, Inc. (BVI). The BOD agreed to transfer all its shares in OPI to BVI. JOH's ownership to OPI remains at 60% as Bia Ventures, Inc. is a wholly-owned subsidiary of JOH.	₱80.0 million
August 18, 2014	H20	SEC approved the change of name of Calapan Ventures, Inc. to Philippine H2O Ventures Corp. as well as the amendment of CVI's primary and secondary purpose.	
November 24, 2014	CWC	Declared cash dividends of ₱1 per common share to stockholders on record as of November 24, 2014. Out of the total amount of dividends declared, dividends attributable to H2O amounting to ₱100,686,484 were converted into deposit for future stock subscriptions.	101.0 million
November 28, 2014	PHEVI	SEC approved the change of name from Bia Ventures, Inc. to PHEVI.	
December 15, 2014	JGMI	Declared cash dividends.	10.0 million
	SERVWELL	Declared cash dividends.	25.0 million
December 16, 2014	ORDC	Declared cash dividends.	40.0 million
2014	CWC/TWC	Entered into a Memorandum Agreement with Aquafino Water Corporation to form Nation Water Corporation. On November 13, 2014, SEC approved the incorporation of the Associate. CWC and TWC subscribed shares representing 39.85% and 34.99% equity ownership interests in the Associate with unpaid subscriptions of ₱749,900 and ₱656,200, respectively.	1.0 million 0.9 million

3. **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 new PFRS and 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 amendment clarifies 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. Amendment does not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party. The amendment is 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;
      - 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": Classification 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 amendments clarify 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 amendments also clarify 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 amendment 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 may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, 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 a 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 consolidated financial statements required by the above standards and interpretations will be included in the Group's consolidated 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 December 31, 2016 and 2015, 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 (Note 6), receivables (Note 7), due from related party (Note 17) and deposits and reserve fund (Note 14).

- *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 (see Note 10).

- *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 the 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 the effective interest method. These include liabilities arising from operations and borrowings.

This category includes accounts payable and other current liabilities (Note 16) and due to related parties (Note 17), loans payable (Note 15) and customer's deposits 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 statements 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 asset 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 statements 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.

<u>Derecognition of Financial Assets and Liabilities</u>
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 of 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 statements of comprehensive income.

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the statements 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 statements of financial position.

<u>Business Combination</u>
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.

<u>Fair Value Measurement</u>
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 re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the 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 Associates

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 Group 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 consolidated 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 statements 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	3 – 30
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.

Borrowing costs capitalized amounted to ₱72.5 million in 2016 and ₱31.8 million in 2015.

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 regularly 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" 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 (deficiency) 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 profit or loss 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.

Segment Information

For management purposes, the Group is organized into five (5) major operating businesses which comprise the bases on which the Group reports its primary segment information. Financial information on business segments is presented in Note 5. The Group has no geographical segments as all of the companies primarily operate only in the Philippines.

Segment revenue, expenses and performance include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products and services. The measurement policies the Group used for segment reporting are the same as those used in the consolidated financial statements. There have been no changes from prior periods in the measurement methods used to determine profit and loss. No asymmetrical allocations have been applied between segments.

Inter-segment assets, liabilities, revenue, expenses and results are eliminated in the consolidated financial statements.

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.

4. **Management's Use of Judgments and Estimates**

The Group's consolidated financial statements prepared in accordance with PFRS require management to make judgements, 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 Group 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 Group controls an entity if and only if the Group 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 Group'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.

  Rental expenses are shown in Notes 19 and 20.

- *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.

- *Determination 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.

The summary of the carrying values and fair values of the Group's consolidated financial instruments as of December 31, 2016 and 2015 is shown in Note 26.

- *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.

<u>*Estimates*</u>
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.

  The Group's allowance for impairment losses amounted to ₱2.4 million as of December 31, 2016 and 2015 (see Note 7).

- *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.

  The Group's inventories as of December 31, 2016 and 2015 amounted to ₱13.6 million and ₱16.3 million, respectively (see Note 8).

- *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.

  No allowance for inventory obsolescence recognized in the consolidated financial statements as of December 31, 2016 and 2015.

- *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. The amounts of revaluation and fair value gains recognized on investment property are disclosed in Note 12.

  The carrying value of the Group's investment property amounted to ₱1.2 billion and ₱0.9 billion as of December 31, 2016 and 2015, respectively (see Note 12).

- *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.

  The Group's property, plant and equipment as of December 31, 2016 and 2015 amounted to ₱2.9 billion and ₱2.3 billion, respectively (see Note 13).

- *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.

  The assumptions for pension costs and other retirement benefits are described in Note 18, and include among others, discount and salary increase rates. 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.

  Retirement expense amounted to ₱5.7 million in 2016, ₱3.8 million in 2015 and ₱3.2 million in 2014. The Group's retirement benefit obligation amounted to ₱44.6 million and ₱39.1 million as of December 31, 2016 and 2015, respectively (see Note 18).

- *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.

  The Group's allowance for impairment amounted to ₱2.6 million and ₱1.2 million as of December 31, 2016 and 2015 (see Note 14).

  The carrying amounts of investment property, property, plant and equipment and other noncurrent assets are disclosed in Notes 12, 13 and 14.

- *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.

  There was no impairment loss in 2016, 2015 and 2014.

- *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.

  The Group's deferred tax assets amounted to ₱20.3 million and ₱14.2 million as of December 31, 2016 and 2015, respectively (see Note 22). The Group's deferred tax liabilities amounted to ₱59.2 million and ₱26.3 million as of December 31, 2016 and 2015, respectively (see Note 22).

- *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 (see Note 26).

- *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.

  No provisions were recognized in 2016, 2015 and 2014.

5. Business Segments

The Group's operating businesses are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that serves different markets.

- The Parent Company and ORDC are engaged in providing furnishings and non-heavy equipment for lease. Also, the Parent Company leases out some of its investment property.
- Water segment pertains to CWC, engaged in the operation, maintenance and distribution of water supplies in the City of Calapan, province of Oriental Mindoro and City of Tabuk, province of Kalinga and MAWI engaged in the operation, maintenance and distribution of water supplies in Agoo, La Union.
- Power segment pertains to OPI, engaged in power generation and provides electricity supply services in the Province of Oriental Mindoro.
- Management services segment pertains to JGMI and Servwell, engaged in providing management, technical consulting and other related services.
- Unallocated segment pertains to the Group (H20, OHC, GVI, JLRC, JMC, and Buyayao Island) who are engaged in holding of properties of every kind and description.

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, investment property, property, plant and equipment - net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, and taxes currently payable and accrued liabilities.

The Group generally accounts for inter-segment sales and transfers as in arm's-length transactions at current market prices. Such sales and purchases are eliminated in consolidation.

The following are revenue and income information regarding industry segments for the years ended December 31, 2016, 2015 and 2014 and certain assets and liability information regarding industry segments as of December 31, 2016, 2015 and 2014:

	2016						
	Power	Water	Rental	Management/ Technical services	Unallocated	Elimination	Consolidated
Segment revenues	₱315,525,125	₱223,079,762	₱69,146,121	₱65,118,728	₱276,149,044	(₱34,260,292)	₱914,758,488
Segment cost and expenses	246,922,173	131,252,531	46,590,628	44,295,587	27,293,532	(34,260,292)	462,094,159
Earnings before depreciation and income tax	68,602,953	91,827,231	22,555,493	23,135,760	248,855,512	–	452,664,330
Depreciation and amortization	18,075,730	34,767,940	10,382,162	709,272	84,653	–	64,019,757
Income tax expense (benefit)-net	(788,083)	15,010,771	25,168,150	6,957,966	120,000	–	46,468,804
Net income	₱51,315,306	₱42,048,520	(₱12,994,819)	₱15,468,522	₱248,650,869	₱–	₱342,175,769
Segment assets	₱2,149,221,033	₱1,186,952,374	₱898,395,956	₱51,159,234	₱542,275,357	₱–	₱4,828,003,954
Segment liabilities	₱1,706,965,656	₱707,821,958	₱102,666,485	₱33,884,474	₱276,385,943	₱–	₱2,827,724,516
Additions to property, plant and equipment (Note 13)	₱491,859,690	₱97,220,723	₱14,667,527	₱14,490	₱33,044,949	₱–	₱636,807,379

	2015						
	Power	Water	Rental	Management/ Technical services	Unallocated	Elimination	Consolidated
Segment revenues	₱350,841,395	₱196,436,420	₱68,900,327	₱64,895,208	₱180,199,682	(₱34,036,772)	₱827,236,260
Segment cost and expenses	279,036,733	117,331,330	43,861,842	40,325,474	31,574,763	(34,036,772)	478,093,370
Earnings before depreciation and income tax	71,804,662	79,105,090	25,038,485	24,569,734	148,624,919	–	349,142,890
Depreciation and amortization	17,810,111	23,666,349	10,081,930	290,138	–	–	51,848,528
Income tax expense (benefit)-net	42,517	15,482,910	1,471,875	14,399,883	1,091,532	–	32,488,717
Net income	₱53,952,034	₱39,955,831	₱13,484,680	₱9,879,713	₱147,533,387	₱–	₱264,805,645
Segment assets	₱1,758,448,734	₱1,139,047,991	₱635,156,460	₱59,591,475	₱469,141,246	₱–	₱4,061,385,906
Segment liabilities	₱1,401,697,474	₱694,022,487	₱143,255,182	₱36,028,816	₱196,506,453	₱–	₱2,471,510,412
Additions to property, plant and equipment (Note 13)	₱765,207,184	₱324,185,244	₱9,503,530	₱2,701,209	₱–	₱–	₱1,101,597,167

	2014						
	Power	Water	Rental	Management / Technical services	Unallocated	Elimination	Consolidated
Segment revenues	₱501,909,524	₱188,329,549	₱68,821,868	₱72,019,793	₱15,221,593	(₱43,327,398)	₱802,774,929
Segment cost and expenses	421,588,480	116,487,383	42,795,610	26,112,970	29,064,591	(43,327,398)	592,721,636
Earnings before depreciation and income tax	80,321,044	71,842,166	26,026,258	45,906,823	(13,842,998)	–	210,053,293
Depreciation and amortization	16,224,238	20,036,058	16,176,055	470,765	–	–	52,907,116
Income tax expense (benefit)	(264,510)	13,951,812	2,210,961	14,232,725	564,240	–	30,695,228
Net income (loss)	₱64,361,316	₱37,854,296	₱7,639,242	₱31,203,333	(₱13,278,758)	₱–	₱126,450,947
Segment assets	₱947,925,966	₱817,856,708	₱414,168,667	₱69,174,897	₱378,565,908	₱–	₱2,627,692,146
Segment liabilities	₱707,815,993	₱425,785,573	₱51,855,286	₱9,908,299	₱211,856,540	₱–	₱1,407,221,691
Additions to property, plant and equipment (Note 13)	₱320,696,647	₱–	₱3,675,876	₱7,705	₱188,149,549	₱–	₱512,529,777

6. **Cash and Cash Equivalents**

This account consists of:

	2016	2015
Cash on hand	**₱318,523**	₱328,523
Cash in banks	**162,006,822**	270,466,339
Short-term time deposits	**112,987,230**	102,250,533
	₱275,312,575	₱373,045,395

Cash in banks earn interest at the respective bank deposit rates. Time deposits are made for varying periods up to three months depending on the immediate cash requirements of the Group, and earn interest at 0.625% to 2.625% gross of tax. Interest income earned amounted to ₱2.2 million in 2016, ₱2.3 million in 2015 and ₱3.2 million in 2014 (see Note 21).

As of December 31, 2016 and 2015, the Group's foreign currency denominated monetary asset under cash in bank amounted to US$8,310 with peso equivalent of ₱413,941 and US$9,290 with peso equivalent of ₱438,189, respectively. These balances were restated using the closing rate as of December 31, 2016 and 2015 of ₱49.813/US$1 and ₱47.166 /US$1, respectively. The Group's net unrealized foreign exchange gain amounted to ₱22,216 in 2016, ₱29,221 in 2015, and net unrealized foreign exchange loss of ₱52,372 in 2014 are reported under "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 21).

7. **Receivables** - net

This account consists of:

	Note	**2016**	2015
Trade	15	**₱45,558,086**	₱61,425,839
Advances to supplier		**22,264,747**	34,918,004
Advances to contractor		**8,007,303**	10,538,154
Advances to officers and employees		**780,216**	1,179,265
Others	12	**84,804,221**	95,476,549
		161,414,573	203,537,811
Less allowance for impairment		**2,354,888**	2,354,888
		₱159,059,685	₱201,182,923

OPI's trade receivables as of December 31, 2016 and 2015 amounting to ₱8.2 million and ₱26.2 million, respectively, are covered by a Deed of Assignment (see Note 15).

Other receivables in 2016 and 2015 include receivables from sale of CWC's investment property amounting to ₱62.9 million and ₱73.0 million, respectively.

There are no receivables used as a pledge to secure any of the Group's liabilities.

There is no provision for impairment recognized in 2016 and 2015.

8. **Inventories**

This account consists of:

	Note	**2016**	2015
Bunker, diesel, lube and low sulfur fuel oil		**₱9,453,568**	₱12,075,043
Spare parts	23	**4,187,167**	4,187,167
		₱13,640,735	₱16,262,210

Inventories of fuel and oil charged to "Cost of sales and services" account amounted to ₱199.2 million in 2016, ₱228.4 in 2015 and ₱368.1 million in 2014 (see Note 19).

No impairment loss on inventory is recognized in the Group's financial statements in 2016 and 2015.

There are no inventories used as pledge to secure any of the Group's liabilities.

9. **Other Current Assets**

This account consists of:

	2016	2015
Input VAT	**₱53,205,508**	₱41,456,054
Creditable withholding taxes	**19,535,852**	17,424,307
Prepaid insurance	**1,038,741**	1,466,844
Deposits	**588,774**	677,674
Prepaid taxes	**328,445**	328,445
Others	**1,543,953**	1,641,815
	₱76,241,273	₱62,995,139

Others include prepaid rent, unused office supplies and other prepaid expenses.

10. Available-for-Sale Investments

The rollforward analysis of the net carrying value of this account is shown below:

	2016	2015
Cost:		
Balance at beginning and end of year	**₱2,000,000**	₱2,000,000
Valuation adjustment:		
Balance at beginning of year	**955,745**	1,005,410
Decrease in value during the year	**(10,442)**	(49,665)
Balance at end of year	**945,303**	955,745
Net carrying value	**₱2,945,303**	₱2,955,745

This account includes investment in mutual fund managed by an insurance Company. This fund seeks to achieve an optimal level of income in the medium term together with long term capital growth through investments in fixed income securities and money market instruments and shares listed in the Philippine Stock Exchange (PSE). Although the amount can be withdrawn anytime, the Group's management intends to hold the fund on a long-term basis.

11. Investment in Associates

This account consists of:

	Ownership	**2016**	2015
Cost:			
Balance at beginning and end of year	37.60%	**₱44,532,837**	₱18,369,837
Acquisition during the year	10.00%	**2,295,965**	26,163,000
Balance at end of year		**46,828,802**	44,532,837
Accumulated equity share in net earnings of an associate:			
Balance at beginning of year		**3,336,729**	2,658,510
Share in net earnings during the year		**267,345**	678,219
Balance at end of year		**3,604,074**	3,336,729
Net carrying value		**₱50,432,876**	₱47,869,566

The undistributed earnings of the associate included in the Group's unappropriated retained earnings amounted to ₱3,604,074 and ₱3,336,729 as of December 31, 2016 and 2015, respectively. These amounts are not available for dividend distribution until such time the associate declare it as dividends.

Summarized financial information of the associate follows:

	2016	2015
Total current assets	**₱6,270,977**	₱10,644,510
Total noncurrent assets	**60,261,391**	62,177,352
Total current liabilities	**6,580,073**	9,568,802
Total noncurrent liabilities	**6,827,535**	10,810,958
Total revenue	**24,487,073**	26,997,660
Total comprehensive income	**682,658**	1,803,787

In 2016, JLRC acquired 75% equity interest of Sapulville and SVC, hence absorbing its investees' investment in associaties amounting to ₱2.3 million.

In 2015, OHC subscribed 26,163,000 shares in Mega Renewable Power Development, Inc. with ₱1 par value. As of December 31, 2016 and 2015 the related subscriptions payable related to the investment amounted to ₱19.6 million (see Note 16). The Group holds 10% ownership, but has the ability to significantly influence the investee Group's operating activities and is accounted for under cost method.

12. **Investment Property**

The rollforward analysis of this account follows:

	2016		
	Land	Buildings and condominium units	Total
Cost:			
Balance at beginning of year	₱209,586,928	₱209,246,480	₱418,833,408
Additions during the year	11,974,764	591,006	12,565,770
Reclassification	–	66,100	66,100
Balance at end of year	221,561,692	209,903,586	431,465,278
Fair value adjustment:			
Balance at beginning of year	465,045,877	44,902,720	509,948,597
Increase during the year	201,000,929	71,811,968	272,812,897
Balance at end of year	666,046,806	116,714,688	782,761,494
Net carrying value	₱887,608,498	₱326,618,274	₱1,214,226,772

	2015		
	Land	Buildings and condominium units	Total
Cost:			
Balance at beginning of year	₱74,147,678	₱204,141,480	₱278,289,158
Additions during the year	135,439,250	5,105,000	140,544,250
Balance at end of year	209,586,928	209,246,480	418,833,408
Fair value adjustment:			
Balance at beginning of year	288,320,647	44,902,720	333,223,367
Increase during the year	176,725,230	–	176,725,230
Balance at end of year	465,045,877	44,902,720	509,948,597
Net carrying value	₱674,632,805	₱254,149,200	₱928,782,005

Changes in the fair value of the investment property recognized in the consolidated statements of comprehensive income amounted to ₱272.8 million in 2016, ₱176.7 million in 2015 and ₱14.2 million in 2014 were presented under "Other income (charges)" in the consolidated statements of comprehensive income and consolidated statement of changes in equity, respectively.

In 2016, ODC, NRC and KVI acquired various parcels of land, all situated in Oriental Mindoro, amounting to ₱1.0 million, ₱2.2 million, and ₱1.6 million, respectively. The investment was made for capital appreciation and held for future development.

In 2016, ORDC capitalized direct costs to investment property amounting to ₱0.6 million. In 2015, ORDC acquired a parcel of land and building located in Roxas, Oriental Mindoro for ₱5.1 million. The investment was made for capital appreciation and held for future development.

In 2016, Buyayao Island Resort Corporation capitalized commission expense amounting to ₱4.6 million. In 2015, BIRC acquired parcels of land in Oriental Mindoro for ₱126.9 million. This property is earmarked for future development.

Upon acquisition of the 75% equity interest Sapulville and SVC, hence absorbing its investees' land amounting to ₱2.6 million.

In 2015, ODC and NRC acquired two (2) parcels of land each amounting to ₱0.9 million and ₱7.2 million, respectively. Similarly, KVI purchased a parcel of land for ₱0.5 million. These investments are all located in Calapan City, Oriental Mindoro and are held for capital appreciation and future development.

The Group leases out some of its investment property generally for a period of one (1) year, renewable annually upon mutual consent of the parties. Rental income earned by the Group from its investment property under operating leases amounted to ₱20.7 million in 2016, ₱20.6 million in 2015 and ₱20.9 million in 2014 (see Note 23).

Direct costs relative to investment property held under lease are as follows:

	2016	2015	2014
Real property tax	**₱2,691,157**	₱1,720,236	₱1,954,552
Capital gains tax	**229,394**	307,233	–
Documentary stamp tax	**57,359**	71,269	–
Transfer tax	**5,957**	13,134	–
Insurance	–	218,627	171,136
Repairs and maintenance	–	108,406	238,000
	₱2,983,867	₱2,438,905	₱2,363,688

13. **Property, Plant and Equipment**

The rollforward analysis of this account follows:

	2016									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱44,361,832	₱21,317,388	₱89,336,258	₱273,224,045	₱488,795,857	₱424,756,828	₱48,658,470	₱42,970,493	₱1,354,473,943	₱2,787,895,114
Additions	–	473,459	–	5,547,876	22,581,278	4,912	8,224,649	11,661,564	588,313,641	636,807,379
Reclassification	–	–	(53,056,050)	–	80,076,500	–	–	–	(80,076,500)	(53,056,050)
Disposals	–	–	–	–	–	–	–	(4,195,651)	–	(4,195,651)
At December 31	44,361,832	21,790,847	36,280,208	278,771,921	591,453,635	424,761,740	56,883,119	50,436,406	1,862,711,084	3,367,450,792
Accumulated depreciation and amortization:										
At January 1	347,409	2,794,446	39,296,337	269,260,014	113,925,736	57,847,822	28,387,859	26,486,664	–	538,346,287
Depreciation and amortization	–	732,340	2,411,202	5,572,012	26,788,492	15,952,319	6,445,659	6,255,431	–	64,157,455
Reclassification	–	–	(44,436,638)	–	–	–	–	–	–	(44,436,638)
Disposals	–	–	–	–	–	–	–	(4,195,651)	–	(4,195,651)
At December 31	347,409	3,526,786	(2,729,099)	274,832,026	140,714,228	73,800,141	34,833,518	28,546,444	–	553,871,453
Revaluation increase in land										
At January 1	19,002,961	–	11,092,904	–	128,000	–	–	–	–	30,223,865
Additions	–	–	–	–	–	39,045,670	–	–	–	39,045,670
Depreciation	(152,807)	–	(278,888)	–	–	–	–	–	–	(431,695)
At December 31	18,850,154	–	10,814,016	–	128,000	39,045,670	–	–	–	68,837,840
Net carrying value	₱62,864,577	₱18,264,061	₱49,823,323	₱3,939,895	₱450,867,407	₱390,007,269	₱22,049,601	₱21,889,962	₱1,862,711,084	₱2,882,417,179

	2015									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱44,297,789	₱19,720,735	₱89,336,258	₱269,154,772	₱401,371,213	₱423,491,923	₱33,796,295	₱32,671,882	₱392,377,082	₱1,706,217,949
Additions	64,043	1,596,653	–	4,069,273	9,725,499	1,264,905	14,862,175	10,588,714	1,059,425,905	1,101,597,167
Reclassification	–	–	–	–	77,699,145	–	–	(149,478)	(97,329,044)	(19,779,377)
Disposals	–	–	–	–	–	–	–	(140,625)	–	(140,625)
At December 31	44,361,832	21,317,388	89,336,258	273,224,045	488,795,857	424,756,828	48,658,470	42,970,493	1,354,473,943	2,787,895,114
Accumulated depreciation and amortization:										
At January 1	347,409	2,123,339	36,885,133	262,834,054	95,351,162	41,756,611	24,777,776	22,352,352		486,427,836
Depreciation and amortization	–	671,107	2,411,204	6,425,960	18,574,574	16,091,211	3,610,083	4,270,250		52,054,389
Disposals	–	–	–	–	–	–	–	(135,938)		(135,938)
At December 31	347,409	2,794,446	39,296,337	269,260,014	113,925,736	57,847,822	28,387,859	26,486,664		538,346,287
Revaluation increase in land										
At January 1	16,505,443	–	1,220,282	–	–	–	–	–		17,725,725
Additions	2,578,445	–	9,903,911	–	128,000	–	–	–		12,610,356
Depreciation	(80,927)	–	(31,289)	–	–	–	–	–		(112,216)
At December 31	19,002,961	–	11,092,904	–	128,000	–	–	–		30,223,865
Net carrying value	₱63,017,384	₱18,522,942	₱61,132,825	₱3,964,031	₱374,998,121	₱366,909,006	₱20,270,611	₱16,483,829	₱1,354,473,943	₱2,279,772,692

Certain property, plant and equipment under “Land and improvements”, “Water utilities and distribution system” and “Power plant” accounts with a total carrying value of ₱377.8 million and ₱339.4 million as of December 31, 2016 and 2015, respectively, were mortgaged in favor of a creditor bank in connection with the Group’s loan availment (see Note 15).

Depreciation and amortization expense were charged under the following accounts in the consolidated statements of comprehensive income:

	Note	**2016**	2015	2014
Costs of sales and services	19	**₱49,586,717**	₱42,599,174	₱39,356,768
Operating expenses	20	**14,433,040**	9,249,355	13,550,348
		₱64,019,757	₱51,848,529	₱52,907,116

Depreciation charges for transportation equipment amounting to ₱0.2 million in 2016, 2015 and 2014 were capitalized as part of development cost.

In 2016, H2O sold a fully-depreciated transportation equipment for ₱40,000, resulting to a gain on sale of ₱40,000.

On October 2016, ORDC sold a fully depreciated vehicle for a total consideration of ₱150,000. Proceeds from sale was recorded as "Other income" in statement of comprehensive income.

In 2016, ORDC determined that majority portion of the area of building and condominium under property and equipment is on lease therefore, the assets were reclassified from property and equipment to investment property with a carrying value of ₱66,100.

In 2016 and 2015, total borrowing costs of OPI, CWC and MAWI amounting to ₱72.5 million and ₱31.8 million were capitalized in Construction in Progress account.

On December 14, 2015, OPI's on-going construction of its Mini-Hydro Inabasan Power Plant was severely affected by Typhoon Nona (see Note 17). On March 29, 2016, the Company entered into a work contract with a contractor for the rehabilitation and restoration of the said power plant. On February 24, 2017, the Company was able to claim from its insurance company amounting to ₱71,529,730 and disbursed the same to its contractor.

Furniture, furnishings and equipment for lease are generally for a period of one (1) year, renewable annually upon mutual agreement of the parties. Rental income generated on lease of furniture, furnishings and equipment amounted to ₱39.1 million in 2016, ₱39.2 million in 2015 and ₱39.1 million in 2014 (see Note 23).

The Group's management had reviewed the carrying values of the property, plant and equipment as of December 31, 2016 and 2015 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

14. **Other Noncurrent Assets**

This account consists of:

	Note	**2016**	2015
Development cost		**₱43,144,769**	₱36,390,520
Reserve fund	15	**11,465,088**	6,494,193
Special bank deposit	23	**9,351,398**	9,351,398
Utilities and other deposits		**6,849,185**	6,844,606
Goodwill		**1,143,467**	1,000,000
		71,953,907	60,080,717
Less allowance for impairment loss		**2,649,641**	1,197,641
		₱69,304,266	₱58,883,076

Development cost pertains to capitalized cost relating to OPI's Inabasan Mini-Hydro Power Plant.

Reserve fund pertains to hold-out requirement of a local bank creditor of OPI and CWC as security for their respective loans (see Note 15).

Special bank deposit pertains to performance security in the form of a bank guarantee in relation to the lease agreement of CWC with the local government of Tabuk (see Note 23).

The rollforward analysis of allowance for impairment losses follows:

	Note	**2016**	2015
Balance at beginning of year		**₱1,197,641**	₱1,197,641
Provision for impairment losses	20	**1,452,000**	–
Balance at end of year		**₱2,649,641**	₱1,197,641

15. Loans Payable

Details of loans availed from local banks as follow:

	2016						
Grant date	Subsidiary	Particulars	Amount	Balance	Interest rate	Terms and Conditions	Guarantee/Security
Short-term loans							
a. 2016	OPI	Proceeds received	₱220,000,000	₱370,000,000	From 2.9% to 3.0% p.a.	Payable within 1 month to 6 months from the date of availment	Parent Company's investment property
		Payments made	(73,500,000)				
		• Interest incurred	8,191,264				
b. August 2015	CWC	• Proceeds received	–	–	3.00% p.a.	Payable in 90 days renewable	Unsecured
		• Payments made	(22,000,000)				
		• Interest incurred	25,000				
c. October 2015	Servwell	Proceeds received	–	–	9.08%	12 successive monthly installments from the date of availment	Unsecured
		Payments made	(511,093)				
		Interest incurred	18,258				
Long-term loans							
a. October 2016	OPI	• Proceeds received	3,246,400	3,116,848	9.35% p.a.	Payable in monthly installments for 5 years	Car
		• Payments made	(172,743)				
		• Interest incurred	99,028				
b. April 8, 2011	OPI	• Proceeds received	–	125,941,024	5.75% p.a.	Payable in 10 years with six months grace period; Reserve fund ₱3,600,000	Assigned receivables amounted to ₱8,240,223; Mortgaged property with a book value of ₱251,125,394
		• Payments made	(29,063,314)				
		• Interest incurred	8,277,655				
c. June 25, 2013	OPI	• Proceeds received	108,393,182	794,487,052	7.03% p.a.	Loan releases depends on the fulfillment, compliance or submission by the Group of the specific conditions for the project components	Constructed Inabasan Mini-Hydro Power Plant
		• Payments made	–				
		• Interest incurred	50,059,261				

(Forward)

(Carryforward)

	2016						
Grant date	Subsidiary	Particulars	Amount	Balance	Interest rate	Terms and Conditions	Guarantee/Security
d. July 15, 2015	OPI	• Proceeds received • Payments made • Interest incurred	₱– (9,533,810) 5,486,636	₱90,571,200	5.75% p.a.	Payable in10 years with 6 months grace period	Mortgaged property with a book value of ₱116,430,667
e. October 2015	OPI	• Proceeds received • Payments made • Interest incurred	– (238,166) 148,004	1,126,843	9.35% p.a.	Payable in monthly installments for 5 years	Car
f. December 2005	CWC	• Proceeds received • Payments made • Interest incurred	– (8,013,759) 3,334,285	48,082,556	6.25% p.a.	Payable in 15 years inclusive of a maximum of two years grace period on principal; Reserve Fund ₱2,894,193	Mortgaged property with a book value of ₱10,217,685
g. November 2014	CWC	• Proceeds received • Payments mad • Interest incurred	– – 5,686,498	92,298,300	6.00% p.a.	Payable in 10 years	Unsecured
h. September 2015	MAWI	• Proceeds received • Payments made • Interest incurred	45,657,160 (302,108) 12,939,774	217,443,719	6.78% p.a.	Payable in 15 years inclusive of a maximum of 2 years grace period on principal; To increase its authorized capital stock and paid up capital within one year to at least ₱45.0 million and by at least ₱92.0 million within two years from the date of full release of loan	Real estate mortgage within 6 months from the date of full release of loan; Chattel mortgage over PPE to be acquired under the loan agreement; Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after 6 months from the date of commercial operation

	2015						
Grant date	Subsidiary	Particular	Amount	Balance	Interest rate	Terms and condition	Guarantee/security
Short-term loans							
a. 2015	OPI	Proceeds received Payments made Interest incurred	₱158,000,000 (79,000,000) 5,737,371	₱223,500,000	From 3.00% to 4.75% p.a.	Payable within 1 month to 6 months from the date of availment	Parent Company's investment property
b. October 20, 2015	Servwell	Proceeds received Payments made Interest incurred	679,000 167,907 10,262	511,093	9.08%	12 successive monthly installments from the date of availment	Unsecured
c. August 2015	CWC	Proceeds received Payments made Interest incurred	22,000,000 – 285,667	22,000,000	3.00% p.a.	Payable in 90 days renewable	Unsecured
Long-term loans							
i. April 8, 2011	OPI	Proceeds received Payments made Interest incurred	275,889,000 – 11,245,047	155,004,338	6.50% p.a.	Payable in 10 years with six months grace period; Reserve fund ₱3,600,000	Assigned receivables – ₱26,243,728; Mortgaged property – ₱241,624,396
j. June 25, 2013	OPI	Proceeds received Payments made Interest incurred	324,694,248 – 26,101,462	636,034,608	7.03% p.a.	Loan releases depends on the fulfillment, compliance or submission of the specific conditions for the project components	Constructed Inabasan Mini-Hydro Power Plant
k. July 15, 2015	OPI	Proceeds received Payments made Interest incurred	90,571,200 – 2,213,334	90,571,200	5.75% p.a.	Payable in10 years with 6 months grace period	Mortgaged property – ₱87,301,405

(Forward)

(Carryforward)

	2015						
Grant date	Subsidiary	Particular	Amount	Balance	Interest rate	Terms and condition	Guarantee/security
l. October 2015	OPI	Proceeds received Payments made Interest incurred	₱1,422,400 (57,392) 21,360	₱1,365,008	9.59% p.a.	Payable in monthly installments for 5 years	Car
m. December 2005	CWC	Proceeds received Payments made Interest incurred	– (8,013,759) 3,839,685	56,096,315	6.25% p.a.	Payable in 15 years inclusive of a maximum of two years grace period on principal	Mortgaged property – ₱10,471,607 and investment property
n. November 2014	CWC	Proceeds received Payments made Interest incurred	– – 5,667,044	92,298,300	6.00% p.a.	Payable in 10 years	Mortgaged property – ₱10,471,607 and investment property
o. September 2015	MAWI	Proceeds received Payments made Interest incurred	172,088,667 – 2,277,678	172,088,667	6.78% p.a.	Payable in 15 years inclusive of a maximum of 2 years grace period on principal; Increase its authorized capital stock and paid up capital within one year to at least ₱45.0 million and by at least ₱92.0 million within two years from the date of full release of the loan	Real estate mortgage within 6 months from the date of full release of loan; Chattel mortgage over PPE to be acquired under the loan agreement; Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after 6 months from the date of commercial operation

The rollforward analysis of loans payable account follows:

	2016	2015
Balance at beginning of year	**₱1,449,469,529**	₱800,214,923
Proceeds received during the year	**353,856,004**	795,556,977
Payments made during the year	**(69,791,963)**	(146,302,371)
Balance at end of year	**₱1,733,533,570**	₱1,449,469,529

The maturity profile of loans payable follows:

	Note	**2016**	2015
Due within 1 year		**₱473,177,821**	₱292,202,878
Due beyond 1 year, not later than 5 years		**539,371,087**	400,437,288
Due beyond 5 years		**720,984,662**	756,829,363
	26	**₱1,733,533,570**	₱1,449,469,529

16. **Accounts Payable and Other Current Liabilities**

This account consists of:

	Note	**2016**	2015
Trade		**₱382,419,595**	₱428,076,685
Retention payable	23	**165,965,642**	122,485,133
Accrued expenses		**74,892,247**	38,604,975
Subscription payable	11	**19,622,250**	19,622,250
Government payables		**8,371,674**	11,772,788
Payable to contractors	23	**4,955,177**	4,955,177
Dividends payable		**437,695**	127,575
Others		**4,762,668**	2,028,130
	26	**₱661,426,948**	₱627,672,713

Carrying values of this account approximate the fair values at end of financial reporting period due to the short term nature of the transactions.

Trade payables are settled on 15 to 30 day terms.

Payable to contractors and retention payable arise from various contractor agreements which are non-interest bearing.

Accrued expenses include interest and payables to electric and water utility providers, government payables, professional fees, financial host and employees' tax refund.

17. **Related Party Transactions**

The Group has the following transactions with related parties:

a. Unsecured and non-interest bearing cash advances made to stockholders and affiliates for working capital purposes which are payable on demand and usually settled in cash.

b. Unsecured and noninterest bearing cash advances from stockholders and affiliates for working capital purposes which are payable on demand and usually settled in cash.

c. Details of related party balances follow:

	Note	**2016**	2015
Due from:			
Stockholders		**₱8,265,721**	₱16,885,211
Equity under common/shared ownership		**39,473,415**	42,095,124
Affiliates		**16,340,337**	16,481,600
	26	**₱64,079,473**	₱75,461,935
Due to:			
Stockholders		**₱217,345,020**	₱129,222,314
Equity under common/shared ownership		**25,380,732**	59,253,125
Affiliates		**8,201,080**	7,466,086
	26	**₱250,926,832**	₱195,941,525

The Group and its affiliates have common shareholders.

d. The rollforward analysis of related party accounts follow:

	2016	2015
Due from related parties		
Balance at beginning of year	**₱75,461,935**	₱55,811,669
Advances made during the year	**2,872,707**	20,335,681
Collections during the year	**(14,255,169)**	(685,415)
Balance at end of year	**₱64,079,473**	₱75,461,935
Due to related parties		
Balance at beginning of year	**₱195,941,525**	₱62,726,812
Advances received during the year	**88,857,700**	136,045,279
Payments made during the year	**(33,872,393)**	(2,830,566)
Balance at end of year	**₱250,926,832**	₱195,941,525

e. The summary of the above related party transactions follows:

	2016			
Category	Amount/Volume	Balance	Terms and condition	Guaranty/Provision
Affiliates				
Due from	Advances made: ₱2,372,707 Collections: 2,513,970	₱16,340,337	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Advances received: 734,994	8,201,080	Payable on demand; no significant warranties and covenants	No guarantees
Stockholders				
Due from	Advances made: 500,000 Collections: 9,119,490	8,265,721	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Advances received: 88,122,706	217,345,020	Payable on demand; no significant warranties and covenants	No guarantees

(Forward)

(Carryforward)

	2016			
Category	Amount/Volume	Balance	Terms and condition	Guaranty/Provision
Equity under common/shared ownership				
Due from	Collection: ₱2,621,709	₱39,473,415	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Payment: 33,872,393	25,380,732	Payable on demand; no significant warranties and covenants	Unsecured; no impairment

	2015			
Category	Amount/Volume	Balance	Terms and condition	Guaranty/Provision
Affiliates				
Due from	Collections: ₱11,535	₱16,481,600	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Advances received: 6,809,263	7,466,086	Payable on demand; no significant warranties and covenants	No guarantees
Stockholders				
Due from	Advances made: 9,119,890 Collections: 673,880	16,885,211	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Advances received: 70,982,891 Payments: 2,830,566	129,222,314	Payable on demand; no significant warranties and covenants	No guarantees
Equity under common/shared ownership				
Due from	Advances made: 11,215,791	42,095,124	Payable on demand; no significant warranties and covenants	Unsecured; no impairment
Due to	Advances received: 58,253,125	59,253,125	Payable on demand; no significant warranties and covenants	Unsecured; no impairment

f. The Parent Company and its subsidiaries, in the normal course of their business, had transactions with each other as summarized below:

Nature	**2016**	2015	2014
Rental	**₱9,099,429**	₱9,249,909	₱8,801,149
Management fee	**28,422,792**	48,161,854	34,526,249
	₱37,522,221	₱57,411,763	₱43,327,398

g. In 2015, JGMI entered into a contract with MAWI 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. The project was completed in 2016. Also, JGMI rendered services to MAWI in connection with the detailed engineering design of Agoo water system.

h. The remuneration of directors and other members of key management personnel during the year are as follows:

	2016	2015	2014
Salaries	**₱14,812,126**	₱13,843,108	₱13,183,912
Bonuses	**3,083,742**	3,092,402	3,092,402
	₱17,895,868	₱16,935,510	₱16,276,314

i. Below are the account balances as of December 31, 2016 and 2015 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

Receivables/ Payables

	2016							
	Receivables							
	CVI and subsidiaries	JHC	JGMI	SERVWELL	OHC and subsidiaries	JLRC	GVI	Total
Payables:								
CVI and subsidiaries	₱–	₱218,800	₱–	₱366,747	₱–	₱–	₱–	₱585,547
JHC	–	–	–	–	–	–	203,435	203,435
ORDC	1,218,679	13,142,588	–	4,357,735	–	–	–	18,719,002
JGMI	2,867,821	–	–	1,288,987	–	–	–	4,156,808
PHEVI and a subsidiary	–	101,679,263	–	–	–	–	–	101,679,263
Servwell	–	9,198,446	–	–	–	–	–	9,198,446
JMC	–	9,142,853	–	5,002	5,200	–	–	9,153,055
OHC and subsidiaries	–	205,630	509	–	–	600,000	–	806,139
JLRC	–	7,847,063	–	–	–	–	–	7,847,063
TWC	24,408	–	–	–	–	–	–	24,408
Buyayao	–	–	–	–	–	67,249	–	67,249
	₱4,110,908	₱141,434,643	₱509	₱6,018,471	₱5,200	₱667,249	₱203,435	₱152,440,415

	2015							
	Receivables							
	CVI and subsidiaries	JHC	JGMI	SERVWELL	OHC and subsidiaries	JLRC	GVI	Total
Payables:								
CVI and subsidiaries	₱–	₱10,143,569	₱6,460,670	₱365,897	₱–	₱–	₱–	₱16,970,136
JHC	–	–	1,998,979	–	–	–	212,335	2,211,314
ORDC	3,718,679	15,292,588	1,710,185	4,344,113	–	–	–	25,065,565
JGMI	–	–	–	1,288,987	–	–	–	1,288,987
PHEVI and a subsidiary	–	94,819,263	–	–	–	–	–	94,819,263
Servwell	–	9,198,446	–	–	–	–	–	9,198,446
JMC	–	8,950,559	–	5,002	5,200	–	–	8,960,761
OHC and subsidiaries	–	205,630	509	–	–	–	–	206,139
JLRC	–	7,747,063	–	–	–	–	–	7,747,063
GVI	–	17,300	–	–	–	–	–	17,300
TWC	228,830	–	–	–	–	–	–	228,830
Buyayao	–	–	–	–	–	24,361	–	24,361
	₱3,947,509	₱146,374,418	₱10,170,343	₱6,003,999	₱5,200	₱24,361	₱212,335	₱166,738,165

<u>Revenue/Expense</u>

	2016			
	Rental ORDC	Management fee JGMI	Technical service Servwell	Total
JGMI	₱1,620,000	₱–	₱–	₱1,620,000
ORDC	–	6,047,898	–	6,047,898
Servwell	2,700,000	–	–	2,700,000
CWC	1,254,000	9,512,965	6,000,000	16,766,965
TWC	1,254,000	3,600,000	–	4,854,000
MAWI	–	3,261,929	–	3,261,929
CVI	120,000	–	–	120,000
JOH	1,080,000	–	–	1,080,000
OPI	1,071,429	–	–	1,071,429
Total	₱9,099,429	₱22,422,792	₱6,000,000	₱37,522,221

	2015			
	Rental ORDC	Management fee JGMI	Technical service Servwell	Total
JGMI	₱1,620,000	₱–	₱–	₱1,620,000
ORDC	–	6,034,542	–	6,034,542
Servwell	2,700,000	–	–	2,700,000
CWC	1,254,000	9,097,445	6,000,000	16,351,445
TWC	1,254,000	3,600,000	–	4,854,000
MAWI	–	22,897,617	–	22,897,617
CVI	120,000	–	–	120,000
JOH	1,080,000	–	–	1,080,000
OPI	1,071,429	–	205,357	1,276,786
Total	₱9,099,429	₱41,629,604	₱6,205,357	₱56,934,390

	2014			
	Rental	Management fee	Technical service	
	ORDC	JGMI	Servwell	Total
JGMI	₱1,689,840	₱–	₱–	₱1,689,840
ORDC	–	5,904,019	–	5,904,019
Servwell	2,409,840	–	–	2,409,840
CWC	–	16,557,944	6,000,000	22,557,944
TWC	1,506,824	3,600,000	–	5,106,824
CVI	956,000	–	–	956,000
JOH	1,167,216	–	–	1,167,216
OPI	1,071,429	–	2,464,286	3,535,715
Total	₱8,801,149	₱26,061,963	₱8,464,286	₱43,327,398

18. Retirement Benefit Obligation

The Group operates a noncontributory retirement plan covering all qualifying employees. Under the current plan, the employees are entitled to retirement benefits of 60 percent of one month's pay per year on attainment of at least five years of their services with the Group.

The most recent actuarial valuations of present value of the defined benefit obligation were carried out at January 25, 2017 by independent actuaries. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method (PUC).

As of December 31, 2016, the Group's plan has not been funded.

Regulatory Framework which Retirement Plan Operates
For tax-qualified plans, if an entity is subject to income tax, its contributions for current service cost are considered 100% tax deductible, while those pertaining to past service (transition liability, past service cost and actuarial gains or losses; interest cost; and the expected return on plan assets) are deductible to the extent of 10%, the other 90% being spread equally over the next succeeding nine (9) years.

Further, the income of the Trust Fund from its investments is fully exempt from income tax (Sec. 32(B)(6)(a) of the Tax Code of 1997).

Ultimately, when the benefits are distributed to the retirees, these benefits are tax-exempted under certain conditions.

The principal assumptions used for the purposes of the actuarial valuation follow:

	2016	2015	2014
Discount rate	**5.3%**	5.1%	5.3%
Expected rate of salary increase	**5.3%**	5.0%	5.0%
Valuation method	**PUC**	PUC	PUC

Retirement expenses recognized in the consolidated statements of comprehensive income included under "Salaries and employee benefits" were determined as follows:

	2016	2015	2014
Current service cost	**₱3,697,125**	₱2,551,087	₱1,815,626
Interest cost	**2,034,230**	1,236,770	1,307,606
	₱5,731,355	₱3,787,857	₱3,123,232

The rollforward of retirement benefit obligation follows:

	Note	**2016**	2015
Balance at beginning of year		**₱39,084,353**	₱27,591,751
Retirement expense	20	**5,731,355**	3,787,857
Actuarial loss (gain)		**(247,553)**	7,704,745
Balance at end of year		**₱44,568,155**	₱39,084,353

The rollforward analysis of reserve for actuarial gain (loss) is as follows:

	2016	2015
Balance at beginning of year	**₱10,677,457**	₱5,284,134
Actuarial loss (gain)	**(173,287)**	5,393,323
Balance at end of year	**₱10,504,170**	₱10,677,457

19. **Cost of Sales and Services**

This account consists of:

	Notes	**2016**	2015	2014
Fuel cost	8	**₱199,234,225**	₱228,398,861	₱368,121,664
Depreciation and amortization	13	**49,586,717**	42,599,174	39,356,768
Salaries and employee benefits	17	**36,579,133**	32,762,296	33,906,695
Outside services	23	**35,644,861**	27,580,300	16,680,187
Repairs and maintenance		**24,388,586**	17,450,214	15,497,834
Utilities		**16,876,302**	17,233,414	18,044,122
Rental	23	**8,941,227**	8,840,929	8,840,929
Supervision and regulatory fees	23	**2,691,082**	2,440,122	2,576,087
Insurance		**1,201,129**	1,225,974	1,476,428
Transportation and travel		**1,125,598**	829,903	1,643,472
Communication		**1,012,220**	1,213,698	559,002
Security services		**576,000**	452,000	360,161
Office supplies		**569,840**	515,595	308,121
Others		**1,237,976**	1,395,330	1,052,445
		₱379,664,896	₱382,937,810	₱508,423,915

Others include professional fee, parking fees, toll, and training.

20. **Operating Expenses**

This account consists of:

	Notes	**2016**	2015	2014
Salaries and employee benefits	17, 18	**₱37,211,491**	₱33,253,608	₱28,341,394
Taxes and licenses		**14,387,482**	20,778,517	19,216,664
Depreciation and amortization	13	**14,433,040**	9,249,355	13,550,348
Transportation and travel		**7,238,913**	6,097,484	3,699,064
Professional services		**6,838,277**	5,750,202	7,873,915
Training and allowance		**5,773,830**	6,450,337	6,790,934
Representation		**5,148,429**	4,820,834	5,548,226
Communication		**4,573,951**	3,378,596	2,898,336
Repairs and maintenance		**3,573,668**	8,021,709	2,860,052
Association dues		**3,323,643**	2,436,553	1,894,984
Donation		**3,120,401**	2,938,397	1,073,569
Rental	23	**2,728,641**	2,328,770	1,515,015
Office supplies		**2,473,101**	3,336,199	3,393,748
Utilities		**2,246,795**	2,155,015	1,818,678
Computer software		**1,885,625**	1,324,164	668,929
Security services		**1,583,694**	1,389,136	1,895,443
Provision for impairment losses	14	**1,452,000**	–	1,197,641
Insurance		**1,271,531**	1,636,988	510,875
Outside services	23	**957,800**	817,393	804,000
Advertisement		**686,589**	1,448,886	1,366,594
Others		**3,025,712**	3,527,347	2,957,910
		₱123,934,613	₱121,139,490	₱109,876,319

Others include advertisement, allowances, materials, supplies, parking and toll fees.

21. **Other Income (Charges)**

This account consists of:

	Notes	**2016**	2015	2014
Increase in fair value of investment property	12	**₱272,812,897**	₱176,725,230	₱14,243,119
Finance charges	15	**(21,749,999)**	(24,861,702)	(25,705,153)
Interest income	6	**2,244,160**	2,267,882	3,174,106
Financial host expense	23	**(427,611)**	(433,654)	(475,820)
Bank charges		**(359,013)**	(598,464)	(1,095,174)
Net unrealized foreign exchange gain (loss)	6	**22,216**	29,221	(52,372)
Others		**769,628**	503,504	352,834
		₱253,312,278	₱153,632,017	(₱9,558,460)

22. **Income Taxes**

a. The Group's current income taxes except OPI for 2016 and 2015 pertain to regular corporate income tax.

OPI's current income tax expense in 2016 pertains to minimum corporate income tax (MCIT) for December 2016 plant operations and sale of scrap of materials which is not covered by OPI's income tax holiday. On December 1, 2016, the Company's ITH as a New Operator of an 8MW Modular Bunker Fuel-Fired Power Plant in Sta. Isabel, Calapan City, Oriental Mindoro has been expired.

b. The Group's deferred tax assets consist of the following:

	2016	2015
Tax effect of:		
Accrued retirement expense	**₱13,190,952**	₱11,574,763
NOLCO	**5,608,104**	1,534,699
Allowance for impairment losses of receivables	**1,501,359**	1,065,758
Rent expense as a result of PAS 17	**12,714**	–
Carryforward benefit of MCIT	**30,688**	–
	₱20,343,817	₱14,175,220

NOLCO amounting to ₱21.8 million as of December 31, 2016, can be carried forward and claimed as deduction against regular taxable income for the next three years as follows:

Date incurred	Amount	Expired	Balance	Expiry date
December 31, 2016	₱15,482,708	₱–	₱15,482,708	December 31, 2019
December 31, 2015	2,002,466	–	2,002,466	December 31, 2018
December 31, 2014	1,208,506	–	1,208,506	December 31, 2017
December 31, 2013	351,151	351,151	–	December 31, 2016
	₱19,044,831	₱351,151	₱18,693,680	

The carryforward benefit of MCIT that can be claimed as deduction from regular corporate income tax due amounting to ₱30,688 will expire in 2019.

The Group's deferred tax liabilities consist of the following:

	2016	2015
Tax effect of:		
Fair value adjustments in investment property and property and equipment	**₱53,165,916**	₱20,038,132
Capitalized borrowing costs	**6,047,999**	6,299,999
Rent expense as a result of PAS 17	**25,833**	–
Unrealized forex gain	**6,665**	–
	₱59,246,413	₱26,338,131

Deferred tax liability on fair value adjustments of investment property and property, plant and equipment is based on effective tax rate of 30% of the appraisal increase for assets classified as ordinary under the tax rules.

c. Reconciliation between the statutory and the effective income tax rates follows:

	2016	2015	2014
Statutory income tax rate	**₱115,420,623**	₱109,163,047	₱73,743,019
Additions to (reductions in) income tax resulting from:			
Effect of change in fair value of investment property	**(52,926,303)**	(54,229,793)	(3,650,143)
Income tax holiday incentives	**(11,232,106)**	(8,067,102)	(13,027,061)
Nontaxable income	**(4,499,996)**	(11,408,461)	(26,642,441)
Interest income taxed at lower rate	**(614,900)**	(638,249)	(703,955)
Other unallowable expenses	**320,639**	585,038	231,749
Equity share in net loss (income) of associates	**847**	189,349	(221,463)
Fair value decrease in investment property in previous year recognized this year	**–**	(3,228,013)	–
Applied NOLCO	**–**	122,901	140,812
Expired NOLCO	**–**	–	824,712
Effective income tax rate	**₱46,468,804**	₱32,488,717	₱30,695,229

d. The Parent Company and its subsidiaries opted for the itemized deduction scheme for its income tax reporting in 2016, 2015 and 2014.

23. Significant Contracts and Commitments

a. Lease of Water Facilities

In 2006, CWC entered into a lease agreement with the local government of Tabuk, in the province of Kalinga. Items under lease are the water facilities developed and owned by the local government. Under the agreement, CWC will manage, operate and maintain this water system within a defined service area for 25 years from the day the facilities are turned-over by the local government. CWC shall pay lease to the local government based on agreed amounts and subject to adjustments depending on the average actual billed volumes. Also, CWC shall pay supervision fee of ₱5 per connection on a monthly basis subject to adjustment according to the change in general consumer price index of the region where the local government belongs.

CWC maintains a performance security in the form of a bank guarantee. If provided in the form of a bank guarantee or an irrevocable letter of credit, security shall be valid for an initial period of twelve (12) months and the Group shall ensure that the security shall be renewed annually, each renewal to take effect immediately on the expiration of the previous security. The amount of performance security is ₱9.0 million per annum from year one (1) to year ten (10) and ₱4.5 million per annum from year eleven (11) to year fifteen (15) of the lease. This is reported as "Special bank deposit" under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 14). The balance of special bank deposit amounted to ₱9.4 million as of December 31, 2016 and 2015.

The lease became effective in October 2006. On March 25, 2010, the lease term was extended for another ten (10) years.

The future aggregate minimum lease payments under lease are as follows:

	2016	2015	2014
Within one year	**₱8,832,000**	₱8,832,000	₱8,832,000
Over 1 year but not more than 5 years	**35,328,000**	35,328,000	35,328,000
More than five years	**86,112,000**	94,944,000	103,776,000
	₱130,272,000	₱139,104,000	₱147,936,000

Lease fees and supervision fees incurred amounted to ₱8.9 million and ₱2.6 million in 2016, respectively while lease and supervision fees incurred amounted to ₱8.8 million and ₱2.4 million in 2015, respectively, ₱8.8 million and ₱2.5 million in 2014, respectively (see Note 19).

The Group's water revenue from operating the water utilities in Tabuk amounted to ₱24.5 million in 2016, ₱28.4 million in 2015, and ₱28.7 million in 2014.

b. Subsidy Agreement between National Power Corporation (NPC), ORMECO, and OPI

In 2011, OPI, NPC and ORMECO have signed the subsidy agreement which governs the availment by OPI of the Missionary Electrification Subsidy (ME Subsidy) as a New Power Provider (NPP) in the province of Mindoro. The agreement shall take effect from the time of execution until expiration of the Power Supply Agreement (PSA) or termination of the Subsidy Agreement, as provided under Section 8 of the Subsidy Agreement, whichever comes earlier.

The ME Subsidy shall be computed as the difference between the True Cost of Generation computed under the PSA and the Socially Acceptable Generation Rate (SAGR) paid by ORMECO. The amount of the ME Subsidy shall be taken from the Universal Charge-Missionary Electrification (UC-ME) fund being maintained by NPC.

Power sales to NPC amounted to ₱51.0 million, ₱81.2 million, and ₱189 million in 2016, 2015 and 2014, respectively.

c. Power Supply Agreement (PSA)

Calapan Diesel Power Plant

On February 9, 2010, the OPI entered into a PSA with ORMECO wherein the OPI agreed to supply the power needs of ORMECO for a period of fifteen (15) years, subject to renewal for another fifteen (15) years by mutual agreement of the parties and to construct, operate and maintain the needed power generation plant on a Build-Own-Operate (BOO) basis. This agreement includes responsibilities of both parties on the construction, testing and operating the power station which will also be owned by the Group.

The OPI agrees to supply electricity generated by the power station to ORMECO more or less 3,800,000 kWh of energy per month or a maximum of 8 MW Power at any given time during the cooperation period for which electricity and other fees shall be paid by ORMECO per month. ORMECO agreed to buy such electricity up to the plant's production capacity.

Power sales attributable to ORMECO amounted to ₱264.5 million, ₱296.6 million, and ₱312.9 million in 2016, 2015 and 2014, respectively.

Inabasan Mini-Hydro Power Plant

On July 18, 2012, OPI entered into a PSA with ORMECO wherein OPI agreed to supply the power needs of ORMECO for a period of twenty-five (25) years, subject to extension upon mutual agreement of the parties. Under the agreement, OPI will construct, operate and maintain Inabasan River Mini-Hydro Power Plant located at the Municipality of San Teodoro, Oriental Mindoro. The agreement also includes responsibilities of both parties on the construction, testing and operations of the power facility which will be owned by OPI.

OPI agrees to supply ORMECO a minimum of 4,083,000 kWh up to the maximum of 4,320,000 kWh of energy per month at any given time during the cooperation period for which the generation rate shall be paid by ORMECO on a monthly basis.

As of December 31, 2016, the Mini-Hydro Power Plant is still under construction.

d. Fuel Supply and Management Agreement (FSMA)
Pursuant to the PSA, OPI also entered into a FSMA with ORMECO. OPI shall own the storage tanks and dispensing pumps that will be installed at the power plant and all the structures, fixtures and equipment used in connection with the supply of fuel and lube oil. This agreement shall have the same duration as that of the PSA unless otherwise agreed by both parties.

e. Hydropower Service Contract
On March 25, 2010, OPI entered into a Hydropower Service Contract with the Department of Energy (DOE) pursuant to Section 2, Article XII of the 1987 Constitution and Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008. OPI was appointed and constituted by DOE as the exclusive party to explore, develop and utilize the hydropower resources within Inabasan River in the Municipality of San Teodoro, Oriental Mindoro. Technical and financial risk under the contract shall be assumed by OPI in case no hydropower resource in quantities of electricity is determined during the pre-development stage.

f. Construction Agreements for 10MW Hydro Electric Power Plant
In 2014, OPI entered into various contracts with the contractors for the civil works, electro mechanical works and supply of mechanical hydraulic and electrical equipment.

On March 29, 2016, OPI and a local contactor entered into Rehabilitation and Restoration Work Contract for the necessary rehabilitation and reconstruction of civil works of the 10MW Hydro Electric Power Plant damaged by Typhoon Nona (see Note 3).

Construction in Progress and retention payable related to this plant amounted to ₱1,539,729,386 and ₱122,590,601 as of December 31, 2016, respectively (see Notes 13 and 16).

g. Memorandum of Agreements (MOA)
OPI entered into a MOA with the DOE for the granting of financial benefits to the host communities of the energy-generation Group and/or energy resources for its 8 MW Modular Bunker Diesel Power Plant and 10 MW Inabasan Hydroelectric Power Plant. Based on the agreements, OPI shall provide financial benefits equivalent to one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales of the generation facility to the region, province, city or municipality and barangay that host the generation facility.

Financial host expense amounted to ₱0.4 million in 2016 and 2015, and ₱0.5 million in 2014 and is included in "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 21).

h. Power Generation Project and Operation and Maintenance Agreement
On July 2, 2014, OPI entered into a Power Generation Project and Operation and Maintenance Agreement with a local service provider for the operation, maintenance and management services for OPI's Modular Bunker Fuel-Fired Power Plant for a period of 34 months and may be extended for another 34 months upon mutual agreement of the parties. It also includes the hiring of contractors for repair services; sourcing and procuring of the required maintenance parts and other specific duties required by the Agreement. As compensation to the local service provider, OPI shall pay him ₱0.64 for every kwh generated and dispatched by the power plant based on the metering procedures specified by the Group's existing PSA with ORMECO. Total service fees incurred by OPI for the years ended December 31, 2016, 2015 and 2014 amounted to ₱24.4 million, ₱24.8 million and ₱14.3 million, respectively.

As part of the Agreement, OPI's generators' spare parts' custody and management were transferred to the local service provider and will be returned to the OPI upon the termination of the Agreement. As of December 31, 2016 and 2015, the OPI's generators' spare parts inventory amounted to ₱4.2 million (see Note 8).

i. Technical Services Contracts
Servwell has technical services contracts for a period of one year renewable upon such terms and conditions as may be mutually agreed upon by the parties. Total revenue from technical services amounted to ₱40.0 million in 2016 and 2015, and ₱37.5 million in 2014.

j. Lease Agreements
Group as a Lessor
The Group leased its various investment properties and certain furniture, furnishings and equipment under operating lease with various lessees. The lease shall be for a period of one year and renewable upon mutual agreement of the parties. Rental income recognized in the consolidated statements of comprehensive income amounted to ₱60.0 million in 2016, ₱59.8 million in 2015 and 2014 (see Notes 12 and 13).

Group as a Lessee
The Group leases several office spaces for a period of one year, renewable upon mutual agreement of the parties. Rental expense charged to operations and reported in the consolidated statements of comprehensive income amounted to ₱2.7 million in 2016, ₱2.3 million in 2015, and ₱1.5 million in 2014 (see Note 20).

The Group also leased a parcel of land owned by ORMECO for OPI's Calapan Bunker C Diesel Plant's site. The term of the lease is for 15 years with an annual rental of ₱10,000 and may be renewed for another fifteen (15) years, under terms and conditions mutually agreed upon by the parties.

The future aggregate minimum lease payments under operating lease as of December 31, 2016 and 2015 follow:

	2016	2015
Within one year	**₱10,000**	₱10,000
Over 1 year but not more than 5 years	**40,000**	40,000
More than five years	**40,000**	50,000
	₱90,000	₱100,000

24. Earnings Per Share (EPS)

Computation of EPS attributable to the equity holders of the Parent Company is as follows:

Based on Net Income

	2016	2015	2014
Net income	**₱315,141,637**	₱239,206,059	₱98,800,471
Divided by weighted average number of common shares	**281,500,000**	281,500,000	281,500,000
	₱1.1195	₱0.8498	₱0.3510

Based on Total Comprehensive Income

	2016	2015	2014
Net income	**₱354,676,508**	₱237,717,744	₱99,287,957
Divided by weighted average number of common shares	**281,500,000**	281,500,000	281,500,000
	₱1.2600	₱0.8445	₱0.3527

There were no potential dilutive shares in 2016, 2015 and 2014.

25. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents, receivables, available-for-sale investments, special bank deposit, loans payable, accounts payable and other current liabilities, dividend payable and due from and to related parties. 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, credit risk and foreign exchange risk.

The main objectives of the Group's financial risk management 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 BOD 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 regular 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.

Table below summarizes the maturity profile of the Group's financial liabilities:

	2016				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱–	₱473,177,821	₱539,371,087	₱720,984,662	₱1,733,533,570
Accounts payable and accrued expenses*	–	653,055,274	–	–	653,055,274
Due to related parties	250,926,832	–	–	–	250,926,832
Customers' deposits	–	–	26,637,993	–	26,637,993
	₱250,926,832	₱1,126,233,095	₱566,009,080	₱720,984,662	₱2,664,153,669

	2015				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱–	₱292,202,878	₱400,437,288	₱756,829,363	₱1,449,469,529
Accounts payable and accrued expenses*	–	615,899,925	–	–	615,899,925
Due to related parties	195,941,525	–	–	–	195,941,525
Customers' deposits	–	–	22,316,852	–	22,316,852
	₱195,941,525	₱908,102,803	₱422,754,140	₱756,829,363	₱2,283,627,831

**excluding government payables*

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.

In 2016 and 2015, the Group was able to negotiate the interest rate at an average of 6.25% for both years, which is below the agreed minimum annual fixed rate in the loan agreement. The following table set forth the impact of the range of reasonably possible changes in the interest rates on the Group's income before income tax and equity for the years ended December 31, 2016 and 2015:

	Reasonably possible changes in interest rates	Effect on income before tax	Effect on equity
2016	+8.75%	(₱12,283,325)	(₱8,598,328)
	-8.75%	12,283,325	8,598,328
2015	+8.75%	(₱14,909,529)	(₱10,436,670)
	-8.75%	14,909,529	10,436,670

Credit risk
Credit 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 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 table below shows the gross maximum exposure to credit risk of the Group as of December 31, 2016 and 2015, without considering the effects of credit risk mitigation techniques.

	2016	2015
Cash in banks and short-term time deposits	**₱274,994,052**	₱372,716,872
Receivables – gross of allowance*	**130,362,307**	156,902,388
Available-for-sale investments	**2,945,303**	2,955,745
Due from related parties	**64,079,473**	75,461,935
Other noncurrent assets:		
Reserve fund	**11,465,088**	6,494,193
Special bank deposit	**9,351,398**	9,351,398
Utilities and other deposits	**6,849,185**	6,844,606
	₱500,046,806	₱630,727,137

**excludes advances to contractors, advances to officers and employees, and advances to suppliers*

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 base of customers, it is not exposed to large concentration of credit risk.

Below is the credit quality of financial assets:

	2016				
	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks and short-term deposits	₱275,312,575	₱–	₱–	₱–	₱275,312,575
Receivables	113,802,827	–	14,204,592	2,354,888	130,362,307
Available-for-sale investments	2,945,303	–	–	–	2,945,303
Due from related parties	–	64,079,473	–	–	64,079,473
Other noncurrent assets:					
Special bank deposit	9,351,398	–	–	–	9,351,398
Reserve fund	11,465,088	–	–	–	11,465,088
Utilities and other deposits	6,849,185	–	–	–	6,849,185
Total	₱419,726,376	₱64,079,473	₱14,204,592	₱2,354,888	₱500,365,329

	2015				
	Neither past due nor impaired		Past due but not		
	High grade	Standard grade	impaired	Impaired	Total
Cash in banks and short-term deposits	₱373,045,395	₱–	₱–	₱–	₱373,045,395
Receivables	152,990,706	–	1,556,794	2,354,888	156,902,388
Available-for-sale investments	2,955,745	–	–	–	2,955,745
Due from related parties	–	75,461,935	–	–	75,461,935
Other noncurrent assets:					
Special bank deposit	9,351,398	–	–	–	9,351,398
Reserve fund	6,494,193	–	–	–	6,494,193
Utilities and other deposits	6,844,606	–	–	–	6,844,606
Total	₱551,682,043	₱75,461,935	₱1,556,794	₱2,354,888	₱631,055,660

High grade cash in banks and short-term time deposits are placed, invested, or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

High grade accounts, other than cash in banks and short-term time deposits, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are accounts which have probability of impairment based on historical trend. Available-for-sale investments are assessed based on financial status of the counterparty and its current share price performance in the market. Substandard grade accounts are accounts which have probability of impairment based on historical trend.

Aging analysis of past due but not impaired receivables follows:

	2016	2015
30 to 60 days	**₱404,467**	₱–
61 to 90 days	**299,702**	–
More than 90 days	**13,500,423**	1,556,794
	₱14,204,592	₱1,556,794

Foreign exchange risk
Foreign exchange risk occurs due to currency differences in the Group's cash and cash equivalents in United States Dollar.

The Group does not have any foreign currency hedging arrangements.

The Group closely monitors the movements of the exchange rate and makes a regular assessment of future foreign exchange movements. The Group then manages the balance of its foreign currency denominated monetary assets based on this assessment.

The following table demonstrates the impact on the income before tax and on equity, of reasonable possible change in the US Dollar to Peso exchange rate, as a result of changes in fair value of monetary assets, in 2016 and 2015:

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2016	+3.99%	₱16,537	₱4,961
	-3.99%	(16,537)	(4,961)

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2015	+6.43%	₱28,187	₱8,456
	-6.43%	(28,187)	(8,456)

26. **Financial Instruments and Non-Financial Assets**

Financial Instruments

Set out below is a comparison by category of carrying values and estimated fair values of Group's financial instruments as of December 31, 2016 and 2015:

		2016			
	Note	Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
Financial assets:					
Cash in banks and short-term deposits	6	₱274,994,052	₱274,994,052	₱–	₱274,994,052
Receivables*	7	130,362,307	130,362,307	–	130,362,307
Available-for-sale investments	10	2,945,303	2,945,303	2,945,303	–
Due from related parties	17	64,079,473	64,079,473	–	64,079,473
Other noncurrent assets:	14				-
Special bank deposit		9,351,398	9,351,398	–	9,351,398
Reserve fund		11,465,088	11,465,088	–	11,465,088
Utilities and other deposits		6,849,185	6,849,185	–	6,849,185
		₱500,046,806	₱500,046,806	₱2,945,303	₱497,101,503
Financial liabilities:					
Loans payable	15	₱1,733,533,570	₱1,733,533,570	₱–	₱1,733,533,570
Accounts payable and other current liabilities**	16	653,055,274	653,055,274	–	653,055,274
Due to related parties	17	250,926,832	250,926,832	–	250,926,832
Customers' deposits		26,637,993	26,637,993	–	26,637,993
		₱2,664,153,669	₱2,664,153,669	₱–	₱2,664,153,669

	Note	Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
		2015			
Financial assets:					
Cash in banks and short-term deposits	6	₱373,045,395	₱373,045,395	₱–	₱373,045,395
Receivables*	7	156,902,388	156,902,388	–	156,902,388
Available-for-sale investments	10	2,955,745	2,955,745	2,955,745	–
Due from related parties	17	75,461,935	75,461,935	–	75,461,935
Other noncurrent assets:	14				
Special bank deposit		9,351,398	9,351,398	–	9,351,398
Reserve fund		6,494,193	6,494,193	–	6,494,193
Utilities and other deposits		6,844,606	6,844,606	–	6,844,606
		₱631,055,660	₱631,055,660	₱2,955,745	₱628,099,915
Financial liabilities:					
Loans payable	15	₱1,449,469,529	₱1,449,469,529	₱–	₱1,449,469,529
Accounts payable and other current liabilities**	16	615,899,925	615,899,925	–	615,899,925
Due to related parties	17	195,941,525	195,941,525	–	195,941,525
Customers' deposits		22,316,852	22,316,852	–	22,316,852
		₱2,283,627,831	₱2,283,627,831	₱–	₱2,283,627,831

**Excludes advances to contractors, advances to officers and employees, and advances to suppliers*

***Exclusive of government payables*

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The carrying value of cash in banks and short-term deposits, receivables, due from and to related parties and accounts payable and other current liabilities approximate their fair values due to the short-term nature of the transactions and are considered due and demandable.

Other noncurrent assets approximate their fair values as this is subject to insignificant risk of change in value. Special bank deposit approximates its fair value as this is subject to insignificant risk of change in value. This account was only classified under noncurrent asset due to restriction attached to it by a third party. Reserve fund is classified under noncurrent asset due to the restriction attached to it by a third party. The fair value of utilities and other deposits could not be readily determined and reasonably measured as the actual timing of receipt which is linked to the cessation of the service cannot be reasonably predicted. Accordingly, refundable deposits are carried at costs less any impairment.

The carrying value of loans payable approximates its fair value because interest rate on the debt closely coincides with the market rate at financial reporting period.

The fair value of customer's deposits could not be practically determined since they are attached to the underlying service and that the cessation of services and the possibility of refund are not determinable. Moreover, the individual balances of this account are insignificant.

As of December 31, 2016 and 2015, the Group has available-for-sale investments valued under Level 1 amounting to ₱3.0 million, pertaining to managed fund in an insurance Company which is invested in fixed income securities and money market instruments and shares listed in the PSE.

The fair value of available-for-sale investments was determined using Level 1 in 2016, 2015 and 2014. Price of the investment is posted on a daily basis in the insurance Group's website.

Non-Financial Assets

The fair value of the Group's land and building and building improvements classified under Investment Property (see Note 12) are determined on the basis of the appraisals performed by Royal Asia Appraisal Corporation, an independent appraiser with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. To some extent, the valuation process was conducted by the appraiser in discussion with the Group's management with respect to the determination of the inputs such as the size, age, and condition of the land and buildings, and the comparable prices in the corresponding property location. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's non-financial assets indicated above is their current use.

The fair value of these non-financial assets was determined based on the following approaches:

Fair Value Measurement for Land

The Level 2 fair value of land was derived using the sales comparison approach. This comparative approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, a property being valued (subject property) is compared with sales of similar properties that have been transacted in the market. Listings and offerings may also be considered.

Fair Value Measurement for Building and Improvements

The Level 3 fair value of the buildings and improvements under Investment Property account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees.

These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

27. **Capital Management**

The Group's objective in managing capital is to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance and to sustain future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group considers the following accounts as its capital:

	2016	2015
Capital stock	**₱281,500,000**	₱281,500,000
Additional paid-in capital	**812,108**	812,108
Retained earnings	**1,013,518,435**	698,378,813
	₱1,295,830,543	₱980,690,921

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to all components of liability excluding deferred tax liabilities and retirement benefit obligation.

The debt-to-equity ratios as at December 31, 2016 and 2015 follow:

	2016	2015
Total debt (excluding retirement benefit obligation and deferred tax liabilities)	**₱2,723,909,948**	₱2,408,087,928
Total equity	**2,000,279,438**	1,587,875,494
Debt-to-equity ratio	**1.36:1**	1.52:1

28. Supplemental Disclosure on Non-cash Investing Activity

Non-cash financing activity in 2016 pertains to acquisition of the Parent Company of additional 20,477,816 common shares of ORDC with book value of ₱2.93 out of its deposit for future stock subscription of ₱60,000,000. In 2015, additions to property and equipment amounting to ₱22,207,974 in 2015 which are still unpaid as of December 31, 2015 and ₱65,044,000 in 2014 which were paid in 2015.

29. Contingencies

The Group is a party to certain lawsuits or claims arising from the ordinary course of business. The Group's management and legal counsel believes that the eventual liabilities under these lawsuit or claims, if any, will not have a material effect on the financial statements, and thus, no provision has been made for these contingent liabilities.

There are pending cases. Details are as follows:

a. The following are legal cases where the Parent Company is involved in:

   Jolliville Holdings Corporation versus Jollibee Foods Corporation; IPC No. 14-2013-00076, Office of the Director General, 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 Parent 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 ("the Company") against the mark "JOLLIVILLE HOLDINGS CORPORATION & LOGO".

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

   As of December 31, 2016, the Parent Company is awaiting for the resolution with IPO ODG.

Jolliville Holdings Corporation versus Jollibee Foods Corporation, Appeal No. 14-2014-0035, Office of the Director General ("ODG"), Intellectual Property Office, Makati City.

On October 23, 2014, the Parent Company appealed the decision in IPC No. 14-2013-00076, by filling 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 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 to timely submit the Third (3rd) Year Declaration of Actual Use ("DAU") for Trademark Application No. 4-2012-010131, resulting in the automatic refusal of the 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 3rd 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.

As of current date, no other new matters have been raised by either party. Further, the ODG has not yet issued its decision on the instant case.

Jolliville Holdings Corporation versus Jerry Lee "People of the Philippines v. Jerry Lee", Criminal Case No. M-QZN-16-12723-28, Metropolitan Trial Court Branch 10, City of Manila.

The Parent Company filed a criminal case entitle "People of the Philippines v. Jerry Lee", criminal case number M-QZN-16-12723-28, for the Violation of B.P. 22, pending before the Metropolitan Trial Court Branch 10, City of Manila. The case involves fifteen rubber checks with aggregate value of ₱1,546,150. The Parent Company made sure that the requisite for demand personally received by the accused was complied with prior to the institution of the case. Hence, there is a likelihood that the Group will win the case.

Jolliville Holdings Corporation versus Philippine British Assurance Co., Inc., Civil Case No. 044051, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City.

On September 10, 2004, the ParentCompany filed a Complaint [With Application For The Issuance Of A Writ of Preliminary Attachment] dated September 8, 2004 (the "Complaint") with the Regional Trial Court ("RTC") of Makati City. The Complaint sought the recovery of the Parent Company's outstanding insurance claims against defendant Philippine British Assurance Co., Inc. ("PBAC") amounting to at least ₱34,860,751, exclusive of interest. In addition, the Company prayed for the payment of ₱2,000,000 by way of exemplary damages and ₱1,000,000 as attorney's fees and litigation expenses.

On December 13, 2016, the Parent Company received a copy of the Decision dated December 7, 2016, where the trial court rendered judgment in favor of the Parent Company against PBAC. In the said Decision, PBAC was ordered to pay the Company the following:

1. ₱25,000,000 under Policy HOFO1FD-FL-S001737 for the damage to the machineries, equipment and other facilities usual to the Company's business including building improvements and betterments thereon, plus interest of 12% per annum from November 21, 2001 until fully paid;

2. ₱10,000,000 under Policy No. HOFO1FD-FI-S001738 for office furniture, fixtures, fittings and other equipment usual to the Parent Company's business including building improvements and betterments thereon, plus interest of 12% per annum from November 21, 2001 until fully paid; and

3. Cost of suit.

On January 4, 2017, the Parent Company received a copy of the Motion for Reconsideration dated December 23, 2016 filed by defendant PBAC praying for the reconsideration of the Decision dated December 7, 2016.

On March 31, 2017, the Parent Company filed its Commentary/Opposition [Re: Motion for Reconsideration (of Decisions dated December 7, 2016) dated December 23, 2016] of even date ("Comment/Opposition").

During the March 14, 2017 monitoring hearing, the Parent Company submitted a copy of the Parent Company's Comment/Opposition with the trial court and likewise furnished defendant PBAC a copy of the same. The trial court noted the filing and submission of the Comment/Opposition and gave defendant PBAC a period of fifteen (15) days therefrom within which to file its Reply. Further, a monitoring hearing was set on May 2, 2017.

As of March 30, 2017, the Group have not received a copy of defendant PBAC's Reply to the Parent Company's Comment/Opposition.

b. The following are legal cases where CWC is involved in:

Water use conflict filed with NWRB in February 2013 by the Barangay Chairmen of several barangays of Calapan City, Oriental Mindoro wherein the barangay chairmen filed with the NWRB their opposition to the CWC's water permit application. NWRB dismissed the opposition case in favor of the CWC in November 2013 due to lack of merit. Series of motions were filed by the City Government of Calapan to reconsider the case which were eventually denied by NWRB. In May 2014, CWC filed a Motion to Dismiss with Motion for Execution. As of date CWC is still waiting for resolution to the motions filed.

Water use conflict filed with the NWRB in February 2015 by CWC opposing the water permit application of DMCI Power Corporation (DMCI). CWC and DMCI, during their preliminary conference, discussed the possibility of an amicable settlement of the case which eventually was terminated subsequently since both parties were not able to reach a compromise. After series of filings of memorandum and presentation of several documents, NWRB ordered the ocular inspection of the DMCI site on February 3, 2016. Furthermore, NWRB ordered the parties to submit their position papers thirty days from the ocular inspection date.

Water use conflict filed with the NWRB in February 2015 by CWC opposing the water permit application of CLC Ice Plant, Inc. (CLC) and BSK Trucking/Edgardo Cacha (BSK) within the area of coverage of the CWC's water permit franchise. NWRB dismissed the case in favor of CLC and BSK since the opposition was filed out of time. Motions were filed by CWC to reconsider the case wherein NWRB eventually ordered CLC and BSK to respond. Preliminary conferences were called by NWRB on November 2015 and on January 2016 for the parties to arrive to a settlement agreement. No settlement was reached by the parties, thus, an ocular inspection was conducted by NWRB with the representatives of CLC, BSK and CWC on February 2016. Position papers will be filed by the parties on April 2016.

c. *Jolliville Group Management, Inc. and Show Syndicate Corporation, Plaintiff-Appellee versus FELICITO GARCIA, doing business under the name and style FOXCHIT SOFTWARE SOLUTIONS, Defendant-Appellant CA G.R.CV NO.97772*

The case is submitted for decision from the Court of Appeals and have the equivalent value of ₱1.8 million, more or less, it may be synthesized in this wise:

1) the sum of ₱100,000, representing the service fees made upon confirmation for the customization of the system;

2) the sum of ₱500,000, representing business losses suffered by plaintiffs due to defendant's failure to complete the POS system;

3) the sum of ₱500,000, representing the service fees paid to the new programmer to complete the installation and customization of the AR Pro KTV system to plaintiffs' establishment particularly the Heartbeat Mega KTV;

4) the sum of no less than ₱500,000 as and by way of moral damages;

5) the sum of no less than ₱100,000, as and by way of exemplary damages; and

6) the sum of no less than ₱100,000, as and by way of attorney's fees.

30. **Other Matters**

On June 21, 2016, the Energy Regulatory Commission (ERC) issued a Decision for the approval of the PSA between ORMECO and OPI. The ERC only granted the generation rates of ₱2.0931/kWh (pre-maximization) and ₱1.9686/kWh (post-maximization) from the 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, the Company filed a Supplemental Motion for Partial Reconsideration to submit supporting documents based on the OPI's incurred actual expenses. The Motions, however, remain unresolved up to the present.

Management strongly believes that the ERC should favorably consider the OPI's Motions on the matter of the excluded costs, sufficiently supported by evidence of actual amounts incurred.

CG&Co

an independent member of
BAKER TILLY
INTERNATIONAL

Constantino Guadalquiver & Co.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and Board of Directors
Jolliville Holdings Corporation
20 Lansbergh Place
170 Tomas Morato corner Scout Castor Street
Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Jolliville Holdings Corporation and Subsidiaries as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016, included in this Form 17-A and have issued our report thereon dated April 5, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purpose of complying with the Securities Regulation Code Rule 68 As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respect the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO GUADALQUIVER & CO.
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 003-FR-3, valid until November 10, 2017 (Group A)
BIR A.N. 08-001507-0-2014, valid until January 5, 2018

By:

ROGELIO M. GUADALQUIVER
Partner
CPA License No. 13608
SEC AN 017-AR-3, valid until December 16, 2017 (Group A)
TIN 123-305-015-000
BIR AN 08-001507-1-2014, valid until January 5, 2018
PTR No. 5966639, issued on February 8, 2017, Makati City

Makati City, Philippines
April 5, 2017

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2016

		2016		2015
Retained earnings at beginning of year	₱	**271,575,643**	₱	226,210,491
Less:				
Dividend income		**(112,998,982)**		(75,000,000)
Gain on assignment of stocks		**(13,808,138)**		(13,808,138)
Fair value adjustment of investment property - net of deferred income tax		**(195,145,104)**		(192,686,354)
Retained earnings as adjusted to available for dividend declaration at beginning of year		**(50,376,581)**		(55,284,001)
Add (less):				
Net income during the year		**193,336,855**		45,365,152
Increase in fair value during the year - net of deferred income tax		**(176,406,800)**		(2,458,750)
Dividend income		**(14,999,985)**		(37,998,982)
Deferred income due to PAS 17 - net of deferred income tax		**(60,278)**		–
Net income actually earned during the period		**1,869,792**		4,907,420
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AT END OF YEAR	₱	**(48,506,789)**	₱	(50,376,581)

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

		December 31, 2016	December 31, 2015
Liquidity Analysis Ratio			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	0.42	0.64
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.41	0.63
Solvency Ratio	Total Assets / Total Liabilities	1.71	1.64
Financial Leverage Ratios			
Debt Ratio	Total Debt / Total Assets	0.59	0.61
Debt-to-Equity Ratio	Total Debt / Total Stockholders'	1.36	1.52
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	18.87	12.96
Asset to Equity Ratio	Total Assets / Total Stockholders'	2.41	2.56
Profitability Ratio			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.41	0.41
Net Profit Margin	Net Profit / Sales	0.21	0.22
Return on Assets	Net Income / Total Assets	0.07	0.07
Return on Equity	Net Income / Total Stockholders'	0.17	0.17
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	3.84	4.35

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

AS OF DECEMBER 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	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*		✓	
PFRS 2	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			✓
PFRS 3	Business Combinations	✓		

***These are effective subsequent to December 31, 2016.**
****Adopted but no significant impact.**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
(Revised)	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination*			✓**
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓**
PFRS 4	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*		✓	
PFRS 5	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 *			✓**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	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*			✓**
PFRS 8	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		✓	
PFRS 9	Financial Instruments*	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓**
	Amendments to PFRS 9: Financial Instruments –	✓		

*****These are effective subsequent to December 31, 2016.
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Classification and Measurement*			
PFRS 10	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 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*			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 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*		✓	
	Amendments 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	✓		

***These are effective subsequent to December 31, 2016.**
****Adopted but no significant impact.**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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	✓		
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*			✓**

*****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 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			✓**
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements*			✓**
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓**
	Amendments 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 Associate and Joint Venture		✓	
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**

*****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 33	Earnings per Share	✓		
PAS 34	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'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Asset*			✓**
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	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*		✓	✓**
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓**
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Investment Property*			✓**

*****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 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓**
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓**
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**
IFRIC 13	Customer Loyalty Programmes			✓**
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓**
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓

*****These are effective subsequent to December 31, 2016.
******Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 21	Levies			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓**
SIC-15	Operating Leases - Incentives			✓**
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓**
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓**
SIC-29	Service Concession Arrangements: Disclosures			✓**
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓**
SIC-32	Intangible Assets - Web Site Costs			✓**

*****These are effective subsequent to December 31, 2016.
******Adopted but no significant impact.

JOLLIVILLE HOLDINGS CORPORATION

Group Corporate Structure

As of December 31, 2016