COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

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. SCT. CASTOR ST., QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	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
33	Any Day in June	DECEMBER 31, 2018

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
Claire de Pasion	claire.depasion@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, 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-recipient of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas,
Salcedo Village, Makati City,
Philippines

T: (+632) 848 1051
F: (+632) 728 1014

mail@bakertilly.ph
www.bakertilly.ph

The Stockholders and Board of Directors
Jolliville Holdings Corporation and Subsidiaries
4/F, 20 Lansbergh Place Bldg.
170 Tomas Morato Avenue, 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, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, included in this Form 17-A and have issued our report thereon dated April 11, 2019. Our audits were made for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements taken as a whole.

CONSTANTINO AND PARTNERS
(formerly Constantino Guadalquiver & Co.)
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA Certificate No. 49553
SEC A.N. 0019-AR-4, valid until January 10, 2021 (Group A)
TIN 102-084-191-000
BIR A.N. 08-001507-2-2017, valid until December 21, 2020
PTR No. 7333974, issued on January 4, 2019, Makati City

Makati City, Philippines
April 11, 2019

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, 2018**

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**
Address of principal office

1103
Postal Code

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

9. 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: ₱653,534,411 as of December 31, 2018 and ₱516,658,472 as of March 31, 2019.

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"), Ormina Realty & Development Corp. ("ORDC"), Servwell BPO International Inc. ("Servwell" or "SBI"), Jolliville Leisure and Resort Corporation ("JLRC"), Jollideal Marketing Corporation ("JMC"), 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. To date, 100,000 common shares of JGMI are issued and fully paid.

The BOD of JGMI, in its meeting held on December 28, 2018, has unanimously approved the declaration of cash dividends amounting to Five Million Pesos (₱5,000,000) or Fifty Pesos (₱50.00) per share of JGMI's One Hundred Thousand (100,000) outstanding common shares. The cash dividends were paid out of the unrestricted retained earnings of JGMI.

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. To date, 118,587,073 common shares of ORDC are subscribed with additional paid-in capital of ₱63,272,184.

ORDC's BOD, in its meeting held on December 6, 2018, approved a declaration of forty percent (40%) stock dividends equivalent to 33,882,021 common shares out of its unrestricted retained earnings.

Servwell 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. To date, all SBI shares have been fully subscribed and paid for.

On December 18, 2017, BOD of Servwell approved the declaration of cash dividends amounting to ₱18.0 million out of its retained earnings.

Servwell's BOD, in its meeting held on December 28, 2018, approved a declaration of cash dividend amounting to ₱5,000,000 or ₱1.00 per share on the Corporation's 5,000,000 outstanding common shares. The cash dividend has been paid out of the unrestricted retained earnings.

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, 125,000 common shares are issued and fully paid.

The Company, through JLRC's subscription in shares of stock on July 2016, indirectly acquired 75% ownership of Sapul Ventures Corp. and Sapulville Enterprises Corp.

Sapul Ventures Corp. was incorporated on June 10, 2011 to acquire by purchase, lease, donation or otherwise, or to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop, and hold for investment or otherwise, real estate of all kinds whether improve manage or otherwise dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances. It has an authorized capital stock of ₱5 million divided into 5 million common shares, with a par value of ₱1.00 per share. Currently, 5 million common shares are subscribed and fully paid.

Sapulville was registered with the SEC on May 27, 2011, to acquire by purchase, exchange, assign, gift or otherwise, and to sell, assign, transfer, exchange, develop/improve, mortgage, pledge, deal in, with or 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 or right therein, and bonds, debentures, shares of stock, promissory notes or other securities, or obligations created, negotiated or issued by any corporation without however managing securities portfolio or similar securities or to act as broker/dealer of securities. It has 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.

On October 14, 2015, the Company through its subsidiary JLRC, indirectly acquired 50.99% 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.

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.

Granville Ventures, Inc. ("GVI") was incorporated on March 19, 2001 with an initial authorized capital stock of ₱1.0 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.

Ormin Holdings Corporation (“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.

The Company, through OHC, 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, 2018, 24,995 common shares of ODC are subscribed and paid.

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, 2018, 24,995 common shares of MPC are subscribed and 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, 2018, 24,995 common shares of NRC are subscribed and 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, 2018, 24,995 common shares of KVI are subscribed and 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, 2018, 12,500 common shares of IIRC are subscribed and paid.

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, 2018, 137,909,053 common shares of Calapan Water are subscribed and paid.

Calapan Water’s BOD, in its special meeting held on February 20, 2018, approved a cash dividend declaration amounting to Fifty-Eight Million Pesos (₱58,000,000) out of the unrestricted retained earnings as of December 31, 2017.

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.

On November 19, 2018, CWWC sold 3,696,000 shares of Metro Agoo Waterworks Inc. (MAWI) to Baliville Ventures Corp. for ₱3,696,000 or ₱1.00 per share. After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI. As a result, MAWI has ceased to be a JOH subsidiary.

Tubig Pilipinas Corp. (“TPC”) (formerly Tabuk Water Corp.) was acquired by Philippine H2O Ventures Corp (“H2O”), from ORDC and CWWC. Originally, TPC had an authorized capital stock of 10 million common shares divided into ten million shares with a par value of one peso (₱1.00) per share. The issued and outstanding capital stock of TPC consisted of 10 million common shares, with a total subscription of 9,999,995 common shares at ₱1.00 par value.

On May 13, 2015, H2O assigned, transferred and conveyed to JOH its stockholdings of 9,999,995 TPC shares at ₱1.00 par value per share for a total consideration of ₱9,999,995.

TPC was originally incorporated as Tabuk Water Corp. ("TWC") on April 14, 2006 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 and 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 related system elements required thereto.

On March 1, 2018, the SEC approved the change of name from Tabuk Water Corp. to Tubig Pilipinas Corp. The SEC simultaneously approved to increase TPC's capital stock from ₱10,000,000 to ₱500,000,000 divided into 500 million shares with par value of ₱1.00. To date, the total amount of capital stock subscribed is ₱163,450,000 and paid-up capital is ₱442,000,000.

On February 21, 2018, TPC entered into a Share Purchase Agreement with H2O to purchase all of H2O's shares and interests in Calapan Water consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC, for a consideration of ₱442.0 million (the CWWC sale). On April 4, 2018, H2O's stockholders approved the CWWC sale. Subsequently, on June 1, 2018, a Deed of Absolute Sale was executed by H2O and TPC.

On November 13, 2014, CWWC and Tabuk Water subscribed to 1,874,600 shares in Nation Water Corp.

Nation Water Corp. ("NWC") is a pre-operating 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 paid.

The BOD of CWWC approved a total subscription of 2,499,995 common shares of Greater Rosario Water Inc. on July 13, 2018 at ₱1.00 per share and 1,249,995 common shares of Tubig Bohol Corporation on October 4, 2018 with a par value of ₱1.00.

Greater Rosario Water Inc. ("GRWI") was incorporated on July 13, 2018, primarily to engage in, carry on, conduct, operate, manage and maintain general business 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. GRWI has an authorized capital stock of ₱10 million divided into 10 million common shares at ₱1.00 par value. To date, the total amount subscribed and paid-up is ₱2,500,000.

Tubig Bohol Corporation ("TBC") was incorporated on October 4, 2018, primarily to engage in, carry on, conduct, operate, manage and maintain the general business 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.

TBC has an authorized capital stock of ₱10 million divided into 10 million common voting shares with par value of ₱1.00 a share. To date, the total amount subscribed is ₱2,500,000 with paid-up capital of ₱625,000.

On March 24, 2014, the BOD of JOH approved to purchase 100% of the total outstanding shares of pre-operating company Philippine Hydro Electric Ventures Inc. ("PHEVI") equivalent to 79,999,300 common shares at ₱1.00 a share. Subsequently, JOH sold all of its shareholdings in subsidiary Ormin Power Inc. to PHEVI. 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 SEC 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 ₱1.00 a share. As of December 31, 2018, the subscribed and paid-up capital of PHEVI is ₱255 million.

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.

On December 6, 2016, OPI's stockholders representing at least two-thirds (2/3) of the outstanding capital stock, approved the increase of its 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. On August 11, 2017, the SEC approved OPI's application for increase in ACS.

On December 18, 2017, OPI's BOD approved the amendment of Articles of Incorporation on the features, rights and privileges that the preferred stock shall be cumulative, voting and non-participating. These shall be redeemable at the option of OPI either entirely or in proportion under the terms and conditions authorized by OPI's BOD. The BOD also may be authorized to vary the dividend rate of preferred shares and other features, rights and privileges as may be determined by them.

The BOD in its meeting held on June 20, 2018, approved to increase OPI's authorized capital stock from ₱766,000,000 divided into 466,000,000 common shares of the par value of ₱1.00 each and 300,000 preferred shares of the par value of ₱1,000 per share to ₱1,066,000,000 consisting of 466,000,000 common shares at ₱1.00 par value per share and 600,000 preferred shares at ₱1,000 par value per share. Out of the net increase in authorized capital stock of ₱300,000,000, ₱75,000,000 worth of shares has been actually subscribed with the par value of ₱1,000 per share and ₱72,000,000 has been paid in cash.

On October 11, 2018, OPI's BOD approved the declaration of cash dividend amounting to ₱6,124,448 to its preferred stockholders as of September 30, 2018. Also on the same date, OPI's BOD approved the declaration of preferred stock dividend amounting to ₱15,000,000 to common stockholders as of September 30, 2018.

As of December 31, 2018, OPI had a subscribed and paid-up capital of ₱844.1 million and ₱791.7 million, respectively.

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, power generation, and waterpark and resort, the newest venture of the group.

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.

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.

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.

During 2016, the construction for Jolly Waves Waterpark Resort located in Barangay Sapul, Calapan City, Oriental Mindoro has started. JLRC entered into contract agreements with various suppliers for the construction of the said resort. JLRC also entered into term loan agreement with a local bank to finance the construction of the said resort. The project is a 4.6 hectare, themed waterpark and will feature premium facilities complete with day-time and overnight accommodations, unique water amenities, function rooms, bike and body zip lines, and diverse dining options. Once the project is completed, it will offer tourists, visitors, and residents of Mindoro Island an exciting recreational facility. This waterpark is set to launch second quarter of the year 2019.

Calapan Water owns and operates exclusively 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 Certificate of Public Convenience (CPC) issued by the National Water Resources Board ("NWRB") which expires on January 17, 2023. Calapan Water 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.

Groundwater is the source of water supply in Calapan City. CWWC draws water from the ground and distributes the water through its transmission and distribution lines leading to the household. A total of seven (7) wells are operational and are equipped with production meters. On November 22, 2018, CWWC completed and commissioned the three additional booster stations located at Lumangbayan with a capacity of 1,500 cubic meters to ensure water availability during peak demand hours. Currently, CWWC operates twelve (12) booster units to ensure adequate water supply to higher elevations and extreme areas within the service barangays.

As of December 31, 2018, the water supply system serves twenty-seven (27) urban barangays and nine (9) adjoining rural barangays. The total number of water service connections is now at 15,859 from the previous year's 14,450. It currently serves 14,939 residential and 920 commercial clients. It is not dependent on one or few major customers nor does it depend on a limited number of suppliers.

CWWC completed the pipelaying and energization of new transmission line from the newly commissioned water source at Barangay Biga to the existing transmission line at Barangay Sapul. This will partially improve the water supply condition at the existing service barangays.

CWWC's average Non-Revenue Water (NRW) went down to 22.29% for 2018 as against 25.51% for 2017.

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).

The chart below shows the residential and commercial rates being implemented in Calapan City. It was approved by the NWRB in reference to NWRB case No. 09-1304 and Resolution No. 010-0510. The approved CPC is valid for five (5) years with authority to charge the following rates:

Residential	
Consumption Bracket	Water 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 Bracket	Water Rates
0-10 cu.m.	P642.00 min. charge
11-25 cu.m.	64.20 per cu.m.
26-1000 cu.m.	118.00 per cu.m.
Over 1000 cu.m.	133.60 per cu.m.

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 3,949 as of December 31, 2018, 3,700 as of December 31, 2017, 3,475 as of December 31, 2016. The system is capable of accommodating up to around 9,000 subscribers. CWWC in Tabuk draws water from the ground and distributes the water through the LGU owned system leading each household.

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, have 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 have been minimized and water is being conserved.

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.

CWWC incurred minimal expenses for research and development activities as well as for compliance to environmental laws. These costs are a small percentage of revenues for the calendar years 2018, 2017, and 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.

OPI's Hydro Power Plant project has been completed after over four (4) years of construction and was commissioned last January 14, 2019. The 10 MW mini-hydro power facility in the Municipality of San Teodoro in Oriental Mindoro has been the most capital intensive project that has been launched by the

Company and was considered the first renewable energy project in the island of Mindoro. It was built to develop the country's hydro-power resources essential to meet energy demand over the next 10 years. The management is confident that this project will open many doors for OPI as a respected renewable energy company and create value for the Company.

On March 23, 2019, OPI has inaugurated the 10 MW mini-hydro power plant in the Municipality of San Teodoro, Oriental Mindoro.

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

On June 6, 2017, ERC issued the Status Quo Ante Order deferring the implementation of the Decision for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved.

On December 5, 2017, ERC issued an Order extending the Status Quo Order prayed by OPI in its Omnibus Motion. The implementation of the Decision dated June 21, 2016 was stayed for another six (6) months or until the resolution of the Omnibus Motion, which comes earlier.

On June 5, 2018, ERC extended the Status Quo Order for another 6 months or until December 5, 2018.

On December 4, 2018, ERC pronounced that ORMECO has not complied with its directive to submit documents and shall resolve the case based on the records submitted by the Company. While reviewing the case records, ERC extended the Status Quo for a period of three (3) months or until March 5, 2019 or until the resolution of the Motion, whichever comes earlier.

Upon evaluation of the Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order and Supplemental Motion for Reconsideration, ERC On March 5, 2019 extended the Status Quo Order for another 6 months effective March 5, 2019 to September 4, 2019 because the ERC deems it proper to review further the case in view of the discrepancies of the rate components prescribed under the PSA and the presented in the Omnibus Motion.

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

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.

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 except for upcoming entry in the tourism business through its Jollywaves Waterpark in Sapul, Calapan City, Oriental Mindoro.

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'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. The complexities of tariff regulation require consideration of many factors including the proponent's return of investment.

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	"
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	"
Poblacion, Municipality of Roxas, Oriental Mindoro	216.00	Commercial
Barrio Bulusan (Bondoc) Calapan City, Oriental Mindoro	5,802.00	Agricultural
	5,803.00	"
	8,079.00	"

Type/Location	Area (sq.m.)	Nature of Property
Biga, Calapan City, Oriental Mindoro	30,001.00	Agricultural
Poblacion/Barrio Silonay, Calapan City, Oriental Mindoro	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

The following are pending cases where JOH and its subsidiaries are involved in:

a. Parent Company vs. Jollibee Foods Corporation
Inter Partes Case No. 14-2013-00076, Bureau of Legal Affairs, Intellectual Property Office; Appeal No. 14-2014-0035,Office of the Director General, Intellectual Property Office

On April 29, 2013, Opposer Jollibee Foods Corporation (Jollibee) filed with the Philippine Intellectual Property Office's (IPO) Bureau of Legal Affairs (BLA) its Notice of Opposition dated April 28, 2013 opposing the registration of the mark "Jolliville Holdings Corporation & Logo".

On September 23, 2014, the Parent Company received the BLA's Decision No. 2014-226 dated September 16, 2014 which sustained Jollibee's opposition against the mark "Jolliville Holdings Corporation & Logo".

On October 23, 2014, the Parent Company appealed the Decision in IPC Case No. 14-2013-00076 by filing its Appeal Memorandum with the IPO's Office of the Director General (ODG). On

October 29, 2014, the IPO ODG issued an Order of even date granting due course to the appeal and directing Jollibee and the BLA Director to file their respective comments to the appeal.

On June 15, 2017, the Parent Company received through undersigned counsel, the ODG's Decision dated June 8, 2017, which granted the Parent Company's appeal and reversed the finding of confusing similarity made by the BLA.

C.A. G.R. No. 151352, Court of Appeals, Thirteenth Division, Manila

On July 3, 2017, the Parent Company received through undersigned counsel a copy of Jollibee's Motion for extension of Time (to file Petition for Review under Rule 43) dated June 27, 2017 with the Court of Appeals, requesting for an additional period of fifteen (15) days or until July 15, 2017, within which to file its Petition for Review against the ODG's Decision dated June 8, 2017, which was granted by the Court of Appeals, Special Fifteenth Division in its Resolution dated July 6, 2017.

The Court of Appeals, Thirteenth Division issued its Resolution dated August 10, 2017 noting Appellant Jollibee's failure to file its Petition for Review by the July 15, 2017 extended deadline and terminating Jollibee's appeal in view thereof.

On November 23, 2017, the Parent Company received through its counsel from the Court of Appeals its Entry of Judgment in relation to the subject appeal, stating that the Court of Appeals Resolution dated August 10, 2017 terminating Jollibee's appeal has become final and executory as of September 8, 2017.

The opposition case is finally resolved in favor of the Parent Company.

b. Parent Company vs. Philippine British Assurance Co., Inc.
Civil Case No. 04405, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

On September 10, 2004, the Parent Company 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 ₱34,860,741.41, exclusive of interest. In addition, the Parent Company prayed for the payment of ₱2,000,000 by way of exemplary damages and P1,000,000 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 judgement in favor of the Parent Company and against PBAC. In the said Decision, PBAC was ordered to pay the Parent Company the following:

1. ₱20,000,000 under the Policy HOFO1FD-FL-S001737 for the damage to the machineries, equipment and other facilities 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;
2. ₱10,000,000 under Policy 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 12% per annum from November 21, 2001 until fully paid; and
3. Costs 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 13, 2017, Parent Company filed its Comment/Opposition. On April 20, 2017, Parent Company, received a copy of defendant PBAC's reply dated April 11, 2017.

On May 22, 2017, the Parent Company received a copy of the trial court's Resolution dated May 12, 2017 which denied defendant PBAC's Motion for Reconsideration and affirmed its Decision dated December 7, 2016.

On May 26, 2017, the Parent Company received a copy of defendant PBAC's Notice of Appeal dated May 23, 2017 on the ground that the Resolution dated May 12, 2017 and Decision dated December 7, 2016 are supposedly not in accord with the facts established by evidence on record and are contrary to law.

On June 5, 2017, the Parent Company received a copy of the Court's Order dated May 26, 2017 giving due course to the Notice of Appeal and directing the transmittal of the records of the case to the Court of Appeals for proper disposition.

C.A. G.R. No. 109088, Court of Appeals, Manila

On September 4, 2017, the Parent Company received a letter dated August 22, 2017 from the Court of Appeals, which noted a deficiency in the original records of the case transmitted by the trial court to the Court of Appeals, specifically, the unsigned Transcript of Stenographic Notes dated November 26, 2006 and directing the Clerk of the Court of the trial court to cure said defect within ten (10) days from notice.

As of report date, the Parent Company has to receive any other order from the Court of Appeals.

c. Legal Cases where CWWC is involved in:

Water use conflict filed with NWRB in February 2013 by the local executives of several barangays of Calapan City, Oriental Mindoro, opposing CWWC's water permit application. NWRB dismissed the case in favor of the CWWC 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, CWWC filed a Motion to Dismiss with Motion for Execution. As of report date, CWWC is still waiting for resolution to the motions filed.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of DMCI Power Corporation (DMCI). CWWC and DMCI, during their preliminary conference, discussed the possibility of an amicable settlement of the case which was terminated subsequently since both parties were not able to reach a compromise. After series of filings of memorandum and presentation of several documents, an ocular inspection was conducted by the NWRB on February 3, 2016. CWWC filed its Position Paper and Formal Offer of Evidence in March 2016. As of report date, CWWC is waiting for the decision of the NWRB.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of CLC Ice Plant, Inc. (CLC) and BSK Trucking/Edgardo Cacha (BSK) within the area of coverage of the CWWC'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 CWWC 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 CWWC on February 2016. Position papers were filed by CWWC with NWRB on April 2016. CWWC filed a Manifestation requesting that a hearing to be set in order for the presentation of witnesses in support of the Position Paper. In May 2016, CWWC received the Jointly Reply Position of the Applicants. CWWC filed its Rejoinder to the Applicant's joint Reply Position Paper. As of report date, CWWC is waiting for the decision of the NWRB.

Civil Case No. CV-11-6397, entitled "Calapan Waterworks Corporation, represented by Engr. Menardo Rivera, petitioner, versus SPS. Edilberto C. Ilano and Rhoda C. Ilano, doing business under the name, Villa Agatha Subdivision, respondents", filed with the Regional trial court Oriental Mindoro, Branch 39. Said case involves an action for recovery of possession and ownership of the encroached area with damages against spouses, covering land area of 8409 square meters. On June 8, 2012 the Regional Trial Court rendered a decision in favor of the Company. The parties are still considering the possibility of swapping or exchanging the parcel of land owned by the Ilanos which was encroached by the water pipes of the Company located in Sta. Isabel, Calapan City, with the land subject of Civil Case No. CV-11- 6397 adverted to above.

d. Pending legal cases where JGMI is involved in:

- *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 amount involved is more or less ₱0.5 million and JGMI had won the case both in the RTC and CA. It is now pending with the Supreme Court. The expectation of winning the said case with the Supreme Court is high because of the doctrine of res judicata.

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

The Company held a Special Stockholders' Meeting (SSM) last February 13, 2019 for the purpose of approving the 66.03% property dividend declaration made by the Corporation's Board of Directors on January 4, 2019. Stockholders of record as of January 18, 2019 were entitled to vote at the SSM. The property dividends to be distributed are shares of stock of 2 subsidiaries of the Company, Philippine Hydro Electric Ventures Inc. ("Phil Hydro") and Tubig Pilipinas Corp. ("TPC"). The property dividend amounts to ₱185,862,750, comprising of 76,500,000 shares of Phil Hydro carried at ₱1.00 per share and 42,225,000 shares of TPC carried at ₱2.59 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of Phil Hydro and 15 shares of TPC for every 100 shares of JOH.

As a result of the declaration of the property dividends, JOH ownership in Phil Hydro will be reduced from 100% to 70% and JOH ownership in Tubig Pilipinas will be reduced from 88.5% to 62.7%. Corporate shareholders are tax exempt (domestic and resident foreign corporation only) and shall receive the property dividends in full while individual shareholders will receive the property dividends net of withholding tax.

Upon motion duly made and seconded, the stockholders approved, confirmed, and ratified the Board of Directors' declaration of the 66.03% property dividend, with the record date and payment date of the said property dividends to be set immediately upon the approval of the SEC of the same.

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

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 2019	6.40	5.41
4th quarter 2018	6.78	4.29
3rd quarter 2018	5.74	5.03
2nd quarter 2018	5.97	4.81
1st quarter 2018	6.20	4.81

Last transaction date was on April 10, 2019 and the closing price was at ₱5.07 per share.

The market capitalization of JOH as of December 31, 2018 based on the closing price on December 28, 2018 of ₱6.78 per share is ₱1,908,570,000.

(2) Holders

The following table sets forth the Company's top twenty shareholders and their corresponding number of shares held as of December 31, 2018:

Rank	Shareholder Name	Shares Held	Percentage
1	Elgeete Holdings, Inc.	125,783,791	44.68%
2	IGC Securities Inc.	19,293,200	6.85%
3	Myron Ventures Corp.	18,000,000	6.39%
4	Lucky Securities Inc.	14,170,000	5.03%
5	Dopero Corporation	13,000,000	4.62%
6	Febra Resources Corp.	12,503,925	4.44%
7	A-net Resources Corp.	12,503,925	4.44%
8	Kenly Resources Inc.	12,503,925	4.44%
9	Oltru Holdings Corp.	12,503,925	4.44%
10	Belson Securities Inc.	8,285,000	2.94%
11	Unicapital Securities Inc.	7,038,000	2.50%
12	Rodolfo L. See	5,994,000	2.13%
13	Papa Securities Corporation	3,351,000	1.19%
14	Philstocks Financial Inc.	3,293,225	1.17%
15	Genmaco Corp.	2,709,500	0.96%
16	Tower Securities Inc.	1,424,800	0.51%
17	Phyvita Enterprises Inc.	1,047,200	0.37%
18	Ortrud T. Yao	1,000,001	0.36%
19	Jolly L. Ting	959,999	0.34%
20	AB Capital Securities, Inc.	761,000	0.27%

(3) Dividends

The BOD, in its special meeting held on January 4, 2019, approved the declaration of 66.03% property dividend of JOH with a total amount of One Hundred Eighty-Five Million Eight Hundred Sixty-Two Thousand Seven Hundred Fifty Pesos (₱185,862,750.00), comprising of 42,225,000 shares of Tubig Pilipinas Corp. (“Tubig Pilipinas”) carried at ₱2.59 per share and 76,500,000 shares of Philippine Hydro Elecric Ventures, Inc. (“Phil. Hydro”) carried at ₱1.00 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of Phil. Hydro and 15 shares of Tubig Pilipinas for every 100 shares of JOH. Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend.

Dividends of subsidiaries 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

There is no sale of unregistered or exempt Securities, including recent issuance of securities constituting an exempt transaction during 2018, 2017, and 2016.

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

	TWELVE MONTHS ENDED			**VERTICAL ANALYSIS**			**HORIZONTAL ANALYSIS**			
(Amounts are in Thousand Pesos)				**% to Revenues**			**Change from Prior Year**			
Profit & Loss Data	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	**Dec. 31, 2018**	Dec. 31, 2017	Dec. 31, 2016	**2018 - 2017**	**%**	2017-2016	%
Revenues	₱1,128,274	₱665,453	₱638,932	100%	100%	100%	462,821	70%	26,521	4%
Cost of Services	558,817	410,523	379,665	50%	62%	59%	148,294	36%	30,858	8%
Operating Expenses	140,593	123,663	123,935	12%	19%	19%	16,930	14%	(272)	0%
Other Income (Charges) - Net	(14,507)	(6,669)	194,020	-1%	-1%	30%	(7,838)	118%	(200,689)	-103%
Income Tax Expense (Benefit)	31,660	38,077	107,893	3%	6%	17%	(6,417)	-17%	(69,816)	-65%
Net Income	382,697	86,521	221,459	34%	13%	35%	296,176	342%	(134,938)	-61%
Other Comprehensive Income (Loss)	7,504	(4,180)	67,759	1%	-1%	11%	11,684	-280%	(71,939)	-106%
Total Comprehensive Income	390,201	82,341	289,218	35%	12%	45%	307,860	374%	(206,877)	-72%

2018 compared with 2017

The consolidated net income after tax for the year ended December 31, 2018 increased by ₱296,175,663 or 342% compared to ₱86,521,391 reported in 2017. The significant increase is mainly due to the gain on sale of equity investment in H2O amounting to ₱287,781,158.

Revenues increased by 70% in 2018.
Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 42.40% from ₱323,735,044 to ₱460,998,621 for the year ended 2018 against 2017 due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. Contracted energy in 2018 was at 40,641,384 kilowatt hours (kWh) as against 37,297,512 kWh for the year 2017.

Gain on sale of equity investments in 2018 amounted to ₱325,108,938. This account pertains to the resulting gain on the sale of investment in H2O amounting to ₱287,781,158 and deconsolidation of MAWI amounting to ₱37,327,780.

Water service revenues increased by ₱4,262,247 or 1.81% in 2018. Although MAWI's revenue for the year 2018 is excluded in the consolidation as CWWC sold its investment in MAWI in November 2018, water service revenues continue to increase due to the increasing number of subscribers in the cities of Calapan and Tabuk. Total subscribers base stood at 15,859 in Calapan City and 3,949 in Tabuk City.

Rental revenues increased by 12.54% or ₱8,085,364 as a result of rental rate escalation charged to clients starting first quarter of 2018.

Technical services decreased by ₱11,906,745 or 28.38% from ₱41,955,757 in 2017 to ₱30,049,012 in 2018. Contract with a client ceased effective July 1, 2018.

Other revenue pertains to sale of plumbing materials which increased by 44.63% or ₱7,657.

Cost of services increased by 36% or ₱148,294,909 for the year 2018.
This was due to increase in OPI's fuel expenses brought about by higher fuel prices, increase in repairs and maintenance, utilities and salaries and employee benefits. Increase in repairs and maintenance during the year is attributed to CWWC's higher equipment and property maintenance costs while the increase in utilities pertains mainly to CWWC's higher power consumption due to its new production wells and boosters. Salaries and employee benefits increased due to additional manpower hired during the year as well as increase in employees' pay rates.

Operating expenses increased by 14% or ₱16,929,582 for the year 2018.
Much of the increase is attributable to higher taxes and licenses depreciation expense, salaries and employee benefits, additional professional fees and, commission fees related to sale of H2O. Taxes and licenses increased during the year due to documentary stamp tax paid by the subsidiaries for new issuance of shares and SEC filing fees for the application of the increase in authorized capital stock. CWWC also contributed to the increase in taxes and licenses since its percentage and local franchise tax increased due to higher collected water service revenues.

Net other charges increased by 118% or ₱7,837,865 in 2018.
The increase of net other charges is mainly due to nonrecognition of increase in fair value of investment property since the Company did not subject its properties to appraisal in 2018 and also due to the reversal on reserve for actuarial gain in 2017. Also, the reduction of finance charges amounting to ₱13,638,931 contributed the increase of net other charges.

Income tax expense decreased by 17% or ₱6,416,981 in 2018.
This is mainly due to offsetting of decrease in current and deferred income tax and the final tax incurred in connection with the H2O sale amounting to ₱2,302,475.

Other comprehensive income increased by 280% or ₱11,683,628 in 2018.
The increase of other comprehensive income is mainly due to recognition of actuarial gain in 2018 amounting to or ₱10,865,735.

2017 compared with 2016

The consolidated financial statements for the year ended December 31, 2017 resulted in a net 60.93% decrease in net income after tax from ₱221,459,123 in 2016 to ₱86,521,391 in 2017. The decrease in net income resulted from increase in fuel and utilities expenses and lower outcome of investment properties appraised values in 2017.

Revenues increased by 4.15% in 2017.
Power sales pertain to the electricity generation activity of OPI. OPI supplies electricity to Oriental Mindoro Electric Cooperative (ORMECO) and operates a power plant in Calapan City using bunker fuel. Power sales increased by 2.60% from ₱315,525,125 to ₱323,735,044 for this year as against last year due to higher fuel prices. Fuel cost reimbursements form part of OPI's revenues despite being a passed on charge to customers. As of December 31, 2017, contracted energy was at 37,297,512 kilowatt hours (kWh) as against 42,761,124 kWh in 2016.

Water service revenues grew by ₱12,183,200 or by 5.46% from ₱223,079,762 in 2016 to ₱235,262,962 by end 2017. The increase is attributable to the additional number of subscribers in the cities of Calapan and Tabuk and municipality of Agoo as well as the increase in production volume in these service areas. Total subscriber base stood at 20,182 by the end of 2017 compared to 17,907 subscribers by the end of 2016.

Rental revenues increased by 7.39% or ₱4,435,011 from ₱60,046,692 in 2016 to ₱64,481,703 in 2017 due to rental rate escalation.

Technical services grew by ₱1,997,893 or 5.00% from ₱39,957,864 in 2016 to ₱41,955,757 in 2017 as a result of rate escalation charged to clients this year.

Equity share in net earnings of associates mainly pertains to JLRC's share in earnings of Eagle Ridge Hotel Corporation. This account amounted to ₱267,345 in 2016 and resulted to equity share in net loss in 2017.

Other revenue pertains to sale of plumbing materials which decreased by 68.82% or ₱37,861.

Cost of services increased by 8.13% in 2017.
Cost of services increased by 8.13% or ₱30,857,690 for the year 2017 as compared to 2016. This is resulted from increase in fuel expenses brought about by higher fuel prices and additional utilities expenses due to incremental power consumption of new production wells.

Operating expenses decreased by 0.22% in 2017.
Operating expenses decreased by 0.22% or ₱271,611 for the year 2017. The decrease is the net effect of higher depreciation expense, increase in transportation and travel expenses, additional seminar fees, higher repairs and maintenance, lower personnel cost, lesser communication expenses, decrease in computer software expenses and no provision for impairment losses was made during the period.

Net other income decreased by 103.44% in 2017.
Net other income decreased by 103.44% or ₱200,688,868 for the year 2017. Bulk of the decrease came from lower outcome of investment properties appraised values in 2017. Increase in fair value of investment property amounted to ₱19,260,770 and ₱213,520,929 in 2017 and 2016, respectively. Higher finance charges resulted from additional loan availments made during the year, further

increasing other charges by ₱7,752,538. Reversal of actuarial gain amounted to ₱1,377,317 in 2017 resulted from the resignation of H2O's employee who is not qualified to avail retirement benefit.

Income tax expense decreased by 64.71% in 2017.
Income tax expense in 2017 decreased by 64.71% or ₱69,816,398 which is mainly due to lower deferred income tax expense in 2017 in relation to the lower amount of increase in fair value of investment property.

Other comprehensive income decreased by 106.17% or ₱71,939,298 in 2017.
The decrease of other comprehensive income is mainly due to lower appraisal increase of property, plant and equipment in 2017. Appraisal increase of property, plant and equipment in 2016 amounted to ₱98,337,638.

Financial Position

(Amounts are in Thousand Pesos)	**AS OF**		**VERTICAL ANALYSIS**		**HORIZONTAL ANALYSIS**	
			% to Total Assets		**Change from Prior Year**	
Statements of Financial Position Data	**Dec. 31, 2018**	Dec. 31, 2017	**Dec. 31, 2018**	Dec. 31, 2017	**2018 - 2017**	**%**
Total Current Assets	₱865,904	₱580,281	14%	11%	285,623	49%
Total Noncurrent Assets	5,146,478	4,913,044	86%	89%	233,434	5%
Total Assets	6,012,382	5,493,325	100%	100%	519,057	9%
Total Current Liabilities	1,955,901	1,754,628	33%	32%	201,273	11%
Total Noncurrent Liabilities	1,796,323	1,785,985	30%	33%	10,338	1%
Total Liabilities	3,752,224	3,540,613	62%	64%	211,611	6%
Equity – Attributable to Equity Holders of Parent Co.	1,753,713	1,394,441	29%	25%	359,272	26%
Equity – Non-controlling Interest	506,445	558,271	8%	10%	-51,826	-9%
Total Stockholders' Equity	2,260,158	1,952,712	38%	36%	307,446	16%

Total assets increased by 9.45% or ₱519,056,827 from ₱5,493,324,828 as of December 31, 2017 to ₱6,012,381,655 as of December 31, 2018.

The biggest contributor to the increase came from property, plant and equipment account with carrying value of ₱3,889,795,708 as of December 31, 2018. It increased by 8.73% or ₱312,235,889 due to the additional capital expenditures for the construction of OPI's 10MW Hydro Electric Power Plant, ongoing development and construction of CWWC's water supply systems and JLRC's Jolly Waves Waterpark & Resort construction project.

Cash and cash equivalents account increased by 7.34% or ₱17,402,451 during the year. This represents the net effect of proceeds received from sale of investment in H2O, loan availments made and payment of obligations as of December 31, 2018.

Receivables increased by 17.31% or ₱27,070,566 during the year due to lesser collection from customers.

Due from related parties increased by 416.93% from ₱57,710,249 as of December 31, 2017 to ₱298,322,924 as of December 31, 2018 as advances were made to affiliates for working capital requirements.

Inventories amounting to ₱28,666,382 pertain mostly to OPI's fuel and oil. Fuel consumption is lesser than the delivered amount resulted to an increase of 37.61% or ₱7,835,383 from last year's balance of ₱20,830,999.

Other current assets increased by 16.44% from ₱86,835,984 as of December 31, 2017 to ₱101,112,021 as of December 31, 2018. The increase mainly pertains to input VAT incurred and additional creditable withholding taxes received.

On December 21, 2017, Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement with Udenna Development Corp. (collectively the "Parties"), for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of this transaction, H2O's assets and liabilities were presented separately as "current assets held for sale" and "current liabilities held for sale" in the consolidated statements of financial position as of December 31, 2017. On June 1, 2018, a Deed of Absolute Sale was executed. Due to the closing of sale, current assets and liabilities held for sale are adjusted as of December 31, 2018.

Increase in Equity investment at Fair Value through Other Comprehensive Income (FVOCI) amounting to ₱2,824,777 as of December 31, 2018 which pertains to reclassification of Available for sale investments accounts. These investments amounted to ₱3,084,307 as of December 31, 2017. Decrease in valuation amounted to ₱259,530 which also resulted to the decrease in Revaluation reserves on Equity investment at FVOCI.

During the second quarter, OHC assigned its investment in shares of stocks to a related party. As a result, investment in associates decreased by 50.77% from ₱51,641,134 as of December 31, 2017 to ₱25,423,129 as of December 31, 2018.

Investment property increased by 0.16% or ₱1,906,146 during the year. This pertains mainly to additional acquisition cost of a condominium unit purchased in 2017.

Deferred tax assets amounting to ₱15,772,682 as of December 31, 2018 decreased by ₱9,743,715 or 38.19% due to tax effect of lower retirement expense accrued during the year.

Other noncurrent assets decreased by 68.91% or ₱44,486,892 during the year. This is mainly due to the reversal of goodwill pertaining to H2O sale.

Total liabilities increased by 5.98% or ₱211,610,588 from ₱3,540,613,132 as of December 31, 2017 to ₱3,752,223,720 as of December 31, 2018.

Accounts payable and other current liabilities increased by 3.83% from ₱914,257,237 as of December 31, 2017 to ₱949,317,369 as of December 31, 2018. Much of this is attributed to OPI's, CWWC's and JLRC's additional obligation to contractors in relation to its construction projects.

Loans payable increased by 8.41% or ₱165,494,813 as of December 31, 2018. This mainly represents additional releases from the loan facility with local banks intended for the construction of Inabasan Mini Hydro Power Plant and Jolly Waves Waterpark & Resort and short-term loan drawings made by CWWC and OPI.

Due to related parties increased by 23.88% from ₱271,316,132 as of December 31, 2017 to ₱336,110,311 as of December 31, 2018 which is mainly due to additional advances received by JLRC to finance its construction project .

Income tax payable has decreased by 35.09% or ₱ 6,364,262 as the related current income tax expense also decreased.

For the year 2018, the Group's retirement benefit obligation decreased by 10.70% or ₱5,353,273 which represents increase in actuarial gain. Increase in actuarial gain also increases the Reserve on actuarial gain.

The deferred tax liabilities decreased by 0.35% from ₱252,719,728 as of December 31, 2017 to ₱251,828,069 as of December 31, 2018 which mainly pertains to the tax effects of the depreciation of the fair value adjustment in investment property and property, plant and equipment.

Customers' deposits decreased by 19.56% or ₱5,923,239 as of December 31, 2018 as it is used as payment to contractor for water meter maintenance of CWWC.

On August 8, 2018, the Parent Company's Board of Directors, after negotiating with Elgeete Holdings Inc., agreed to reverse the deposit for future stock subscription amounting to ₱35,000,000 back to accounts payable, which was also settled by the former to the latter during the last quarter of the year. As a result, deposit for future stock subscription decreased by 100% or ₱35,000,000 as of December 31, 2018.

Total stockholders' equity increased by 15.74% or ₱307,446,239 from ₱1,952,711,696 as of December 31, 2017 to ₱2,260,157,935 as of December 31, 2018.

Equity attributable to equity holders of Parent Company increased by 25.76% while equity attributable to Noncontrolling interests decreased by 9.28% as of December 31, 2018. Increase in Equity attributable to equity holders of Parent Company is mainly due to higher net income reported during the year. Decrease in equity attributable to Noncontrolling interests is the net result of the H2O sale and the increase of percentage of ownership of minority interest in OPI.

Financial Risk

Please refer to Notes 26 and 27 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	
			2018	2017
PROFITABILITY				
	ROA=	NI+{(interest exp x (1-tax rate)}	393,801,578	107,173,167
Return on Total Assets It measures efficiency of the Company in using its assets to generate net income.		Ave. Total Assets	5,752,853,242	5,160,664,391
			0.0685	0.0208
		Annual Net Income	382,697,054	86,521,391
Return on Equity It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.	**ROE=**	Ave. Stockholders' Equity	2,106,434,816	1,882,782,758
			0.1817	0.0460
		Water Revenue	239,525,209	235,262,962
Water Revenue per Subscriber Measures how well service and facilities improvements have influence consumer's usage	**WRS=**	Ave. No. of Water Subscribers	19,808	20,182
			12,092	11,657
FINANCIAL LEVERAGE				
	Debt Ratio=	Total Liabilities	3,752,223,720	3,540,613,132
Debt Ratio It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.		Total Assets	6,012,381,655	5,493,324,828
			0.6241	0.6445

(Forward)

(Carryforward)

			DECEMBER	
			2018	2017
	Debt to	Total Liabilities	3,752,223,720	3,540,613,132
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.	**Equity=**	Shareholder's Equity	2,260,157,935	1,952,711,696
			1.6602	1.8132
MARKET VALUATION				
		Market value/share	6.78	6.00
Price to Book Ratio Relates the Company's stock to its book value per share	**PB ratio=**	Book value/share	6.23	4.95
			1.0883	1.2121

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.

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 increased from end-2017 of ₱236,956,409 to ₱254,358,860 as of December 31, 2018.

Meanwhile, liability to equity ratios decreased from 1.81:1.00 to 1.66:1.00 as of end-2018. Ratio was maintained at this very low level.

Item 8. Financial Statements

Please refer to the attached consolidated financial statements audited by Constantino & Partners. (C&P).

Item 9. Information on Independent Accountant and Other Related Matters

Constantino & Partners (C&P), independent certified public accountants, audited the Company's consolidated financial statements without qualification as of and for the years ended December 31, 2018, 2017, and 2016, included in this report.

Jerome Antonio B. Constantino is the current audit partner for the Company and its subsidiaries. Pursuant to SEC Memorandum Circular No. 8, Series of 2003, where it states that changes should be made in assignment of External Auditor or rotation of the engagement partner every five (5) years and that, a two-year cooling off period in the re-engagement of the same signing partner shall be observed.

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

C&P has neither shareholding in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. C&P 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 C&P for services rendered are ₱1,505,000 in 2018, ₱1,233,600 in 2017, and ₱1,182,000 in 2016. 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 C&P.

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, 2018 with their qualifications and credentials:

Name	***Positions Held***	***Company/Organization***
JOLLY L. TING 73, Filipino Bachelor of Science in Business Administration, University of the East	**Present:**	
	o Chairman (since March 21, 2011)	Ormin Power, Inc.
	o Chairman (since July 9, 2010)	Ormin Holdings Corporation
	o Founder, Chairman, CEO (since April 3, 1999)	Jolliville Holdings Corporation
	o Chairman (since April 26, 2002)	Jolliville Group Management, Inc.
	o Chairman (since April 26, 2002)	Ormina Realty & Development Corp.
	o Chairman (since May 19, 2009)	Servwell BPO Internationa Inc.
	o Chairman (since July 19,1992)	Jolliville Leisure and Resort Corporation
	o Chairman (since April 7, 1990)	Jollideal Marketing Corporation
	o Chairman (since 1997)	Calapan Waterworks Corporation
	o Member (since 1978)	Mirage Resources & Holdings Corp. (Manages the renowned Gloria Maris Sharksfin Restaurant and Dimsum Chains)
	Previous:	
	o Chairman, CEO (April 2010 to May 2018)	Philippine H2O Ventures Corp.
	o President (January 2009 to April 2010)	Philippine H2O Ventures Corp.
	o President (1991-1992)	Rotary Club University District, Manila
	o Director, Treasurer (1994-1997)	Rotary Club University District, Manila
	o Chairman (2002-2011)	Uptrend Concepts Management Corp.
NANETTE T. ONGCARRANCEJA 45, Filipino Fine Arts Advertising Studies, College of the Holy Spirit Advanced Courses, Columbia College Vancouver Community College Kwantlen University	**Present:**	
	o Director (since April 19, 1999)	Jolliville Holdings Corporation
	o President, Director (since October 26, 2000)	Jolliville Holdings Corporation
	o Vice President (since April 5, 2008)	Jolliville Group Management, Inc.
	o Director (since November 6, 2000)	Jollideal Marketing Corporation
	o Director (since August 17, 1999)	Jollideal Marketing Corporation

	- Director (since November 9, 2000) - President (since July 9, 2010) - Secretary, Treasurer (since January 6, 2005) **Previous:** - President (Sept. 2004 – May 2018 - Secretary, Director (January 2009 – April 2010 - Vice President (July 2001 - September 2004) - Secretary, Treasurer (April 1999 – July 2001) - Asst. Secretary (March – April 1999) - Treasurer (November 6, 2000 – April 4, 2008) - Treasurer (August 2010) - Chairman (January 2013)	Ormin Holdings Corporation Ormin Holdings Corporation Vitanutrition Incorporated Philippine H2O Ventures Corp. Calapan Ventures, Inc. Jolliville Holdings Corporation Jolliville Holdings Corporation Jolliville Holdings Corporation Jollideal Marketing Corporation Ormin Power, Inc. Rural Bank of Roxas (Or. Min.) Inc.
ORTRUD T. YAO 41, Filipino Honors, Bachelor of Commerce, Major in Finance, University of British Columbia	**Present:** - Asst. Secretary, Treasurer, CFO (since July 20, 2001) - Secretary, Treasurer, Director (since September 28, 2005) - Secretary, Treasurer (since July 9, 2010) - Director (since June 9, 2006) - Secretary, Director (since January 12, 2004 - President, Director (since March 30, 1999) - President, Director (since March 30, 1999) - Secretary, Director (since March 26, 1999) - Secretary, Treasurer (since March 19, 2001) - Vice-President for Finance, Secretary (since August 2010) - President (since October 2012) - President, Director (since January 6, 2005)	Jolliville Holdings Corporation Calapan Waterworks Corporation Ormin Holdings Corporation Ormin Holdings Corporation Kenly Resources, Inc. Oltru Holdings Corp. Oltru Holdings Corp. A-net Resources Corp. Granville Ventures, Inc. Ormin Power, Inc. Rural Bank of Roxas (Or. Min.) Inc. Vitanutrition Incorporated

	Previous: o Director, Treasurer, CFO (January 2009 – May 2018) o Secretary (April 2010 – May 2018) o Chief Compliance Officer (2001 – 2017) o President (June 9, 2006 – July 8, 2010)	 Philippine H2O Ventures Corp. Philippine H2O Ventures Corp. Jolliville Holdings Corporation Ormin Holdings Corporation
MELODY T. LANCASTER 47, 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:** o Senior Vice-President, Chief Compliance Officer (since June 14, 2017) o Secretary (since June 18, 2014) o Vice-President (since February 7, 2014) o Director (since March 29, 2010) o Director (since 2009) o Vice-President (since March 30, 2007) o Director (since March 26, 1999) o Management Consultant (since 2004) o Director (since March 2002) o President **Previous:** o Vice-President (July 2, 2014 – May 31, 2018) o Vice President (June 25, 2014 – June 13, 2017) o Treasurer (1986 - 1999)	 Jolliville Holdings 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) Philippine H2O Ventures Corp. Jolliville Holdings Corporation Jolliville Realty and Development, Inc.
RODOLFO L. SEE 77, Filipino Bachelor of Science in Business Administration, Far Eastern University	**Present:** o Director (since August 18, 2004) o Chairman, President (since 1980) o Chairman, President (since 1974) o Owner (since 1982)	 Jolliville Holdings Corporation Gold Prize Food Manufacturing Corp. Gold Medal Food Manufacturing Corp. International Food Snack Corp. (Exporter of locally produced dried fruit products)

	Previous: o Director (January 2009 – May 2018)	Philippine H2O Ventures Corp.
DEXTER E. QUINTANA 67, Filipino Masters in Business Administration, Graduate School of Business, University of the Philippines	**Present:** o Member (since 2015) o Member (since 2014) o President, Director (since 2015) o Director (since 2012) o Chairman, Board of Trustees (since 2011) o President (since 2008) o Independent Director (since 2008) o Member (since 2004) o Member (since 2000) o Member / Past President (since 1987) o Life Member / Past Director (since 1987)	Management Association of the Phil. Regional Ambassador Club of Manila Makati Sports Club Eagle Ridge Hotel Corporation Bamboo Network of the Philippines Strategic Partners Alliance Inc. Jolliville Holdings Corporation Palms Country Club Club Punta Fuego Rotary Club University District, Market Central Financial Executives Institute of the Phil.
SERGIO ORTIZ-LUIS JR. 75, 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:** o Director (since 2018) o Chairman of the Board (since 2018) o Chairman of the Board (since 2017) o Independent Director (since 2017) o Vice Chairman / Director (since 2016) o Director (since 2015) o President (since 2015) o Trustee / Treasurer (since 2015) o Chairman (since 2015) o Past Director (2014 – 2018) o Independent Director (since 2014) o Director / Past President (since 2013) o Honorary Chairman / Treasurer (since 2013) o Director (since 2012) o Director (since 2012) o Director (since 2012) o Chairman of the Board	Drug Abuse Resistance Education (DARE) Philippines Country Garden Agri-Tourism Dev’t. Inc. Manila Waterfront City SPC Power Corporation VC Securities Corp. LikeCash Asia & The Pacific Corporation Asia Pacific Chinese Media Inc. Human Resources Development Foundation National Center for Mediation Philippine H2O Ventures Corp. Jolliville Holdings Corporation Philippine Foundation Inc. (Team Phil.) Philippine Chamber of Commerce & Industry Philippine Estate Corporation BA Securities International Chamber of Commerce of the Phil. Philippine International Airways

	(since 2009)	
	o Vice Chairman (since 2008)	Alliance Global, Inc.
	o Director (since 2008)	Waterfront Philippines, Inc.
	o Honorary Chairman (since 2008)	Integrated Concepts & Solutions Inc.
	o Director (since 2008)	The Wellex Group
	o Director (since 2008)	Acesite Hotel Philippines Inc.
	o Director (since 2008)	Forum Pacific, Inc. (FPI, Philippines)
	o Director (since 2000)	Lasaltech Academy
	o Director (since 1997)	Manila Exposition Complex, Inc. (World Trade Ctr.)
	o Founding Director (since 1995)	GSI (Formerly Philippine Article Numbering Council)
	o President (since 1991)	Philippine Exporters Confederation Inc.
	o Honorary Chairman / Past President (since 1991)	Employers Confederation of the Philippines
	o Member (since 1989)	
	o Member / Past President (since 1988)	Philippine Jaycee Senate Rotary Club of Green Meadows
	o Director (since 1981)	Rural Bank of Baguio

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.

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. There are no other family relationships involving directors and executive officers.

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

Compensation of directors and executive officers are carried in the books of parent company and operating subsidiaries.

a. Standard Arrangements. All the executive officers receive a fixed monthly remuneration and year-end bonus while the other directors, including the two (2) independent directors, receive a per diem of ₱8,000 per board/committee meeting.

b. Other Arrangements. The Company has no other arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as above stated.

SUMMARY COMPENSATION TABLE
Annual Compensation
(in PHP)

	(a)	(b)	(c)	(d)	(e)
	Name and Principal Position	Year	Salary	Bonus	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	2019*	9,495,302	736,401	61,262
		2018	9,043,145	701,334	58,344
		2017	8,612,519	667,637	55,566
		2016	8,202,399	635,845	52,920
E	All other officers and directors as a group unnamed	2019*	7,651,585	2,833,747	185,313
		2018	7,287,224	2,698,807	176,488
		2017	6,940,213	2,570,292	168,084
		2016	6,609,727	2,447,897	160,080

**estimated amounts*

During the last and ensuing year, there are no:

1. Employment contracts between the Company and the named directors and senior officers;
2. Compensatory Plan or Arrangement;
3. Outstanding Warrants or Options held by directors and officers or the prices of such adjusted or amended; and

4. Amounts paid for committee participation or special assignments.

Under the Company's By-Laws, the officers of the Corporation shall hold office for one year and until their successors are chosen and qualified in their stead. Any officer elected or appointed by the majority of the Board of Directors may be removed by the affirmative vote of the Board of Directors.

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	PCD Nominee Corporation (6764 Ayala Avenue, Legazpi Village, Makati City)	none	Filipino	60,925,000	21.64
Common	Myron Ventures, Corp.	none	Filipino	18,000,000	6.39

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.

PCD Nominee Corporation is a wholly owned subsidiary of the Philippine Central Depository, Inc., a private company organized to implement an automated book entry system of handling securities transactions in the Philippines.

Myron Ventures Corp. is a domestic corporation duly registered with the SEC.

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.

The Group has the following transaction with related parties:

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

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.

For the past two years, there are no other transactions or proposed transactions being undertaken or to be undertaken by the Company in which any director or executive officer, or any member of their immediate family was or will be involved or had or will have a direct or indirect material interest.

There are no transactions with parties that, although not under the definition of a “related party” but with whom the Registrant or its related parties have a relationship, that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent, parties on an arm’s length basis.

There are no other relationships or transactions during the last two years or proposed transactions with related parties except for those cited above.

For other details on related party transactions, see Note 18 of the attached audited financial statements of the Company for the year ended December 31, 2018.

Item 15. Acquisition/Disposition of Property

H2O, former subsidiary of JOH, has sold its Water Business (defined below) to Tubig Pilipinas Corp. ("TPC") (formerly Tabuk Water Corp.) for a total purchase price of ₱442 Million, subject to the terms of a Share Purchase Agreement entered into by the parties on February 21, 2018.

The Water Business refers to all of H2O's shares and interests in Calapan Waterworks Corporation ("CWWC") consisting of 137,045,398 common shares representing 99.75% of the issued and outstanding capital stock of CWWC. The shares and interests of H2O in CWWC represent all of H2O's existing business, non-cash assets and liabilities.

The sale of Water Business was made pursuant to the condition in the Memorandum of Agreement dated December 21, 2017 entered into by and between JOH, together with certain subsidiaries and related parties (collectively, the "Sellers") and Udenna Development Corp. ("UDEVCO") whereby the Sellers shall be selling to UDEVCO all their shareholding in H2O, representing 62.006% of the issued and outstanding capital of H2O (the "H2O Sale"). One of the conditions to the H2O Sale is the spin-off by H2O of all its existing business and assets.

Further, the BOD of JOH and subsidiaries approved an additional subscription in TPC of 30,950,000 common shares at ₱10 per share.

The proceeds of the sale were received in cash and the corresponding gain on sale has been subject to Capital Gains Tax.

CWWC sold 3,696,000 shares of MAWI to Baliville Ventures Corp. for ₱1.00 per share or ₱3.696 million on November 19, 2019. After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI.

PART IV – CORPORATE GOVERNANCE

Item 16. 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.

There has not been any deviation from the company’s Manual of Corporate Governance.

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

PART V - EXHIBITS AND SCHEDULES

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

(a) Exhibits

The required information has already been discussed in Part I, Item I of this Report.

(b) Reports on SEC Form 17-C

Date	***Excerpts***
February 2, 2018	Extension of the Period for Execution of the Share Purchase Agreement (SPA) by JOH and UDEVCO
February 21, 2018	Spin-off of Water Business by Philippine H2O Ventures Corp. (H2O), to Tabuk Water Corp., a subsidiary of JOH
February 23, 2018	Sale of Water Business by H2O to Tubig Pilipinas Corp. (formerly Tabuk Water Corp.) pursuant to the condition in the MOA dated December 21, 2017 entered into by and between JOH and UDEVCO
February 28, 2018	Update to the Disclosure dated December 21, 2017 regarding the execution by JOH, along with its subsidiaries and related parties (collectively, the “Sellers”) and UDEVCO of the Sale and Purchase Agreement for the sale of 150,824,890 common shares of H2O
March 9, 2018	Disclosure of the date of closing of the transaction "H2O's Sale of Water Business to Tabuk Water Corp."
March 13, 2018	Update to the Disclosure dated 23 February 2018 was amended to disclose the date of closing of the transaction "H2O's Sale of Water Business to Tabuk Water Corp.".
March 28, 2018	Update to the Disclosures dated 28 February 2018 and 21 December 2017 regarding the execution by Jolliville Holdings Corporation (“JOH”), along with its subsidiaries and related parties (collectively, the “Sellers”) and UDEVCO of the Sale and Purchase Agreement for the sale of 150,824,890 common shares of H2O; and postponement of the closing date of the H2O Sale from April 6, 2018 to a later date, to be agreed upon by the Parties.
April 4, 2018	Results of the Special Stockholders’ Meeting of H20 held on April 4, 2018 wherein stockholders representing at least 2/3 of the outstanding capital stock of H20 approved the sale by H20 of 137,045,398 shares of CWWC to TPC for a purchase price of ₱442,000,000.00.
April 25, 2018	Update to the Disclosure dated April 2, March 1, and February 2, 2018 regarding the Sale and Purchase Agreement (“SPA”) dated February 28, 2018 executed by JOH along with its subsidiaries and related parties (collectively, the “Sellers”) and Udenna Development Corp. (“UDEVCO”) (collectively, the “Parties”) for the sale of 150,824,890 common shares of H2O
May 8, 2018	Notice of annual stockholders’ meeting for the year 2018

Date	***Excerpts***
June 1, 2018	Update to the Disclosures dated April 25, April 2, and February 28, 2018 regarding the Sale and Purchase Agreement (“SPA”) dated February 28, 2018 for the sale of 150,824,890 common shares of H2O
June 21, 2018	Results of Annual Shareholders’ meeting and Organizational meeting of BOD
August 6, 2018	Attendance to Corporate Governance Seminar of JOH’s Corporate Secretary, Anna Francesca Respicio, dated July 27, 2018
August 16, 2018	Attendance to Corporate Governance Seminar of JOH’s ID, Sergio R. Ortiz-Luis Jr., dated August 15, 2018
August 31, 2018	Attendance to Corporate Governance Seminar dated August 30, 2018 of: (1)Jolly L. Ting (Chairman/CEO), (2)Nanette T. Ongcarranceja (President/COO), (3)Melody T. Lancaster (SVP/Compliance Officer), (4)Ortrud T. Yao (Asst. Corp. Sec./CFO/Treas.), and Director, Rodolfo L. See
December 21, 2018	Reply to the SEC on Compliance with Data Privacy and Protection Laws and Regulations.

****

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 11 APR 2019.

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 12 APR 2019 affiant(s) exhibiting to me their Residence Certificates, as follows:

NAMES	RES. CERT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Jolly L. Ting	08041078	02-01-2019	Quezon City
Nanette T. Ongcarranceja	08041069	02-01-2019	Quezon City
Ortrud T. Yao	08041084	02-01-2019	Quezon City
Princess O. Montecir	08041065	02-01-2019	Quezon City

DOC. NO. 447
PAGE NO. 91
BOOK NO. 100
SERIES OF 2019

JOSHUA P. LAPUZ
Notary Public for Makati
Appointment No. M-82
Until December 31, 2019
Roll No.45790
IBP Lifetime Member No.04897
PTR No. 7333096 / 1-3-19 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, Makati City

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2018

TABLE OF CONTENTS

Schedule	Title
A	Financial Assets (Loans and Receivables, Fair Value Through Profit or Loss Held-to-Maturity Investments and Available-for-Sale Securities)
B	Amounts Receivable from Directors, Officers Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D	Intangible Assets - Other Assets
E	Short Term and Long-term Debt
F	Indebtedness to Related Parties
G	Guarantees of Securities of Other Issuers
H	Capital Stock
I	Financial Soundness Indicators
J	Top 20 Stockholders of Record
	Retained Earnings Available for Dividend Declaration
	Group Chart

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
As of December 31, 2018

		AMOUNT SHOWN IN THE BALANCE SHEET		INCOME RECEIVED AND ACCRUED
Current Financial Assets				
Cash and cash equivalents*	₱	254,093,860	₱	1,205,901
Receivables**		176,632,456		803,139,909
Due from related parties		298,322,924		-
Total		729,049,240		804,345,810
Noncurrent Financial Assets				
Equity investment at FVOCI		2,824,777		–
Reserve fund		6,565,589		–
Special bank deposit		9,000,000		–
Utilities and other deposits		7,008,162		–
Total		25,398,528		–
	₱	**754,447,768**	**₱**	**804,345,810**

* *Excludes cash on hand*
** *Excludes advances to suppliers and advances to officers and employees*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

As of December 31, 2018

NAME AND DESIGNATION OF DEBTOR	BALANCE AT BEGINNING OF YEAR	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF YEAR
	NOT APPLICABLE						

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

As of December 31, 2018

NAME AND DESIGNATION OF DEBTOR	BALANCE AT BEGINNING OF YEAR	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	CURRENT	NOT CURRENT	BALANCE AT END OF YEAR
Jolliville Holdings Corporation	₱ 18,211,117	₱ –	₱ 17,981,482	₱ –	₱ 229,635	₱ –	₱ 229,635
Philippine Hydro Electric Ventures Inc. and a subsidiary*	114,279,263	53,873,600	131,250,000	–	36,902,863	–	36,902,863
Tubig Pilipinas Corp. and subsidiaries	361,508	15,625,000	361,508	–	15,625,000	–	15,625,000
Jolliville Leisure & Resort Corporation and subsidiaries	8,103,845	–	356,782	–	7,747,063	–	7,747,063
Ormin Holdings Corporation and subsidiaries	812,139	333,690	–	–	1,145,829	–	1,145,829
Servwell BPO International Inc.	9,198,472	5,001,021	–	–	14,199,493	–	14,199,493
Ormina Realty & Development Corp.	14,656,093	500,000	4,432,735	–	10,723,358	–	10,723,358
Jollideal Marketing Corporation	9,306,184	266,554	–	–	9,572,738	–	9,572,738
Jolliville Group Management Inc.**	–	9,256,457	–	–	9,256,457	–	9,256,457
Granville Ventures Inc.	45,180	40,140	–	–	85,320	–	85,320
Philippine H2O Ventures Corp. and subsidiaries	305,450	–	305,450	–	–	–	–
	₱ 175,279,251	**₱ 84,896,462**	**₱ 154,687,957**	**₱ –**	**₱ 105,487,756**	**₱ –**	**₱ 105,487,756**

**Amount collected pertains to assignment of receivables as payment of subscription payable*

***Additions amounted to ₱9,255,521 pertains to reclassification of retirements benefit obligation*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS - OTHER ASSETS
As of December 31, 2018

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS AT COST	CHARGED TO COST AND EXPENSES	CHARGED TO OTHER ACCOUNTS	OTHER CHANGES ADDITIONS (DEDUCTIONS)	BALANCE AT END OF YEAR
Goodwill	₱ 39,590,920	₱ –	₱ –	₱ –	₱ (39,447,453)	₱ 143,467

** Resulted from sale of investment in shares of stock of Philippine H2O Ventures Corp.*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE E - LONG-TERM DEBT

As of December 31, 2018

TITLE OF ISSUE AND TYPE OF OBLIGATION		AMOUNT AUTHORIZED BY INDENTURE		CURRENT PORTION OF LONG-TERM DEBT		LONG TERM DEBT (NET OF CURRENT PORTION)	INTEREST RATE	NO. OF MONTHLY INSTALLMENT	MATURITY DATE
Jolliville Leisure & Resort Corporation									
Bank loan (PBB)	₱	199,000,000	₱	22,111,111	₱	167,675,926	7% to 8%	120	July 16, 2027
Bank loan (PBB)		15,000,000		1,666,667		12,638,889	7% to 8%	120	July 16, 2027
Bank loan (PBB)		32,000,000		3,555,556		26,962,962	7% to 8%	120	July 16, 2027
Ormin Power Inc.									
Bank loan (MBTC)		3,246,400		659,126		1,310,109	9.35%	60	September 18, 2021 September 25, 2021
Bank loan (MBTC)		1,422,400		317,875		257,292	9.59%	60	September 25, 2020
Bank loan (DBP)		90,571,200		9,533,810		53,230,443	5.75%/6.00%	114	May 5, 2021
Bank loan (DBP)		1,283,052,000		115,173,312		1,059,931,405	6.50%/7.03%	60,96,87	April 16, 2023 April 16, 2026
Bank loan (DBP)		275,889,000		29,063,313		38,751,085	5.75% to 6.00%	114	May 5, 2021
Calapan Waterworks Corporation									
Bank loan (DBP)		137,000,000		8,013,759		24,041,278	6.00% to 6.20%	119	December 14, 2022
Bank loan (DBP)		118,250,000		13,102,524		65,512,617	6.00% to 7.00%	26 to 32	November 18, 2024
	₱	**2,155,431,000**	**₱**	**203,197,053**	**₱**	**1,450,312,006**			

**Resulted from sale of investment in shares of stock of Philippine H2O Ventures Corp.*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)

As of December 31, 2018

NAME OF RELATED PARTY	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR

NOT APPLICABLE

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE G - GUARANTEES OF SECURITIES OF OTHER ISSUERS

As of December 31, 2018

NAME OF ISSUING ENTITY OF SECURITIES GUARANTEED BY THE COMPANY FOR WHICH THIS STATEMENT IS FILED	TITLE OF ISSUE OF EACH CLASS OF SECURITIES GUARANTEED	TOTAL AMOUNT GUARANTEED AND OUTSTANDING	AMOUNT OWNED BY PERSON FOR WHICH STATEMENT IS FILED	NATURE OF GUARANTEE
		NOT APPLICABLE		

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE H - CAPITAL STOCK

As of December 31, 2018

TITLE OF ISSUE	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED AND OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS, WARRANTS CONVERSION AND OTHER RIGHTS	NUMBER OF SHARES HELD BY AFFILIATES	NUMBER OF SHARES HELD BY DIRECTORS, OFFICERS AND PRINCIPAL STOCKHOLDERS	NUMBER OF SHARES HELD BY OTHERS
COMMON STOCK	1,000,000,000	281,500,000	-	175,799,491	58,318,438	47,382,071

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE J - LIST OF TOP 20 STOCKHOLDERS OF RECORD
As of December 31, 2018

RANK	SHAREHOLDER NAME	SHARES HELD	PERCENTAGE
1	Elgeete Holdings, Inc.	125,783,791	44.68%
2	IGC Securities Inc.	19,293,200	6.85%
3	Myron Ventures Corp.	18,000,000	6.39%
4	Lucky Securities Inc.	14,170,000	5.03%
5	Dopero Corporation	13,000,000	4.62%
6	Febra Resources Corp.	12,503,925	4.44%
7	A-net Resources Corp.	12,503,925	4.44%
8	Kenly Resources Inc.	12,503,925	4.44%
9	Oltru Holdings Corp.	12,503,925	4.44%
10	Belson Securities Inc.	8,285,000	2.94%
11	Unicapital Securities Inc.	7,038,000	2.50%
12	Rodolfo L. See	5,994,000	2.13%
13	Papa Securities Corporation	3,351,000	1.19%
14	Philstocks Financial Inc.	3,293,225	1.17%
15	Genmaco Corp.	2,709,500	0.96%
16	Tower Securities Inc.	1,424,800	0.51%
17	Phyvita Enterprises Inc.	1,047,200	0.37%
18	Ortrud T. Yao	1,000,001	0.36%
19	Jolly L. Ting	959,999	0.34%
20	AB Capital Securities, Inc.	761,000	0.27%
		276,126,416	**98.07%**

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 4 8 0 0

Company Name

J O L L I V I L L E H O L D I N G S
C O R P O R A T I O N A N D S U B S I D I A R I E S

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

4 / F 2 0 L A N S B E R G H P L A C E B L D G . ,
1 7 0 T O M A S M O R A T O A V E . , C O R .
S C T . C A S T O R S T . , Q U E Z O N C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S	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
33	Any Day in June	DECEMBER 31, 2018

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
Claire de Pasion	claire.depasion@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, 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-recipient of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2018

For the Year Ended December 31, 2018	Page No.
Consolidated Financial Statements	
Statement of Management's Responsibility for Consolidated Financial Statements	1
Independent Auditor's Report	2
Consolidated Statements of Financial Position as of December 31, 2018 and 2017	8
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018, 2017 and 2016	10
Consolidated Statement of Changes in Equity for the years ended December 31, 2018, 2017 and 2016	12
Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2017 and 2016	15
Notes to Consolidated Financial Statements	18
Report of Independent Auditors on Supplementary Schedules	103
Supplementary Schedules (*Refer to Table of Contents)	
A. Financial Assets	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties	*
C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements	*
D. Intangible Assets – Other Assets	*
E. Long-Term Debt	*
F. Indebtedness to Related Parties (Long-term Loans from Related Companies)	*
G. Guarantees of Securities of Other Issuers	*
H. Capital Stock	*
I. Financial Soundness Indicators	105
J. List of Top 20 Stockholders of Record	*
K. Retained Earnings Available for Dividend Declaration	106
L. Summary of Effective Standards and Interpretations under PFRS	108
M. Map Showing the Relationship Between and Among Related Parties	118

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 and Subsidiaries** (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein as of and for the years ended December 31, 2018, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the 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.

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

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

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

JOLLY L. TING
Chairman
CTC No. 08041078
Issued on 02-01-19 at Quezon City

NANETTE T. ONGCARRANCEJA
President
CTC No. 08041069
Issued on 02-01-19 at Quezon City

ORTRUD T. YAO
Treasurer
CTC No. 08041084
Issued on 02-01-19 at Quezon City

Signed this 11 day of APR 2019.

SUBSCRIBED AND SWORN to before me this 12 day of APR 2019, 2019 in the city of MAKATI CITY, Philippines. Affiant exhibiting to their Community Tax Number as above stated.

Doc No. 450;
Page No. 91;
Book No. 100;
Series of 2019.

JOSHUA P. LAPUZ
Notary Public for Makati
Appointment No. M-82
Until December 31, 2019
Roll No.45790
IBP Lifetime Member No.04897
PTR No. 7333096 / 1-3-19 / Makati City
MCLE No. VI-0016565 / 1-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, Makati City

4/F 20 Lansbergh Place 170 Tomas Morato Ave. corner Scout Castor St. Quezon City • Telephone: 3733038 • Fax: 3738491 • Email: info@joh.ph

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas,
Salcedo Village, Makati City,
Philippines

T: (+632) 848 1051
F: (+632) 728 1014

mail@bakertilly.ph
www.bakertilly.ph

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors
Jolliville Holdings Corporation and Subsidiaries
4/F, 20 Lansbergh Place Bldg.
170 Tomas Morato Avenue, Corner Scout Castor Street
Quezon City

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, 2018 and 2017, 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 ended December 31, 2018, 2017 and 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, 2017 and 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 audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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 require significant judgment by the management. We considered this as a key audit matter. The disclosures on contingencies are discussed in Note 31 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 was 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. Furthermore, there are significant changes in the Group structure as a result of the disposals, either in full or partial, of major subsidiaries and acquisitions of new ones.

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. The appropriateness of intercompany elimination entries was also verified. We also verified documents supporting the disposal and acquisition of subsidiaries, examined accounting entries made to reflect these transactions in the financial statements and checked statutory corporate records to corroborate ownership to these subsidiaries. To address further the risk, we performed analytical procedures at the consolidated level and evaluated the sufficiency of the disclosures in the Group's consolidated financial statements.

Revenue recognition and compliance with regulators on water rates charged to consumers

The Group's operation and maintenance of water supply system in its business service areas are regulated by the National Water and Resources Board (NWRB). Tariff rates are also subject to the approval of the NWRB before implementation. The Group's water service revenue cycle, after the meter reading is made, flows through two different and independent systems. Maintenance of approved tariff rates is managed in one system, Customer Management System (CMS), while actual recording of revenues is being handled separately. Interfacing of the two systems is done manually by the Group's accounting personnel. Due to the processes involved in meter reading, billing generation, systems interfacing and data maintenance, we consider the Group's water revenue cycle as key audit matter.

Audit response

Our audit procedures include obtaining and understanding of the Group's Certificates of Public Convenience (CPC), Franchise Grants and NWRB Resolutions covering the Group's CPC and checking latest and applicable tariff rates billable to the customers. We also, tested controls on revolving around the Group's data maintenance, billing, collection and revenue recording processes to ensure correct processing of revenue transactions. The results of our control testing have been the basis for the nature and scope of any additional audit procedures we need to perform which includes analytical procedures and test of details.

Estimation of Allowance for Impairment of Receivables and Advances

As at December 31, 2018, the Group's financial trade and other receivables and amounts due from related parties have outstanding balances of ₱183.4 million and ₱298.3 million, respectively. As discussed in the notes to the consolidated financial statements, impairment losses on financial assets have been determined in accordance with PFRS 9, *Financial Instruments*. As at December 31, 2018 and 2017, allowance for doubtful accounts on financial trade and other receivables amounted to ₱2.9 million and ₱2.4 million, respectively. Amounts due from related parties are fully recoverable as of date of financial position.

We considered the estimation of allowance for impairment as a key audit matter under PFRS 9, it being a new and complex financial reporting standard, which requires significant accounting judgment to determine the impairment allowance. Major areas of judgment include (1) the interpretation of the requirements to determine impairment under application of PFRS 9, which is reflected in the Group's expected credit loss (ECL) model; (2) the assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors such as gross national income growth, foreign exchange, interest and inflation rates and other economic indicators.

Audit response

We obtained understanding of the Group's assessment policies and procedures in providing impairment allowance to its trade and other receivables and amounts due from related parties including the implementation process of PFRS 9. We compared the Group's impairment policies and ECL methodology with the requirements of PFRS 9. We checked the information used in the computation of ECL. We evaluated the appropriateness of the assumptions used by the management in determining the default rates and forward-looking factors. We also performed independent ECL calculations and compared it against management's computation.

Also, we assessed the disclosures included by the management in the consolidated financial statements.

Impairment Assessment of Investment Properties and Property and Equipment

Under PFRS, the Group is required to perform an impairment test on its investment properties and property and equipment. The carrying values of these assets amounting to ₱1.2 billion and ₱3.9 billion, respectively, as at December 31, 2018 is material to the consolidated financial statements. Because of the significance of these balances, we consider the impairment assessment of these assets as a key audit matter.

The Group's investment properties are carried at fair value while its property and equipment, except for land and building improvements, are carried at cost less accumulated depreciation and any impairment in value. In 2017 and prior years, the Group engaged the services of an independent appraiser to determine the appraised values of its investment properties and property and equipment. While the fair value of the Group's investments properties and the appraised values of the Group's land, land improvements and building and improvements were determined and reflected in the Group's consolidated financial statements, the appraised values of the following property and equipment were not determined:

- Water utilities and distribution systems which were laid underground
  From the time these were acquired over 15 years ago, the value of the Group's land, where its water utilities and distribution systems were built, has increased significantly. Cumulative revaluation surplus of the Group's land and improvements where these assets were built amounted to ₱22.0 million as at December 31, 2018.

- Construction in progress (CIP) account which has a total balance of ₱2.8 billion as at December 31, 2018, ₱2.5 billion of the CIP account representing the Group's costs in constructing its Inabasan Mini Hydro Power Plant will be reclassed to the Group's power plant facilities and equipment account upon completion which is expected within 1st half of 2019.

Given that the fair/appraised value determination and impairment assessment of the Group's investment properties and property and equipment involve significant management judgment and estimate, we consider this as a key audit matter. The disclosure of the Group's investment properties and property and equipment is included in Notes 13 and 14, respectively.

Audit response

We obtained understanding of the Group's appraised valuation assessment process and have obtained and evaluated the appraisal reports supporting the fair value of the Group's properties prepared by an independent appraiser, whose professional qualifications and objectivity were taken into consideration. For the Group's depreciable property and equipment, we also tested the computation of depreciation expense based on the revised carrying values. For those items of property and equipment where no appraisal reports were obtained, we inquired from the management of their approach in determining whether there are indicators that an asset is impaired. Such approach includes the review and evaluation of the net future cash flows of the Group's operating assets. We compared these assumptions and estimates against the Group's historical financial information and other relevant external data. We also reviewed the Group's disclosures regarding the changes in the fair values and impairment assessment of the Group's investment properties and property and equipment.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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.

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 Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 Consolidated 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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 auditor's report is Jerome Antonio B. Constantino.

CONSTANTINO AND PARTNERS
(formerly Constantino Guadalquiver & Co.)
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA Certificate No. 49553
SEC A.N. 0019-AR-4, valid until January 10, 2021 (Group A)
TIN 102-084-191-000
BIR A.N. 08-001507-2-2017, valid until December 21, 2020
PTR No. 7333974, issued on January 4, 2019, Makati City

Makati City, Philippines
April 11, 2019

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

(Amounts in Philippine Pesos)

	Note	**December 31, 2018**	December 31, 2017 *(As restated)*	January 1, 2017 *(As restated)*
ASSETS				
Current Assets				
Cash and cash equivalents	7	**₱254,358,860**	₱236,956,409	₱275,312,575
Receivables – net	8	**183,443,221**	156,372,655	159,059,685
Due from related parties	18	**298,322,924**	57,710,249	64,079,473
Inventories	9	**28,666,382**	20,830,999	13,640,735
Other current assets	10	**101,112,021**	86,835,984	76,241,273
		865,903,408	558,706,296	588,333,741
Current assets of a subsidiary held for sale	24	**–**	21,574,178	–
Total Current Assets		**865,903,408**	580,280,474	588,333,741
Noncurrent Assets				
Equity investment at Fair Value through Other Comprehensive Income (FVOCI)	11	**2,824,777**	–	–
Available for sale (AFS) investments	11	**–**	3,084,307	2,945,303
Investment in associates	12	**25,423,129**	51,641,134	50,432,876
Investment property	13	**1,192,594,374**	1,190,688,228	1,154,934,804
Property, plant, and equipment	14	**3,889,795,708**	3,577,559,819	2,984,853,916
Deferred tax assets – net	23	**15,772,682**	25,516,397	20,343,817
Other noncurrent assets – net	15	**20,067,577**	64,554,469	26,159,497
Total Noncurrent Assets		**5,146,478,247**	4,913,044,354	4,239,670,213
		₱6,012,381,655	₱5,493,324,828	₱4,828,003,954
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term loans payable	16	**₱480,661,410**	₱430,000,000	₱370,000,000
Current portion of long-term loans payable	16	**178,041,646**	120,714,182	103,177,821
Accounts payable and other current liabilities	17	**949,317,369**	914,257,237	661,426,948
Due to related parties	18	**336,110,311**	271,316,132	250,926,832
Income tax payable	23	**11,770,509**	18,134,771	16,384,605
Total Current Liabilities		**1,955,901,245**	1,754,422,322	1,401,916,206
Current liabilities of a subsidiary held for sale	24	**–**	206,103	–
		1,955,901,245	1,754,628,425	1,401,916,206

(Forward)

(Carryforward)

	Notes	December 31, 2018	December 31, 2017 *(As restated)*	January 1, 2017 *(As restated)*
Noncurrent Liabilities				
Noncurrent portion of long – term loans payable	16	**₱1,475,467,413**	₱1,417,961,474	₱1,260,355,749
Retirement benefit obligation	19	**44,669,759**	50,023,032	44,568,155
Deferred tax liabilities	23	**251,828,069**	252,719,728	246,672,032
Customers' deposits		**24,357,234**	30,280,473	26,637,993
Deposit for future stock subscription		**–**	35,000,000	35,000,000
Total Noncurrent Liabilities		**1,796,322,475**	1,785,984,707	1,613,233,929
Total Liabilities		**3,752,223,720**	3,540,613,132	3,015,150,135
EQUITY				
Attributable to Equity Holders of Parent Company				
Capital stock*– P1 par value				
Authorized – 1,000,000,000 shares				
Subscribed and paid-up – 281,500,000 shares	28	**281,500,000**	281,500,000	281,500,000
Additional paid-in capital	28	**1,509,533**	812,108	812,108
Revaluation reserves on equity investment at FVOCI	11	**824,940**	–	–
Revaluation reserves on AFS investments	11	**–**	885,393	773,399
Revaluation surplus on investment property and property, plant, and equipment	13, 14	**246,402,556**	241,680,858	245,270,450
Reserve on actuarial gain (loss)	19	**628,026**	(5,416,277)	(4,588,097)
Retained earnings	28	**1,222,847,978**	874,979,242	804,411,918
Total Equity of Parent Company		**1,753,713,033**	1,394,441,324	1,328,179,778
Noncontrolling Interests		**506,444,902**	558,270,372	484,674,041
Total Equity		**2,260,157,935**	1,952,711,696	1,812,853,819
		₱6,012,381,655	₱5,493,324,828	₱4,828,003,954

See accompanying Notes to Consolidated Financial Statements.

**There were no movements in the Parent Company's authorized and subscribed shares as of December 31, 2018 and 2017.*

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Philippine Pesos)

	Notes	**2018**	2017 *(As restated)*	2016 *(As restated)*
REVENUES				
Power sales – net of discount of ₱419,413 in 2018, ₱441,960 in 2017 and ₱559,013 in 2016	24	**₱460,998,621**	₱323,735,044	₱315,525,125
Gain on sale of equity investments	12, 24	**325,108,938**	–	–
Water services	24	**239,525,209**	235,262,962	223,079,762
Rentals	24	**72,567,067**	64,481,703	60,046,692
Technical services	24	**30,049,012**	41,955,757	39,957,864
Equity share in net earnings of associates	12	**–**	–	267,345
Others		**24,812**	17,155	55,016
		1,128,273,659	665,452,621	638,931,804
COST OF SERVICES	20	**558,817,495**	410,522,586	379,664,896
GROSS INCOME		**569,456,164**	254,930,035	259,266,908
OPERATING EXPENSES	21	**140,592,584**	123,663,002	123,934,613
INCOME FROM OPERATIONS		**428,863,580**	131,267,033	135,332,295
OTHER INCOME (CHARGES)	22	**(14,506,423)**	(6,668,558)	194,020,310
INCOME BEFORE INCOME TAX		**414,357,157**	124,598,475	329,352,605
INCOME TAX EXPENSE (BENEFIT)	23			
Current		**32,387,898**	37,944,766	31,414,912
Final	2	**2,302,475**	–	–
Deferred		**(3,030,270)**	132,318	76,478,570
		31,660,103	38,077,084	107,893,482
NET INCOME		**382,697,054**	86,521,391	221,459,123

(Forward)

(Carryforward)

	Notes	2018	2017 (As restated)	2016 (As restated)
OTHER COMPREHENSIVE INCOME				
Reclassifiable to profit or loss				
Fair value gain (loss) on AFS investments	11	**₱–**	₱139,004	(₱10,442)
Not reclassifiable to profit or loss				
Actuarial gain		**10,865,735**	–	247,553
Deferred tax effect		**(3,259,720)**	(742,798)	(29,602,891)
Revaluation surplus – net	13, 14	**1,633,446**	4,442,568	98,337,638
Depreciation	20, 21	**(1,476,352)**	(6,669,995)	(1,212,609)
Reversal of reserve on actuarial gain	19	**–**	(1,348,828)	–
Fair value loss on equity investments at FVOCI	11	**(259,530)**	–	–
		7,503,579	(4,319,053)	67,769,691
		7,503,579	(4,180,049)	67,759,249
TOTAL COMPREHENSIVE INCOME		**₱390,200,633**	₱82,341,342	₱289,218,372
NET INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱378,044,937**	₱70,567,324	₱194,424,990
Noncontrolling interests		**4,652,117**	15,954,067	27,034,133
		₱382,697,054	₱86,521,391	₱221,459,123
EARNINGS PER SHARE	25	**₱1.3430**	₱0.2507	₱0.6907
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company		**₱384,411,823**	₱66,261,547	₱251,663,523
Noncontrolling interests		**5,788,810**	16,079,795	37,554,849
		₱390,200,633	₱82,341,342	₱289,218,372
EARNINGS PER SHARE	25	**₱1.3656**	₱0.2354	₱0.8940

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Philippine Pesos)

	Note	2018	2017 (As restated)	2016 (As restated)
CAPITAL STOCK				
Balance at beginning and end of year	28	**₱281,500,000**	₱281,500,000	₱281,500,000
ADDITIONAL PAID–IN CAPITAL				
Balance at beginning and end of year		**812,108**	812,108	812,108
Additions		**697,425**	–	–
Balance at end of year	28	**1,509,533**	812,108	812,108
REVALUATION RESERVES ON AFS INVESTMENTS				
Balance at beginning of year		**885,393**	773,399	781,642
Increase (decrease) in fair value		**–**	111,994	(8,243)
Reclassification		**(885,393)**	–	–
Balance at end of year	11	**–**	885,393	773,399
REVALUATION RESERVES ON EQUITY INVESTMENTS AT FVOCI				
Balance at beginning of year		**–**	–	–
Reclassification		**885,393**	–	–
Decrease in fair value		**(259,205)**	–	–
Change in ownership interest		**198,752**	–	–
Balance at end of year	11	**824,940**	–	–

(Forward)

(Carryforward)

	Notes	**2018**	2017 *(As restated)*	2016 *(As restated)*
REVALUATION SURPLUS ON INVESTMENT PROPERTY AND PROPERTY, PLANT AND EQUIPMENT – Net				
Balance at beginning of year		**₱224,603,631**	₱223,589,552	₱207,365,658
Adjustments		**17,077,227**	21,680,898	(19,254,410)
Balance at beginning of year, *as adjusted*		**241,680,858**	245,270,450	188,111,248
Change in ownership interest		**10,869,234**	–	–
Depreciation on property and equipment		**(6,147,536)**	(890,563)	(175,288)
Appraisal increase		**–**	1,904,642	16,399,182
Adjustment		**–**	(4,603,671)	40,935,308
Balance at end of year, *as adjusted*	13, 14	**246,402,556**	241,680,858	245,270,450
RESERVE ON ACTUARIAL (GAIN) LOSS – net of deferred tax				
Balance at beginning of year		**(5,416,277)**	(4,588,097)	(4,675,669)
Actuarial gain during the year	19	**7,510,870**	–	87,572
Change in ownership interest		**(1,466,567)**	–	–
Reversal of actuarial gain		**–**	(828,180)	–
Balance at end of year		**628,026**	(5,416,277)	(4,588,097)
RETAINED EARNINGS				
UNAPPROPRIATED				
Balance at beginning of year, *as previously reported*	29	**1,089,942,535**	1,013,518,435	698,378,813
Adjustments		**(214,963,293)**	(209,106,517)	(88,389,870)
Balance at beginning of year, as restated		**874,979,242**	804,411,918	609,988,943
Appropriation for property dividend		**(185,862,750)**	–	–
Net income during the year, *as previously reported*		**378,044,937**	76,424,100	315,141,637
Adjustments	29	**–**	(5,856,776)	(120,716,647)
Net income during the year, *as restated*		**378,044,937**	70,567,324	194,424,990
Change in ownership interest		**(30,176,201)**	–	–
Dividends declared		**–**	–	(2,015)
Balance at end of year	28	**1,036,985,228**	874,979,242	804,411,918

(Forward)

(Carryforward)

	Note	2018	2017 *(As restated)*	2016 *(As restated)*
APPROPRIATED				
Balance at beginning of year		**₱–**	₱–	₱–
Appropriation for property dividends	2	**185,862,750**	–	–
Balance at end of year		**185,862,750**	–	–
Total Retained Earnings		**1,222,847,978**	874,979,242	804,411,918
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY		**1,753,713,033**	1,394,441,324	1,328,179,778
NON-CONTROLLING INTERESTS				
Balance at beginning of year		**558,270,372**	484,674,041	403,712,942
Increase (decrease) in noncontrolling interests		**(57,614,280)**	57,516,536	43,406,250
Share in total comprehensive income		**5,788,810**	16,079,795	37,554,849
Balance at end of year		**506,444,902**	558,270,372	484,674,041
		₱2,260,157,935	₱1,952,711,696	₱1,812,853,819

See accompanying Notes to Consolidated Financial Statements.

JOLLIVILLE HOLDINGS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

(Amounts in Philippine Pesos)

	Notes	**2018**	2017 *(As restated)*	2016 *(As restated)*
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱414,357,157**	₱124,598,475	₱329,352,605
Adjustments for:				
Gain on sale of equity investments	24	**(325,108,938)**	–	–
Depreciation and amortization	14	**66,996,615**	67,103,070	64,019,757
Finance charges	16, 22	**15,863,606**	29,502,537	21,749,999
Provisions for:				
Retirement expense	19	**5,512,462**	5,483,366	5,731,355
Bad debt expense	8, 15	**558,762**	–	1,452,000
Interest income	7	**(1,205,901)**	(2,006,318)	(2,244,160)
Gain on disposal of property and equipment	14, 22	**(99,802)**	(593,388)	(332,857)
Equity share in net earnings (losses) of associates	12	**55,005**	13,051	(267,345)
Net foreign exchange gain	7	**(10,324)**	(3,357)	(22,216)
Increase in fair value of investment property through profit or loss	13, 22	**–**	(19,260,770)	(213,520,929)
Reversal of retirement expense	19	**–**	(1,377,317)	–
Realized loss on AFS investments	11	**–**	–	10,442
Operating income before working capital changes		**176,918,642**	203,459,349	205,928,651
Changes in operating assets and liabilities				
Decrease (increase) in:				
Receivables	8	**(32,145,860)**	2,687,030	42,123,238
Inventories	9	**(7,835,383)**	(7,190,264)	2,621,475
Current assets held for sale	24	**–**	(21,574,178)	–
Other current assets	10	**(22,002,674)**	1,367,210	(11,134,589)
Increase (decrease) in				
Accounts payable and other current liabilities	17	**143,592,388**	232,830,289	30,877,481
Customers' deposits		**(3,448,029)**	3,642,480	4,321,141
Current liabilities held for sale	24	**–**	206,103	–
Cash generated from operations		**255,079,084**	415,428,019	274,737,397

(Forward)

(Carryforward)

	Note	2018	2017 *(As restated)*	2016 *(As restated)*
Interest paid		**(₱111,172,073)**	(₱72,838,312)	(₱44,181,491)
Income tax paid		**(43,301,025)**	(37,284,850)	(23,896,372)
Interest received		**1,205,901**	2,006,318	2,244,160
Net cash provided by operating activities		**101.811,887**	307,311,175	208,903,694
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property, plant and equipment	14	**(622,611,891)**	(630,504,940)	(621,130,136)
Investment properties	13	**(1,906,146)**	(16,492,654)	(12,565,770)
Investment in associates	12	**–**	(1,221,309)	(2,295,965)
Disposal of a subsidiary		**641,477,190**	–	–
Advances made to related parties	18	**(233,170,693)**	(17,965,931)	(2,872,707)
Cash and cash equivalents of a deconsolidated subsidiary		**(22,385,058)**	–	–
Collections from related parties	18	**21,418,060**	24,335,155	14,255,169
Deposit for future sale of shares of stock subscription	17	**(20,000,000)**	20,000,000	–
Proceeds from sale of:				
Investments in associates	12	**6,540,750**	–	–
Property, plant and equipment	14	**2,497,480**	1,320,175	332,857
Deconsolidation of a subsidiary		**3,696,000**	–	–
Decrease (increase) in other non-current assets	15	**93,598**	(38,189,115)	(4,837,776)
Net cash used in investing activities		**(224,350,710)**	(658,718,619)	(629,114,328)

(Forward)

(Carryforward)

	Note	2018	2017 *(As restated)*	2016 *(As restated)*
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from:				
Loan availments	16	**₱545,678,534**	₱405,657,862	₱353,856,004
Advances from related parties	18	**87,103,289**	50,228,421	28,857,700
Acquisition of additional interest in a subsidiary		**(511,562,537)**	–	–
Contributions from noncontrolling shareholders of subsidiaries		**239,621,253**	57,516,535	43,406,250
Payments of:				
Loans	16	**(164,297,905)**	(170,515,776)	(69,791,963)
Advances from related parties	18	**(22,309,109)**	(29,839,121)	(33,872,393)
Refund of deposit for future stock subscription	30	**(35,000,000)**	–	–
Increase in additional paid in capital	18	**697,425**	–	–
Net cash provided by financing activities		**139,930,950**	313,047,921	322,455,598
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	7	**10,324**	3,357	22,216
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**17,402,451**	(38,356,166)	(97,732,820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**236,956,409**	275,312,575	373,045,395
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**₱254,358,860**	₱236,956,409	₱275,312,575

See accompanying Consolidated Notes to 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:

	Percentage of Ownership			
Subsidiaries		**2018**		2017
Ormina Realty & Development Corp. (ORDC)		**100.00**		100.00
Jolliville Group Management, Inc. (JGMI)		**100.00**		100.00
Servwell BPO International (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) and Subsidiaries		**100.00**		100.00
Buyayao Island Resort Corporation*	**50.99**		50.99	
Sapulville Enterprises Corp. (Sapulville)*	**75.00**		75.00	
Sapul Ventures Corp. (SVC)*	**75.00**		75.00	
Ormin Holdings Corporation (OHC)* and Subsidiaries:		**100.00**		100.00
OTY Development Corp. (OTY)		**100.00**		100.00
Melan Properties Corp. (MPC)		**100.00**		100.00
KGT Ventures, Inc. (KGT)		**100.00**		100.00
Ibayo Island Resort Corp. (IIRC)		**100.00**		100.00
NGTO Resources Corp. (NGTO)		**100.00**		100.00
Tubig Pilipinas Corp. (TPC)*		**100.00**		100.00
Direct ownership of the Parent Company	**88.50**			
Parent Company's ownership through OHC Subsidiaries	**11.50**	**100.00**		–
Calapan Waterworks Corporation (CWWC)**		**99.75**		–
Nation Water Corporation (NWC)*				–
Parent Company's ownership through TPC	**34.99**		34.99	
Parent Company's ownership through CWWC	**39.89**	**74.88**	24.48	59.47
Tubig Bohol Corporation (TBC)***		**49.87**		–
Greater Rosario Water, Inc. (GRWI)		**99.75**		
Philippine Hydro Electric Ventures, Inc. (PHEVI)		**100.00**		100.00
Ormin Power, Inc. (OPI)	**59.97**		60.00	
Philippine H2O Ventures Corp. (H2O)**				
Direct ownership of the Parent Company		**–**	36.73	
Parent Company's ownership through OHC Subsidiaries		**–**	24.67	61.40
Calapan Waterworks Corporation (CWWC)		**–**		61.25
Metro Agoo Waterworks, Inc. (MAWI)****		**–**		51.52

**pre-operating companies*

***see Note 24*

****Although the Parent Company's equity interest in TBC is less than 50%, TBC is considered as a subsidiary because the Parent Company's voting power over TBC is sufficient to provide the practical ability to direct and control.*

*****started its commercial operation last February 2, 2016, see Note 12.*

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 acquire lands or interest in lands, and to build, construct or erect buildings, factories, or other structures.

Currently, the Parent Company's principal activity is to hold equity shares of subsidiaries and associates and to lease its investment property and movable property.

The principal activities of the subsidiaries are as follows:

Name of subsidiary	Principal activity
ORDC	Engaged in real estate business including property development, sale or lease, and develops, sells and/or leases movable property.
JGMI	Provides management, investment and technical advices and services except 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*	Real estate business including property acquisition, development, sale or lease. Also, purchase, investment and sale of securities of any kind, without, in any way, acting as investment house or security dealer or broker.
JMC*	Purchase and sale of construction and other related materials.
JLRC/MPC KGT/OTY IIRC/NGTO/ Buyayao Island*	Lease and purchase of marine, aquatic and environmental resources located in the Philippines. Also, develop and conserve places with tourism value.
TPC*	Operation, management and maintenance of development and utilization of water resources. Also, will acquire, own, lease, construct, install, equip, operate, manage and maintain plants.

Name of Subsidiary	Principal Activity
PHEVI*	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.
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 (see Note 24).
CWWC	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.
MAWI**	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/GRWI/ TBC***	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*	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.

Name of Subsidiary	Principal Activity
SVC*	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.

**pre-operating stage*

***started its commercial operation last February 2, 2016, see Note 12.*

****Although the Parent Company's equity interest in TBC is less than 50%, TBC is considered as a subsidiary because the Parent Company's voting power over TBC is sufficient to provide the practical ability to direct and control.*

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

The consolidated financial statements of the Group were approved and authorized for issue by the Board of Directors (BOD) on April 11, 2019.

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 equity investments at FVOCI, and investment property and certain property, plant and equipment which are carried at revalued amount. 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 accompanying 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. They 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.

When the Group loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any noncontrolling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) accounts for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities, and (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the Parent Company.

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, 2018, 2017 and 2016:

	2018		
Date	Subsidiary	Transactions	Amount
February 20, 2018	CWWC	CWWC's BOD approved a cash dividend declaration amounting to ₱58 million out of the unrestricted retained earnings as of December 31, 2017.	₱58 million

	2018		
Date	Subsidiary	Transactions	Amount
February 21, 2018	TPC	TPC entered into a purchase agreement with H2O, to purchase all H2O's shares and interests, subject to conditions, in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a consideration of ₱442 million (the CWWC sale). Closing of the purchase and sale transaction of CWWC sale shall take place upon the approval by H2O's stockholders representing at least two-thirds of the outstanding capital stock, as well as the sale of the Parent Company along with its subsidiaries and related parties of all their shareholding in H2O representing 62% of the issued and outstanding capital of H2O to Udenna Development Corp. (UDEVCO).	₱442 million
March 1, 2018	TPC	Tubig Pilipinas Corp. (TPC), formerly Tabuk Water Corp. (TWC) adopted its new name and simultaneously increased its authorized capital stock (ACS) from ₱10 million divided into 10 million shares with par value of ₱1.00 per share to ₱500 million divided into 500 million shares with par value of ₱1.00 per share as approved by SEC on March 1, 2018. As a result, deposit for future stock subscription amounting to ₱30.63 million was converted as common stock and unpaid subscription amounting to ₱91.88 million was paid. JOH, KGT, OTY, NGTO and MPC subscribed to additional 30,950,000 common shares at ₱10 per share.	432 million
June 1, 2018	JOH, KGT, MPC, OTY, NGTO	As part of the Memorandum of Agreement (MOA) executed in 2017, the Parent Company and its subsidiaries and related parties executed a Deed of Absolute Sale with UDEVCO for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. Total consideration received by the Parent Company and its subsidiaries amounting to ₱641.48 million or ₱4.30 per share. Stock transaction taxes were paid amounting to ₱2.30 million presented as "final tax" in the statements of comprehensive income. This resulted to a total gain of ₱287.78 million in 2018 (see Note 24).	641.48 million

	2018		
Date	Subsidiary	Transactions	Amount
June 20, 2018	OPI	OPI's BOD approved the increase of OPI's ACS from ₱766 million divided into 466 million common shares with par value of ₱1.00 each and 300,000 preferred shares with par value of ₱1,000 per share to ₱1.07 billion consisting of 466 million common shares at ₱1.00 par value per share and 600,000 preferred shares at ₱1,000.00 par value per share.	₱1.07 billion
		Out of the net increase in ACS of ₱300.0 million, ₱75 million worth of shares was subscribed and ₱72 million was paid in cash.	72 million
July 13, 2018	CWWC	CWWC subscribes to 2,499,995 shares of GRWI, a newly incorporated company, and paid ₱624,995 with subscription payable of ₱1.88 million.	0.6 million
July 25, 2018	OPI	OPI's stockholder fully paid its subscription payable amounting to ₱9.62 million.	9.62 million
August 15, 2018	OPI	Another OPI's stockholder fully paid its subscription payable amounting to ₱49.13 million.	49.13 million
August 24, 2018	OPI	A new stockholder subscribed and paid 164,434 OPI's preferred shares at par value amounting to ₱164.43 million.	164.43 million
October 4, 2018	CWWC	CWWC subscribed to 1,249,995 shares of TBC, a newly incorporated company, and paid ₱312,495 with subscription payable of ₱937,500.	0.3 million
October 11, 2018	OPI	OPI's BOD approved the declaration of cash dividend amounting to ₱6.12 million to its preferred stockholders as of September 30, 2018. OPI's stockholders reinvested the cash dividend amounting to ₱1.06 million and ₱4.99 million as payment of existing subscription payable and new preferred shares subscription, respectively. Also, on the same date, OPI's BOD approved the declaration of preferred stock dividend amounting ₱15 million to common stockholders as of September 30, 2018.	21.24 million

	2018		
Date	Subsidiary	Transactions	Amount
November 19, 2018	CWWC	CWWC sold 3,696,000 shares of MAWI to Baliville Ventures Corp. for ₱1.00 per share or ₱3.70 million. This transaction resulted to gain on deconsolidation of equity investments amounting to ₱37.23 million. After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI (see Note 12).	₱3.70 million 37.23 million
December 6, 2018	ORDC	ORDC's BOD approved a declaration of 40% stock dividends equivalent to 33,882,021 common shares out of its unrestricted retained earnings as of November 30, 2018.	33.88 million
December 28, 2018	JGMI	JGMI's BOD approved the declaration of cash dividends amounting to ₱5 million out of its unrestricted retained earnings as of November 30, 2018.	5 million
December 28, 2018	Servwell	Servwell's BOD approved the declaration of cash dividends amounting to ₱5 million out of its unrestricted retained earnings as of November 30, 2018.	5 million
December 28, 2018	OPI	OPI's increase in ACS is approved by SEC.	
		OPI's stockholders fully paid its subscription payable amounting to ₱7.25 million. Additional 59,693 preferred shares was subscribed and paid for par value amounting to ₱59.69 million.	66.95 million
December 31, 2018	JOH	The Board of Directors, in its special meeting held on January 4, 2019, approved the declaration of 66.03% property dividend of the Parent Company with a total amount of ₱185.86 million, comprising of 42,225,000 shares of TPC carried at ₱2.59 per share and 76,500,000 shares of PHEVI carried at ₱1.00 per share. Carrying values are computed based on interim financial statements of both subsidiaries as of September 30, 2018. Entitled shareholders shall receive 27 shares of PHEVI and 15 shares of TPC for every 100 shares of the Parent Company. Fractional shares shall be converted into cash and be released to the shareholders at the same time as the property dividend.	185.86 million

		2017	
Date	Subsidiary	Transactions	Amount
March 15, 2017	CWWC	BOD approved the issuance of 19,577,914 shares of stock at ₱6 per share resulting to an addition to capital stock of ₱19.6 million and additional paid-in capital of ₱97.9 million.	₱117.5 million
		On February 21, 2018, the BOD approved the declaration of cash dividends amounting to ₱58 million to all shareholders as of record.	
May 25, 2017	MAWI	SEC approved MAWI's application to increase its authorized capital stock (ACS) from ₱10 million divided into 10,000,000 common shares with par value of ₱1 per share to ₱110 million 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.	110 million
		Out of ₱35 million received as deposit for future stock subscription, ₱25 million was applied as payment for the subscription of 25,000 preferred shares.	25 million
June 14, 2017	MAWI	Remaining deposit for future stock subscription of ₱10 million was applied as payment for the subscription of 10,000 preferred shares.	10 million
August 11, 2017	OPI	SEC approved the application for increase in ACS from ₱466 million divided into 466.0 million common shares with par value of ₱1 per share to ₱766 million divided into 466 million common shares with par value of ₱1 per share and 300,000 preferred shares with par value of ₱1,000.00 per share.	766 million
		Out of the ₱300 million increase in capital, ₱75 million worth of shares was subscribed, the amount of ₱11.25 million was paid in cash and ₱30 million was paid in the form of stock dividends.	41.25 million
December 18, 2017	MAWI	MAWI issued additional 65,000 preferred shares at ₱1,000 par value to third party stockholder.	65 million
December 18, 2017	Servwell	Declared cash dividends at ₱3.60 per share.	18 million
December 18, 2017	OPI	BOD approved to amend the Articles of Incorporation on the Features, rights and privileges of preferred shares.	–

	2017		
Date	Subsidiary	Transactions	Amount
December 2017	JOH, H2O	The Parent Company acquired a total of 7,840,400 common shares of H2O increasing its direct ownership percentage to 36.73%.	₱54.3 million
December 21, 2017	JOH, KGT, MPC, OTY, NGTO	The Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement (MOA) with Udenna Development Corp. (UDEVCO) for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As a result of the sale of H2O's shares to UDEVCO, KGT, Melan, NGTO, and OTY reclassified its 15,000,000 shares at ₱4 per share in H2O's stockholdings from noncurrent to current FVOCI investments. On February 28, 2018, a detailed Sale and Purchase Agreement (SPA) was executed by the Parties pursuant to the MOA. Under the SPA, the Sellers agree to sell and UDEVCO agrees to buy the Sale Shares based on an agreed purchase price, subject to the fulfillment by the Parties of the conditions precedent such as the spin-off of H2O's shares to CWWC which required the approval of at least 2/3 of H2O's outstanding capital stock; and UDEVCO's obligation to obtain from SEC an order of exemptive relief allowing it to launch, implement and consummate a tender offer for all the issued and outstanding capital stock of H2O to persons other than the Sellers. On April 4, 2018, H2O's stockholders approved the CWWC sale to TWC.	60 million
December 22, 2017	OPI	Subscription receivables from common stock shareholders amounting to ₱21 million were collected.	21 million
December 22, 2017	PHEVI	PHEVI paid its subscription payable to OPI	12.6 million

Date	Subsidiary	Transactions	Amount
		2016	
March 9, 2016	KGT, MPC, NGTO, OTY	The appropriation of retained earnings were reversed.	₱1.8 million
		Cash dividends amounting to ₱1.25 million were declared by each company.	1.25 million
March 16, 2016	OHC	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	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
December 6, 2016	OPI	BOD declared stock dividends in the form of preferred stock out of the unrestricted retained earnings	30 million
December 6, 2016	OPI	BOD declared dividends and approved to apply for an increase of ACS from ₱466 million divided into 466.0 million common shares with par value of ₱1 per share to ₱766 million divided into 466 million common shares with par value of ₱1 per share and 300,000 preferred shares with par value of ₱1,000 per share. Out of the ₱300 million increase in capital, ₱75 million worth of shares was subscribed, the amount of ₱11.25 million was paid in cash and ₱30 million 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
December 12, 2016	CWWC	₱1.00 cash dividend per share was declared.	117.8 million
		H2O contributed ₱117.8 million as deposit for future stock subscription.	
December 12, 2016	Servwell	Cash dividends amounting to ₱15 million were declared.	15 million

	2016		
Date	Subsidiary	Transactions	Amount
December 16, 2016	PHEVI	Subscribed 27,000 shares of OPI with ₱1,000 par value. Out of the total subscription ₱6.75 million was paid.	₱6.75 million
October 2016	JOH	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 million
		JOH acquired additional shares of JLRC at ₱1 per share.	7.5 million

3. Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years, except for the following amended and improved PFRS and PAS which became effective in 2018. The standards that have been adopted did not have a significant impact in the Group's financial statements, unless otherwise indicated:

Adopted but Did Not Have Significant Impact on the Financial Statements

- PFRS 9, *"Financial Instruments: Classification and Measurement"*
  This standard replaces PAS 39, Financial Instruments: Recognition and Measurement, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements and new hedge accounting. PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements and represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  As a result of changes in the Company's accounting policies from the adoption of PFRS 9, prior year financial statements had to be restated. However, as permitted under PFRS 9, the Company adopted the said standard without restating comparative information. Hence, adjustments, if any, are recognized in the opening statement of financial position as at January 1, 2018 only. The Company has determined that the application of requirements under PFRS 9 as at January 1, 2018 did not result in an additional allowance for impairment.

  a. Impairment
  The total impact of adoption of PFRS 9 impairment rules on the Group's financial assets as of December 31, 2018 is discussed in Note 26.

  b. Classification and measurement
  Presented below is the impact of adoption of PFRS 9 as at January 1, 2018 on the Group's financial statements.

	Note	Original measurement category under PAS 39	New measurement category under PFRS 9	Original carrying amount under PAS 39	New carrying amount under PFRS 9
Financial assets (FA) at amortized cost:					
Cash and cash equivalents*	7	Loans and receivables	FA at amortized cost	₱236,632,886	₱236,632,886
Receivables**	8	Loans and receivables	FA at amortized cost	126,000,203	126,000,203
Due from related parties	18	Loans and receivables	FA at amortized cost	57,710,249	57,710,249
Equity securities at fair value through other comprehensive income (FVOCI)	11	AFS investment	FA at FVOCI	3,084,307	3,084,307
Other noncurrent assets:	15				
Reserve fund		Loans and receivables	FA at amortized cost	11,487,351	11,487,351
Special bank deposit		Loans and receivables	FA at amortized cost	9,000,000	9,000,000
Utilities and other deposits		Loans and receivables	FA at amortized cost	7,125,839	7,125,839
				₱451,040,835	₱451,040,835
Financial liabilities (FL) at amortized cost:					
Loans payable	16	Loans and payables	FL at amortized cost	₱1,968,675,656	₱1,968,675,656
Accounts payable and other current liabilities***	17	Loans and payables	FL at amortized cost	877,239,577	877,239,577
Due to related parties	18	Loans and payables	FL at amortized cost	271,316,132	271,316,132
Customers' deposits		Loans and payables	FL at amortized cost	30,280,473	30,280,473
				₱3,147,511,838	₱3,147,511,838

**Exclusive of cash on hand amounting to ₱323,523.*
***Exclusive of advances to supplier and employees amounting to ₱32,727,340, gross of allowance for impairment amounting to ₱2,354,888.*
****Exclusive of government payables and deposit for future sale of shares of stocks with total amount of ₱37,017,660.*

- PFRS 15, "*Revenue from Contracts with Customers*"
  This new standard introduces a new and more comprehensive revenue recognition model for contracts with customers which specifies that revenue should be recognized when the Group transfers control of goods and services to a customer at the amount to which the Group expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

Depending on whether certain criteria are met, revenue is recognized over time, in manner that best reflects the Group's performance, or at a point in time, when the control of the goods and services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The adoption did not significantly impact the financial statements.

Not applicable

- PFRS 2, "*Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*"
- PFRS 4, "*Insurance Contracts*", *Applying PFRS 9*, *Financial Instruments*, *with PFRS 4*
- PAS 40, "*Investment Property*, *Transfers of Investment Property*"
- PAS 28, "*Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle)"
- Philippine Interpretation IFRIC-22, "*Foreign Currency Transactions and Advance Consideration*"

New Accounting Standards, Amendments to Existing Standards, Annual Improvements and Interpretations Effective Subsequent to December 31, 2018:

The standards, amendments, annual improvements and interpretations which have been issued but are not yet effective are discussed below. 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 2019

- PFRS 16, "*Leases*"
- Philippine Interpretation IFRIC 23, "*Uncertainty over Income Tax Treatments*" – effective beginning on or after January 1, 2018

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

- Amendments to PAS 19, "*Plan Amendment*, *Curtailment or Settlement*"
- Amendments to PFRS 3 and PFRS 11, "*Clarifying Measurement of Previously Held Interest in Obtaining Control Over a Joint Operation*"
- Amendments to PAS 12, "*Income Tax Consequences of Payments on Financial Instruments Classified as Equity*"
- Amendments to PAS 23, "*Borrowing Costs Eligible for Capitalization*"
- Philippine Interpretations IFRIC 23, "*Uncertainty over Income Tax Treatments*"
- Amendments to PFRS 3, "*Definition of a Business*"
- Amendments to PAS 1 and PAS 8, "*Definition of Material*"
- PFRS 17, "*Insurance Contracts*"

Deferred
- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
- PFRS 10 and PAS 28, *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"*

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

4. Summary of Significant Accounting and Financial Reporting Policies

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current or noncurrent classification.

An asset is current when it is:
- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period;
- expected to be settled on demand; or
- cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period;
- it is expected to be settled on demand; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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

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

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

<u>Accounting Policies for Financial Instruments Upon Adoption of PFRS 9 – Policies Applied from January 1, 2018</u>

<u>Financial Instruments</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and initial measurement
The Group recognizes financial assets or financial liabilities in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

<u>Financial Assets</u>
The Company classifies its financial assets in the following measurement categories:

- Financial assets measured at amortized cost;

- Financial assets measured at fair value through other comprehensive income (FVOCI) where:
  - gains and losses previously recognized are reclassified to profit and loss; and
  - gains and losses previously recognized are not reclassified to profit and loss;
- Financial assets measured at fair value through profit or loss (FVPL).

Financial assets measured at amortized cost
The amortized cost of a financial asset is the present value of future cash receipts (payments) discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The Group classifies its financial assets as at amortized cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents (Note 7), receivables (excluding advances to suppliers and advances to employees for liquidation) (Note 8), due from related parties (Note 18), and reserve fund, special bank deposit and utilities and other deposits (Note 15) which are held by the Group with the objective to collect the contractual cash flows.

Financial assets at FVOCI
The Group classifies the following financial assets at FVOCI:

- Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest on the principal amount outstanding and the objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets.

This category includes equity investment at FVOCI.

Financial assets at FVPL
The Group classifies the following financial assets at FVPL:

- Debt investments that do not qualify for measurement at either amortized cost or FVOCI;
- Equity investments that are held for trading; and
- Equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income (OCI).

The Group does not have financial assets at FVPL.

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment FVOCI.

The Group reclassifies debt investments when and only when its business model for managing such assets changes.

Measurement
Initial measurement
At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement
Debt instruments
There are three measurement categories into which the Group classifies its debt instruments:

- *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss.

  Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

- *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statements of profit or loss.

- *FVPL:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

  The Group has no debt instruments measured at fair value as at January 1, 2018 and December 31, 2018.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

The Group has equity instruments measured at FVOCI as at January 1, 2018 and December 31, 2018.

Impairment of Financial Assets
PFRS 9 establishes a new model, 'expected credit loss' (ECL) model, for recognition and measurement of impairments in loans and receivables that are measured at amortized cost, contract assets and debt instruments at FVOCI, but not to investments in equity instruments.

PFRS 9 provides that in measuring ECL the Group must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence.
- Discounting for the time value of money.
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, due from related parties, special bank deposit, reserve fund and utilities and other deposits, the Group applies the general approach in calculating ECLs. The Group recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its financial assets since initial recognition. The cash and cash equivalents and other deposits are deposited in the top banks of the Philippines and highly credible lessors and service providers, respectively. Also, the management has reasonable grounds to believe that the due from related parties and cash dividend receivable are collectible, if demanded. Moreover, should this not be the case, the Board of Directors (BOD) expect these related parties to have the support of their major stockholders to meet their obligations.

For receivables, the Group applies the simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group has determined that the application of impairment requirements of PFRS 9 at January 1, 2018 and December 31, 2018 did not result into any additional impairment losses in the Company's cash and cash equivalents, due from related parties, special bank deposit, reserve fund and utilities and other deposits which are measured at amortized cost.

As of December 31, 2018, the Group recognized additional impairment losses on receivables amounted to ₱558,762 (see Note 8).

Financial Liabilities
The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities measured at amortized cost;
- Financial liabilities measured at FVPL;

Measurement
Financial liabilities at amortized cost are recognized initially at fair value and are subsequently measured at amortized cost using effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition is also recognized in profit or loss. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

This category includes loans payable (Note 16), accounts payable and other current liabilities (Note 17), due to related parties (Note 18), and customers' deposits.

Accounting policies for financial instruments until December 31, 2017

Recognition of Financial Instruments
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of liability). The initial measurement of financial instruments, except those categorized at FVPL, includes transaction cost.

The fair value for financial instruments traded in active markets as of the reporting date is based on their quoted market price or dealer quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transactions.

For all other instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value technique comparison to similar instruments for which market observable prices exist and other relevant valuation models.

Subsequent to initial recognition, the Group classified its financial instruments in the following categories: Financial assets and liabilities at FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS investments and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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. After initial recognition, loans and receivables are subsequently measured at amortized cost less allowance for impairment, if any. The losses from impairment is recognized as "Provision for doubtful accounts" and charged to profit or loss. Amortization is determined using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of financial reporting period or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

This category includes the Group's cash and cash equivalents (Note 7), receivables, excluding advances to employees and suppliers (Note 8), due from related parties (Note 18), and reserve fund, special bank deposit and utilities and other deposits under other noncurrent assets account (Note 15). The carrying values of these loans and receivables are shown in Note 27 to the financial statements.

Day 1 Profit
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 profit) in profit or loss unless it qualifies for recognition as some other type of asset.

In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit amount.

AFS Financial assets
A financial asset at FVPL is acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. AFS investments are non-derivative financial assets that are designated in this category or are not classified in any of the other categories.

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

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future 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 statements of comprehensive income (loss). 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 Group statements of comprehensive income (loss) to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

- *AFS 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 on that investment previously recognized in the Group statements of comprehensive income, is removed from equity and recognized in the Group's statements of comprehensive income (loss). Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the statements of comprehensive income (loss). For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Impairment losses on equity investments are not reversed through the statements of comprehensive income (loss); increases in their fair value after impairment are recognized directly in equity.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading nor designated as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings.

Other financial liabilities are recognized initially at fair value of the consideration received less directly attributable transaction costs, if any. After initial recognition, these are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) from any related premium, discount and any directly attributable transaction costs. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Financial liabilities are classified as current liabilities if these are expected to be paid or settled within twelve (12) months after the balance sheet date. Otherwise, these are classified as noncurrent liabilities.

This category includes loans payable (Note 16), accounts payable and other current liabilities (excluding government payables) (Note 17), due to related parties (Note 18), and customers' deposit.

Classification of Financial Instrument between Debt and Equity
Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Derecognition of Financial Assets and Liabilities
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

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 statements of financial position.

Current Assets and Liabilities of a Subsidiary Held for Sale

Identifiable assets and liabilities of a subsidiary held for disposal are carried at lower of carrying value and fair value less cost to sell.

Business Combination

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

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they are recorded in the consolidated financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statements 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.

Cash and Cash Equivalents
Cash which includes cash on hand and in banks are stated at face value. 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 Current 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 statements of comprehensive income when incurred. These are expected to be realized for no more than 12 months after the reporting period and are classified as current assets. Otherwise, these are classified as other noncurrent assets.
- *Creditable withholding tax* is deducted from income tax payable in the same year the revenue is recognized.

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 investments in associates 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 on a regular basis and is included in the Group's consolidated statements 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.

A company-occupied property classified under property and equipment account becomes an investment property when it ends company-occupation. Decrease in the carrying amount is recognized in consolidated statements of comprehensive income. However, to the extent that an amount is included in its revaluation surplus, the decrease is charged against the revaluation surplus. Increase in carrying amount is recognized in consolidated statements of comprehensive income to the extent that the increase reverses a previous impairment loss for such property. The amount recognized in consolidated statements of comprehensive income does not exceed the amount needed to restore the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized. Any remaining part of the increase is credited directly to equity in revaluation surplus. Revaluation surplus included in equity maybe transferred to accumulated profits. The transfer from revaluation surplus to accumulated profits is not made through profit or loss.

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 (charges) 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.

<u>Property, Plant and Equipment</u>
Land and building improvements, and power plant facilities and equipment are carried at appraised values as determined by an independent firm of appraisers on various dates in November 2017. 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
Land and leasehold improvements	20
Buildings, condominium units and improvements	10 - 25
Furniture, furnishings and equipment for lease	10
Water utilities and distribution system	5 - 40
Power plant facilities and equipment	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, plant 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 in progress included under "Property, Plant and Equipment" account in the consolidated statements 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 ₱95.3 million in 2018, ₱85.5 million in 2017 and ₱72.5 million in 2016 (see Note 14).

Impairment of Nonfinancial Assets

The carrying values of nonfinancial 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 benefit obligation
Retirement benefit obligation, 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.

Deposit for Future Stock Subscription

Deposit for future stock subscription which are received in view of call for future subscriptions are stated at actual amount of cash received. Deposit for future stock subscription is recorded at historical cost. This is classified as equity when all of the following criteria are met:

a. the unissued authorized capital stock of the Company is insufficient to cover the amount of shares indicated in the contract;
b. there is BODs' approval on the proposed increase in authorized share capital (for which a deposit was received by the Company);
c. there is stockholders' approval of said proposed increase; and
d. the application for the approval of the proposed increase has been presented for filing or has been filed with the Commission.

Deposits for future stock subscription is classified as a liability when the above criteria are not met.

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; and, (c) 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 reserves on equity investment at FVOCI* 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.
- *Revaluation surplus* accounts for the excess of the fair market value over the carrying amounts of "Land and improvements" and "Power plant" included under the Property, plant and equipment account and certain investment property. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.
- *Reserve for actuarial gain (loss)* comprises the net actuarial gains and losses on the Group's retirement obligation as a result of re-measurement.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated statements of comprehensive income.

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.

Revenue Recognition
The Group recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group applies the following five steps:

1. Identify the contract(s) with a customer.

2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.

4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

- *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.

Income Taxes

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

Current Income 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 Income Tax

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 six (6) 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 6. 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.

Restatements of Account Balances
When a new or change in accounting policy is applied retrospectively in accordance with the transitional provision, guidance or requirement of such new or amended accounting policy, the Group adjusts the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new or amended accounting policy had always been applied.

When an error is discovered in subsequent period, the prior periods errors are corrected retrospectively in the first set of financial statements authorized for issue after their discovery by restating the comparative amounts of prior periods which the error occurred; or if the error occurred before the earliest period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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

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

- *Classification of Financial Instruments and Measurement Criteria*
  Under PFRS 9, the Group classifies financial assets at initial recognition depends on the financial assets contractual cash flows characteristics of the Group's business model for managing them. The adoption of PFRS 9, has not had a significant effect on the Group's policy related to financial liabilities.

  Prior to the adoption of PFRS 9, the Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

  The Group determines the classification at initial recognition and re-evaluates this designation at every reporting date.

- *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 expense recognized by the Group amounted to ₱11.2 million, ₱11.9 million and ₱11.7 million in 2018, 2017 and 2016, respectively (see Notes 20 and 21).

- *Determination of Impairment of Equity Investment at FVOCI*
  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, 2018 and 2017 is shown in Note 27.

- *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 Group is also attached to a conditional repayment provision that is the faithful performance by the Group 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.

Estimates
The preparation of financial statements in accordance with PFRS requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities.

- *Impairment of Receivables*
  The Group uses the expected credit losses model in estimating the level of the allowances which includes forecast of future events and conditions. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate. The model represents a probability – weighted estimate of the difference over the remaining life of receivables. The maturity of the remaining trade receivables of the Group is less than one year so the lifetime expected credit losses and the 12 months expected credit losses are similar. In addition, management assessed the credit risk of the trade receivables as at the reporting date as low, therefore the Group's trade receivables and due from related parties did not have to assess whether significant increase in credit risk has occurred.

  Prior to adoption of PFRS 9, the Group provides an allowance for impairment losses on due from related parties at a level considered adequate for potential uncollectible amounts or are doubtful of collection. The level of allowance is evaluated by the management based on best available facts and circumstances, the length of the Group's relationship with its customers and debtors, the customers or debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

  The Group's allowance for impairment losses amounted to ₱2.9 million and ₱2.4 million as of December 31, 2018 and 2017 (see Note 8), respectively.

  The Group's carrying amounts of receivables as of December 31, 2018 and 2017 amounted to ₱183.4 million and ₱156.4 million, respectively (see Note 8).

- *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, 2018 and 2017 amounted to ₱28.7 million and ₱20.8 million, respectively (see Note 9).

- *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 was recognized in the consolidated financial statements as of December 31, 2018 and 2017.

- *Fair Value Measurement of Investment Property*
  The Group's investment property composed of parcels of land and buildings and improvements that 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 13.

  The carrying value of the Group's investment property amounted to ₱1.2 billion as of December 31, 2018 and 2017, respectively (see Note 13).

- *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 cost of services and 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, 2018 and 2017 amounted to ₱3.9 billion and ₱3.6 billion, respectively (see Note 14).

- *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 19, 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 and ₱5.5 million in 2018 and 2017 and ₱5.7 million in 2016. The Group's retirement benefit obligation amounted to ₱44.7 million and ₱50.0 million as of December 31, 2018 and 2017, respectively (see Note 19).

- *Impairment of Nonfinancial Assets*
  The carrying values of nonfinancial 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 if the carrying value exceeds the estimated recoverable amount, 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 or 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 assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations 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.

  An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated.

  A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

  The carrying amounts of investment property, property, plant and equipment and other noncurrent assets are disclosed in Notes 13, 14 and 15.

- *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 2018, 2017 and 2016.

  The goodwill recognized as of December 31, 2018 and 2017 amounted to ₱143,467 and ₱39.6 million, respectively (see Note 15).

- *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 ₱15.8 million and ₱25.5 million as of December 31, 2018 and 2017, respectively (see Note 23). The Group's deferred tax liabilities amounted to ₱251.8 million and ₱252.7 million as of December 31, 2018 and 2017, respectively (see Note 23).

- *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 2018, 2017 and 2016.

6. **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 CWWC, 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/technical services segment pertains to JGMI and Servwell, engaged in providing management, technical consulting and other related services.
- Leisure & Resorts segment pertains to JLRC which will engage in developing and conserving places with tourism value. JLRC is currently developing Jolly Waves Water Park Resort located in Sapul, Calapan, Mindoro. The construction is expected to be completed in 2019. Also, JLRC has investments on a company engaged in hotel activities, receiving equity share in the net earnings of its operations.
- Unallocated segment pertains to the Group (H2O*, OHC and subsidiaries, GVI, JLRC and subsidiaries, JMC, TWC, NWC and PHEVI) who are engaged in holding of properties of every kind and description. *(*MAWI was deconsolidated in 2018 while H2O was deconsolidated in 2017.)*

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, 2018, 2017 and 2016 and certain assets and liability information regarding industry segments as of December 31, 2018, 2017 and 2016:

	2018						
	Power	Water	Rental	Management/ Technical services	Leisure & Resorts	Unallocated	Consolidated
Segment revenues	₱460,998,621	₱239,525,209	₱72,567,067	₱30,049,012	₱32,189	₱327,330,458*	₱1,130,502,556
Segment cost and expenses	418,550,692	140,004,947	49,229,348	19,472,784	1,618,657	20,272,356	649,148,784
Earnings before depreciation and income tax	42,447,929	99,520,262	23,337,719	10,576,228	(1,586,468)	307,058,102	481,353,772
Depreciation and amortization	18,759,054	34,926,465	11,790,970	1,451,967	–	68,159	66,996,615
Income tax expense (benefit)-net	4,787,209	18,430,931	6,282,950	2,821,554	(662,541)	–	31,660,103
Net income (loss)	₱18,901,666	₱46,162,866	₱5,263,799	₱6,302,707	(₱923,927)	₱306,989,943	₱382,697,054
Segment assets	₱3,193,430,204	₱851,431,299	₱764,616,862	₱65,456,346	₱643,159,450	₱494,287,494	₱6,012,381,655
Segment liabilities	₱2,350,865,995	₱430,907,719	₱213,226,586	₱41,209,683	₱581,954,312	₱134,059,425	₱3,752,223,720
Additions to property, plant and equipment equipment (Note 14)	₱419,127,614	₱149,395,506	₱16,055,975	₱1,859,841	₱129,034,498	₱2446,920	₱717,920,354

**Includes gain on sale of subsidiaries amounting to ₱325,108,938.*

	2017						
	Power	Water	Rental	Management/ Technical services	Leisure & Resorts	Unallocated	Consolidated
Segment revenues	₱323,735,044	₱235,262,962	₱64,481,703	₱41,955,757	₱1,159,315	₱22,438,270	₱689,033,051
Segment cost and expenses	281,429,342	128,676,203	37,075,413	16,589,370	490,069	33,071,110	497,331,507
Earnings before depreciation and income tax	42,305,702	106,586,759	27,406,290	25,366,387	669,246	(10,632,840)	191,701,544
Depreciation and amortization	18,538,346	37,461,761	10,322,299	678,129	–	102,534	67,103,069
Income tax expense (benefit)- net	3,822,071	15,785,561	8,192,978	7,604,594	308,400	2,363,480	38,077,084
Net income (loss)	₱19,945,285	₱53,339,437	₱8,891,013	₱17,083,664	₱360,846	(₱13,098,854)	₱86,521,391
Segment assets	₱2,682,969,368	₱1,195,359,898	₱983,865,098	₱68,106,089	₱346,322,893	₱216,701,482	₱5,493,324,828
Segment liabilities	₱2,217,914,339	₱615,460,885	₱318,187,882	₱45,733,836	₱283,360,192	₱59,955,998	₱3,540,613,132
Additions to property, plant and equipment (Note 14)	₱543,619,581	₱86,207,719	₱22,755,913	₱2,434,411	₱17,414,594	₱1,908,500	₱674,340,718

	2016						
	Power	Water	Rental	Management/ Technical services	Leisure & Resorts	Unallocated	Consolidated
Segment revenues	₱315,525,125	₱223,079,762	₱754,724	₱39,957,864	₱267,354	₱275,881,692	₱855,466,521
Segment cost and expenses	245,850,744	109,624,484	39,462,729	39,975,587	140,579	27,040,036	462,094,159
Earnings before depreciation and income tax	69,674,381	113,455,278	(38,708,005)	(17,723)	126,775	248,841,656	393,372,362
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	81,706,452	7,101,966	–	4,862,376	107,893,482
Net income (loss)	₱52,386,734	₱63,676,567	(₱130,796,619)	(₱7,828,961)	₱126,775	₱243,894,627	₱221,459,123
Segment assets	₱2,149,221,033	₱1,186,952,374	₱898,395,956	₱51,159,234	₱289,924,023	₱252,351,334	₱4,828,003,954
Segment liabilities	₱1,706,965,656	₱707,821,958	₱102,666,485	₱33,884,474	₱218,446,387	₱245,365,175	₱3,015,150,135
Additions to property, plant and equipment (Note 14)	₱491,859,690	₱97,220,723	₱14,667,527	₱14,490	₱–	₱33,044,949	₱636,807,379

Presented below is the Group's disaggregated revenue from contracts with customers for the year ended December 31, 2018:

Type of Customer	**Power**	**Water**	**Rental**	**Management/Technical services**	**Total**
Government	₱228,268,554	₱–	₱–	₱–	₱228,268,554
Non-government	232,730,067	–	–	–	232,730,067
Commercial	–	47,590,291	72,567,067	30,049,012	150,206,370
Residential	–	187,672,671	–	–	187,672,671
	₱460,998,621	₱235,262,962	₱72,567,067	₱30,049,012	₱798,877,662

7. Cash and Cash Equivalents

This account consists of:

	Note	**2018**	2017
Cash on hand		**₱265,000**	₱323,523
Cash in banks	27	**236,808,997**	147,089,552
Short-term time deposits	27	**17,284,863**	89,543,334
		₱254,358,860	₱236,956,409

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%. Interest income earned amounted to ₱1.2 million in 2018, ₱2.0 million in 2017 and ₱2.2 million in 2016 (see Note 22).

As of December 31, 2018 and 2017, the Group's foreign currency denominated monetary asset under cash in banks amounted to US$1,572 with peso equivalent of ₱82,881 and US$646 with peso equivalent of ₱32,245, respectively. The Group's net foreign exchange gain amounting to ₱10,324 in 2018, ₱3,357 in 2017, and ₱22,216 in 2016 are reported under "Other income (charges)" account in the consolidated statements of comprehensive income (see Note 22).

8. **Receivables** – Net

This account consists of:

	Note	**2018**	2017
Trade	27	**₱144,730,053**	₱69,547,901
Receivable from sale of investment property	27	**14,204,179**	38,554,201
Receivable from local government unit (LGU)	27	**10,149,193**	10,149,193
Advances to suppliers		**9,194,640**	31,974,468
Advances to officers and employees		**529,775**	752,872
Others	27	**7,549,031**	7,748,908
		186,356,871	158,727,543
Less: Allowance for impairment		**2,913,650**	2,354,888
		₱183,443,221	₱156,372,655

Trade receivables pertain to the various services provided by the Group which is billed monthly to its customers.

OPI's trade receivables as of December 31, 2018 and 2017 amounting to ₱28.7 million and ₱6.4 million, respectively, are covered by a Deed of Assignment relative to the loan agreement entered with a local bank for the establishment of OPI's Modular Bunker Fuel Fired Power Plant (see Note 16). There are no other receivables used as a pledge to secure any of the Group's liabilities.

Receivable from sale of investment property pertains to a sale made in December 2014 for a total consideration of ₱80.36 million. Partial collection received amounted to ₱66.15 million to be collected in 2019.

Receivable from the local government unit (LGU) pertains to installation and rehabilitation of water facilities in Tabuk.

Rollforward analysis of the allowance for impairment follows:

	Note	**2018**	2017
Balance at beginning of year		**₱2,354,888**	₱2,354,888
Provision for impairment within the year	21	**558,762**	–
Balance at end of year		**₱2,913,650**	₱2,354,888

9. Inventories

This account consists of:

	Note	**2018**	2017
At cost:			
Bunker, diesel, lube and low sulfur fuel oil		**₱24,479,215**	₱16,643,832
Spare parts	24	**4,187,167**	4,187,167
		₱28,666,382	₱20,830,999

Inventories of fuel and oil charged to "Cost of services" account amounted to ₱358.0 million in 2018, ₱231.6 million in 2017 and ₱199.2 million in 2016 (see Note 20).

No impairment loss on inventory is recognized in the Group's financial statements in 2018 and 2017.

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

10. Other Current Assets

This account consists of:

	Note	**2018**	2017
Input VAT	14	**₱70,126,778**	₱62,333,418
Creditable withholding taxes		**22,872,490**	20,626,100
Prepaid insurance		**1,344,905**	953,130
Deposits		**264,453**	404,534
Others		**6,503,395**	2,518,802
		₱101,112,021	₱86,835,984

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

11. Equity Investment at FVOCI/ AFS Investments

The rollforward analysis of the net carrying value of equity investment at FVOCI as of December 31, 2018 and AFS investment as of December 31, 2017 is shown below:

	2018	2017
Cost:		
Balance at beginning and end of year	**₱2,000,000**	₱2,000,000
Valuation adjustment:		
Balance at beginning of year	**1,084,307**	945,303
Increase (decrease) in value during the year	**(259,530)**	139,004
Balance at end of year	**824,777**	1,084,307
Net carrying value	**₱2,824,777**	₱3,084,307

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.

12. **Investments in Associates** – Net

This account consists of:

	2018	2017
Cost:		
Balance at beginning and end of year	**₱48,050,111**	₱46,828,802
Adjustments:		
Assignment of investment to a company under common ownership	**(26,163,000)**	–
Cost of deconsolidated subsidiary	**4,800,000**	–
Acquisitions during the year	**–**	1,221,309
Balance at end of year	**26,687,111**	48,050,111
Accumulated equity share in net earnings (losses) of an associate:		
Balance at beginning of year	**3,591,023**	3,604,074
Equity share in net losses of deconsolidated subsidiary	**(4,800,000)**	–
Share in net losses during the year	**(55,005)**	(13,051)
Balance at end of year	**(1,263,982)**	3,591,023
Net carrying value	**₱25,423,129**	₱51,641,134

On November 19, 2018, CWWC sold 3,696,000 shares of MAWI to a domestic corporation for ₱3.70 million, or ₱1.00 per share. After the sale, CWWC holds 47.52% of the outstanding capital stock of MAWI which resulted to deconsolidation of MAWI. This resulted to a gain on deconsolidation amounting to ₱37.23 million in 2018 which is presented under "Gain on sale of equity investments" in the statements of comprehensive income (see Note 2).

In 2017, SVC and Sapulville subscribed additional shares from various companies engaged in agricultural activities of which ₱805,750 and ₱1.12 million remains unpaid as of December 31, 2018 and 2017 (see Note 17).

The accumulated undistributed earnings of the associates included in the Group's unappropriated retained earnings amounted to ₱3.6 million as of December 31, 2017. These amounts are not available for dividend distribution until such time the associate declares it as dividends.

Summarized financial information of all the associates follows:

	2018	2017
Total current assets	**₱42,063,640**	₱10,547,042
Total noncurrent assets	**461,872,764**	124,316,632
Total current liabilities	**132,253,005**	10,101,905
Total noncurrent liabilities	**245,042,637**	71,055,164
Total equity	**149,610,938**	53,706,605
Total revenue	**57,805,344**	22,155,444
Total comprehensive income (loss)	**(8,248,957)**	334,949

The Group's associates are engaged in various activities such as real estate, water supply services, agricultural operations, health club, entertainment, trading, power generation and other business relating to the development of power plants.

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

In 2015, OHC subscribed 26,163,000 shares in Mega Renewable Power Development, Inc. (MRPDI) with ₱1 par value. The subscriptions payable related to the investment amounted to ₱19.62 million as of December 31, 2017 (see Note 17). On February 12, 2018, OHC entered into a Deed of Assignment of Shares of Stocks with Menakeo Construction Inc. to assign, transfer, and convey its stockholdings in MRPDI for a consideration equivalent to the paid cost amounting to ₱6.5 million and with the assumption of subscription payable amounting to ₱19.62 million.

13. **Investment Property**

The rollforward analysis of this account follows:

	2018		
	Land	Buildings and condominium units	Total
Cost:			
Balance at beginning of year	₱233,528,044	₱214,429,888	₱447,957,932
Additions during the year	631,044	1,275,102	1,906,146
Balance at end of year	234,159,088	215,704,990	449,864,078
Fair value adjustment:			
Balance at beginning and end of year	685,307,576	57,422,720	742,730,296
Net carrying value	₱919,466,664	₱273,127,710	₱1,192,594,374

	2017 (As restated)		
	Land	Buildings and condominium units	Total
Cost:			
Balance at beginning of year	₱221,561,692	₱209,903,586	₱431,465,278
Additions during the year	11,966,352	4,526,302	16,492,654
Balance at end of year	233,528,044	214,429,888	447,957,932
Fair value adjustment:			
Balance at beginning of year	666,046,806	57,422,720	723,469,526
Increase during the year	19,260,770	–	19,260,770
Balance at end of year	685,307,576	57,422,720	742,730,296
Net carrying value	₱918,835,620	₱271,852,608	₱1,190,688,228

Changes in the fair value of the investment property recognized in the consolidated statements of comprehensive income amounted to nil in 2018, ₱19.3 million in 2017 and ₱213.5 million in 2016 under "Other income (charges)" account (see Note 22).

A land classified as investment property with a carrying value of ₱1 million as of December 31, 2018 and 2017 was mortgaged in favor of a creditor bank in connection with the Group's loan availment (see Note 16).

The revaluation surplus balance in equity as a result of transfer from property, plant and equipment carried at appraised value in previous years amounted to ₱124.2 million as of December 31, 2018 and 2017.

In 2017, ORDC acquired a parcel of land and a condominium unit amounting to ₱11 million and ₱4.5 million, respectively, inclusive of all the transaction costs relative to the acquisition of the said properties. In 2018, ORDC incurred additional acquisition cost for the condominium unit amounting to 1.4 million.

Upon acquisition of the 75% equity interest in Sapulville and SVC in 2017, the Group absorbed its investees' land amounting to ₱2.6 million.

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 ₱32.8 million in 2018, ₱23.2 million in 2017 and ₱20.6 million in 2016 (see Note 24).

An owner-occupied property classified as investment property in the separate financial statements of ORDC was reclassified as part of property, plant, and equipment during consolidation. Carrying amount of the said property amounted to ₱50.2 million and ₱54.7 million as of December 31, 2018 and 2017, respectively (see Note 29).

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

	2018	2017	2016
Real property tax	**₱2,392,709**	₱2,161,910	₱2,691,157
Insurance	**–**	177,068	–
Repairs and maintenance	**–**	130,706	–
Other taxes and licenses	**–**	–	292,710
	₱2,392,709	₱2,469,684	₱2,983,867

Other taxes and licenses consist of capital gains tax, documentary stamp tax and transfer tax.

14. **Property, Plant and Equipment**

The rollforward analysis of this account follows:

	2018									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant facilities and equipment	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱44,361,832	₱21,790,847	₱40,746,327	₱287,519,672	₱616,958,113	₱425,713,169	₱64,017,815	₱68,492,001	₱2,503,755,705	₱4,073,355,481
Additions	–	–	9,347,329	5,274,828	11,944,128	1,732,600	8,023,668	9,423,998	672,173,803	717,920,354
Reclassification	–	–	2,284,800	–	120,119,621	–	–	–	(122,404,421)	–
Disposals	–	–	–	–	–	–	–	(2,696,429)	–	(2,696,429)
Decrease due to deconsolidation	(562,793)	–	–	–	(72,290,068)	–	(1,491,679)	(84,900)	(264,400,833)	(338,830,273)
At December 31	43,799,039	21,790,847	52,378,456	292,794,500	676,731,794	427,445,769	70,549,804	75,134,670	2,789,124,254	4,449,749,133
Accumulated depreciation and amortization:										
At January 1	347,409	4,268,680	2,461,975	279,092,143	169,999,810	89,776,099	42,035,553	33,716,375	–	621,698,044
Depreciation and amortization	–	735,404	2,904,223	4,693,418	25,751,262	16,200,602	6,543,313	10,168,393	–	66,996,615
Decrease due to deconsolidation	–	–	–	–	(8,071,276)	–	(1,062,116)	(47,292)	–	(9,180,684)
Disposals	–	–	–	–	–	–	–	(298,750)	–	(298,750)
At December 31	347,409	5,004,084	5,366,198	283,785,561	187,679,796	105,976,701	47,516,750	43,538,726	–	679,215,225
Revaluation increase:										
At January 1	22,215,758	–	66,074,781	–	128,000	37,483,843	–	–	–	125,902,382
Additions	–	–	–	–	–	–	–	–	–	–
Depreciation	(216,522)	–	(4,862,233)	–	–	(1,561,827)	–	–	–	(6,640,582)
At December 31	21,999,236	–	61,212,548	–	128,000	35,922,016	–	–	–	119,261,800
Net carrying value	₱65,450,866	₱16,786,763	₱108,224,806	₱9,008,939	₱489,179,998	₱357,391,084	₱23,033,054	₱31,595,944	₱2,789,124,254	₱3,889,795,708

	2017 (As restated)									
	Land and improvements	Leasehold improvements	Buildings, condominium units and improvements	Furniture, furnishings and equipment for lease	Water utilities and distribution system	Power plant facilities and equipment	Office furniture, fixtures and equipment	Transportation equipment	Construction in progress	Total
Cost:										
At January 1	₱44,361,832	₱21,790,847	₱39,009,307	₱278,771,921	₱591,453,635	₱424,761,740	₱56,883,119	₱50,436,406	₱1,905,855,853	₱3,413,324,660
Additions	–	–	1,737,020	8,747,751	25,504,478	951,429	7,134,696	21,493,818	608,771,526	674,340,718
Reclassification	–	–	–	–	–	–	–	–	(10,871,674)	(10,871,674)
Disposals	–	–	–	–	–	–	–	(3,438,223)	–	(3,438,223)
At December 31	44,361,832	21,790,847	40,746,327	287,519,672	616,958,113	425,713,169	64,017,815	68,492,001	2,503,755,705	4,073,355,481
Accumulated depreciation and amortization:										
At January 1	347,409	3,526,786	–	274,832,026	140,714,228	73,800,141	34,833,518	28,546,444	–	556,600,552
Depreciation and amortization	–	741,894	2,461,975	4,260,117	29,285,582	15,975,958	7,202,035	7,381,367	–	67,308,928
Disposals	–	–	–	–	–	–	–	(2,211,436)	–	(2,211,436)
At December 31	347,409	4,268,680	2,461,975	279,092,143	169,999,810	89,776,099	42,035,553	33,716,375	–	621,698,044
Revaluation increase:										
At January 1	18,850,154	–	70,105,984	–	128,000	39,045,670	–	–	–	128,129,808
Additions	3,545,572	–	896,997	–	–	–	–	–	–	4,442,569
Depreciation	(179,968)	–	(4,928,200)	–	–	(1,561,827)	–	–	–	(6,669,995)
At December 31	22,215,758	–	66,074,781	–	128,000	37,483,843	–	–	–	125,902,382
Net carrying value	₱66,230,181	₱17,522,167	₱104,359,133	₱8,427,529	₱447,086,303	₱373,420,913	₱21,982,262	₱34,775,626	₱2,503,755,705	₱3,577,559,819

Certain property, plant and equipment under "Land and improvements", "Water utilities and distribution system" and "Power plant, facilities and equipment" accounts with a total carrying value of ₱392.4 million and ₱410.2 million as of December 31, 2018 and 2017, respectively, were mortgaged in favor of a creditor bank in connection with the Group's loan availment (see Note 16). Also, construction in progress (CIP) pertaining to the Inabasan Mini-Hydro Power Plant was used as security for a loan availed by OPI. Carrying value of the CIP amounted to ₱2.5 billion and ₱2.1 billion in 2018 and 2017, respectively.

The Group holds property and equipment and investment properties for use as intended and is recognized at revalued amount as necessary. Revaluation were made and changes in fair value over cost had been recognized. However, the corresponding deferred tax liabilities amounting to ₱193.0 million in 2017 and ₱187.4 million in 2016 and prior years were not recognized. The Group restated the financial statements to recognize the deferred tax liability and correct the beginning balances of revaluation surplus and retained earnings account as of January 1, 2017 (Note 29).

Costs capitalized to Construction-in-Progress pertain to progress billings for the on-going constructions of several facilities which includes the Mini-Hydro Inabasan Power Plant, Jolly Waves Waterpark Resort, and the expansion of water facilities of CWWC in Calapan, Oriental Mindoro. Total capitalized costs amounted to ₱2.8 billion and ₱2.5 billion as of December 31, 2018 and 2017, respectively.

Total borrowing cost capitalized amounted to ₱95.3 million in 2018, ₱85.5 million in 2017 and ₱72.5 million in 2016.

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

	Note	**2018**	2017	2016
Costs of services	20	**₱47,726,358**	₱50,784,063	₱49,586,717
Operating expenses	21	**19,270,257**	16,524,865	14,433,040
		₱66,996,615	₱67,308,928	₱64,019,757

In 2018, the Group sold and exchanged vehicles with total carrying value of ₱2,397,679 for a cash consideration of ₱2,497,481 resulting to a total gain of ₱99,802 recorded under other income in consolidated statements of comprehensive income (see Note 22).

MAWI was approved as a VAT-registered entity in 2017. Consequently, MAWI reclassified the corresponding input tax in its suppliers' progress billings for the construction of waterworks system in Agoo, La Union amounting to ₱10.9 million as of December 31, 2017, from CIP to input tax under Other Current Assets.

In 2017, land and improvements, and building and improvements were revalued by an independent appraiser. The valuation is based on the fair market values using the Sales Comparison Approach by identification of the sales and listings of comparable properties registered in the vicinity. Appraisal increase was credited to the consolidated statements of changes in equity under revaluation surplus on investment property and plant and equipment account – net of deferred tax (see Notes 13 and 14).

In September 2017, ORDC sold a newly purchased vehicle in exchange for another vehicle with a carrying value of 500,000 and a cash consideration of ₱874,175 resulting to a gain amounting to ₱147,388 recorded under "Other income (Charges)" in the consolidated statements of comprehensive income (see Note 22). ORDC also disposed various vehicles that are fully depreciated for a total consideration of ₱446,000 in 2017 (see Note 22).

An owner-occupied property classified as investment property in the separate financial statements of ORDC was reclassified as part of property, plant, and equipment during consolidation. Carrying amount of the said property amounted to ₱50.2 million and ₱54.7 million as of December 31, 2018 and 2017, respectively (see Note 29).

In 2016, CWWC sold a fully-depreciated transportation equipment for ₱40,000, resulting to a gain on sale of ₱40,000 (see Note 22).

In October 2016, ORDC sold a fully depreciated vehicle for a total consideration of ₱150,000. Proceeds from sale was recorded under "Other income (Charges)" in the consolidated statements of comprehensive income (see Note 22).

In 2016, JLRC started the construction of Jolly Waves Waterpark Resort in Sapul, Calapan, Oriental Mindoro.

On December 14, 2015, OPI's on-going construction of its Mini-Hydro Inabasan Power Plant was severely affected by Typhoon Nona (see Note 24). On March 29, 2016, OPI entered into a work contract with a contractor for the rehabilitation and restoration of the said power plant. On February 24, 2017, OPI was able to claim from its insurance company the amount of ₱71.5 million 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 ₱39.8 million in 2018, ₱40.9 million in 2017 and ₱39.2 million in 2016 (see Note 24).

The Group's management had reviewed the carrying values of the property, plant and equipment as of December 31, 2018 for any impairment. Based on the evaluation, there are no indications that the property, plant and equipment might be impaired.

Except for the carrying value amounting to ₱392,383,432 and ₱407,569,747 as of December 31, 2018 and 2017, respectively, are part of security related to bank loans of the Group.

15. **Other Noncurrent Assets**

This account consists of:

	Notes	**2018**	2017
Reserve fund	16, 27	**₱6,565,589**	₱11,487,351
Special bank deposit	24, 27	**9,000,000**	9,000,000
Utilities and other deposits	27	**7,008,162**	7,125,839
Goodwill		**143,467**	39,590,920
		22,717,218	67,204,110
Less allowance for impairment loss		**2,649,641**	2,649,641
		₱20,067,577	₱64,554,469

The rollforward analysis of the goodwill is as follows:

	Note	**2018**	2017
Balance at beginning of year		**₱39,590,920**	₱1,143,467
Additions (deductions) during the year:			
Sale of ownership interest on a subsidiary resulting to deconsolidation		**(39,447,453)**	–
Additional investment to a subsidiary	2	**–**	38,447,453
Balance at end of year		**₱143,467**	₱39,590,920

Reserve fund pertains to hold-out requirement of the local bank creditor of OPI and CWWC as security for their respective loans (see Note 16).

Special bank deposit pertains to performance security in the form of a bank guarantee in relation to the lease agreement of CWWC with the local government of Tabuk (see Note 24).

Utilities and other deposits pertain to rental deposit which will be refunded upon termination of lease contract.

The Group has no provision for impairment losses in other noncurrent assets for the years ended December 2018 and 2017 while impairment for the year ended December 31, 2016 amounted to ₱1.4 million (see Note 21).

16. Loans Payable

Details of this account follow:

	Note	**2018**	2017
Short-term loans		**₱480,661,410**	₱430,000,000
Long-term loans:			
Current portion		**178,041,646**	120,714,182
Noncurrent portion		**1,475,467,413**	1,417,961,474
	27	**₱2,134,170,469**	₱1,968,675,656

Details of loans availed from local banks are as follow:

Grant date	Subsidiary	Particular	Amount	Outstanding balance	Interest rate	Terms and condition	Guarantee/security
Short-term loans							
a. 2018	Servwell	2018		₱161,409	6.82% p.a.	Payable in one (1) year	Vehicle being financed
		• Proceeds received	₱915,000				
		• Payments made	(753,591)				
		• Interest incurred	32,930				
b. 2018	CWWC	2018		40,000,000	Interest rate ranges from 3.1% to 5.2% p.a. in 2018	Payable in 90 days renewable	Unsecured
		• Proceeds received	40,000,000				
		• Payments made	–				
		• Interest incurred	1,360,500				
2017	CWWC	2018		10,000,000	Interest rate ranges from 3.1% to 5.2% in 2018 and 2017	Payable in 90 days renewable	Unsecured
		• Proceeds received	–				
		• Payments made	(25,000,000)				
		Interest incurred	715,083				
		2017		35,000,000			
		• Proceeds received	35,000,000				
		• Payments made	–				
		• Interest incurred	68,899				
c. 2017	OPI	2018		430,500,000	Interest rate ranges from 2.9% to 5.75% p.a. in 2018 and 3.0% to 4.75% p.a. in 2017	Payable within 1 month to 6 months from the date of availment	Mortgaged property
		• Proceeds received	35,500,000				
		• Payments made	–				
		• Interest incurred	17,921,508				
		2017		395,000,000			
		• Proceeds received	135,000,000				
		• Payments made	(110,000,000)				
		• Interest incurred	10,638,099				

(Forward)

(Carryforward)

Grant date	Subsidiary	Particular	Amount	Outstanding balance	Interest rate	Terms and condition	Guarantee/security
Long-term loans							
d. 2018	JLRC	2018		₱189,787,037	7.0% - 8% p.a.	Payable in ten (10) years	Real estate mortgage
		• Proceeds received	₱199,000,000				
		• Payments made	(9,212,963)				
		• Interest incurred	7,819,379				
November 10, 2017	JLRC	2018		14,305,556	7.0% - 8% p.a.	Payable in 9 years and 8 months	Real estate mortgage
		• Proceeds received	–				
		• Payments made	(694,444)				
		• Interest incurred	927,851				
		2017		15,000,000			
		• Proceeds received	15,000,000				
		• Payments made	–				
		• Interest incurred	85,000				
July 20, 2017	JLRC	2018		30,518,518	7.0% - 8% p.a.	Payable in ten (10) years	Real estate mortgage
		• Proceeds received	–				
		• Payments made	(1,481,482)				
		• Interest incurred	1,979,267				
		2017		32,000,000			
		• Proceeds received	32,000,000				
		• Payments made	–				
		• Interest incurred	583,111				
e. October 2016	OPI	2018		1,969,235	9.35% p.a.	Payable in monthly installments for 5 years	Transportation equipment
		• Proceeds received	–				
		• Payments made	(600,508)				
		• Interest incurred	214,803				
		2017		2,569,743			
		• Proceeds received	–				
		• Payments made	(547,105)				
		• Interest incurred	268,208				

Grant date	Subsidiary	Particular	Amount	Outstanding balance	Interest rate	Terms and condition	Guarantee/security
October 2015	OPI	2018		₱575,167		Payable in monthly	Transportation
		• Proceeds received	₱–		9.59% p.a.	installment for 5 years	equipment
		• Payments made	(288,918)				
		• Interest incurred	70,311				
		2017		864,085			
		• Proceeds received	–				
		• Payments made	(262,597)				
		• Interest incurred	96,630				
July 15, 2015	OPI	2018		62,764,253	5.75% p.a.	Payable in 10 years with	Mortgaged property –
		• Proceeds received	–			6 months grace period	₱106,996,726 in 2018
		• Payments made	(8,739,326)				and ₱111,713,697 in
		• Interest incurred	3,794,269				2017
		2017		71,503,579			
		• Proceeds received	–				
		• Payments made	(9,533,811)				
		• Interest incurred	4,467,274				
March 19, 2018	OPI	2018		1,175,104,717	7.03% p.a.	Loan releases depends	Constructed Inabasan
and		• Proceeds received	260,089,500			on the fulfillment,	Mini-Hydro Power Plant
June 25, 2013		• Payments made	(68,129,697)			compliance or	
		• Interest incurred	62,980,531			submission of the	
						specific conditions for	
		2017		983,144,914		the project components	
		• Proceeds received	188,657,862				
		• Payments made	–				
		• Interest incurred	68,851,361				

(Forward)

(Carryforward)

	Grant date	Subsidiary	Particular	Amount	Outstanding balance	Interest rate	Terms and condition	Guarantee/security
	April 8, 2011	OPI	2018		₱67,814,398	5.75% to 7.5% p.a.	Payable in 10 years with six months grace period; Reserve fund ₱3,600,000	Assigned receivables, mortgaged property, and reserve fund.
			• Proceeds received	₱–				
			• Payments made	(29,063,313)				
			• Interest incurred	5,200,019				
			2017		96,877,711			
			• Proceeds received	–				
			• Payments made	(29,063,313)				
			• Interest incurred	6,559,227				
f.	December 2005	CWWC	2018		32,055,038	Interest is fixed at 10.5% per annum, subject to adjustment annually.	Payable in 15 years inclusive of a maximum of two years grace period on principal	Mortgaged property, plant and equipment amounted and reserve fund (via savings/other investment account)
			• Proceeds received	–				
			• Payments made	(8,013,759)				
			• Interest incurred	2,478,624				
			2017		40,068,797	Interest rate is 6.0%-6.2% p.a. in 2018 and 6.0%-7.5% p.a. in 2017 as negotiated.		
			• Proceeds received	–				
			• Payments made	(8,013,759)				
			• Interest incurred	2,967,269				

(Forward)

(Carryforward)

Grant date	Subsidiary	Particular	Amount	Outstanding balance	Interest rate	Terms and condition	Guarantee/security
November 2014	CWWC	2018		₱78,615,141	6.0% to 7.0% p.a.	Payable in 10 years	Mortgaged property, plant and equipment.
		• Proceeds received	₱10,174,034				
		• Payments made	(12,319,906)				
		• Interest incurred	1,997,067				
		2017		80,761,013			
		• Proceeds received	–				
		• Payments made	(11,537,288)				
		• Interest incurred	5,312,012				
g. September 2015	MAWI	2018		–	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
		• Decrease due to deconsolidation	(215,885,816)				
		2017		215,885,816			
		• Proceeds received	–				
		• Payments made	(1,557,903)				
		• Interest incurred	–				

The rollforward analysis of loans payable account follows:

	2018	2017
Balance at beginning of year	**₱1,968,675,656**	₱1,733,533,570
Proceeds received during the year	**545,678,534**	405,657,862
Decrease due to deconsolidation	**(215,885,816)**	–
Payments made during the year	**(164,297,905)**	(170,515,776)
Balance at end of year	**₱2,134,170,469**	₱1,968,675,656

The maturity profile of loans payable follows:

	2018	2017
Due within 1 year	**₱658,703,056**	₱550,714,182
Due beyond 1 year, not later than 5 years	**814,457,934**	651,166,884
Due beyond 5 years	**661,009,479**	766,794,590
	₱2,134,170,469	₱1,968,675,656

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

This account consists of:

	Note	**2018**	2017
Trade		**₱653,312,488**	₱583,994,792
Retention payable	24	**230,903,710**	215,485,711
Accrued expenses		**43,050,659**	51,155,126
Government payables		**20,034,856**	17,017,660
Subscription payable	12	**805,750**	20,725,559
Dividends payable		**126,557**	126,572
Deposit for future sale of shares of stocks	24	**–**	20,000,000
Payable to contractors	24	**–**	4,955,178
Others		**1,083,349**	796,639
	27	**₱949,317,369**	₱914,257,237

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 noninterest-bearing.

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

Government payables consists of SSS, PHIC, HDMF, VAT and withholding taxes.

Subscription payable pertains to unpaid subscribed shares of SVC, Sapulville and OHC from various companies and MRPDI (see Note 12).

On December 21, 2017, the Parent Company and its subsidiaries and related parties executed a MOA with UDEVCO for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company. As of December 31, 2017, the Parent Company received a deposit of ₱20,000,000 from UDEVCO recognized as "deposit for future sale of shares of stocks". This was returned to UDEVCO upon execution of sale on June 1, 2018 (see Note 24).

Other payables mainly composed of advances from customers in which payments are already received before services have been rendered.

18. **Related Party Transactions**

The Group has the following transactions with related parties:

a. Unsecured and noninterest-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 due from related parties follow:

	2018	2017
Due from:		
Stockholders	**₱225,402**	₱9,861,311
Equity under common/shared ownership	**211,808,268**	31,444,097
Affiliates	**86,289,254**	16,404,841
	₱298,322,924	₱57,710,249

The rollforward analysis of due from related parties accounts follow:

	2018	2017
Due from related parties:		
Balance at beginning of year	**₱57,710,249**	₱64,079,473
Advances made during the year	**235,869,193**	17,965,931
Increase due to deconsolidation	**26,161,542**	–
Collections during the year	**(21,418,060)**	(24,335,155)
Balance at end of year	**₱298,322,924**	₱57,710,249

d. Details of due to related parties follow:

	2018	2017
Due to:		
Stockholders	**₱266,473,239**	₱263,753,482
Affiliates	**69,637,072**	7,562,650
	₱336,110,311	₱271,316,132

The rollforward analysis of due to related parties accounts follow:

	2018	2017
Due to related parties:		
Balance at beginning of year	**₱271,316,132**	₱250,926,832
Advances received during the year	**87,103,288**	50,228,421
Payments made during the year	**(22,309,109)**	(29,839,121)
Balance at end of year	**₱336,110,311**	₱271,316,132

The Group and its affiliates have common shareholders.

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

	2018			
Category	Amount/Volume	Balance – Receivable (Payable)	Terms and condition	Guaranty/Provision
Affiliates				
Due from	Advances made: ₱55,121,308 Collections: (7,193,596) Increase due to deconsolidation: 21,956,701	₱86,289,254	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants
Due to	Advances received: (62,096,588) Payments: 22,166	(69,637,072)	Payable on demand; to be settled in cash	No guarantees; no significant warranties and covenants
Stockholders				
Due from	Decrease due to deconsolidation: (9,635,909)	225,402	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants
Due to	Advances received: (25,006,700) Payments: 22,286,943	(266,473,239)	Payable on demand; to be settled in cash	No guarantees; no significant warranties and covenants

(Forward)

(Carryforward)

	2018			
Category	Amount/Volume	Balance – Receivable (Payable)	Terms and condition	Guaranty/Provision
Equity under common/shared ownership				
Due from	Advances made: ₱180,747,885 Collections: (14,224,464) Increase due to deconsolidation: 13,840,750	₱211,808,268	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants

	2017			
Category	Amount/Volume	Balance – Receivable (Payable)	Terms and condition	Guaranty/Provision
Affiliates				
Due from	Advances made: ₱121,323 Collections: 56,819	₱16,404,841	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants
Due to	Payments: 638,430	(7,562,650)	Payable on demand; to be settled in cash	No guarantees; no significant warranties and covenants
Stockholders				
Due from	Advances made: 1,595,590 Collections: –	9,861,311	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants
Due to	Advances received: 50,228,421 Payments: 3,819,959	(263,753,482)	Payable on demand; to be settled in cash	No guarantees; no significant warranties and covenants
Equity under common/shared ownership				
Due from	Advances made: 16,249,018 Collections: 24,278,336	31,444,097	Collectible on demand; to be settled in cash	Unsecured; no impairment; no significant warranties and covenants
Due to	Payments: 25,380,732	–	Payable on demand; to be settled in cash	No guarantees; no significant warranties and covenants

f. The Group in the normal course of their business, had transactions with each other as summarized below:

Nature	**2018**	2017	2016
Management fee	**₱20,349,734**	₱19,375,237	₱22,422,792
Rental	**9,047,732**	9,127,554	9,099,429
Technical services	**6,000,000**	6,000,000	6,000,000
	₱35,397,466	₱34,502,791	₱37,522,221

g. Revenue/Expense

	2018			
	Rental ORDC	Management fee JGMI	Technical service Servwell	Total
JGMI	₱1,620,000	₱–	₱–	₱1,620,000
ORDC	–	7,508,535	–	7,508,535
Servwell	2,700,000		–	2,700,000
CWWC	2,508,000	12,841,199	6,000,000	21,349,199
JOH	1,080,000	–	–	1,080,000
OPI	1,139,732	–	–	1,139,732
Total	₱9,047,732	₱20,349,734	₱6,000,000	₱35,397,466

	2017			
	Rental ORDC	Management fee JGMI	Technical service Servwell	Total
JGMI	₱1,620,000	₱–	₱–	₱1,620,000
ORDC	–	6,236,607	–	6,236,607
Servwell	2,700,000	–	–	2,700,000
CWWC	2,508,000	13,138,630	6,000,000	21,646,630
H2O	120,000	–	–	120,000
JOH	1,080,000	–	–	1,080,000
OPI	1,099,554	–	–	1,099,554
Total	₱9,127,554	₱19,375,237	₱6,000,000	₱34,502,791

	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
CWWC	1,254,000	13,112,965	6,000,000	20,366,965
TWC	1,254,000	–	–	1,254,000
MAWI	–	3,261,929	–	3,261,929
H2O	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

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

	2018	2017	2016
Short-term benefits:			
Salaries	**₱16,330,369**	₱15,552,732	₱14,812,126
Bonuses	**3,400,141**	3,237,929	3,083,742
	₱19,730,510	₱18,790,661	₱17,895,868

i. Below are the account balances as of December 31, 2018 and 2017 on the separate financial statements of the companies within the Group which were eliminated upon consolidation:

<u>Receivables/ Payables</u>

	2018								
	Payable to:								
	TPC and subsidiaries	JOH	ORDC	JGMI	Servwell	OHC and subsidiaries	JLRC and subsidiaries	GVI	Total
Receivable from:									
H2O and subsidiaries	₱–	₱15,625,000	₱–	₱–	₱–	₱–	₱–	₱–	₱15,625,000
JOH	–	–	–	–	–	–	–	229,635	229,635
ORDC	3,223,358	–	–	7,500,000	–	–	–	–	10,723,358
PHEVI and subsidiary	61,100	36,841,763	–	–	–	–	–	–	36,902,863
JMC	–	9,562,536	–	–	5,002	5,200	–	–	9,572,738
JGMI	–	936	–	–	9,255,521	–	–	–	9,256,457
Servwell	5,001,021	–	9,198,472	–	–	–	–	–	14,199,493
OHC and subsidiaries	315,717	221,337	–	509	–	–	608,266	–	1,145,829
JLRC and subsidiaries	–	7,747,063	–	–	–	–	–	–	7,747,063
GVI	–	85,320	–	–	–	–	–	–	85,320
Total	₱8,601,196	₱70,083,955	₱9,198,472	₱7,500,509	₱9,260,523	₱5,200	₱608,266	₱229,635	₱105,487,756

	2017							
	Payable to:							
	CVI and subsidiaries	JOH	JGMI	Servwell	OHC and subsidiaries	JLRC	GVI	Total
Receivable from:								
JOH	₱17,975,456	₱–	₱–	₱26	₱6,000	₱–	₱229,635	₱18,211,117
H2O and subsidiaries	–	–	–	305,450	–	–	–	305,450
ORDC	3,298,358		7,000,000	4,357,735	–	–	–	14,656,093
PHEVI and a subsidiary	–	114,279,263	–	–	–	–	–	114,279,263
Servwell	–	9,198,472	–	–	–	–	–	9,198,472
GVI	–	45,180	–	–	–	–	–	45,180
JMC	–	9,295,982	–	5,002	5,200	–	–	9,306,184
OHC and subsidiaries	–	211,630	509	–	–	600,000	–	812,139
JLRC and subsidiaries	–	7,747,063	–	–	–	356,782	–	8,103,845
TWC	142,708	218,800	–	–	–	–	–	361,508
	₱21,416,522	₱140,996,390	₱7,000,509	₱4,668,213	₱11,200	₱956,782	₱229,635	₱175,279,251

19. **Retirement Benefit Obligation**

The Company operates a noncontributory retirement plan covering all qualified employees. Under the current plan, the employees are entitled to retirement benefits of eighty five percent (85%) of the final monthly salary at retirement age of sixty (60) for employees who rendered at least five (5) years of service by the time of retirement.

The most recent actuarial valuations of the present value of the defined benefit obligation were issued on April 3, 2019 by independent actuaries. Actuarial valuations are made with sufficient regularity. 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, 2018, the Group's plan has not been funded.

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

	2018	2017	2016
Discount rate	**6.6%**	5.3%	5.3%
Expected rate of salary increase	**5.0%**	5.3%	5.3%
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:

	2018	2017	2016
Current service cost	**₱2,993,920**	₱3,243,448	₱3,697,125
Interest cost	**2,518,542**	2,239,918	2,034,230
	₱5,512,462	₱5,483,366	₱5,731,355

The rollforward of retirement benefit obligation follows:

	Note	**2018**	2017
Balance at beginning of year		**₱50,023,032**	₱44,568,155
Retirement expense	21	**5,512,462**	5,483,366
Reversal charged to profit or loss – other income			(1,377,317)
Reversal of actuarial gain			1,348,828
Actuarial gain		**(10,865,735)**	–
Balance at end of year		**₱44,669,759**	₱50,023,032

Expected future benefit payments of the Group is shown below:

Within 1 to 5 years	₱28,227,260
Within 6 to 10 years	12,258,936
Within 11 to 15 years	41,847,812
Beyond 15 years	122,771,997

Sensitivity analysis on the retirement benefit obligation is as follows:

	Percentage Increase/ (decrease)	Effect on RBO
Discount rate	0.5%	₱161,900
Discount rate	(0.5%)	(161,900)
Salary increase rate	0.5%	10,938
Salary increase rate	(0.5%)	(10,938)

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.

Asset-liability matching strategies to manage risks
Since the Parent Company does not have a retirement fund, the Asset-Liability Matching (ALM) Study is not applicable.

The estimated average remaining working lives of employees is thirteen (13) years.

Reserve for actuarial gain net of deferred tax amounted to ₱628,026 in 2018 while the reserve on actuarial loss net of deferred tax presented in the consolidated statements of changes in equity amounted to ₱5.4 million in 2017 and ₱4.6 million in 2016.

20. Cost of Services

This account consists of:

	Note	**2018**	2017	2016
Fuel cost	9	**₱358,016,282**	₱231,625,504	₱199,234,225
Depreciation and amortization	14	**47,726,358**	50,784,063	49,586,717
Salaries and employee benefits		**46,207,684**	39,152,866	36,579,133
Outside services	24	**30,785,370**	33,824,912	35,644,861
Repairs and maintenance		**28,139,160**	16,986,678	24,388,586
Utilities		**27,409,778**	21,191,200	16,876,302
Rental	24	**9,141,823**	9,141,823	8,941,227
Supervision and regulatory fees	24	**2,787,232**	2,847,045	2,691,082
Transportation and travel		**1,341,816**	513,291	1,125,598
Insurance		**1,187,782**	1,227,526	1,201,129
Security services		**556,800**	597,600	576,000
Communication		**363,457**	424,590	1,012,220
Office supplies		**258,166**	578,797	569,840
Others		**4,895,787**	1,626,691	1,237,976
		₱558,817,495	₱410,522,586	₱379,664,896

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

21. **Operating Expenses**

This account consists of:

	Notes	2018	2017	2016
Salaries and employee benefits	19	**₱40,092,326**	₱34,795,735	₱37,211,491
Taxes and licenses		**24,622,010**	13,906,302	14,387,482
Depreciation and amortization	14	**19,270,257**	16,524,865	14,433,040
Transportation and travel		**9,601,327**	8,278,097	7,238,913
Professional services		**8,753,120**	7,183,378	6,838,277
Training and allowance		**5,474,825**	7,832,090	5,773,830
Repairs and maintenance		**5,322,937**	4,290,418	3,573,668
Representation		**4,525,352**	5,067,070	5,148,429
Communication		**3,867,680**	3,628,180	4,573,951
Utilities		**2,435,304**	2,377,233	2,246,795
Outside services	24	**2,297,500**	970,964	957,800
Office supplies		**2,116,598**	2,248,251	2,473,101
Rental	24	**2,104,443**	2,772,790	2,728,641
Insurance		**1,347,867**	1,223,380	1,271,531
Computer software		**1,345,672**	1,179,918	1,885,625
Association dues		**1,341,295**	3,389,855	3,323,643
Security services		**1,321,239**	1,447,350	1,583,694
Donation		**1,082,122**	2,944,660	3,120,401
Provision for impairment losses	8, 15	**558,762**	–	1,452,000
Advertisement		**–**	706,052	686,589
Others		**3,111,948**	2,896,414	3,025,712
		₱140,592,584	₱123,663,002	₱123,934,613

Others include materials, supplies, parking and toll fees.

22. **Other Income (Charges)**

This account consists of:

	Note	2018	2017 (As restated)	2016 *(As restated)*
Finance charges	16	**(₱15,863,606)**	(₱29,502,537)	(₱21,749,999)
Interest income	7	**1,205,901**	2,006,318	2,244,160
Bank charges		**(475,625)**	(376,834)	(359,013)
Financial host expense	24	**(406,414)**	(372,975)	(427,611)
Gain on disposal of property, plant and equipment	14	**99,802**	593,388	190,000
Share in net losses of associates		**(55,005)**	(13,051)	–
Net foreign exchange gain	7	**10,324**	3,357	22,216
Increase in fair value of investment property	13	**–**	19,260,770	213,520,929
Reversal of retirement expense charged to profit or loss	19	**–**	1,377,317	–
Others		**978,200**	355,689	579,628
		(₱14,506,423)	(₱6,668,558)	₱194,020,310

23. **Income Taxes**

a. The Group's current income taxes for 2018, 2017 and 2016 pertains to regular corporate income tax, except for OPI in 2016.

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 (ITH). On December 1, 2016, OPI's ITH as a New Operator of an 8MW Modular Bunker Fuel-Fired Power Plant in Sta. Isabel, Calapan City, Oriental Mindoro has expired.

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

	2018	2017
Tax effect of:		
Accrued retirement expense	**₱13,400,927**	₱14,682,659
Allowance for impairment losses of receivables	**1,668,987**	1,501,359
Recognized DTA for NOLCO	**662,541**	9,203,267
Rent expense as a result of PAS 17	**40,227**	37,605
Carryforward benefit of MCIT	**–**	91,507
	₱15,772,682	₱25,516,397

The Group's NOLCO can be carried forward and claimed as deduction against regular taxable income for the next three years as follows:

Date incurred	Amount	Expired	Deconsolidated	Balance	Expiry date
December 31, 2018	₱9,450,403	₱–	₱–	₱9,450,403	December 31, 2021
December 31, 2017	16,684,275	–	(15,210,768)	1,473,507	December 31, 2020
December 31, 2016	15,944,268	–	(11,999,032)	3,945,236	December 31, 2019
December 31, 2015	3,310,068	47,369	(3,262,699)	–	December 31, 2018
	₱45,389,014	₱47,369	(₱30,472,499)	₱14,869,146	

Deferred tax assets pertaining to NOLCO of subsidiaries amounting to ₱12.66 million and ₱5.26 million as of December 31, 2018 and 2017, respectively, were not recognized.

The carryforward benefit of MCIT of 2017 was claimed as deduction from regular corporate income tax due amounting to ₱91,507 in 2018.

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

	Notes	**2018**	2017
Tax effect of:			
Fair value adjustments in investment property and property and equipment	13, 14	**₱246,283,524**	₱246,898,814
Capitalized borrowing costs	14	**5,544,000**	5,795,999
Unrealized forex gain	22	**545**	1,007
Rent expense as a result of PAS 17		**–**	23,908
		₱251,828,069	₱252,719,728

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 assets under the tax rules.

The Group holds property and equipment and investment properties for use as intended and is recognized at revalued amount as necessary. Revaluation were made and changes in fair value over cost had been recognized. However, the corresponding deferred tax liabilities amounting to ₱193.0 million and ₱187.4 million as of December 31, 2017 and 2016, respectively, were not recognized. The Group restated the financial statements to recognize the deferred tax liability and correct the beginning balances of revaluation surplus and retained earnings account as of January 1, 2017 (see Note 29).

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

	2018	2017	2016
Income tax at statutory tax rate	**₱124,307,147**	₱37,379,543	₱98,805,782
Additions to (reductions in) income tax resulting from tax effects of:			
Gain on sale of equity	**(97,532,681)**	–	–
Increase in DTA not recognized	**2,535,152**	309,185	–
Stock transaction tax on gain on sale of equity investment	**2,302,475**	–	–
Interest income taxed at lower rate	**(361,770)**	(550,837)	(614,900)
Nondeductible expenses	**325,931**	696,958	2,969,643
Equity share in net loss of associates	**16,502**	3,915	847
Expired NOLCO	**14,211**	541,678	–
Nontaxable income	**–**	(404,648)	(4,499,996)
Income tax holiday incentives	**–**	–	11,232,106
Others	**53,136**	101,290	–
Total income tax current and deferred	**31,660,103**	38,077,084	107,893,482
Deferred income tax benefit (expense)	**3,030,270**	(132,318)	(76,478,570)
Final Tax	**(2,302,475)**	–	–
Current income tax expense	**₱32,387,898**	₱37,944,766	₱31,414,912

d. The Group opted for the itemized deduction scheme for its income tax reporting in 2018, 2017 and 2016.

24. Significant Contracts and Commitments

a. Lease of Water Facilities

In 2006, CWWC entered into a lease agreement with the local government of Tabuk, in the province of Kalinga (local government). Items under lease are the water facilities developed and owned by the local government. Under the Agreement, CWWC 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. CWWC shall pay lease to the local government based on agreed amounts and subject to adjustments depending on the average actual billed volumes.

Also, CWWC 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. CWWC 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 months and CWWC 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 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 15). The balance of special bank deposit amounted to ₱9 million as of December 31, 2018 and 2017.

The lease became effective in October 2006. On March 25, 2010, the lease term was extended for another ten years up to 2031.

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

	2018	2017	2016
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	**68,448,000**	77,280,000	86,112,000
	₱112,608,000	₱121,440,000	₱130,272,000

Lease fees amounted to ₱8.8 million in 2018, 2017 and 2016. Supervision fees amounted to ₱0.2 million in 2018 and 2017, and nil in 2016. Lease fees and supervision fees are included in rental expense and supervision and regulatory fees, respectively (see Note 20).

The Group's water revenue from operating the water utilities in Tabuk amounted to ₱30.0 million in 2018, ₱27.9 million in 2017, and ₱24.5 million in 2016.

b. <u>Construction and Expansion of Waterworks System in Calapan City</u>
In 2014, CWWC entered into a construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of the Phase 1 of 2014 waterworks system expansion program. Total construction cost of the project amounted to ₱193.1 million. In 2018, the construction project was completed. Retention payable amounted to ₱19.3 million and ₱12.5 million as of December 31, 2018 and 2017, respectively.

In 2017, CWWC entered into a contract with another entity under common/shared ownership for the expansion and continuing development of waterworks system of Calapan City. Total contract price of the project is ₱232.6 million. Total construction cost amounted to ₱85.4 million and ₱20.0 million as of December 31, 2018 and 2017, respectively. Retention payable amounted to ₱8.5 million as of December 31, 2018.

c. <u>Power Supply Agreement (PSA)</u>
Calapan Diesel Power Plant
On February 9, 2010, the Company entered into a PSA with ORMECO wherein 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 OPI.

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 ₱232.7 million, ₱230.8 million, and ₱264.5 million in 2018, 2017, and 2016, 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, 2018, the Mini-Hydro Power Plant is still under construction.

d. <u>Subsidy Agreement between National Power Corporation (NPC), ORMECO, and OPI</u>
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 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 Rate (TCGR) 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 ₱228.3 million in 2018, ₱92.9 million in 2017, and ₱51.0 million in 2016.

e. <u>Hydropower Service Contract</u>
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.

The pre-development stage of the hydropower contract shall be two (2) years from March 25, 2010 and renewable for another year if the Company has not been in default in its exploration, financial and other work commitments and obligations and has provided a work program for the extension period acceptable to DOE, after which this hydropower contract shall automatically terminate unless a declaration of commerciality has been submitted by OPI before the end of the third contract year and thereafter duly confirmed by DOE. Within this stage, OPI shall undertake exploration, assessment, harnessing, piloting and other studies of hydropower resources in the area.

The Inabasan Mini-Hydro Power Plant is commissioned on January 14, 2019.

f. Memorandum of Agreements (MOA)

Sale of H2O's shares to UDEVCO

On December 21, 2017, the Parent Company and its subsidiaries and related parties (the "Sellers") executed the Memorandum of Agreement (MOA) with Udenna Development Corp. (UDEVCO) for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of H2O, inclusive of the 36.73% held by the Parent Company (see Note 2). On February 28, 2018, a detailed Sale and Purchase Agreement (SPA) was executed by the Parties pursuant to the MOA. Under the SPA, the Sellers agree to sell and UDEVCO agrees to buy the Sale Shares based on an agreed purchase price, subject to the fulfillment by the Parties of the conditions precedent such as the spin-off of H2O's shares to CWWC which required the approval of at least 2/3 of H2O's outstanding capital stock and UDEVCO's obligation to obtain from SEC an order of exemptive relief allowing it to launch, implement and consummate a tender offer for all the issued and outstanding capital stock of H2O to persons other than the Sellers. On April 4, 2018, H2O's stockholders approved the sale of CWWC share to TPC. The amount of consideration was ₱442 million which was paid in full by TPC to H2O on June 1, 2018.

As a result of the above transaction, H2O's assets and liabilities were presented separately as "current assets of a subsidiary held for sale – net" and "current liabilities as held for sale", respectively as of December 31, 2017.

On June 1, 2018, a Deed of Absolute Sale was executed by the Parties. Total consideration received amounted to ₱383.8 million or ₱4.30 per share. This resulted to a gain on sale of equity investments which amounted to ₱287.8 million in 2018 which is presented under "Revenue" in the consolidated statements of comprehensive income.

OPI's 8 MW Modular Bunker Diesel Power Plant and 10MW Inabasan Hydroelectric Power Plant

OPI entered into a MOA with the DOE for the granting of financial benefits to the host communities of the energy-generation Company 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. The computation of financial benefits shall commence upon the start of the commercial operation of the Power plant facilities.

Financial host expense amounted to ₱406,414 in 2018, ₱372,975 in 2017, and ₱427,611 in 2016 and is included in "Other income (Charges)" account in the consolidated statements of comprehensive income (see Note 22).

g. 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.

h. 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.

Construction in Progress and retention payable related to this plant amounted to ₱2.5 billion and ₱189.8 million as of December 31, 2018, respectively and ₱2.1 billion and ₱171.4 million as of December 31, 2017, respectively (see Note 14).

i. Power Generation Project and Operation and Maintenance Agreement
On July 2, 2014, the OPI entered into a Power Generation Project and Operation and Maintenance Agreement (the "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 which ended on July 25, 2017. 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 OPI's existing PSA with ORMECO.

OPI entered into the same Agreement with another local service provider, which shall be effective from July 26, 2017, for a period of four years and may be renewed upon agreement of the parties. As compensation to the new local service provider, OPI shall pay the (i) foreign operation and maintenance (O&M) fee amounting to ₱1.65 million, VAT inclusive per month, subject to inflation factor and (ii) local O&M fee amounting to ₱0.32, VAT inclusive for every kWh generated and dispatched per month. Total service fees incurred by OPI recognized as "outside services" for the years ended December 31, 2018, 2017 and 2016 amounted to ₱29.2 million, ₱24.6 million and ₱24.4 million, respectively (see Note 20).

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, 2018 and 2017, the OPI's generators' spare parts inventory amounted to ₱4.2 million (see Note 9).

j. 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 ₱30.0 in 2018, ₱42.0 million in 2017, and ₱40.0 million in 2016.

k. 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 ₱72.6 million in 2018, ₱64.5 million in 2017, and ₱60 million in 2016 (see Notes 13 and 14).

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 ₱11.2 million in 2018, ₱11.9 million in 2017, and ₱11.7 million in 2016 (see Note 20 and 21).

The Group also leased a parcel of land owned by ORMECO for OPI's Calapan Bunker C Diesel Power 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, 2018 and 2017 follow:

	2018	2017
Within one year	**₱10,000**	₱10,000
Over 1 year but not more than 5 years	**40,000**	40,000
More than five years	**20,000**	30,000
	₱70,000	₱80,000

25. **Earnings Per Share (EPS)**

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

Based on Net Income

	2018	2017 *(As restated)*	2016 *(As restated)*
Net income	**₱378,044,937**	₱70,567,324	₱194,424,990
Divided by weighted average number of common shares	**281,500,000**	281,500,000	281,500,000
	₱1.3430	₱0.2507	₱0.6907

Based on Total Comprehensive Income

	2018	2017 *(As restated)*	2016 *(As restated)*
Net income	**₱384,411,823**	₱66,261,547	₱251,663,523
Divided by weighted average number of common shares	**281,500,000**	281,500,000	281,500,000
	₱1.3656	₱0.2354	₱0.8940

There were no potential dilutive shares in 2018, 2017 and 2016.

26. **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, reserve fund, accounts payable and other current liabilities, loans payable, customer's deposits 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 and investment property. 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:

	2018				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Accounts payable and other current liabilities*	₱–	₱929,282,513	₱–	₱–	₱929,282,513
Loans payable	–	658,703,056	814,457,934	661,009,479	2,134,170,469
Due to related parties	336,110,311	–	–	–	336,110,311
Customers' deposits	–	–	24,357,234	–	24,357,234
	₱336,110,311	₱1,587,985,569	₱838,815,168	₱661,009,479	₱3,423,920,527

	2017				
	On demand	Within 1 year	Over 1 to 5 years	Over 5 years	Total
Loans payable	₱–	₱550,714,182	₱651,166,884	₱766,794,590	₱1,968,675,656
Accounts payable and other current liabilities*	–	877,239,577	–	–	877,239,577
Due to related parties	271,316,132	–	–	–	271,316,132
Customers' deposits	–	–	30,280,473	–	30,280,473
	₱271,316,132	₱1,427,953,759	₱681,447,357	₱766,794,590	₱3,147,511,838

**Excluding government payables amounting to ₱20,034,856 in 2018 ₱17,017,660 in 2017 and deposit for future sale of shares of stock amounting to ₱20,000,000 in 2017.*

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 2018 and 2017, 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, 2018 and 2017:

	Reasonably possible changes in interest rates	Effect on income before tax	Effect on equity
2018	**+9.88%**	**(₱16,754,006)**	**(₱11,727,803)**
	-9.88%	**16,754,006**	**11,727,803**
2017	+8.75%	(₱10,572,608)	(₱7,400,826)
	-8.75%	10,572,608	7,400,826

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, 2018 and 2017, without considering the effects of credit risk mitigation techniques.

	Note	**2018**	2017
Cash and cash equivalents*	7	**₱254,093,860**	₱236,632,886
Receivables – gross of allowance**	8	**176,632,456**	126,000,203
Equity investment at FVOCI/ AFS investment	11	**2,824,777**	3,084,307
Due from related parties	18	**298,322,924**	57,710,249
Other noncurrent assets:	15		
Reserve fund		**6,565,589**	11,487,351
Special bank deposit		**9,000,000**	9,000,000
Utilities and other deposits – gross of allowance		**7,008,162**	7,125,839
		₱754,447,768	₱451,040,835

**Excludes cash on hand amounting to ₱265,000 and ₱323,523 in 2018 and 2017, respectively.*

***Excludes advances to contractors, advances to officers and employees, and advances to suppliers with a total amount of ₱9,724,415 and ₱32,737,340 in 2018 and 2017, respectively.*

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:

		2018				
		Neither past due nor impaired		Past due but		
	Note	High grade	Standard grade	not impaired	Impaired	Total
Cash and cash equivalents*	7	₱254,093,860	₱–	₱–	₱–	₱254,093,860
Receivables**	8	–	123,320,436	50,398,370	2,913,650	176,632,456
Equity investment at FVOCI	11	2,824,777	–	–	–	2,824,777
Due from related parties	18	–	298,322,924	–	–	298,322,924
Other noncurrent assets:	15					
Reserve fund		6,565,589	–	–	–	6,565,589
Special bank deposit		9,000,000	–	–	–	9,000,000
Utilities and other deposits		4,358,521	–	–	2,649,641	7,008,162
Total		₱276,842,747	₱421,643,360	₱50,398,370	₱5,563,291	₱754,447,768

		2017				
		Neither past due nor impaired		Past due but		
	Note	High grade	Standard grade	not impaired	Impaired	Total
Cash and cash equivalents*	7	₱236,632,886	₱–	₱–	₱–	₱236,632,886
Receivables**	8	38,972,887	48,720,910	35,951,518	2,354,888	126,000,203
Available-for-sale investments	11	3,084,307	–	–	–	3,084,307
Due from related parties	18	–	57,710,249	–	–	57,710,249
Other noncurrent assets:	15					
Reserve fund		11,487,351	–	–	–	11,487,351
Special bank deposit		9,000,000	–	–	–	9,000,000
Utilities and other deposits		4,476,198	–	–	2,649,641	7,125,839
Total		₱303,653,629	₱106,431,159	₱35,951,518	₱5,004,529	₱451,040,835

**Excludes cash on hand amounting to ₱265,000 and ₱323,523 in 2018 and 2017, respectively.*

***Excludes advances to contractors, advances to officers and employees, and advances to suppliers, gross of allowance for impairment losses with a total amount of ₱9,724,415 and ₱32,737,340 in 2018 and 2017, respectively.*

High grade cash in banks and short-term time deposits, special bank deposit and reserve fund 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. Equity investment at FVOCI 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:

	2018	2017
30 to 60 days	**₱2,767,600**	₱1,974,247
61 to 90 days	**283,100**	201,949
More than 90 days	**47,347,670**	33,775,322
	₱50,398,370	₱35,951,518

Impairment assessment
The Company's financial assets at amortized cost were subject to the expected credit loss model.

While cash and cash equivalents, special bank deposit and reserve fund are subject to the impairment requirements of PFRS 9, the management believes that expected credit loss would be immaterial as these financial assets are deposited to top commercial banks in the Philippines.

The management's assessment of the credit risk on the due from related parties as at the reporting date is zero as the Group have not demanded the payment from its related parties as of December 31, 2018. Management has reasonable grounds to believe that the due from related parties are collectible, if demanded. Moreover, should this not be the case, the Board of Directors (BOD) expect these related parties to have the support of their parent company and major stockholders to meet their obligations.

The Group's utilities and other deposits were also subjected to the impairment requirements of PFRS 9. Management believes that the expected credit loss would be immaterial as these were deposited to its highly credible lessor which local government of Tabuk in the province of Kalinga.

The Group applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. To measure expected credit loss, receivables were grouped based on days past due. The expected loss rates are based on the historical credit losses within the subscription period. The historical loss rates are adjusted to reflect current and forward-looking information affecting the ability of the water subscribers to settle their water billings. The Group has identified MIMAROPA Gross Domestic Product (GDP) as the most relevant factor to the Group's subscribers and accordingly adjust historical loss rate based on the changes on GDP growth rates.

Based on the above basis, the loss allowance on receivables as at December 31, 2018 was determined as follows:

	Current	1-30 days	31-60 days	61-120 days	Over 120 days	Over 180 days	Over 360 days	Total
December 31:								
Expected loss rate	0%	19.70%	5.63%	70.35%	29.07%	55.34%	89.11%	
Gross carrying amount*	₱19,599,914	₱684,853	₱15,512	₱22,358	₱53,798	₱214,350	₱2,949,026	₱23,539,811
Loss allowance	₱–	₱134,902	₱873	₱15,728	₱15,643	₱118,625	₱2,627,879	₱2,913,650

**Gross carrying amount of receivable after deducting water consumption deposit.*

Management believes that the allowance for doubtful accounts as of December 31, 2017 is sufficient and that additional provision is not necessary.

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 2018 and 2017:

	USD Appreciate (Depreciate)	**Effect on income before tax**	**Effect on equity**
2018	**+1.89%**	**₱1,566**	**₱1,096**
	-1.89%	**(1,566)**	**(1,096)**

	USD Appreciate (Depreciate)	Effect on income before tax	Effect on equity
2017	+1.31%	₱70	₱49
	-1.31%	(70)	(49)

27. **Fair Value Measurement**

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, 2018 and 2017:

		2018			
	Note	Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
Financial assets:					
Cash and cash equivalents*	7	₱254,093,860	₱254,093,860	₱–	₱254,093,860
Receivables**	8	176,632,456	176,632,456	–	176,632,456
Equity investment at FVOCI	11	2,824,777	2,824,777	2,824,777	–
Due from related parties	18	298,322,924	298,322,924	–	298,322,924
Other noncurrent assets:	15				
Reserve fund		6,565,589	6,565,589	–	6,565,589
Special bank deposit		9,000,000	9,000,000	–	9,000,000
Utilities and other deposits***		7,008,162	7,008,162	–	7,008,162
		₱754,447,768	₱754,447,768	₱2,824,777	₱751,622,991
Financial liabilities:					
Accounts payable and other current liabilities****	17	₱929,282,513	₱929,282,513	₱–	₱929,282,513
Loans payable	16	2,134,170,469	2,134,170,469	–	2,134,170,469
Due to related parties	18	336,110,311	336,110,311	–	336,110,311
Customers' deposits		24,357,234	24,357,234	–	24,357,234
		₱3,423,920,527	₱3,423,920,527	₱–	₱3,423,920,527

**Excludes cash on hand amounting to ₱265,000.*

***Excludes advances to contractors, advances to officers and employees, and advances to suppliers with a total amount of ₱9,724,415.*

****Gross of allowance for impairment losses*

*****Excluding government payables amounting to ₱20,034,856.*

	Note	2017 Carrying value	Fair value	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
Financial assets:					
Cash and cash equivalents*	7	₱236,632,886	₱236,632,886	₱–	₱236,632,886
Receivables**	8	126,000,203	126,000,203	–	126,000,203
Available-for-sale investment	11	3,084,307	3,084,307	3,084,307	–
Due from related parties	18	57,710,249	57,710,249	–	57,710,249
Other noncurrent assets:	15				
Reserve fund		11,487,351	11,487,351	–	11,487,351
Special bank deposit		9,000,000	9,000,000	–	9,000,000
Utilities and other deposits***		7,125,839	7,125,839	–	7,125,839
		₱451,040,835	₱451,040,835	₱3,084,307	₱447,956,528
Financial liabilities:					
Accounts payable and other current liabilities****	17	₱877,239,577	₱877,239,577	₱–	₱877,239,577
Loans payable	16	1,968,675,656	1,968,675,656	–	1,968,675,656
Due to related parties	18	271,316,132	271,316,132	–	271,316,132
Customers' deposits		30,280,473	30,280,473	–	30,280,473
		₱3,147,511,838	₱3,147,511,838	₱–	₱3,147,511,838

**Excludes cash on hand amounting to ₱323,523.*

***Excludes advances to contractors, advances to officers and employees, and advances to suppliers with a total amount of ₱32,737,340.*

****Gross of allowance for impairment losses*

*****Excluding government payables amounting to ₱17,017,660 and deposit for future sale of shares of stock amounting to ₱20,000,000 in 2017.*

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 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, 2018 and 2017, the Group has equity investment at FVOCI valued under Level 1 amounting to ₱2.8 million and ₱3.1 million, respectively, 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 2018 and 2017. Price of the investment is posted on a daily basis in the insurance Group's website.

Non-Financial Assets

The level 3 fair value of the Group's land and building and building improvements classified under Investment Property (see Note 13) and appraised value of land and building improvements, and power plant facilities and equipment classified under Property, Plant and Equipment (see Note 14) 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. The appraisal was performed in accordance with International Valuation Standards. 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 value of the land was arrived at 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 (a subject property) is compared with sales of similar properties that have been transacted in the market. Listings and offerings may also be considered.

The fair value of building and improvements were derived using generally accepted sales comparison approach. In this approach, the value of the properties are based on sales and listings of comparable properties. This is done by adjusting, the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity or at different floor levels of the same building. Comparison would be premised on factors such as location, size and physical attributes, selling terms, facilities offered and time element.

The value of power plant facilities and equipment was arrived at using the cost approach. In the cost approach, an estimate is made of the current replacement/reproduction cost, new, of the replaceable property in accordance with the prevailing market prices for materials, equipment, labor, contractor's overhead, profit, fees and all other attendant costs associated with its acquisition, installation and construction in place, but without provision for overtime or bonuses for labor and premiums for materials. Adjustments are then made to reflect depreciation resulting from physical deterioration obsolescence that may exist to arrive at a reasonable valuation.

28. 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:

	2018	2017
Capital stock	**₱281,500,000**	₱281,500,000
Additional paid-in capital	**1,509,533**	812,108
Retained earnings	**1,222,847,978**	874,979,242
	₱1,505,857,511	₱1,157,291,350

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, 2018 and 2017 follow:

	2018	2017
Total debt (excluding retirement benefit obligation and deferred tax liabilities)	**₱3,455,725,892**	₱3,237,870,372
Total equity	**2,260,157,935**	1,952,711,696
Debt-to-equity ratio	**1.53:1**	1.66:1

29. **Restatements and Reclassifications**

The Group held property and equipment and investment properties for use as intended are recognized at revalued amount as necessary. Revaluations were made and changes in fair value over cost have been recognized but the corresponding deferred tax liabilities were not recognized. The 2017 and 2016 financial statements were restated to recognize the deferred tax liabilities amounting to ₱193 million and ₱187.4 million as of December 31, 2017 and 2016, respectively.

Also, an owner-occupied property classified as investment property in the financial statements of ORDC was reclassified as part of property, plant, and equipment and the corresponding depreciation during consolidation was recognized. Carrying amount of the said property amounted to ₱54.7 million and ₱59.3 million as of December 31, 2017 and 2016, respectively.

Also, equity share in net losses of Sapulville and SVC both held investments classified as investments in associates were recognized in 2017 amounting to ₱138,992.

As a result of the statements above, affected accounts in 2017 and 2016 include the fair value increase under other income, deferred tax expense and equity share in net losses of associates recognized in profit or loss, and the revaluation surplus, depreciation on the revaluation and deferred tax recognized in other comprehensive income. Also, the balances as of December 31, 2017 and January 1, 2017 were adjusted for investment in associates, investment property, property, plant, and equipment, deferred tax liabilities, revaluation surplus on property, plant, and equipment and retained earnings.

Certain amount in the comparative financial statements and note disclosures has been reclassified to conform to the current year's presentation.

Account Title	Previous classification	Current year classification	Year	Amount
Construction in progress	Other noncurrent asset	Property, plant and equipment	December 31, 2017	₱50,689,689
			January 1, 2017	₱43,144,769

The effects of adjustments and reclassification on the opening balances of the financial statements follow:

	December 31, 2016		
	As Previously Reported	Adjustments	As Restated
Statements of comprehensive income:			
Net income	₱342,175,770	(₱120,716,647)	₱221,459,123
Other comprehensive income	39,122,800	28,636,449	67,759,249

	January 1, 2017		
	As Previously Reported	Adjustments	As Restated
Statements of changes in financial position:			
Investment property	₱1,214,226,772	(₱59,291,968)	₱1,154,934,804
Property, plant, and equipment	2,882,417,179	102,436,737	2,984,853,916
Deferred tax liability	59,246,413	187,425,619	246,672,032
Statements of changes in equity:			
Retained earnings	1,013,518,435	(209,106,517)	804,411,918
Revaluation surplus	223,589,552	21,680,898	245,270,450

	December 31, 2017		
	As Previously Reported	Adjustments	As Restated
Statements of comprehensive income:			
Net income	₱76,428,100	(₱10,093,291)	₱86,521,391
Other comprehensive income	3,121,278	(7,301,327)	(4,180,049)

	December 31, 2017		
	As Previously Reported	Adjustments	As Restated
Statements of changes in financial position:			
Investment property	₱1,249,980,196	(₱59,291,968)	₱1,190,688,228
Property, plant, and equipment	3,472,139,082	105,420,737	3,577,559,819
Deferred tax liability	59,686,878	193,032,850	252,719,728
Statements of changes in equity:			
Retained earnings	1,089,942,535	(214,963,293)	874,979,242
Revaluation surplus	224,603,631	17,077,227	241,680,858

Due to the restatements above, earnings per share reported by the Group was also restated as follows:

	As Previously Reported	As Restated
Net income		
2017	0.2715	0.2507
2016	1.1195	0.6907
Total comprehensive income		
2017	0.2821	0.2354
2016	1.2600	0.8940

30. **Supplemental Disclosure on Cash flows**

The Group disposed of its full 61.4% share in H2O. Also, the Group deconsolidated MAWI due to loss of control following the reduction of the Group’s interest to 47.52% as of December 31, 2018 from 51.52% as of December 31, 2017. The book value of subsidiaries disposed in 2018 were as follows:

Cash and cash equivalents	(₱542,988,934)
Receivables	(4,516,532)
Creditable withholding tax	(680,478)
Input VAT and other current assets	(10,262,851)
Property and equipment − net	(329,649,594)
Deferred tax assets	(9,246,504)
Reserve fund	(4,945,841)
Accounts payable and accrued expenses	69,116,109
Current portion of loans payable	4,381,757
Due to related parties	28,860,043
Noncurrent portion of loans payable	211,504,059
Customers' deposit	2,475,210
Noncontrolling interest deconsolidated	265,889,304
Net asset disposed of	(320,064,252)
Gain on disposal	(325,108,938)
Sale proceeds	(₱645,173,190)

On February 12, 2018, OHC entered into a Deed of Assignment of investment in shares of stocks of MRPDI with Menakeo Construction Inc. to assign, transfer, and convey its stockholdings in MRPDI with the consideration including the assumption of subscription payable amounting to ₱19,622,250.

Non-cash investing activity in 2017 pertains to adjustment in property, plant and equipment amounting to ₱10,871,674 that resulted from reclassification of CIP to input tax (see Note 14).

Also in 2017, a non-cash investing activity pertaining to a transportation equipment amounting to ₱500,000 received by ORDC as a consideration from a trade-in transaction (see Note 14).

Non-cash financing activity in 2018 pertain to refund of deposit for future stock subscription amounting to ₱35 million, this amount was first reverted back to related party payables and was subsequently paid during the year.

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 per share out of its deposit for future stock subscription of ₱60.0 million.

31. **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.

Details of pending cases are as follows:

a. Parent Company vs. Jollibee Foods Corporation
Inter Partes Case No. 14-2013-00076, Bureau of Legal Affairs, Intellectual Property Office; Appeal No. 14-2014-0035, Office of the Director General, Intellectual Property Office

On April 29, 2013, Opposer Jollibee Foods Corporation (Jollibee) filed with the Philippine Intellectual Property Office's (IPO) Bureau of Legal Affairs (BLA) its Notice of Opposition dated April 28, 2013 opposing the registration of the mark "Jolliville Holdings Corporation & Logo".

On September 23, 2014, the Parent Company received the BLA's Decision No. 2014-226 dated September 16, 2014 which sustained Jollibee's opposition against the mark "Jolliville Holdings Corporation & Logo".

On October 23, 2014, the Parent Company appealed the Decision in IPC Case No. 14-2013-00076 by filing its Appeal Memorandum with the IPO's Office of the Director General (ODG). On October 29, 2014, the IPO ODG issued an Order of even date granting due course to the appeal and directing Jollibee and the BLA Director to file their respective comments to the appeal.

On June 15, 2017, the Parent Company received through undersigned counsel, the ODG's Decision dated June 8, 2017, which granted the Parent Company's appeal and reversed the finding of confusing similarity made by the BLA.

C.A. G.R. No. 151352, Court of Appeals, Thirteenth Division, Manila

On July 3, 2017, the Parent Company received through undersigned counsel a copy of Jollibee's Motion for extension of Time (to file Petition for Review under Rule 43) dated June 27, 2017 with the Court of Appeals, requesting for an additional period of fifteen (15) days or until July 15, 2017, within which to file its Petition for Review against the ODG's Decision dated June 8, 2017, which was granted by the Court of Appeals, Special Fifteenth Division in its Resolution dated July 6, 2017.

The Court of Appeals, Thirteenth Division issued its Resolution dated August 10, 2017 noting Appellant Jollibee's failure to file its Petition for Review by the July 15, 2017 extended deadline and terminating Jollibee's appeal in view thereof.

On November 23, 2017, the Parent Company received through undersigned counsel from the Court of Appeals its Entry of Judgment in relation to the subject appeal, stating that the Court of Appeals Resolution dated August 10, 2017 terminating Jollibee's appeal has become final and executory as of September 8, 2017.

The opposition case is finally resolved in favor of the Parent Company.

b. Parent Company vs. Philippine British Assurance Co., Inc.
Civil Case No. 04405, Regional Trial Court, National Capital Judicial Region, Branch 143, Makati City

On September 10, 2004, the Parent Company 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 ₱34.86 million, exclusive of interest. In addition, the Parent Company prayed for the payment of ₱2.0 million by way of exemplary damages and ₱1.0 million 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 judgement in favor of the Parent Company and against PBAC. In the said Decision, PBAC was ordered to pay the Parent Company the following:

1. ₱20.0 million under the Policy HOFO1FD-FL-S001737 for the damage to the machineries , equipment and other facilities 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;
2. ₱10.0 million under Policy HOFO1FD-Fl-S001738 for office furniture, fixtures, fittings and other equipment usual to the Parent Company's business including building improvements and betterments thereon, plus 12% per annum from November 21, 2001 until fully paid; and
3. Costs 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 13, 2017, Parent Company filed its Comment/Opposition. On April 20, 2017, Parent Company, received a copy of defendant PBAC's reply dated April 11, 2017.

On May 22, 2017, the Parent Company received a copy of the trial court's Resolution dated May 12, 2017 which denied defendant PBAC's Motion for Reconsideration and affirmed its Decision dated December 7, 2016.

On May 26, 2017, the Parent Company received a copy of defendant PBAC's Notice of Appeal dated May 23, 2017 on the ground that the Resolution dated May 12, 2017 and Decision dated December 7, 2016 are supposedly not in accord with the facts established by evidence on record and are contrary to law.

On June 5, 2017, the Parent Company received a copy of the Court's Order dated May 26, 2017 giving due course to the Notice of Appeal and directing the transmittal of the records of the case to the Court of Appeals for proper disposition.

CA-G.R. CV No. 109088, Court of Appeals, Manila

On September 4, 2017, the Parent Company received a letter dated August 22, 2017 from the Court of Appeals, which noted a deficiency in the original records of the case transmitted by the trial court to the Court of Appeals, specifically, the unsigned Transcript of Stenographic Notes dated November 26, 2006 and directing the Clerk of the Court of the trial court to cure said defect within ten (10) days from notice.

As of April 11, 2019, the Parent Company has yet to receive any other order from the Court of Appeals.

c. The following are legal cases involving CWWC:

Water use conflict filed with NWRB in February 2013 by the local executives of several barangays of Calapan City, Oriental Mindoro, opposing CWWC's water permit application. NWRB dismissed the case in favor of the CWWC 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 report date, CWWC is still waiting for resolution to the motions filed.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of DMCI Power Corporation (DMCI). CWWC and DMCI, during their preliminary conference, discussed the possibility of an amicable settlement of the case which was terminated subsequently since both parties were not able to reach a compromise. After series of filings of memorandum and presentation of several documents, an ocular inspection was conducted by the NWRB on February 3, 2016. CWWC filed its Position Paper and Formal Offer of Evidence in March 2016. As of report date, CWWC is waiting for the decision of the NWRB.

Water use conflict filed with the NWRB in February 2015 by CWWC opposing the water permit application of CLC Ice Plant, Inc. (CLC) and BSK Trucking/Edgardo Cacha (BSK) within the area of coverage of the CWWC'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 CWWC on February 2016. Position papers were filed by CWWC with NWRB on April 2016. CWWC filed a Manifestation requesting that a hearing to be set in order for the presentation of witnesses in support of the Position Paper. In May 2016, CWWC received the Jointly Reply Position of the Applicants. CWWC filed its Rejoinder to the Applicant's joint Reply Position Paper. As of report date, CWWC is waiting for the decision of the NWRB.

Civil Case No. CV-11-6397, entitled "Calapan Waterworks Corporation represented by Engr. Menardo Rivera, petitioner, versus Sps, Edilberto C. Ilano and Rhoda C. Ilano, doing business under the name, Villa Agatha Subdivision, respondents", filed with the Regional trial court Oriental Mindoro, Branch 39. Said case involves an action for recovery of possession and ownership of the encroached area with damages against spouses, covering land area of 8409 square meters. On June 8, 2012 the Regional trial court rendered a decision in favor of the Company. The parties are still considering the possibility of swapping or exchanging the parcel of land owned by the Ilanos which was encroached by the water pipes of the Company located in Sta. Isabel, Calapan City with the land subject of Civil Case No. CV-11-6397 adverted to above.

d. The following is a legal case where Jolliville Group Management, Inc. is involved in:

Jolliville Group Management, Inc. and Show Syndicate Corporation, Plaintiff-Appellee versus Fecilito Garcia, doing business under the name and style Foxchit Software Solutions, Defendant-Appellant CA G.R.CV NO.97772.

The amount involved in the case is more or less ₱0.5 million. The Group had won the case both in the Regional Trial Court and the Court of Appeals. It is now pending with the Supreme Court. The expectation is high of winning the said case with the Supreme Court because of the doctrine of *res judicata*.

32. **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 OPI's proposed rate of ₱2.95/kWh under the PSA. The difference in rate is primarily due among others, to ERC's exclusion of pre-operating expenses, contingency, permits/licenses and other development costs in the computation of the total project cost as a component of the capacity fee and the use of the contracted energy of 3,800,000 kWh/month and 4,939,200 kWh/month in fixing the billing determinants.

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

On June 6, 2017, ERC issued the Status Quo Ante Order deferring the implementation of the Decision for a period of no more than six (6) months or until the issues raised in OPI's Motions have been resolved.

On December 5, 2017, ERC issued an Order extending the Status Quo Order prayed by OPI in its Omnibus Motion. The implementation of the Decision dated June 21, 2016 was stayed for another six (6) months or until the resolution of the Omnibus Motion, which comes earlier.

On June 5, 2018, ERC extended the Status Quo Order for another 6 months or until December 5, 2018.

On December 4, 2018, ERC pronounced that ORMECO has not complied with its directive to submit documents and shall resolve the case bas ed on the records submitted by the Company. While reviewing the case records, ERC extended the Status Quo for a period of three (3) months or until March 5, 2019 or until the resolution of the Motion, whichever comes earlier.

Upon evaluation of the Omnibus Motion for Partial Reconsideration and for the Issuance of a Status Quo Order and Supplemental Motion for Reconsideration, ERC On March 5, 2019 extended the Status Quo Order for another 6 months effective March 5, 2019 to September 4, 2019 because the ERC deems it proper to review further the case in view of the discrepancies of the rate components prescribed under the PSA and the presented in the Omnibus Motion.

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

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas,
Salcedo Village, Makati City,
Philippines

T: (+632) 848 1051
F: (+632) 728 1014

mail@bakertilly.ph
www.bakertilly.ph

SUPPLEMENTAL REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Jolliville Holdings Corporation and Subsidiaries
4/F, 20 Lansbergh Place Bldg.
170 Tomas Morato Avenue, 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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated April 11, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying Schedule of Financial Soundness Indicators is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

CONSTANTINO AND PARTNERS
(formerly Constantino Guadalquiver & Co.)
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA License No. 49553
SEC A.N. 019-AR-4, valid until January 10, 2021 (Group A)
TIN 102-084-191-000
BIR A.N. 08-001507-2-2017, valid until December 21, 2020
PTR No. 7333974, issued on January 4, 2019, Makati City

Makati City, Philippines
April 11, 2019

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas,
Salcedo Village, Makati City,
Philippines

T: (+632) 848 1051
F: (+632) 728 1014

mail@bakertilly.ph
www.bakertilly.ph

SUPPLEMENTAL REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Jolliville Holdings Corporation and Subsidiaries
4/F, 20 Lansbergh Place Bldg.
170 Tomas Morato Avenue, 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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated April 11, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Schedule of Retained Earnings Available for Dividend Declaration is presented for purpose of complying with SEC Memorandum Circular No. 11, Series of 2008 and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states in all material respect the financial data required to be set forth therein in relation to the consolidated financial statements taken as a whole.

CONSTANTINO AND PARTNERS
(formerly Constantino Guadalquiver & Co.)
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA License No. 49553
SEC A.N. 019-AR-4, valid until January 10, 2021 (Group A)
TIN 102-084-191-000
BIR A.N. 08-001507-2-2017, valid until December 21, 2020
PTR No. 7333974, issued on January 4, 2019, Makati City

Makati City, Philippines
April 11, 2019

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE I - FINANCIAL SOUNDNESS INDICATORS

		December 31, 2018	December 31, 2017
Liquidity Analysis Ratio			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	0.44	0.33
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.43	0.32
Solvency Ratio	Total Assets / Total Liabilities	1.60	1.55
Financial Leverage Ratios			
Debt Ratio	Total Debt / Total Assets	0.62	0.64
Debt-to-Equity Ratio	Total Debt / Total Stockholders' Equity	1.53	1.66
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	27.12	5.22
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	2.66	2.81
Profitability Ratio			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.50	0.38
Net Profit Margin	Net Profit / Sales	0.38	0.20
Return on Assets	Net Income / Total Assets	0.06	0.02
Return on Equity	Net Income / Total Stockholders' Equity	0.17	0.04
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	5.05	23.93

JOLLIVILLE HOLDINGS CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF DECEMBER 31, 2018

	2018	2017
Retained earnings at beginning of year, *as restated*	**₱ 384,123,203**	₱ 357,547,266
Less:		
Fair value adjustment of investment property - net of deferred income tax	**(146,626,085)**	(141,512,585)
Gain on assignment of stocks	**(13,808,138)**	(13,808,138)
Increase in income due to application of PAS 17 - net of deferred income tax	**(55,786)**	(60,278)
Retained earnings at beginning of the year	**223,633,194**	202,166,265
Add (less):		
Net income during the year, *as restated*	**252,236,477**	26,575,938
Appropriation for property dividends	**(185,862,750)**	–
Increase in fair value during the year - net of deferred income tax	**–**	(5,113,500)
Increase in income due to application of PAS 17 - net of deferred income tax	**35,698**	4,492
RETAINED EARNINGS AVAILABLE FOR DIVIDEND DISTRIBUTION AT THE END OF YEAR	**₱ 290,042,619**	₱ 223,633,195

bakertilly

CONSTANTINO AND PARTNERS
22nd Floor Citibank Tower
8741 Paseo de Roxas,
Salcedo Village, Makati City,
Philippines

T: (+632) 848 1051
F: (+632) 728 1014

mail@bakertilly.ph
www.bakertilly.ph

SUPPLEMENTAL REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Jolliville Holdings Corporation and Subsidiaries
4/F, 20 Lansbergh Place Bldg.
170 Tomas Morato Avenue, 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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 and have issued our report thereon dated April 11, 2019. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying summary of effective standards and interpretations under the Philippine Financial Reporting Standards are the responsibility of the Company's management. This summary is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the consolidated financial statements. This summary has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

CONSTANTINO AND PARTNERS
(formerly Constantino Guadalquiver & Co.)
BOA Registration No. 0213, valid until December 31, 2019
SEC Accreditation No. (A.N.) 004-FR-4, valid until December 7, 2020 (Group A)
BIR A.N. 08-001507-0-2017, valid until December 21, 2020

By:

JEROME ANTONIO B. CONSTANTINO
Partner
CPA License No. 49553
SEC A.N. 019-AR-4, valid until January 10, 2021 (Group A)
TIN 102-084-191-000
BIR A.N. 08-001507-2-2017, valid until December 21, 2020
PTR No. 7333974, issued on January 4, 2019, Makati City

Makati City, Philippines
April 11, 2019

JOLLIVILLE HOLDINGS CORPORATION AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS, AMENDMENTS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2018

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): Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): 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			✓

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓**
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for Joint Ventures			✓
	Amendments to PFRS 3: Definition of a Business*		✓	
	Amendments to PFRS 3: Clarifying Measurement of Previously Held Interest in Obtaining Control over a Joint Operation*		✓	
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): 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: Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2012-2014 Cycle: 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: Prepayment Features with Negative Compensation*		✓	
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 and PAS 28: 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 Interest in Joint Operations			✓
	Amendments to PFRS 11: Clarifying Measurement of Previously Held Interest in Obtaining Control Over a Joint Operation*		✓	
PFRS 12	Disclosure of Interests in Other Entities			✓**
	Amendments to PFRS 12: 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			✓**

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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	✓		
PFRS 16	Leases*		✓	
PFRS 17	Insurance Contracts*		✓	
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): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Disclosure Initiative			✓**
	Amendments to PAS 1 and PAS 8: Definition of Material*		✓	
PAS 2	Inventories			✓**
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosue Initiative			✓**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
	Amendments to PAS 1 and PAS 8: Definition of Material*		✓	
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓**
	Amendments to PAS 12: Income Tax Consequences of Payments on Financial Instruments Classified as Equity*		✓	
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 and PAS 38: Classification of Acceptable Methods of Depreciation and Amortization			✓**
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
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): Regional Market Issue Regarding Discount Rate			✓
	Amendments to PAS 19: Plan Amendment, Curtailment of Settlement*		✓	
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			✓**
	Amendments to PAS 23: Barrowing Costs Eligible for Capitalization*		✓	

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 to PAS 27: 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			✓**
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
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			✓**

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
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): Disclosure of information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓**
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 and PAS 38: Classification of Acceptable Methods of Depreciation and Amortization			✓**
PAS 40	Investment Property	✓		
	Annual Improvements (2011-2013 Cycle): Clarifying the Interrelationship of PFRS 3 and PAS 40 when Classifying Property as Investment Property in Owner-Occupied Property			✓**
	Amendments to PAS 40: Transfers of Investment Property			✓
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			✓

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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 16	Hedges of a Net Investment in a Foreign Operation			✓**
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓**
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓**
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	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-32	Intangible Assets - Web Site Costs			✓**

*These are effective subsequent to December 31, 2018.
**Adopted but no significant impact.

JOLLIVILLE HOLDINGS CORPORATION

Group Corporate Structure
As of December 31, 2018