Beacon PowerGen Holdings, Inc.
(A Wholly Owned Subsidiary
of Beacon Electric Asset Holdings, Inc.)

Financial Statements
As at December 31, 2018 and 2017

and

Independent Auditor's Report

A member firm of Ernst & Young Global Limited

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November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Beacon PowerGen Holdings, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Beacon PowerGen Holdings, Inc. (a wholly owned subsidiary of Beacon Electric Asset Holdings, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 14 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Beacon PowerGen Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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December 17, 2018, valid until December 16, 2021
PTR No. 7332531, January 3, 2019, Makati City

March 11, 2019

BEACON POWERGEN HOLDINGS, INC.
(A Wholly Owned Subsidiary of Beacon Electric Asset Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

(Amounts in Millions)

	December 31	
ASSETS	**2018**	2017
Current Assets		
Cash and cash equivalents (Notes 4, 10 and 11)	**₱661**	₱412
Subscription receivable (Notes 8, 10 and 11)	**–**	400
Dividend receivables (Notes 5, 10 and 11)	**1,400**	1,400
Other receivables (Notes 10 and 11)	**7**	3
Total Current Assets	**2,068**	2,215
Noncurrent Assets		
Investment in a subsidiary (Note 5)	**22,145**	22,145
	₱24,213	₱24,360
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 6, 10 and 11)	**₱198**	₱216
Current portion of long-term debt (Notes 7, 10 and 11)	**951**	950
Total Current Liabilities	**1,149**	1,166
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 7, 10 and 11)	**9,079**	10,030
Equity (Note 8)		
Paid-up capital	**11,574**	11,575
Retained earnings	**2,411**	1,589
Total Equity	**13,985**	13,164
	₱24,213	₱24,360

See accompanying Notes to Financial Statements.

BEACON POWERGEN HOLDINGS, INC.
(A Wholly Owned Subsidiary of Beacon Electric Asset Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions)

	Years Ended December 31	
	2018	2017
INCOME		
Dividend income (Note 5)	**₱1,400**	₱1,400
Interest income, net of final tax (Note 4)	**24**	16
	1,424	1,416
EXPENSES		
Interest expense (Note 7)	**590**	657
Amortization of debt issuance costs (Note 7)	**10**	11
Professional and other service fees	**1**	3
Other expenses	**1**	1
	602	672
INCOME BEFORE TAX	**822**	744
TOTAL COMPREHENSIVE INCOME / NET INCOME	**₱822**	₱744

See accompanying Notes to Financial Statements.

BEACON POWERGEN HOLDINGS, INC.
(A Wholly Owned Subsidiary of Beacon Electric Asset Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Millions)

	Paid-up Capital				
	Capital Stock (Note 8)	Additional Paid-in Capital (Note 8)	Total	Retained Earnings	Total
Balances as at January 1, 2018	**₱1,523**	**₱10,052**	**11,575**	**₱1,589**	**₱13,164**
Total comprehensive income/ Net income	**–**	**–**	**–**	**822**	**822**
Application of shares subscription (Note 8)	**(360)**	**360**	**–**	**–**	**–**
Transaction cost	**–**	**(1)**	**(1)**	**–**	**(1)**
Balances as at December 31, 2018	**₱1,163**	**₱10,411**	**11,574**	**₱2,411**	**₱13,985**
Balances as at January 1, 2017	₱1,123	₱10,052	11,175	₱845	₱12,020
Total comprehensive income/ Net income	–	–	–	744	744
Shares subscription (Note 8)	400	–	400	–	400
Balances as at December 31, 2017	₱1,523	₱10,052	11,575	₱1,589	₱13,164

See accompanying Notes to Financial Statements.

BEACON POWERGEN HOLDINGS, INC.
(A Wholly Owned Subsidiary of Beacon Electric Asset Holdings, Inc.)

STATEMENTS OF CASH FLOWS
(Amounts in Millions)

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	**₱822**	₱744
Adjustments for:		
Dividend income (Note 5)	**(1,400)**	(1,400)
Interest expense (Note 7)	**590**	657
Interest income, net of final tax (Note 4)	**(24)**	(16)
Amortization of debt issuance costs (Note 7)	**10**	11
Operating loss before working capital changes	**(2)**	(4)
Decrease (increase) in other receivables	**(4)**	53
Decrease in accounts payable and other current liabilities (Note 6)	**–**	(18)
Net cash from (used for) operations	**(6)**	31
Dividend received	**1,400**	1,232
Interest received, net of final tax (Note 4)	**24**	16
Net cash flows from operating activities	**1,418**	1,279
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from subscription receivable (Note 8)	**400**	–
Payments for:		
Long-term loan (Note 7)	**(960)**	(960)
Interest on loan (Note 7)	**(608)**	(676)
Transaction costs on issuance of shares and availment of loan (Notes 7 and 8)	**(1)**	(1)
Net cash flows used in financing activities	**(1,169)**	(1,637)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**249**	(358)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**412**	770
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱661**	₱412

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
(In Million Pesos, Except Per Share Amounts and Number of Shares)

1. Corporate Information

Beacon PowerGen Holdings, Inc. (the Company or BPHI) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on May 18, 2016 as an investment holding company. As at December 31, 2018 and 2017, the Company holds 56% ownership interest in Global Business Power Corporation (GBPC).

The Company is 100% owned by Beacon Electric Asset Holdings, Inc. (BEAHI). BEAHI was originally incorporated as a joint venture between Metro Pacific Investments Corporation (MPIC) and PLDT Communications and Energy Ventures, Inc. (PCEV).

In 2016, the Company, BEAHI, MPIC and PCEV agreed to enter into an Amended and Restated Omnibus Agreement setting forth the agreement with respect to the organization, conduct of business, and the extent of their participation on the management of the affairs of the Company, BEAHI and GBPC. The Company, BEAHI, PCEV and MPIC have agreed on certain corporate governance matters, including Board of Directors (BOD) composition, election of officers, shareholders' action, representation to the BOD of GBPC and nomination of the BOD committees and officers of GBPC. As at December 31, 2016, MPIC and PCEV's ownership interest in BEAHI is at 75% and 25%, respectively.

On June 27, 2017, MPIC entered into a Deed of Absolute Sale of Shares with PCEV to acquire the latter's remaining 25% interest in BEAHI's common and preferred shares for an aggregate purchase price of ₱21.8 billion. With MPIC acquiring control over BEAHI, the transaction was accounted for using the acquisition method under Philippine Financial Reporting Standards (PFRS) 3, *Business Combination,* resulting in BEAHI and its subsidiaries, which include the Company, accounted for as subsidiaries of MPIC beginning June 27, 2017.

MPIC's shareholder, Metro Pacific Holdings, Inc. (MPHI) owns 41.9% of the total issued common shares (or 42.0% of the total outstanding common shares) as at December 31, 2018 and 2017. As sole holder of the voting Class A Preferred Shares of MPIC, MPHI's combined voting interest as a result of all of its shareholdings is estimated at 55.0% as at December 31, 2018 and 2017. MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (13.3%). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH and investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as FPC Group of Companies in Hong Kong.

PCEV is 99.9% owned by Smart Communications, Inc. (Smart) as at December 31, 2018 and 2017. Smart is wholly owned and controlled by PLDT Inc. (formerly Philippine Long Distance Telephone Company), a company incorporated in the Philippines.

The registered office address of the Company is Units 10-3 and 10-4, 10/F Net One Center, 26th corner 3rd Avenue, Bonifacio Global City, Taguig City.

The accompanying financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017 were approved and authorized for issuance by the BOD on March 11, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared under the historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency and all values are rounded to the nearest million, except when otherwise indicated.

For purposes of submission of the financial statements to the SEC and the Bureau of Internal Revenue (BIR), the Company, a subsidiary of MPIC beginning June 27, 2017 (see Note 1), elected not to prepare consolidated financial statements under the exemption provided in PFRS 10, *Consolidated Financial Statements*. MPIC prepares consolidated financial statements in conformity with PFRS and such consolidated financial statements are filed with the SEC and Philippine Stock Exchange and are available for public use. These consolidated financial statements may also be obtained at 10th Floor, MGO Building, Legaspi corner Dela Rosa Streets, Legaspi Village, Makati City.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of revised and amended PFRSs effective January 1, 2018. Adoption of the following standards and amendments did not have any material impact on the Company's financial statements:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*

  PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments, namely;
  i. Classification and measurement
  ii. Impairment
  iii. Hedge accounting

  The Company adopted PFRS 9 prospectively, with an initial application date of January 1, 2018, and did not have any significant impact on the Company's financial statements as and for the year ended December 31, 2018.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
- PFRS 15, *Revenue from Contracts with Customers*
- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Accounting Policies and Disclosures

The principal accounting and financial reporting policies adopted in preparing the Company's financial statements are as follows:

Current Versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent 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 non-current.

A liability is classified as 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; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

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 by the Company.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Note 11).

Cash and Cash Equivalents
Cash comprises cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three (3) months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Financial Instruments
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.

Financial Assets

Initial Recognition and Measurement of Financial Assets

Accounting policy applied for financial assets beginning January 1, 2018

Initial Recognition. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement. For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

The Company measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash and cash equivalents, dividends receivable, and other receivables. The Company has no financial assets at FVOCI (debt instruments), financial assets designated at FVOCI (equity instruments) and financial assets at FVPL.

Accounting policy applied for financial assets until December 31, 2017

Initial Recognition. Financial assets are recognized initially at fair value, which is the fair value of the consideration given. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market interest rates for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at FVPL, includes transaction cost.

The Company classifies its financial instruments in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. 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 such classification at every reporting date.

As at December 31, 2017, the Company has no financial assets carried at FVPL, HTM and AFS financial assets.

Subsequent Measurement. The subsequent measurement of financial assets and financial liabilities depends on their classification as follows:

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, HTM investments or AFS financial assets. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less impairment. The amortization is included as part of interest income in the statement of comprehensive income. Losses arising from impairment are recognized in the statement of comprehensive income. Loans

and receivables are included in current assets if maturity is within 12 months after the end of reporting period, otherwise these are classified as noncurrent assets.

The Company's cash and cash equivalents and receivables are classified as loans and receivables as at December 31, 2017.

Impairment of Financial Assets

Accounting policy applied for impairment of financial assets beginning January 1, 2018

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company establishes 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 Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting policy applied for impairment of financial assets until December 31, 2017

The Company assesses at each end of reporting date whether a financial asset or a group of financial assets is impaired.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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 the use of an allowance account. The amount of loss is recognized in the statements of comprehensive income. The assets together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If a write-off is later recovered, any amount formerly charged is credited to the statement of comprehensive income.

If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 Company could be required to repay.

Financial Liabilities

Initial Recognition and Measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities and long-term debt as at December 31, 2018 and 2017, respectively.

Subsequent Measurement. After initial recognition, accrued expenses and other current liabilities and due to a related party are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is recognized in the statement of comprehensive income.

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Investment in a Subsidiary
Investment in a subsidiary is accounted for at cost. The investment is carried in the statement of financial position at cost less any impairment in value.

Any gain or loss arising on disposal of investment (calculated as the difference between the proceeds and the cost of investment) is included in profit or loss in the year the investment is disposed.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been

recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Capital Stock and Additional Paid-in Capital
Common stocks are measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Cost of registering and issuing securities is recognized as a reduction from the proceeds of the securities issued, thus, recognized as reduction from additional paid-in capital.

Retained Earnings
Retained earnings include profit attributable to the Company's equity holders. Retained earnings also represent the Company's accumulated earnings, net of dividends declared.

Income Recognition

Accounting policy applied beginning January 1, 2018

Revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods and services to a customer. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent.

Accounting policy applied until December 31, 2017

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding certain sales incentives and taxes or duty.

The Company evaluates the timing and amount of income with specific recognition criteria as follows:

Dividend Income. Dividends are recognized in profit or loss when the Company's right to receive dividends is established.

Interest Income. Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in the statement of comprehensive income.

Expenses Recognition
Expenses are recognized in the Company's statement of comprehensive income when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in the Company's statement of comprehensive income on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the parent company statement of financial position as an asset.

Income Tax

Current Tax. Current tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of reporting period.

Deferred Tax. Deferred tax is provided, using the liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and NOLCO can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are measured at each end of reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Deferred taxes relating to items recognized outside profit or loss are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events), if any, are reflected in the Company's financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. **Significant Accounting Estimates and Assumptions**

The accompanying financial statements prepared under the PFRSs require management to make estimates and assumptions that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the estimates and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and assumptions 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.

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Financial Assets

Before January 1, 2018

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The Company assesses specifically at each reporting date whether there is objective evidence that a financial asset is impaired. The level of allowance is based on past collection experience and other factors that may affect collectability such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

When there is objective evidence of impairment, provisions are made for accounts specifically identified to be impaired. Accounts are written-off when management believes that the financial asset cannot be collected or realized after exhausting all efforts and courses of action. An evaluation of the receivables, designed to identify potential charges to the allowance, is performed on a continuous basis.

Beginning January 1, 2018

The Company has the following financial assets that are subject to the expected credit loss model: (i) cash and cash equivalents; and (ii) receivables. While cash and cash equivalents and receivables are also subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial.

Carrying value of financial assets as at December 31, 2018 and 2017 are as follows:

	2018	2017
Cash and cash equivalents	**₱661**	₱412
Subscription receivables	–	400
Dividend receivables	**1,400**	1,400
Other receivables	**7**	3

The Company assessed that the provision for impairment losses of financial assets amounted to nil as of December 31, 2018 and 2017.

Determination of Impairment of Nonfinancial Assets. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material impact on the results of operations.

The carrying value of the investment in GBPC as at December 31, 2018 and 2017 amounted to ₱22,145.3 million (see Note 5). No impairment losses were recognized for the years ended December 31, 2018 and 2017.

Non-recognition of Deferred Tax Assets. The Company's assessment of the non-recognition of deferred tax assets is based on the projected taxable income in the following years. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Unrecognized deferred tax assets related to unutilized NOLCO amounted to ₱494.0 million and ₱316.5 million as at December 31, 2018 and 2017, respectively, since management believes that it is not probable that future taxable income will be available against which the deferred tax assets can be utilized (see Note 9).

4. Cash and Cash Equivalents

As at December 31, 2018 and 2017, this account consists of:

	2018	2017
	(In Million Pesos)	
Cash in bank	**₱3**	₱1
Short-term deposits	**658**	411
	₱661	₱412

Cash in bank earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months in maturity depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposit rates (see Note 10).

Interest earned, net of final tax, from cash in bank and short-term deposits amounted to ₱24.0 million and ₱15.9 million in 2018 and 2017, respectively.

5. **Investment in a Subsidiary**

The investment in a subsidiary pertains to the Company's investment in GBPC. The Company owns 56% of the outstanding and issued capital stock of GBPC.

GBPC is a holding company which, through its subsidiaries, is one of the leading independent power producers in the Visayas region and Mindoro Island. GBPC's power generation facilities consist of: (i) 246 MW clean coal-fired power plant in Toledo City, Cebu, which is operated by Cebu Energy Development Corporation; (ii) 164 MW "clean coal" and 150 MW coal-fired power plants in Iloilo City, which is operated by Panay Energy Development Corporation; (iii) 60 MW coal facility, an 82 MW coal facility and a 40 MW fuel oil facility operated by Toledo Power Company; (iv) a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 7.5 MW fuel oil facility and a 5 MW fuel oil facility operated by Panay Power Corporation; and (v) 7.5 MW fuel oil facility operated by GBH Power Resources Inc.

GBPC, through its operating generation subsidiaries, entered into bilateral off-take arrangements with power off-takers such as distribution utilities, electric cooperatives, retail electricity suppliers and directly connected industrial customers which together accounted for 89% and 92% of GBPC's total electricity sales for the years ended December 31, 2018 and 2017, respectively.

As a consequence of MPIC's step-up acquisition of BEAHI (see Notes 1 and 3), the Company and its subsidiary became MPIC's subsidiaries starting June 2017. As a subsidiary of MPIC, the Company elected to account for its investments in GBPC using the cost approach. As at December 31, 2018 and 2017, the investment in GBPC amounted to ₱22,145.3 million.

A pledge on the Company's investments in GBPC shares secures the Company's loan facilities with a syndicate of various financial institutions (see Note 7).

Dividend Income

Dividends received by the Company from GBPC in 2018 and 2017 are as follows:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Share in Dividends 2018	Share in Dividends 2017
November 28, 2018	**December 31,2018**	**2019**	**₱1.30**	**₱1,400 million**	–
December 8, 2017	December 31,2017	2018	₱1.30	–	₱1,400 million

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

This account pertains to accrued interest payable amounting to ₱197.6 million and ₱216.4 million as at December 31, 2018 and 2017, respectively (see Note 7).

7. **Long-term Debt**

This account consists of:

	2018	2017
	(In Million Pesos)	
Long-term debt	**₱10,080**	₱11,040
Less:		
Unamortized debt issue cost	**50**	60
Current portion (net of unamortized debt issue cost of ₱9.1 million in 2018 and ₱9.8 million in 2017)	**951**	950
Noncurrent portion	**₱9,079**	₱10,030

This loan facility has fixed interest of 5.50% per annum with the principal and interest payable semi-annually starting August 26, 2017. The Loan Facility is secured by a pledge on GBPC shares owned by the Company. Other covenants include maintenance of reserve account and achievement of certain financial ratios such as (i) Debt Service Coverage Ratio (DSCR) at a minimum of 1.1x, to be first calculated in 2018; and (ii) DSCR before any restricted payments at 1.3x. As at December 31, 2018 and 2017, BPHI is in compliance with all the requirements stipulated in the loan agreement.

The Company incurred debt issuance costs amounting to ₱74.1 million, of which ₱9.8 million and ₱10.7 million were amortized in 2018 and 2017, respectively.

The repayment of this loan based on existing terms is provided on Note 10, *Financial Risk Management Objectives and Policies*.

8. Equity

On December 19, 2017, BEAHI's BOD approved BEAHI's subscription to forty (40) million common shares in BPHI, at the price of ₱10.0 per common share, or the aggregate subscription price of ₱400.0 million, payable in cash. The subscription was fully settled on January 12, 2018.

On January 18, 2019, BEAHI's BOD approved BEAHI's subscription to fifteen (15) million common shares in BPHI, at the price of ₱10.0 per common share, or the aggregate subscription price of ₱150.0 million, payable in cash. The subscription will be settled in 2019.

Transaction costs on issuance of shares amounting to ₱0.4 million were incurred in 2018, which was charged against 'Additional paid-in capital' account of the Company's statement of financial position.

9. Income Taxes

The reconciliation between the provision for income tax at the applicable statutory tax rate and the actual provision for income tax for the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
	(In Million Pesos)	
Provision for income tax at statutory tax rate	**₱247**	₱223
Tax effects of:		
Dividend income exempted from final tax	**(420)**	(420)
Interest income already subjected to final tax	**(7)**	(5)
Unrecognized deferred tax assets on NOLCO	**177**	200
Nondeductible portion of interest expense	**3**	2
Actual provision for income tax	**₱–**	₱–

The Company's deferred tax assets arising from NOLCO amounting to ₱494.0 million and ₱316.5 million as at December 31, 2018 and 2017, respectively, have not been recognized in the statement of financial position since management believes that it is not probable that future taxable income will be available against which the deferred tax assets can be utilized.

Unutilized NOLCO which can be deducted against future taxable income is as follows:

Date Incurred	Expiry Date	Amount
		(In Million Pesos)
December 31, 2016	December 31, 2019	₱390
December 31, 2017	December 31, 2020	666
December 31, 2018	December 31, 2021	592
		₱1,648

The Company is not yet subject to Minimum Corporate Income Tax (MCIT) which is 2% of the gross income. The imposition of MCIT begins on the fourth taxable year immediately following the year in which the Company commenced its business operations.

10. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist mainly of borrowings from local financial institutions and short-term deposits, proceeds of which were used for the acquisition of investments and for financing operations. The Company has other financial assets and liabilities such as cash in bank, short-term deposits, receivables, accounts payable and other current liabilities, and long-term debt which arise directly from the Company's operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk and credit risk from its use of financial instruments. The BOD reviews and approves policies of managing each of the risks as summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk for changes in interest rates relate primarily to its long-term debt. The Company manages interest rate exposure by using a mix of fixed rate and variable rate debts or entering into derivative transaction.

Fixed rate debt is subject to fair value interest rate risk while variable rate debt is subject to cash flow interest rate risk. The Company's interest on long-term debts are fixed until maturity as at December 31, 2018 and 2017.

No sensitivity analyses were made as the interest rate of the Company's outstanding long-term debt as at December 31, 2018 and 2017 is fixed.

Liquidity Risk

Liquidity risk is the risk of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of the liquidity strategy, the Company sets aside cash to ensure that financial obligations will be met as they fall due. As at December 31, 2018 and 2017, the Company has cash and cash equivalents, which are short-term in nature, amounting to ₱661.2 million and ₱412.2 million. These are allocated to meet the Company's short-term liquidity needs.

The Company's liquidity and funding management process include the following:

- Managing the concentration and profile of debt maturities;
- Maintaining debt financing plans; and
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at December 31, 2018 and 2017 based on undiscounted contractual payments.

				2018			
	On Demand	**2019**	**2020**	**2021**	**2022**	**2023 and Beyond**	**Total**
				(In Million Pesos)			
Financial Assets							
At amortized cost:							
Cash and cash equivalents:							
Cash in bank	**₱3**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3**
Short-term deposits	**–**	**658**	**–**	**–**	**–**	**–**	**658**
Dividend receivable	**–**	**1,400**	**–**	**–**	**–**	**–**	**1,400**
Other receivables	**–**	**7**	**–**	**–**	**–**	**–**	**7**
	3	**2,065**	**–**	**–**	**–**	**–**	**2,068**
Financial Liabilities							
Other financial liabilities:							
Long-term debt:							
Principal[(1)]	**–**	**960**	**960**	**960**	**960**	**6,240**	**10,080**
Interest	**–**	**549**	**497**	**442**	**388**	**985**	**2,861**
	–	**1,509**	**1,457**	**1,402**	**1,348**	**7,225**	**12,941**
	₱3	**₱556**	**(₱1,457)**	**(₱1,402)**	**(₱1,348)**	**(₱7,225)**	**(₱10,873)**

				2017			
	On Demand	2018	2019	2020	2021	2022 and Beyond	Total
				(In Million Pesos)			
Financial Assets							
Loans and receivables:							
Cash and cash equivalents:							
Cash in bank	₱1	₱–	₱–	₱–	₱–	₱–	₱1
Short-term deposits	–	411	–	–	–	–	411
Subscription receivable	–	400	–	–	–	–	400
Dividend receivable	–	1,400	–	–	–	–	1,400
Other receivables	–	3	–	–	–	–	3
	1	2,214	–	–	–	–	2,215
Financial Liabilities							
Other financial liabilities:							
Long-term debt:							
Principal[(1)]	–	960	960	960	960	7,200	11,040
Interest	–	602	549	497	442	1,373	3,463
	–	1,562	1,509	1,457	1,402	8,573	14,503
	₱1	₱652	(₱1,509)	(₱1,457)	(₱1,402)	(₱8,573)	(₱12,288)

(1) Gross of unamortized debt issuance costs.

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from counterparties that fail to discharge their contracted obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

With the exception of cash and cash equivalents, the Company's maximum exposure to credit risk is equal to the carrying amount of these instruments. The Company's credit risk is concentrated with GBPC with the dividend receivable from GBPC as at December 31, 2018 and 2017 (see Note 5).

The Company classified the credit quality of its cash and cash equivalents and receivables as high grade since they are collectible on their due dates. The aggregate of cash and cash equivalents and receivables amounting to ₱2,067.6 million and ₱2,214.5 million as at December 31, 2018 and 2017, respectively, are all neither past due nor impaired.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares.

The capital being managed by the Company consist of its equity. The capital of the Company derived from the subscription and issuance of capital stock, net of transaction costs, aggregated to ₱11,573.7 million and ₱11,574.2 million as at December 31, 2018 and 2017, respectively.

11. Financial Assets and Financial Liabilities

As at December 31, 2018 and 2017, the carrying values of cash and cash equivalents, receivables and accounts payable and other current liabilities approximate their fair values at the end of the reporting period due to the relatively short-term nature of the transactions.

The long-term debt with carrying value of ₱10,030.0 million and ₱10,980.2 million as at December 31, 2018 and 2017 has an estimated fair value of ₱9,210.6 million and ₱10,806.9 million, respectively, using Level 2 inputs. Estimated fair value is based on the discounted value of future cash flows using the prevailing credit rates ranging from 5.41% to 7.07% and 2.43% to 5.70% in 2018 and 2017, respectively.

12. Supplemental Cash Flow Information

The following table shows significant changes in long-term debt, a financing activity, including changes arising from cash flows and non-cash changes:

	2018	2017
	(In Millions)	
Balance at beginning of the year	**₱10,980**	₱11,930
Cash flow statement (see statements of cash flow)		
Payments	**(960)**	(960)
Transaction costs	–	(1)
	(960)	(961)
Non-cash – amortization of debt issue cost	**10**	11
Balance at end of the year	**₱10,030**	₱10,980

13. **Future Changes in Accounting Policies**

The standards, interpretations amendments and improvements to the standards that are issued, but not yet effective as at December 31, 2018 are disclosed below. The Company intends to adopt these, if applicable, when they become effective. Unless otherwise specified, we do not expect the amendments to have significant impact on the Company's financial statements.

Effective beginning or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

  The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

  The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

  A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

  An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

  The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

  The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

  An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

14. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On December 28, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

The Company reported and/or paid the following types of taxes in 2018.

All values presented below are rounded to the nearest peso.

Value Added Tax (VAT)
The Company is not a VAT registered entity.

Taxes and Licenses
Business permits paid in 2018 amounted to ₱766,103.

Withholding Taxes and Importation Duties
The Company has accrued and paid expanded withholding tax amounting to ₱121,690,389 for the year ended December 31, 2018. The Company has no importation in 2018.

Documentary Stamp Taxes (DST)
The DST paid or accrued in 2018 amounted to ₱400,000 on original issuance of shares of stocks. This was charged against additional paid-in capital.

Tax Assessment and Litigation
The Company has no outstanding tax assessments and litigation as at December 31, 2018.