

FIRST GEN CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in U.S. Dollars and in Thousands, Unless Otherwise Stated)

1. Corporate Information and Authorization for Issuance of the Parent Company Financial Statements

Corporate Information

First Gen Corporation (the Parent Company or First Gen) is incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1998. The Parent Company is involved in management and investment holdings of subsidiaries and associates. The Parent Company and its subsidiaries and associates are involved in the power generation business.

On February 10, 2006, the Parent Company successfully completed the Initial Public Offering (IPO) in the Philippines of 193,412,600 common stocks, including the exercised greenshoe option of 12,501,700 common stocks at an IPO price of ₱47.00 per share. The common stocks of the Parent Company are currently listed and traded on the First Board of the Philippine Stock Exchange, Inc. (PSE). First Gen is considered a public company under Section 17.2 of the Securities Regulation Code (SRC).

On January 22, 2010, the Parent Company likewise completed the Stock Rights Offering (the Rights Offering) of 2,142,472,791 rights shares in the Philippines at the proportion of 1.756 rights shares for every one existing common stock held as of the record date of December 29, 2009 at the offer price of ₱7.00 per rights share. The total proceeds from the Rights Offering amounted to ₱15.0 billion (\$319.2 million).

On July 25, 2011, the Parent Company issued ₱10.0 billion Series “F” Preferred Shares at a dividend rate of 8.0%. The Parent Company approved and authorized the issuance by way of private placement or issuance to Qualified Buyers of One Hundred Million (100,000,000) of its Series “F” preferred stocks with a par value of ₱10.0 a share and an issue price of ₱100.0 a share. The Series “F” Preferred Shares are currently listed and traded on the First Board of the PSE. Total proceeds of the issuance of the Series “F” Preferred Shares amounted to ₱10.0 billion (\$235.7 million). Transaction costs amounting to ₱53.0 million (\$1.2 million) was incurred and deducted against additional paid-in capital.

On May 28, 2012, the Parent Company completed the Public Offering of the 100,000,000 Series “G” Preferred Shares in the Philippines at an issue price of ₱100.0 per share. The Series “G” Preferred shares are currently listed and traded on the First Board of the PSE. The total net proceeds from the issuance of the Series “G” Preferred Shares amounted to ₱10.0 billion (\$234.4 million).

On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9 % discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process. First Gen’s parent company, First Philippine Holdings Corporation (FPH), which has a 66.2% stake in First Gen’s issued and outstanding common stocks, agreed to subscribe to its pro-rata share in the transaction. The Parent Company issued to FPH 179,127,900 common stocks from treasury stock, as well as 17,623,100 common stocks from unissued capital stock, at the Offer Price. The total net proceeds from the issuance of the common stocks amounted to ₱7.4 billion (\$166.5 million).



Following the subscription, FPH maintained its 66.2% stake in the Parent Company's issued and outstanding common stock (see Note 12).

On May 11, 2016, the Board of Directors (BOD) of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company's common stocks; and (ii) Series "F" and "G" Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million), respectively (see Note 12). In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to ₱45.8 million (\$0.9 million) and ₱211.7 million (\$4.2 million), respectively (see Note 12).

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks for ₱90.5 million (\$1.8 million).

As of December 31, 2017 and 2016, FPH directly and indirectly owns 66.52% and 66.24%, respectively, of the common stocks of First Gen and 100% of First Gen's voting preferred stocks. FPH is 46.47%-owned by Lopez Holdings Corporation (Lopez Holdings), a publicly-listed Philippine-based entity, as at December 31, 2017 and 2016. Majority of Lopez Holdings is owned by Lopez, Inc. Lopez, Inc. is the ultimate parent of First Gen. FPH, Lopez Holdings and Lopez Inc. are all incorporated in the Philippines. As of December 31, 2017 and 2016, there are 360 common stockholders of record of First Gen and 3,660,943,557 common stocks issued and outstanding as of December 31, 2017 and 2016 (see Note 12).

Corporate Address

The registered office address of the Parent Company is 6th Floor, Rockwell Business Center Tower 3, Ortigas Avenue, Pasig City.

Authorization for Issuance of the Parent Company Financial Statements

The parent company financial statements were reviewed and recommended for approval by the Audit Committee to the BOD on March 15, 2018. The same parent company financial statements were approved and authorized for issuance by the BOD on March 15, 2018.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The parent company financial statements are prepared on a historical cost basis, except for derivative financial instruments and financial assets at FVPL that have been measured at fair value. The parent company financial statements are presented in United States (U.S.) dollar, which is the Parent Company's functional currency, and are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance

The parent company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.



The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the parent company financial statements. These are filed and may be obtained from the Philippine SEC and PSE.

Significant Accounting and Financial Reporting Policies

The Parent Company applied for the first time certain pronouncements, which are effective for annual periods beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the parent company financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Parent Company has provided the required information in Note 21 to the parent company financial statements. As allowed under the transition provisions of the standard, the Parent Company did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have no effect on the Parent Company's financial position and performance as the Parent Company has no deductible temporary differences or assets that are in the scope of the amendments.

Fair Value Measurement

The fair value of an asset or liability 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 market or the most advantageous market must be accessible to the Parent Company.

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 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 Parent 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 parent company 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) 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; and
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As of December 31, 2017 and 2016, the Parent Company has financial assets at FVPL that are measured at fair value on a recurring basis. The Parent Company 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Cash and Cash Equivalents

Cash includes cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39, are recognized in the parent company statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting. Derivatives are also recognized on a trade date basis.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and



borrowings. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the parent company statement of income, unless it qualifies for recognition as some other type of asset. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the parent company statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and liabilities at FVPL are recorded in the parent company statement of financial position at fair value. Subsequent changes in fair value are recognized in the parent company statement of income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Classified under financial instruments at FVPL are the financial assets at FVPL (see Note 6).

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Parent Company’s management has the positive intention and ability to hold to maturity. Where the Parent Company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any



discount or premium on acquisition and fees that are integral parts of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency denominated HTM investments are also recognized in the parent company statement of income.

The Parent Company has no HTM investments as of December 31, 2017 and 2016.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the parent company statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

As of December 31, 2017 and 2016, classified under loans and receivables are cash and cash equivalents, amounts due from related parties, and consultancy fee receivables included as part of "Other current assets."

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income (losses) until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported as other comprehensive income (losses) is recognized in the parent company statement of income. The Parent Company uses the specific identification method in determining the cost of securities sold.

The Parent Company has no AFS financial assets as of December 31, 2017 and 2016.

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the parent company statement of income when the liabilities are derecognized, as well as through the amortization process.



Debt issuance costs incurred in connection with availments of long-term debt and issuances of Notes are deferred and amortized using the effective interest method over the term of the loans and Notes. Debt issuance costs are included in the measurement of the related long-term debts and are allocated accordingly to the respective current and noncurrent portions.

Classified under loans and borrowings are accounts payable and accrued expenses, dividends payable, amounts due to related parties, advances from subsidiaries and long-term debts as of December 31, 2017 and 2016.

Derivative Financial Instruments and Hedge Accounting

The Parent Company enters into derivative and hedging transactions, primarily cross currency swap and foreign currency forwards, as needed, for the sole purpose of managing the risks that are associated with the Parent Company's borrowing activities or as required by the lenders in certain cases and hedge its foreign exchange rate risk.

Derivative financial instruments (including bifurcated embedded derivatives) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gain or loss arising from changes in fair value on derivatives that do not qualify for hedge accounting is taken directly to the parent company statement of income for the current year under the "Mark-to-market gain (loss) on derivatives" account.

For purposes of hedge accounting, derivatives can be designated either as cash flow hedges or fair value hedges depending on the type of risk exposure it hedges.

At the inception of a hedge relationship, the Parent Company formally designates and documents the hedge relationship to which the Parent Company opts to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Parent Company has no derivatives that are designated as fair value hedges as of December 31, 2017 and 2016.

Cash flow hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the parent company statement of comprehensive income. The effective portion of the gain or loss on the hedging instrument, if any, is recognized as other comprehensive income (loss) in the "Accumulated other comprehensive income (loss)" account in the parent company statement of financial position while the ineffective portion, if any, is recognized as "Mark-to-market gain (loss) on derivatives" account in the parent company statement of income.

Amounts taken to other comprehensive income (loss) are transferred to the parent company statement of income when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income (loss) are transferred to the initial carrying amount of the non-financial asset or liability.



If the forecast transaction is no longer expected to occur, amounts previously recognized in other comprehensive income (loss) are transferred to the parent company statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income (loss) remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is recognized in the parent company statement of income.

The Parent Company has no derivatives that are designated as cash flow hedges as of December 31, 2017 and 2016.

Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

The Parent Company assesses whether embedded derivatives are required to be separated from the host contracts when the Parent Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives are bifurcated from their host contracts, when the following conditions are met:

- (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets and liabilities at FVPL;
- (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and
- (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in the parent company statement of income. The Parent Company has no bifurcated embedded derivatives as of December 31, 2017 and 2016.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company’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 original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.



Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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 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 the parent company statement of income.

Impairment of Financial Assets

The Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables carried at amortized cost, the Parent Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset’s carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the parent company statement of income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the parent company statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

AFS financial assets

For AFS financial assets, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.



In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the investments below its cost is considered an objective evidence of impairment. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income (loss), is removed from other comprehensive income (loss) and recognized in the parent company statement of income. Impairment losses on equity investments are not reversed through the parent company statement of income. Increases in fair value after impairment are recognized directly in other comprehensive income (loss).

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of the “Interest income” in the parent company statement of income. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the parent company statement of income, the impairment loss is reversed through the parent company statement of income.

Offsetting Financial Instruments

Financial assets and liabilities are offset with the net amount reported in the parent company statement of financial position, if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Prepayments

Prepayments comprise prepaid items such as rent, insurance and other prepaid items. Prepayments are expenses paid in advance and recorded as asset before they are utilized. The prepaid insurance premiums, rent and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in the parent company statement of income when incurred.

Creditable Withholding Taxes (CWT)

CWTs are amounts withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source, subject to the rules on Philippine income taxation.

Investments and Deposits

The Parent Company’s investments and deposits in subsidiaries and associates are accounted for at cost less provision for impairment, if any. A subsidiary is an entity in which the Parent Company has control. Control is achieved when Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An associate is an entity in which the Parent Company has significant influence. Significant influence is the power to participate in the financial and operating decision of the investee but is not in control or in joint control of those policies.

The Parent Company recognizes income from its investments when its right to receive dividends is established.



Included under investments and deposits are the Parent Company's deposits for future stock subscriptions to its subsidiaries and associates. Such deposits represent nonrefundable advances to the subsidiaries and associates that will be settled by the exchange of a fixed number of the subsidiaries' and associates' equity instruments.

An assessment of the carrying value of investments and deposits are performed when there is an indication that the investments and deposits are impaired.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and impairment in value, if any.

The initial cost of property and equipment consists of the purchase price including import duties, borrowing cost (during the construction period) and other costs directly attributable to bringing the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to the parent company statement of income in the year the costs are incurred. In situations 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

Asset Type	Number of Years
Buildings and building improvements	20
Transportation equipment	5
Furniture, fixtures and office equipment	3-5
Leasehold improvements	5 or lease term with no renewal option, whichever is shorter

The useful lives and depreciation and amortization method are reviewed at each financial reporting date to ensure that the years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized. Leasehold improvements are amortized over the lease term or the economic life of the related asset, whichever is shorter.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the assets (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the parent company statement of income in the year the asset is derecognized.



Impairment of Non-financial Assets

Investments and deposits

The Parent Company determines whether it is necessary to recognize an impairment loss on its investments and deposits. The Parent Company determines at each financial reporting date whether there is any objective evidence that the investments and deposits are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable value, which is the value in use, and the carrying amount of investments and deposits and recognizes the amount of loss in the parent company statement of income. 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 estimated recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in the parent company statement of income.

Recoverable amount is estimated for the individual asset or, if this is not possible, for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in the parent company statement of income. However, the increased carrying amount of an asset due to reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset in prior years.

Property and equipment

At each financial reporting date, the Parent Company assesses whether there is any indication that its property and equipment may be impaired. When an indicator of impairment exists, the Parent Company makes a formal estimate of an asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) 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 assessment of the time value of money and the risks specific to the asset (or cash-generating unit). An impairment loss is recognized in the parent company statement of income in the year in which it arises.

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 Parent Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor 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 parent company statement of income.



Current versus Non-current Classification

The Parent Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as 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; 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 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 income tax assets and liabilities and net retirement assets and liabilities are classified as non-current assets and liabilities.

Provisions

Provisions are recognized when the Parent 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment 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 passage of time is recognized under the "Interest expense and financing charges" account in the parent company statement of income.

Contingencies

Contingent liabilities are not recognized in the parent company financial statements but are disclosed in the notes to the parent company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the notes to the parent company financial statements when an inflow of economic benefits is probable.

Retirement benefits

The Parent Company has a distinct, funded, non-contributory defined benefit retirement plan covering all permanent employees and administered by its retirement committee.

The Parent Company recognizes the net defined benefit liability or asset which 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 (if any), adjusted for any 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 retirement plan is determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as an expense or income in the parent company statement of income.

Re-measurements 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 the parent company statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. The fair value of plan assets is based on market price information and when no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payment Transactions

Certain employees (including senior executives) of the Parent Company, its subsidiaries, and FPH receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognized for equity-settled transactions at each financial reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of



the number of equity instruments that will ultimately vest. The charge or credit for a year represents the movement in cumulative expense recognized as of the beginning and end of that year.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense had the terms not been modified, if the original terms of the award are not met. An additional expense is recognized for any modification which increases the total fair value of the share-based payment transactions or which is otherwise beneficial to the employee as measured on the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of the Parent Company or the employees are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share attributable to the equity holders of the Parent Company (see Note 12).

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years 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 have been enacted or substantively enacted as at financial reporting date.

Deferred income tax

Deferred income tax is provided, using the balance sheet method, on all temporary differences at financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

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



Deferred income tax assets and liabilities are measured at the income tax rates that are applicable to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at financial reporting date.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates.

Current and deferred income tax relating to items recognized directly in equity is also recognized in parent company statement of changes in equity and not in the parent company statement of income. Deferred income tax relating to items recognized directly in other comprehensive income is recognized in parent company statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires 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. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting will commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. In cases where the Parent Company acts as a lessee, operating lease payments are recognized as expense in the parent company statement of income on a straight-line basis over the lease term.

Capital Stock, Stock Rights and Additional Paid-in Capital

Capital stock is measured at par value and is classified as equity for all stocks issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. The Parent Company's capital stock is classified as common and preferred stock. A preferred stock is an equity instrument that is usually preferred as to claims on the entity's assets, earnings, or both. A common stock is an equity instrument that is subordinate to all other classes of equity instruments.

Stock rights that are given pro-rata to all of the existing owners of the same class of the Parent Company's non-derivative equity instruments in order to acquire a fixed number of its own equity instruments for a fixed amount in any currency are classified as equity instrument.

When the stocks are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When stocks are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the stocks are issued to extinguish or to settle the liability of the Parent Company, such stocks shall be measured either at the fair value of the stocks issued or fair value of the liability settled, whichever is more reliably determinable.



Direct costs incurred related to the issuance of new capital stock, such as underwriting, accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from the proceeds.

Treasury Stocks

Acquired treasury stocks are accounted for at weighted average cost and shown as a deduction in the equity section of the parent company statement of financial position. Upon reissuance of treasury stocks, the "Cost of common and preferred stocks held in treasury" account is credited at cost. No gain or loss is recognized in the parent company statement of income on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments. The excess of proceeds from reissuance over the cost of treasury stock is credited to the "Additional paid-in capital" account. However, if the cost of treasury stocks exceeds the proceeds from reissuance, such excess is debited to the "Additional paid-in capital" account but only to the extent of previously set-up additional paid-in capital for the same class of stock. Otherwise, this is debited against the "Retained earnings" account.

Retained Earnings

The amount included in retained earnings includes profit or loss attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when these are declared by the Parent Company's BOD. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. The remeasurement gains and losses on retirement benefits are also included in the amount of retained earnings.

Retained earnings may also include the effect of changes in accounting policies as may be required by the standards' transitional provisions.

Dividends on Preferred and Common Stocks

The Parent Company may pay dividends in cash or by the issuance of shares of stock. Cash and property dividends are subject to the approval of the BOD, while stock dividends are subject to approval by the BOD, at least two-thirds of the outstanding capital stock of the shareholders at a shareholders' meeting called for such purpose, and by the Philippine SEC. The Parent Company may declare dividends only out of its unrestricted retained earnings.

Cash and property dividends on preferred and common stocks are recognized as liability and deducted from equity when declared. Stock dividends are treated as transfers from retained earnings to paid-in capital.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Parent Company and the amount of the revenue can be measured reliably. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Dividend income is recognized when the Parent Company's right to receive the payment is established.

Consultancy fee is recognized when services are rendered.

Interest income is recognized as the interest accrues (using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial



instrument to the net carrying amount of the financial asset), taking into account the effective yield on the asset.

Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily take a substantial period of time. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. All other borrowing costs are expensed in the year they occur and are recognized in the parent company statement of income in the period in which they are incurred.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded using the weighted average functional currency rate prevailing at transaction date. Monetary assets and liabilities denominated in foreign currencies are restated using the functional currency rate of exchange at financial reporting date. All differences are taken to the parent company statement of income. Nonmonetary items that are measured at historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the weighted average exchange rates at the date when the fair value was determined.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income (less cumulative preferred dividends, if any, whether declared or not) for the year attributable to common shareholders by the weighted average number of common stocks outstanding during the year, with retroactive adjustments for any stock dividends declared and stock split.

Diluted EPS is calculated in the same manner, adjusted for the effects of stocks to be issued to executives (officers and senior managers) and employees under the Parent Company's Executive Stock Option Plan (ESOP) and Employee Stock Purchase Plan (ESPP), respectively, which are assumed to be exercised at the date of grant.

Where the EPS effect of the stocks to be issued to executives and employees under the Parent Company's ESOP and ESPP would be anti-dilutive, the basic and diluted EPS are stated at the same amount.

As of December 31, 2017 and 2016, the Parent Company does not have any dilutive potential common stocks. Hence, diluted EPS is the same as basic EPS.

Segment Reporting

For purposes of management reporting, the Parent Company's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. The Parent Company's identified operating segments are consistent with the segments reported to the BOD which is the Parent Company's Chief Operating Decision Maker (CODM). Financial information on the operating segments is presented in Note 4.



Events After the Financial Reporting Date

Any event after the financial reporting date that provides additional information about the Parent Company's position at financial reporting date (adjusting event) is reflected in the parent company financial statements. Events after financial reporting date that are not adjusting events, if any, are disclosed in the notes to the parent company financial statements, when material.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its parent company financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Parent Company is currently assessing the potential effect of the amendments on its parent company financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. First Gen Group plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

The Parent Company is currently assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it



first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Parent Company since the Parent Company has no activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Parent Company is currently assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments are not applicable to the Parent Company since it has no investment entity associate or joint venture.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.



The amendments do not have impact on the Parent Company as it does not have investment properties.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Since the Parent Company's current practice is in line with the clarifications issued, the Parent Company does not expect any effect on its parent company financial statements upon adoption of this interpretation.

Effective beginning on 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. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments are not applicable to the Parent Company since it does not have any debt instruments with negative compensation prepayment features.

- 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*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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.



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.

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

Early application is permitted, but not before an entity applies PFRS 15. 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.

The Parent Company is currently assessing the impact of adopting PFRS 16.

- 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 using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Parent Company is currently assessing the impact of the amendments of the standard.

- 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.

The Parent Company is currently assessing the impact of adopting this interpretation.



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 postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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.

3. Significant Accounting Judgments and Estimates

The preparation of the parent company financial statements in accordance with PFRSs requires the Parent Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. However, future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable.

Judgments and estimates 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.

In the process of applying the Parent Company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognized in the parent company financial statements:

Judgments

a. Determination of functional currency

The Parent Company has determined that its functional currency is the U.S. dollar. The U.S. Dollar is the currency of the primary economic environment in which the Parent Company operates. Based on the Parent Company's evaluation, the U.S. dollar is the currency that mainly represents the economic substance of its underlying transactions, events and conditions.

b. Determination of Control over an Investee Company

Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority voting interest in the investee companies.

Parent Company's control over EDC

The Parent Company has indirect 40.0% economic interest in EDC through Prime Terracota and Red Vulcan. Prior to September 30, 2017, the Parent Company also directly and indirectly owned



1.98 billion common stocks in EDC, of which 986.34 million common stocks were held through its wholly-owned subsidiary, Northern Terracotta. The 1.98 billion common stocks were equivalent to a 10.6% economic interest in EDC. Following the successful tender offer conducted by Philippines Renewable Energy Holdings Corporation (“PREHC”), which was settled on September 29, 2017, to acquire up to 47.5% of EDC’s common stocks, the Parent Company and Northern Terracotta participated and sold 9.0% of their combined 10.6% economic stake in EDC.

After the tender offer, the Parent Company’s total economic stake in EDC is 41.6%, of which 40.0% is held through Red Vulcan while the remaining 1.6% is held directly through the Parent Company and Northern Terracotta. Moreover, the Parent Company holds a 61.1% voting interest in EDC post the tender offer, of which 60.0% is held through Red Vulcan. The Parent Company will continue to control and consolidate EDC given its controlling voting stake in EDC.

c. *Classification of financial instruments*

The Parent Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition 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 parent company statement of financial position (see Note 19).

d. *Operating lease*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Parent Company has determined that it has not acquired all the significant risks and rewards of ownership of leased property as the lease term does not represent substantially the full economic life in years of the asset and there is no purchase option at a significant discount available. Accordingly, the Parent Company accounts for the lease as operating lease. The Parent Company has a non-cancelable lease agreement with Rockwell Land Corporation (Rockwell), subsidiary of FPH, on its occupied office space that is determined to be a non-cancelable operating lease (see Note 14).

Estimates

a. *Impairment losses on due from related parties and consultancy fee receivables*

The Parent Company reviews its due from related parties and consultancy fee receivables at each financial reporting date to assess whether a provision for impairment should be recognized in the parent company statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

No impairment loss on due from related parties and consultancy fee receivables was recognized for the years ended December 31, 2017 and 2016. The carrying values of due from related parties and consultancy fee receivables amounted to \$53.8 million and \$46.2 million as of December 31, 2017 and 2016, respectively (see Notes 7, 14, 18 and 19).

b. *Impairment of non-financial assets*

Investments and deposits

The Parent Company performs impairment review on its investments and deposits whenever an impairment indication exists. This requires an estimation of the value in use of the subsidiaries and associates. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the subsidiaries and associates and to make use of a suitable discount rate to calculate the present value of those future cash flows.



No impairment loss on its investments and deposits was recognized in the parent company statements of income for the years ended December 31, 2017 and 2016.

The carrying values of investments and deposits as of December 31, 2017 and 2016 amounted to \$2,535.3 million and \$2,722.6 million, respectively (see Note 8).

Property and equipment

The Parent Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Parent Company considers important which could trigger an impairment review include the following:

- significant under-performance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Parent Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment loss on property and equipment was recognized in the parent company statements of income for the years ended December 31, 2017 and 2016. The carrying values of property and equipment amounted to \$0.8 million and \$1.0 million as of December 31, 2017 and 2016, respectively (see Note 9).

c. *Estimating useful lives of property and equipment*

The Parent Company estimated the useful lives of the property and equipment based on the years over which the property and equipment are expected to be available for use, and on the collective assessment of industry practices, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each financial reporting date and updated, if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits in the use of these assets. However, it is possible that future financial performance could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of recording the depreciation and amortization of property and equipment for any year may be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded depreciation and amortization and decrease the carrying value of property and equipment.

There is no change in the estimated useful lives of property and equipment during the year. The carrying values of property and equipment as of December 31, 2017 and 2016 amounted to \$0.8 million and \$1.0 million, respectively (see Note 9).

d. *Recognition of deferred income tax assets*

The carrying amounts of deferred income tax assets at each financial reporting date are reviewed and are reduced to the extent that there is no longer sufficient future taxable income available to allow all or part of the deferred income tax assets to be utilized. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences, carryforward



benefits of MCIT and NOLCO is based on the forecasted taxable income. This forecast is based on the Parent Company's past results and future expectations on revenue and expenses.

As of December 31, 2017 and 2016, the Parent Company recognized deferred income tax assets amounting to \$0.02 million and \$0.3 million, respectively. The Parent Company also has temporary differences, carryforward benefits of unused NOLCO and excess MCIT totaling to \$201.6 million and \$208.6 million as of December 31, 2017 and 2016, respectively, for which no deferred income tax assets were recognized (see Note 17).

e. *Retirement benefits*

The cost of defined benefit retirement plan is determined using the projected unit credit method of actuarial valuation. An actuarial valuation involves making assumptions. These include the determination of the discount rates, and future salary increases, mortality and disability rates and employee turnover rate. While the assumptions are reasonable and appropriate, significant differences in the Parent Company's actual experience or significant changes in the assumptions may materially affect the retirement benefit obligation. Due to the long-term nature of this plan, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at financial reporting date. The details of assumptions used in the calculation of the Parent Company's retirement benefits are presented in Note 16.

As of December 31, 2017 and 2016, the Parent Company recognized a net retirement benefits asset (shown as part of "Other noncurrent assets" account in the parent company statements of financial position) of \$0.02 million and \$0.6 million, respectively (see Note 16).

f. *Fair values of financial instruments*

The Parent Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Parent Company utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect the parent company statement of income and parent company statement of changes in equity.

Where the fair values of certain financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. Judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

The fair values of the Parent Company's financial instruments are presented in Note 19 to the parent company financial statements.



g. *Legal contingencies*

The Parent Company is involved in legal proceedings as discussed in Note 20 to the parent company financial statements. The Parent Company's estimate of probable costs for the assessment and resolution of the case has been developed in consultation with in-house and external counsels handling the defense of the case and is based upon thorough analysis of potential results.

The Parent Company, in consultation with its external counsels, believes that these proceedings will not have a material adverse effect on the parent company financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or the effectiveness of management's strategies relating to these proceedings.

4. **Operating Segment Information**

Operating segments are components of the Parent Company that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Parent Company's CODM to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available. For purposes of management reporting, the Parent Company's operating businesses are organized and managed separately on a per company basis, with each company representing a strategic business segment. The Parent Company's identified operating segments, which are consistent with the segments reported to the BOD, which is the CODM of the Parent Company, are as follows:

- First Gas Power Corporation (FGPC), which operates the 1,000 MW combined cycle, natural gas-fired Santa Rita power plant, and where the Parent Company now has a 100% equity interest;
- FGP Corp. (FGP), which operates the 500 MW combined cycle, natural gas-fired San Lorenzo power plant, and where the Parent Company now has a 100% equity interest;
- EDC and Subsidiaries, which holds service contracts with the DOE corresponding to 15 geothermal contract areas each granting EDC exclusive rights to explore, develop, and utilize the corresponding resources in the relevant contract area. EDC conducts commercial operations in four (4) out of its 15 geothermal contract areas. Likewise, EDC, owns the 150 MW Burgos Wind Power Plant (Burgos Wind) and the 6.82 MW Burgos Solar Power Plant Phase 1 and Phase 2 (Burgos Solar) both situated in Burgos, Ilocos Norte. Also, in 2017, EDC has started to generate electricity from 1,030 KW solar rooftop system in Iloilo through EDC Siklab. As of December 31, 2017 and 2016, the Parent Company has 100% direct voting interest in Prime Terracota, and has 41.6% and 50.6% effective economic interest in EDC, respectively;
- First Gen Hydro Power Corporation (FG Hydro), which operates the 132 MW Pantabangan and Masiway Hydro-Electric Power Plants (PAHEP/MAHEP), and where the Parent Company has a 40% direct economic interest as of December 31, 2017 and 2016, and 65.0% and 70.4% effective economic interest as of December 31, 2017 and 2016, respectively.



- First NatGas Power Corp. (FNPC), which owns and operates the approximately 420 MW natural gas-fired San Gabriel power plant, and where the Parent Company has a 100% equity interest. The San Gabriel power plant went into commercial operations in November 2016; and,
- Prime Meridian Powergen Corporation (Prime Meridian), which owns and operates the 97 MW Avion open-cycle natural gas-fired power plant (Avion power plant), and where the Parent Company has a 100% equity interest. The Avion power plant has been in commercial operations since September 2016.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and segment expenses are measured in accordance with PFRSs. The classification of segment revenue is consistent with the parent company statements of income. Segment expenses pertain to the costs and expenses presented in the parent company statements of income excluding interest expense and financing charges, depreciation and amortization expense and income taxes which are managed on a per company basis.

The Parent Company has only one geographical segment as all of its operating assets are located in the Philippines. The Parent Company operates and derives principally all of its revenue from domestic operations. Thus, geographical business information is not required.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Parent Company and that the revenue can be reliably measured. Substantially all of the segment revenues of FGP and FGPC are derived from Manila Electric Company, the sole customer of FGP and FGPC; while close to 37.8% of EDC's total revenues in 2017 are derived from existing long term Power Purchase Agreements with National Power Corporation (NPC).

Financial information on the business segments are summarized as follows:

	Year Ended December 31, 2017								Total
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	
Segment revenue	\$612,043	\$308,160	\$98,622	\$17,525	\$627,711	\$32,668	\$43,751	(\$1,572,252)	\$168,228
Segment expenses	(432,343)	(215,514)	(77,227)	(19,078)	(274,961)	(11,103)	(59,475)	1,076,874	(12,827)
Segment results	179,700	92,646	21,395	(1,553)	352,750	21,565	(15,724)	(495,378)	155,401
Interest income	2,654	4,044	68	27	5,304	150	3,249	(12,673)	2,823
Interest expense and financing charges	(33,649)	(13,233)	(10,474)	—	(81,018)	(1,007)	(41,080)	141,545	(38,916)
Depreciation and amortization	(38,380)	(22,943)	(17,961)	(2,178)	(120,764)	(6,689)	(2,885)	211,483	(317)
Other income (charges) - net	1,746	143	(500)	34	(1,796)	334	27,831	(40,672)	(12,880)
Income (loss) before income tax	112,071	60,657	(7,472)	(3,670)	154,476	14,353	(28,609)	(195,695)	106,111
Provision for income tax	(26,485)	(15,062)	(397)	(10)	(16,752)	(2,816)	(868)	62,264	(126)
Net income (loss)	\$85,586	\$45,595	(\$7,869)	(\$3,680)	\$137,724	\$11,537	(\$29,477)	(\$133,431)	\$105,985

* Pertains to EDC and subsidiaries' consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2017.

	Year Ended December 31, 2016								Total
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	
Segment revenue	\$535,141	\$291,536	\$6,595	\$1,550	\$675,637	\$48,350	\$14,490	(\$1,448,510)	\$124,789
Segment expenses	(355,765)	(196,090)	(11,415)	(3,797)	(277,947)	(10,260)	(31,001)	871,608	(14,667)
Segment results	179,376	95,446	(4,820)	(2,247)	397,690	38,090	(16,511)	(576,902)	110,122
Interest income	6,374	4,417	124	22	5,705	275	2,261	(17,193)	1,985
Interest expense and financing charges	(25,840)	(13,176)	(3,303)	(1)	(92,791)	(2,441)	(39,032)	133,959	(42,625)
Depreciation and amortization	(39,398)	(22,199)	(3,451)	(1,301)	(121,075)	(9,475)	(685)	197,262	(322)
Other income (charges) - net	2,612	(513)	43,921	4,064	15,021	(178)	(14,388)	(31,853)	18,686
Income (loss) before income tax	123,124	63,975	32,471	537	204,550	26,271	(68,355)	(294,727)	87,846
Provision for income tax	(35,476)	(17,800)	(15,016)	(1)	(27,294)	(7,059)	(542)	102,654	(534)
Net income (loss)	\$87,648	\$46,175	\$17,455	\$536	\$177,256	\$19,212	(\$68,897)	(\$192,073)	\$87,312

* Pertains to EDC and subsidiaries' consolidated statement of income, including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to transactions of the Parent Company's subsidiaries and associates for the year ended December 31, 2016.



Other financial information of the business segments are as follows:

	As of December 31, 2017								
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$541,869	\$260,977	\$30,197	\$17,466	\$515,715	\$19,690	\$20,422	(\$974,773)	\$431,563
Noncurrent assets	260,635	239,023	425,467	109,719	2,150,260	95,746	5,266,764	(6,011,116)	2,536,498
Total assets	\$802,504	\$500,000	\$455,664	\$127,185	\$2,665,975	\$115,436	\$5,287,186	(\$6,985,889)	\$2,968,061
Current liabilities	\$167,859	\$118,838	\$31,354	\$1,873	\$367,324	\$6,643	\$353,503	(\$481,447)	\$565,947
Noncurrent liabilities	403,941	247,114	171,324	36	1,188,509	23,335	478,906	(2,190,775)	322,390
Total liabilities	\$571,800	\$365,952	\$202,678	\$1,909	\$1,555,833	\$29,978	\$832,409	(\$2,672,222)	\$888,337

*Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2017.

	As of December 31, 2016								
	FGPC	FGP	FNPC	Prime Meridian	EDC & Subsidiaries*	FG Hydro	Others	Eliminating Entries**	Total
Current assets	\$330,031	\$293,136	\$71,365	\$29,651	\$490,465	\$16,965	\$142,493	(\$1,187,270)	\$186,836
Noncurrent assets	385,411	282,288	401,191	103,265	2,154,460	104,986	5,504,235	(6,211,403)	2,724,433
Total assets	\$715,442	\$575,424	\$472,556	\$132,916	\$2,644,925	\$121,951	\$5,646,728	(\$7,398,673)	\$2,911,269
Current liabilities	\$231,657	\$151,446	\$24,516	\$3,345	\$342,437	\$9,897	\$69,096	(\$598,461)	\$233,933
Noncurrent liabilities	212,363	294,618	187,179	33	1,280,462	41,245	701,050	(2,071,630)	645,320
Total liabilities	\$444,020	\$446,064	\$211,695	\$3,378	\$1,622,899	\$51,142	\$770,146	(2,670,091)	\$879,253

*Pertains to EDC and subsidiaries consolidated assets and liabilities including the effect of the purchase price allocation but excluding FG Hydro.

**Pertains to assets and liabilities of the Parent Company's subsidiaries and associates as of December 31, 2016.

5. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash in banks (see Notes 18 and 19)	\$31,815	\$22,670
Short-term deposits (see Notes 18 and 19)	333,261	106,681
	\$365,076	\$129,351

Cash and cash equivalents earn interest at the respective bank deposit rates ranging from 0.12% to 2.00% and 0.12% to 1.63% as of December 31, 2017 and 2016, respectively. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company, and earn interest at the respective short-term deposit rates.

For the years ended December 31, 2017 and 2016, total interest income earned from cash and cash equivalents amounted to \$2.8 million and \$2.0 million, respectively.

6. Financial Assets at FVPL

In 2015, the Parent Company entered into an Investment Management Agreement (IMA) with Banco De Oro (BDO) Unibank, Inc.

Among others, following are the significant provisions of the IMA:

- The Investment Manager shall administer and manage the fund as allowed and subject to the requirements of the Bangko Sentral ng Pilipinas, and in accordance with the written investment policy and guidelines mutually agreed upon and signed by Investment Manager and the Parent Company.



- The agreement is considered as an agency and not a trust agreement. The Parent Company, therefore, shall at all times retain legal title to the fund.
- The IMA does not guaranty a yield, return, or income on the investments or reinvestments made by the Investment Manager. Any loss or depreciation in the value of the assets of the fund shall be for the account of the Parent Company.

The Parent Company accounts for the entire investment as financial assets at FVPL. Mark-to-market losses on the securities amounting to \$0.02 million are presented under “Other income (charges)” in the Parent Company’s statements of income for the years ended December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the movements of the financial assets at FVPL account are as follows:

	2017	2016
Balance at beginning of year	\$2,049	\$8,555
Additions for the year	149,259	27,777
Redemptions for the year	(151,361)	(34,357)
Realized income for the year	209	188
Trustee fees	(13)	(10)
Foreign exchange adjustments	(105)	(86)
Mark-to-market loss on financial assets at FVPL	(17)	(18)
Balance at end of year	\$21	\$2,049

7. Other Current Assets

This account consists of:

	2017	2016
CWTs	\$8,848	\$7,820
Consultancy fee receivables [see Note 14(c)]	1,280	652
Dividends receivable [see Notes 8 and 14(a)]	1,402	–
Prepayments	260	260
Others	2,201	1,188
	\$13,991	\$9,920

Others include input VAT, receivables from employees, and other receivables.



8. Investments and Deposits

Subsidiaries

The following is a list of the companies on which the Parent Company has control:

	Percentage of Voting Interest	
	2017	2016
First Gen Renewables, Inc. (FGRI)	100	100
Unified Holdings Corporation (Unified)	100	100
AlliedGen Power Corp. (AlliedGen)	100	100
First Gen Luzon Power Corp. (FG Luzon)	100	100
First Gen Visayas Hydro Power Corporation (FG Visayas)	100	100
First Gen Mindanao Hydro Power Corporation (FG Mindanao)	100	100
First Gen Ecopower Solutions, Inc. (FG Ecopower) ¹	100	100
First Gen Energy Solutions Inc. (FGES)	100	100
First Gen Premier Energy Corp. (FG Premier)	100	100
First Gen Prime Energy Corporation (FG Prime)	100	100
First Gen Visayas Energy, Inc. (FG Visayas Energy)	100	100
FG Bukidnon Power Corporation (FG Bukidnon) ²	100	100
Northern Terracotta	100	100
Blue Vulcan Holdings Corporation (Blue Vulcan)	100	100
Prime Meridian ³	100	100
Gold silk Holdings Corporation ⁷	100	100
Dualcore Holdings Inc. ⁷	100	100
Onecore Holdings Inc. ⁷	100	100
FG Mindanao Renewables Corp. (FMRC) ⁸	100	100
FGen Northern Mindanao Holdings, Inc. (FNMHI) ⁸	100	100
FGen Tagoloan Hydro Corporation (FG Tagoloan) ⁹	100	100
FGen Tumalaong Hydro Corporation (FG Tumalaong) ⁹	100	100
FGen Puyo Hydro Corporation (FG Puyo) ¹⁰	100	100
FGen Bubunawan Hydro Corporation (FG Bubunawan) ¹⁰	100	100
FGen Cabadbaran Hydro Corporation (FG Cabadbaran) ¹⁰	100	100
First Gas Holdings Corporation (FGHC)	100	100
FGP ⁴	100	100
FNPC ⁵	100	100
FGPC ⁶	100	100
First Gas Pipeline Corporation (FG Pipeline) ⁶	100	100
FGLand Corporation (FG Land) ⁶	100	100
FGEN LNG Corporation (FGEN LNG) ¹¹	100	100
First Gen LNG Holdings Corporation (LNG Holdings)	100	100
First Gen Meridian Holdings, Inc. (FGEN Meridian)	100	100
FGen Power Ventures, Inc. (FGEN Power Ventures)	100	100
FGen Casecan Hydro Power Corp. (FGEN Casecan)	100	100
FGen Power Holdings, Inc. (Power Holdings)	100	100
FGen Prime Holdings, Inc. (Prime Holdings)	100	100
FGen Eco Solutions Holdings, Inc. (FGESHI)	100	100
FGen Liquefied Natural Gas Holdings, Inc. (Liquefied Holdings)	100	100
FGen Reliable Energy Holdings, Inc. (FG Reliable Energy)	100	100
FGen Power Solutions, Inc. (FG Power Solutions)	100	100
FGen Vibrant Blue Sky Holdings, Inc. (FGVBSHI)	100	100
FGen Aqua Power Holdings, Inc. (FG Aqua Power)	100	100

(Forward)



	Percentage of Voting Interest	
	2017	2016
FGen Natural Gas Supply, Inc. (FGen NatGas Supply) ^{13, 14}	100	100
FGen Power Operations, Inc. (FPOI) ¹⁵	100	100
FGen Fuel Line Systems, Inc. (FGen Fuel Line) ¹⁶	100	100
Prime Terracota Holdings Corp. (Prime Terracota)	100	100
FG Hydro ¹²	40	40
¹ Through FGESHI		
² Through FGRI		
³ Through FGEN Meridian		
⁴ 60% through Unified and 40% through Onecore		
⁵ Through AlliedGen		
⁶ Through FGHC		
⁷ Through Blue Vulcan		
⁸ Through FG Mindanao		
⁹ Through FMRC		
¹⁰ Through FNMHI		
¹¹ Through LNG Holdings		
¹² The Parent Company has 40% direct voting interest in FG Hydro while its effective economic interest is 65.0% through Prime Terracota as of December 31, 2017.		
¹³ Through Liquefied Holdings		
¹⁴ On May 15, 2015, FGen NatGas Supply was incorporated and registered with the Philippine SEC. FGen NatGas Supply is a wholly owned subsidiary of Liquefied Holdings.		
¹⁵ On July 21, 2015, FPOI was incorporated and registered with the Philippine SEC.		
¹⁶ On September 9, 2015, FGen Fuel Line was incorporated and registered with the Philippine SEC.		

All of the foregoing subsidiaries are incorporated in the Philippines.

As of December 31, 2017 and 2016, FG Luzon, FG Visayas, FG Mindanao, FG Ecopower, FG Premier, FG Prime, FG Visayas Energy, Northern Terracotta, FMRC, FNMHI, FG Tagoloan, FG Tumalaong, FG Puyo, FG Bubunawan, FG Cabadbaran, FG Pipeline, FG Land, FGEN LNG, LNG Holdings, FGen Northern Power, FGEN Power Ventures, FGEN Casecan, Power Holdings, Prime Holdings, FGESHI, Liquefied Holdings, FG Reliable Energy, FG Power Solutions, FGVBSHI, FG Aqua Power, FGen NatGas Supply, FPOI, and FGen Fuel Line have not started commercial operations.

As of December 31, 2017 and 2016, Prime Terracota's subsidiaries include the following companies:

	Percentage of Voting Interest	
	2017	2016
Red Vulcan Holdings Corporation (Red Vulcan)	100	100
EDC ¹	60	60
FG Hydro	60	60
EDC Drillco Corporation (EDC Drillco) ⁶	60	60
EDC Geothermal Corp. (EGC) ⁴	60	60
Green Core Geothermal Inc. (GCGI)	60	60
Bac-Man Geothermal Inc. (BGI)	60	60
Unified Leyte Geothermal Energy Inc. (ULGEI)	60	60
Southern Negros Geothermal, Inc. (SNGI) ³	60	60
Bac-Man Energy Development Corporation (BEDC) ³	60	60
EDC Wind Energy Holdings, Inc. (EWEHI) ⁴	60	60
EDC Burgos Wind Power Corporation (EBWPC)	60	60
EDC Pagudpud Wind Power Corporation (EPWPC) ³	60	60
EDC Bayog Burgos Wind Power Corporation (EBWPC) ³	60	60
EDC Pagali Burgos Wind Power Corporation (EPBWPC) ³	60	60
Matnog 1 Renewable Energy Corporation (M1REC) ³	60	60
Matnog 2 Renewable Energy Corporation (M2REC) ³	60	60
Matnog 3 Renewable Energy Corporation (M3REC) ³	60	60
Iloilo 1 Renewable Energy Corporation (I1REC) ³	60	60
Negros 1 Renewable Energy Corporation (N1REC) ³	60	60
EDC Bright Solar Energy Holdings, Inc. (EBSEHI) ⁴	60	60
EDC Siklab Power Corporation (EDC Siklab), formerly		
EDC Bago Solar Power Corporation (EBSPC) ⁵	60	60

(Forward)



	Percentage of Voting Interest	
	2017	2016
EDC Sinag Power Corporation (Sinag), formerly EDC Burgos Solar Corporation (EBSC) ³	60	60
EDC Sinag Iloilo Power Corporation (EDC Sinag Iloilo), formerly EMGI ^{3,5,7}	60	60
EDC Siklab Iloilo Power Corporation (Siklab Iloilo), formerly KGI ^{3,5,7}	60	60
EDC Clean Solar Visayas Power Corporation (ECSVPC), formerly MAREI ^{3,5,7}	60	60
EDC Chile Limitada ³	60	60
EDC Holdings International Limited (EHIL) ⁴	60	60
Energy Development Corporation Hong Kong International Investment Limited (EDC HKIIL) ³	60	60
Energy Development Corporation Hong Kong Limited (EDC HKL) ⁴	60	60
EDC Chile Holdings SPA ³	60	60
EDC Geotermica Chile ³	60	60
EDC Peru Holdings S.A.C. ³	60	60
EDC Geotermica Peru S.A.C. ³	60	60
Energy Development Corporation Peru S.A.C. ³	60	60
EDC Geotermica Del Sur S.A.C. ³	60	60
EDC Energia Azul S.A.C. ³	60	60
Geotermica Crucero Peru S.A.C. ³	60	42
EDC Energía Perú S.A.C. ³	60	60
Geotermica Tutupaca Norte Peru S.A.C. ³	60	42
EDC Energía Geotérmica S.A.C. ³	60	60
EDC Progreso Geotérmica Perú S.A.C. ³	60	60
Geotermica Loriscota Peru S.A.C. ³	60	42
EDC Energía Renovable Perú S.A.C. ³	60	60
EDC Soluciones Sostenibles Ltd	60	60
EDC Energia Verde Chile SpA	60	60
EDC Energia de la Tierra SpA	60	60
EDC Desarrollo Sostenible Ltd.	60	60
EDC Energia Verde Peru SAC	60	60
PT EDC Indonesia ³	57	57
PT EDC Panas Bumi Indonesia ³	57	57
EDC Wind Energy Holdings 2 Inc. (EWEHI2) ^{2,4}	60	—
Calaca Renewable Energy Corporation (CREC) ²	60	—
Burgos 3 Renewable Energy Corporation (BREC3) ²	60	—
Burgos 4 Renewable Energy Corporation (BREC4) ²	60	—

¹The Parent Company's economic interest in EDC is 41.6% as of December 31, 2017 and 50.6% as of December 31, 2016.

²Incorporated in 2017 and has not yet started commercial operations as of December 31, 2017.

³Incorporated in prior years and has not yet started commercial operations as of December 31, 2017.

⁴Serves as an investment holding company.

⁵Change corporate name in 2017.

⁶Dissolved in 2017.

⁷Became wholly owned subsidiaries of EBSEHI starting December 2016.

EDC Drillco is a company incorporated on September 28, 2009 to act as an independent service contractor, consultant, and specialized technical adviser for well construction and drilling, and other related activities. On August 4, 2017, the Philippine SEC approved the shortening of the term of its existence, thereby dissolving the corporation.

EGC was incorporated on April 9, 2008 to participate in the bid for another power plant. The bid was won by and awarded to another local entity. Thereafter, EGC became an investment holding company of EDC's wholly-owned subsidiaries, namely GCGI, BGI, ULGEI, SNGI, BEDC, EMGI, KGI, and MAREI. EGC also has a 0.01% stake in EDC Chile Limitada.

In December 2016, EGC sold all of its stocks in EMGI, KGI, and MAREI to EBSEHI. This sale transaction has no impact to the parent company financial statements, and these companies became wholly-owned subsidiaries of EBSEHI.



In 2017, EMGI, KGI and MAREI changed their corporate names to EDC Sinag Iloilo Power Corporation (Sinag Iloilo), EDC Siklab Iloilo Power Corporation (Siklab Iloilo) and EDC Clean Solar Visayas Power Corporation (ECSVPC), respectively.

Associates

	Percentage of Voting Interest	
	2017	2016
Bauang Private Power Corporation (BPPC) ¹	37	37
FGen Northern Power ²	40	40
First Gen Northern Energy Corp. (FGNEC) ³	—	33

¹First Private Power Corporation (FPPC) has 93.25% voting and economic interest in BPPC. By virtue of the merger, FPPC transferred its assets and liabilities at their carrying values to BPPC on December 15, 2010.

²On July 7, 2015, Conal subscribed to 37,500 common stocks of FGen Northern Power at par value of P1.00 per share. As result of the subscription, Conal now owns 60% economic and voting interest in FGen Northern Power while the Parent Company's interest was reduced from 100% to 40%. As a result, the Parent Company lost control of FGen Northern Power but retained significant influence.

³The equity transaction between Metro Pacific Investments Corporation, Ayala Corporation and the Parent Company in March 2010 has led to the deconsolidation of FGNEC since the Parent Company's interest in FGNEC has been reduced to 33% from 100%. On December 23, 2015, the Philippine SEC approved the amendment to the Articles of Incorporation which consists of an amendment to the Fourth Article of the Articles of Incorporation shortening the term of FGNEC's existence from "fifty (50) years from and after the date of issuance of the certificate of incorporation" to "until December 31, 2016", thereby dissolving the corporation.

The components of the Parent Company's investments and deposits as of December 31, 2017 and 2016 are as follows:

	2017	2016
Investments in shares of stock:		
Subsidiaries	\$2,501,834	\$2,703,245
Associates (net of accumulated provision for impairment loss)	220	220
	2,502,054	2,703,465
Deposits for future stock subscriptions	33,271	19,123
	\$2,535,325	\$2,722,588

Movements of investments in shares of stock are as follows:

	2017	2016
Acquisition cost of investments:		
Balance at beginning of year	\$2,707,231	\$2,461,502
Carrying value of EDC common stocks	(106,304)	—
Carrying value of Northern Terracotta redeemable preferred stocks	(95,107)	—
Conversion of deposits to investments	—	245,322
Conversion of advances to investments	—	407
	2,505,820	2,707,231
Less accumulated provision for impairment loss	3,766	3,766
Balance at end of year	\$2,502,054	\$2,703,465

As of December 31, 2017 and 2016, the accumulated provision for impairment loss pertains to the Parent Company's investment in BPPC.



Details of deposits for future stock subscriptions are as follows:

	2017	2016
LNG Holdings	\$21,489	\$7,341
FGESHI	11,782	11,782
	\$33,271	\$19,123

Movements of deposits for future stock subscriptions are as follows:

	2017	2016
Balance at beginning of year	\$19,123	\$158,387
Additions for the year	14,148	106,058
Conversion of deposits to investment	—	(245,322)
Balance at end of year	\$33,271	\$19,123

EDC

On August 3, 2017, the Parent Company entered into an Implementation Agreement with PREHC, Red Vulcan and Northern Terracotta. PREHC is a company incorporated in the Philippines.

Under the Implementation Agreement, PREHC will conduct a voluntary tender offer for a minimum of 6.6 billion common stocks and up to a maximum of 8.9 billion common stocks of EDC, representing approximately up to 31.7% of the total outstanding voting shares of EDC, from the shareholders of EDC at a price of ₱7.25 per share.

On September 29, 2017, Red Vulcan entered into a Shareholders' Agreement with Philippine Energy Markets B.V. (PEMBV), PREHC and EDC. PEMBV is a private company existing under the laws of the Netherlands and is the parent company of PREHC. The agreement sets out the agreement of the parties with respect to the management of EDC.

The Parent Company tendered to PREHC its 991.8 million common stocks of EDC, subject to scale-back provisions under applicable regulations. Following the implementation of the scale back announced by PREHC, the tendered shares are 842.9 million common stocks of EDC directly held by the Parent Company. The Parent Company received a total proceeds amounting to \$119.4 million (₱6,075.9 million) and recognized a gain on sale amounting to \$13.1 million (₱1,331.5 million), net of foreign exchange translation losses, presented under "Other income (charges)" in the Parent Company statements of income.

Northern Terracotta

On September 29, 2017, Northern Terracotta tendered to PREHC its 838.2 million common stocks of EDC and received a total proceeds amounting to \$120.1 million (₱6,045.6 million).

On October 30, 2017, Northern Terracotta redeemed a total of 4,100,000 redeemable preferred stocks with a par value of ₱100.0 per share from the Parent Company amounting to \$80.4 million (₱4,100.0 million). The Parent Company recognized foreign exchange losses due to currency translation from the return of investment amounting to \$14.7 million presented under "Other income (charges)" in the parent company statements of income.

The Parent Company received cash dividends from Northern Terracotta amounting to \$37.3 million (₱1,900.0 million) and nil for the years ended December 31, 2017 and 2016, respectively (see Note 14).



FGESHI

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$1.7 million, respectively, to FGESHI for conversion to a fixed number of stocks.

LNG Holdings

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to \$14.1 million and \$4.4 million, respectively, to LNG Holdings for conversion to a fixed number of stocks.

AlliedGen

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$67.4 million, respectively, to AlliedGen for conversion to a fixed number of stocks.

On November 11, 2016, the BOD of AlliedGen approved the increase in the authorized capital stock from ₱900.0 million to ₱1,950.0 million divided into 1,500,000 common stocks with a par value of ₱100.0 per share and 18,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of AlliedGen. On the same date, the Philippine SEC approved the subscription of the Parent Company to 480,000 common stocks with a par value ₱100.0 per share and 7,335,758 preferred stocks with a par value of ₱100.0 per share, and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$171.3 million (₱7,815.8 million).

FGEN Meridian

In 2017 and 2016, the Parent Company made deposits for future stock subscriptions amounting to nil and \$32.6 million, respectively, to FGEN Meridian for conversion to a fixed number of stocks.

On October 14, 2016, the BOD of FGEN Meridian approved the increase in the authorized capital stock from ₱550.0 million to ₱1,050.0 million divided into 50,000,000 common stocks with a par value of ₱1.0 per share and 10,000,000 preferred stocks with a par value of ₱100.0 per share.

On December 29, 2016, the Philippine SEC approved the increase in the authorized capital stock of FGEN Meridian. On the same date, the Philippine SEC approved the subscription of the Parent Company to 3,390,767 preferred stocks with a par value of ₱100.0 per share and the subscription was paid through the conversion of the Parent Company's outstanding deposits for future stocks subscriptions amounting to \$74.0 million (₱3,390.8 million).

FGES

On December 29, 2016, the Parent Company and FGES executed a Deed of Assignment for the conversion of its Advances amounting to \$0.4 million (₱20.0 million) for the issuance of 20,000,000 FGES' common stocks at par value of ₱1.00 a share.

As of December 31, 2017, the Parent Company has a dividend receivable from FGES amounting to \$1.4 million (₱70.0 million) arising from the dividends declared by FGES in 2017, which is shown as "Dividend income" in the parent company statements of income (see Note 8).

FG Hydro

In 2017 and 2016, FG Hydro declared and paid cash dividends to its common shareholders amounting to nil and \$17.7 million (₱857.0 million), respectively. The Parent Company received cash dividends from FG Hydro amounting to nil and \$7.1 million (₱342.8 million) for the years ended December 31, 2017 and 2016, respectively.



BPPC/FPPC

FPPC has a 93.25% voting and economic interest in BPPC. BPPC assumed the rights and obligation of FPPC under Project Agreement signed by FPPC with NPC, granting FPPC the right to build and operate a bunker-fired diesel power plant.

BPPC then undertook the construction and operation of the 225 MW bunker-fired diesel generator power plant (power plant) in Bo. Payocpoc Sur, Bauang, La Union and turned over the power plant to NPC on July 26, 2010 to mark the end of the 15-year Cooperation Period under the Project Agreement.

On October 14, 2010, the BOD and stockholders of BPPC and FPPC approved the Plan of Merger where FPPC shall be merged into and be part of BPPC, and its separate corporate existence shall cease by operation of law. Subsequently, on December 13, 2010, the Philippine SEC approved the Certificate of Filing of the Articles and Plan of Merger. On December 15, 2010, the effective date of the Merger, FPPC transferred its assets and liabilities at their carrying values to BPPC.

Pursuant to the Articles of Merger, BPPC issued common stock to holders of FPPC common stock upon the surrender and cancellation of common stock of FPPC. The merger was accounted for in accordance with the pooling of interest method where the identifiable assets acquired and liabilities assumed from FPPC are recognized at their carrying values and accounted for prospectively.

As of December 31, 2017 and 2016, the investment in BPPC amounted to \$0.2 million, net of provision for impairment loss.

FGNEC

On July 22, 2015, the BOD and the Stockholders of FGNEC approved a resolution to amend FGNEC's articles of incorporation shortening the term of the FGNEC's existence from 50 years from and after the date of issuance of the certificate of incorporation to "until December 31, 2016." On December 23, 2015, the Philippine SEC approved the term for which FGNEC is to exist until December 31, 2016.

9. Property and Equipment

	2017				
	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	\$340	\$1,267	\$1,374	\$341	\$3,322
Additions	—	150	89	—	239
Disposals	—	(602)	—	—	(602)
Balance at end of year	340	815	1,463	341	2,959
Accumulated Depreciation and Amortization					
Balance at beginning of year	172	797	1,213	177	2,359
Depreciation and amortization (see Note 15)	16	146	108	47	317
Disposals	—	(566)	—	—	(566)
Balance at end of year	188	377	1,321	224	2,110
Net Book Value	\$152	\$438	\$142	\$117	\$849



	2016				
	Buildings and Improvements	Transportation Equipment	Furniture, Fixtures and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at beginning of year	\$340	\$1,075	\$1,294	\$276	\$2,985
Additions	—	257	81	65	403
Disposals	—	(65)	(1)	—	(66)
Balance at end of year	340	1,267	1,374	341	3,322
Accumulated Depreciation and Amortization					
Balance at beginning of year	155	704	1,077	153	2,089
Depreciation and amortization (see Note 15)	17	144	137	24	322
Disposals	—	(51)	(1)	—	(52)
Balance at end of year	172	797	1,213	177	2,359
Net Book Value	\$168	\$470	\$161	\$164	\$963

No borrowing costs were capitalized for the years ended December 31, 2017 and 2016.

10. Accounts Payable and Accrued Expenses

This account consists of:

	2017	2016
Accounts payable	\$334	\$701
Accrued interest and financing costs (see Note 11)	3,737	7,060
Others	2,515	2,803
	\$6,586	\$10,564

Accounts payable are noninterest-bearing and are normally settled on 30 to 60-day payment terms.

Accrued interest and financing costs, and other payables are normally settled semi-annually throughout the year.

Others include withholding taxes payable, output value-added tax (VAT), and other payables to government agencies.

11. Long-term Debts

This account consists of long-term debts as follows:

	2017	2016
\$300.0M Notes	\$91,000	\$297,353
\$200.0M Term Facility	187,003	192,790
Total	278,003	490,143
Less current portion	19,794	5,787
Noncurrent portion	\$258,209	\$484,356



\$300.0 Million Notes

On October 9, 2013, the Parent Company issued \$250.0 million U.S. Dollar denominated Senior Unsecured Notes (the “Notes”) due on October 9, 2023 at the rate of 6.50% per annum, payable semi-annually in arrears on April 9 and October 9 of each year. On October 31, 2013, additional Notes of \$50.0 million were issued and consolidated to form a single series with the Notes. The \$50.0 million Notes are identical in all respects to the original Notes, other than with respect to the date of issuance and issue price. The Notes are issued in registered form in amounts of \$200,000 and integral multiples of \$1,000 in excess thereof. The Notes are represented by a permanent global certificate (“Global Certificate”) in fully registered form that has been deposited with the custodian for and registered in the name of a nominee for a common depositary for Euroclear bank SA/NV and Clearstream Banking, *societe anonyme*. The Notes are listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The Parent Company may, at its option, redeem all, (but not part) of the Notes at any time at par, plus accrued interest, in the event of certain tax changes. Upon the occurrence of a Change of Control, the Noteholders shall have the right, at its option, to require the Parent Company to repurchase all, (but not part) of the outstanding Notes at a redemption price equal to 101.0% of the principal amount plus accrued and unpaid interest, no earlier than 30 days and no later than 60 days following notice given to Noteholders of a Change of Control. The Parent Company may at any time and from time to time prior to October 9, 2018 redeem all or a portion of the Notes at a redemption price equal to 100.0% of the principal amount of the Notes redeemed, plus the Applicable Premium, accrued and unpaid interest, if any, to (but not including) the date of redemption. In addition, at any time prior to October 9, 2018, the Parent Company may on any one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price equal to 106.5% of the principal amount of notes redeemed plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. Finally, at any time and from time to time after October 9, 2018, the Parent Company may on any one or more occasions redeem all or a part of the Notes at a specified redemption price (expressed in percentages of the principal amount) plus accrued and unpaid interest, if any, to (but not including) the date of redemption.

On October 13, 2017, the Parent Company bought back \$58.3 million Notes from the market with applicable premium. Total settlement, including premium and accrued interest, amounted to \$62.7 million. Loss on extinguishment amounting to \$4.4 million is presented under “Other income (charges)” in the parent company statement of income. The Notes were subsequently cancelled thereafter.

On November 8, 2017, the Parent Company sent Notice of Redemption to Noteholders stating that the Parent Company intends to redeem the Notes in the aggregate principal amount of \$150.0 million on December 15, 2017 at a certain Redemption Price based on a formula stated in the Trust Deed. In the Final Notice of Redemption, the Parent Company informed the Noteholders that the Applicable Premium as of Redemption Date is at 6.684% of the face value. Loss on extinguishment amounting to \$10.0 million is presented under “Other income (charges)” in the parent company statement of income.

As a result of the foregoing, a total of \$208.3 million of the Notes have been bought back and redeemed. As of December 31, 2017, \$91.7 million of the Notes remain outstanding.

The Notes are direct, unconditional and unsecured obligations of the Parent Company, ranking *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Parent Company, but in the event of insolvency, only to the extent permitted by applicable laws relating to creditors’ right. As of December 31, 2017 and 2016, the Parent Company is in compliance with the terms of the Notes.



The movements of the unamortized debt issuance costs account as of December 31, 2017 and 2016 are as follows:

	2017	2016
Balances at beginning of year	\$2,647	\$2,947
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 15)	(291)	(300)
Unamortized debt issuance costs charged to “Interest expense and financing charges” account (see Note 15)	(1,666)	—
Balances at end of year	\$690	\$2,647

\$200.0 Million Term Facility

On September 22, 2015, the Parent Company signed an unsecured \$200.0 million Term Loan Agreement with BDO as Lender and BDO Capital as Arranger. The proceeds are intended to be used to repay invest in and/or finance the Parent Company’s subsidiaries to enable the latter to fund capital expenditures for the 420 MW San Gabriel natural gas-fired power plant and other projects and fund other general corporate requirements. On September 29, 2015, the Parent Company fully availed the term loan of \$200.0 million that will fully mature in September 2025.

The interest rate of the loan is computed semi-annually, every September and March, using fixed interest rates of: (i) 4.90% per annum from drawdown date to the March 31, 2016 (repricing date) and (ii) 5.09% per annum each successive six months from Repricing Date to maturity date.

In addition, the facility imposes standard loan covenants on the Parent Company and requires the Parent Company to maintain a debt service coverage ratio of at least 1.2:1 and a debt-to-equity ratio of at most 2.5:1. The obligations of the Parent Company under this Term Loan Agreement are unsecured. As of December 31, 2017 and 2016, the Parent Company is in compliance with the terms of the Term Loan Agreement.

The movements of the unamortized debt issuance costs account as of December 31, 2017 and 2016 are as follows:

	2017	2016
Balances at beginning of year	\$1,210	\$1,513
Accretion during the year charged to the “Interest expense and financing charges” account (see Note 15)	(213)	(303)
Balances at end of year	\$997	\$1,210



12. Equity

a. Capital Stock

Details and movements of the Parent Company's capital stock are as follows:

	Number of Shares	
	2017	2016
Redeemable preferred stock (Series "B") - ₱0.50 par value		
Authorized	1,000,000,000	1,000,000,000
Issued and outstanding	1,000,000,000	1,000,000,000
Redeemable preferred stock (Series "E") - ₱0.50 par value		
Authorized	1,500,000,000	1,500,000,000
Issued and outstanding	468,553,892	468,553,892
Redeemable preferred stock (Series "F") - ₱10.00 par value		
Authorized	100,000,000	100,000,000
Issued	100,000,000	100,000,000
Outstanding		
Balance at beginning of year	63,624,990	63,635,000
Redemptions	(422,830)	(10,010)
Balance at end of year	63,202,160	63,624,990
Redeemable preferred stock (Series "G") - ₱10.00 par value		
Authorized	135,000,000	135,000,000
Issued	133,750,000	133,750,000
Outstanding		
Balance at beginning of year	128,723,720	133,750,000
Redemptions	(1,868,200)	(5,026,280)
Balance at end of year	126,855,520	128,723,720
Common stock - ₱1 par value		
Authorized	5,000,000,000	5,000,000,000
Issued and outstanding	3,660,943,557	3,660,943,557

As of December 31, 2017, the Parent Company's redeemable preferred stock consists of the following:

- The Series "B" preferred stocks have voting rights, entitled to cumulative dividends of two centavos (₱0.02) a share and redeemable at the option of the Parent Company.
- The Series "E" preferred stocks have voting rights, entitled to receive dividends at one centavo (₱0.01) a share and redeemable at the option of the Parent Company.
- The Series "F" preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 8.0% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company.



- The Series “G” preferred stocks have non-voting rights except in the cases provided by law, issue value of one hundred pesos (₱100) a share, dividend rate of 7.7808% on the issue price, entitled to receive cumulative dividends, and redeemable at the option of the Parent Company.

Preferred stocks, regardless of series, are non-participating and non-convertible to common stocks.

On May 16, 2012, the BOD of the Parent Company approved the extension of the two-year share buyback program which was previously approved by the BOD of the Parent Company on May 12, 2010 covering up to 300.0 million of the Parent Company’s common stocks representing approximately 9% of the Parent Company’s total outstanding common stocks. The number of shares and buyback period are subject to revision from time to time as circumstances may warrant, subject to the proper disclosures to regulatory agencies, by the BOD of the Parent Company. The Parent Company will undertake a buyback transaction only if and to the extent that the price per share is deemed extremely undervalued, if share prices are considered highly volatile, or in any other instance where the Parent Company believes that a buyback will result in enhancing shareholder value. On May 12, 2014, the stockholders and the BOD of the Parent Company approved the extension of the buyback program for another two years from June 1, 2014 to May 31, 2016 under the same terms and conditions as the original share buyback program. There are no stocks purchased under the program from May 16, 2012 to May 31, 2016.

During the May 12, 2014 Annual Stockholders’ Meeting, the stockholders and the BOD of the Parent Company approved a two-year buyback program covering the repurchase of up to ₱5.0 billion worth of Series “F” and “G” redeemable preferred stocks from the open market. The two-year period commenced on June 1, 2014 and ended on May 31, 2016. Under the Series “F” and “G” redeemable preferred stocks buy-back program, the maximum amount of the shares and buyback period will be subject to revision by the BOD from time to time as circumstances warrant, subject to proper disclosures to regulatory agencies. The program will not involve active and widespread solicitation from shareholders in general, and not adversely affect the Parent Company’s prospective and existing development projects. The program will be executed in open market through the trading facilities of the PSE and be implemented under the supervision of the Parent Company’s Chief Executive Officer, President, and Chief Finance Officer. On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series “F” redeemable preferred stocks at an issue price of ₱110.0 per share. The transaction was made pursuant to a two-year buyback program approved by the stockholders and BOD on May 12, 2014.

On May 11, 2016, the BOD of the Parent Company approved during its Organizational board meeting the two-year extension of the buy-back programs from June 1, 2016 to May 31, 2018. The two-year extension covers the: (i) common stock buy-back program covering up to 300.0 million of the Parent Company’s common stocks; and (ii) Series “F” and “G” Preferred Shares buyback program covering up to ₱10.0 billion worth of said redeemable preferred stocks. In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series “F” and Series “G” redeemable preferred stocks, respectively. Total payments for the buyback of the Series “F” and Series “G” redeemable preferred stocks amounted to ₱1.1 million (\$0.02 million) and ₱598.8 million (\$12.2 million). In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series “F” and Series “G” redeemable preferred stocks, respectively. Total payments for the buyback of the Series “F” and Series “G” redeemable preferred stocks amounted to ₱45.8 million (\$0.9 million) and ₱211.7 million (\$4.2 million), respectively.

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks for ₱90.5 million (\$1.8 million).



On January 20, 2015, the Parent Company authorized the issuance and sale of an aggregate of 297,029,800 common stocks to be taken from its unissued capital stock and treasury stock at an identical issue price of ₱25.25 per share (the “Offer Price”). The price represents a 2.9% discount to the last traded price of ₱26.00 per share. The placement was conducted via an accelerated bookbuilding process (see Note 1).

On March 12, 2015 and May 13, 2015, the BOD and the stockholders of the Parent Company approved the following amendments/matters to Article Seventh of the Parent Company’s Amended Articles of Incorporation:

- to create 160 million Series “H” preferred stocks with a par value of ₱10.0 per share with the following features: issue value and dividend rate to be determined by the BOD at the time of issuance, entitled to cumulative dividends, non-voting, non-participating, redeemable at option of the Parent Company and in the event of liquidation, dissolution, distribution of assets or winding-up of the Parent Company shall be entitled to be paid at their issue value plus any accrued and unpaid dividends thereon;
- to increase the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million; and,
- to file the corresponding amendments to Article Seventh of the Parent Company’s Amended Articles of Incorporation to reflect the above items.

On March 15, 2018, the BOD of the Parent Company approved the amendment to Article Seventh of the Parent Company’s Amended Articles of Incorporation to increase the authorized capital stock from ₱8,600.0 million to ₱11,600.0 million by way of creating 300.0 million Series “H” preferred stocks with a par value of ₱10.0 a share. This amends the March 12, 2015 resolution of the BOD increasing the authorized capital stock from ₱8,600.0 million to ₱10,200.0 million by creation of 160.0 million Series “H” preferred stocks.

b. Deposits for future stock subscriptions

On October 30, 2015, FPH made a deposit for future stock subscriptions amounting to \$2.1 million (₱100.0 million) for the subscription of Series “H” preferred stocks of the Parent Company. The deposits were recorded as part of “Accounts payable and accrued expenses” as of December 31, 2015. In 2016, the Parent Company reclassified the balance to “Deposits for future stock subscriptions” account upon its application for an increase in authorized capital stock to create the Series “H” preferred stocks.

c. Retained Earnings

Following are the dividends declared and paid by the Parent Company in 2017 and 2016:

2017

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series “B” Preferred	Regular	₱0.02	\$389	₱20,000
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series “E” Preferred	Regular	0.01	91	4,686
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series “F” Preferred	Regular	4.00	4,920	252,809
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series “G” Preferred	Regular	3.8904	8,563	440,026
Nov. 24, 2017	Jan. 2, 2018	Jan. 25, 2018	Series “G” Preferred*	Regular	0.38904	104	5,349
Sept. 26, 2017	Oct. 10, 2017	Oct. 30, 2017	Common	Regular	0.35	25,170	1,281,330
June 15, 2017	June 29, 2017	July 25, 2017	Series “F” Preferred	Regular	4.00	5,071	252,809
June 15, 2017	June 29, 2017	July 25, 2017	Series “G” Preferred	Regular	3.8904	8,827	440,026
June 15, 2017	June 29, 2017	July 25, 2017	Series “G” Preferred*	Regular	0.38904	107	5,349
						\$53,242	₱2,702,384

*Pertains to the 13,750,000 Series “G” preferred stocks issued to FPH by way of private placement.



2016

Declaration date	Record date	Payment date	Shareholders	Description	Dividend per share	Total amount (in USD)	Total amount (in PHP)
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "B" Preferred	Regular	₱0.02	\$406	₱20,000
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "E" Preferred	Regular	0.01	95	4,686
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "F" Preferred	Regular	4.00	5,171	254,500
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred	Regular	3.8904	9,088	447,294
Nov. 28, 2016	Dec. 29, 2016	Jan. 25, 2017	Series "G" Preferred*	Regular	0.38904	109	5,349
Sep. 14, 2016	Sep. 28, 2016	Oct. 14, 2016	Common	Regular	0.35	27,463	1,281,330
June 15, 2016	June 29, 2016	July 25, 2016	Series "F" Preferred	Regular	4.00	5,439	254,540
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred	Regular	3.8904	9,977	466,848
June 15, 2016	June 29, 2016	July 25, 2016	Series "G" Preferred*	Regular	0.38904	114	5,349
						\$57,862	₱2,739,896

*Pertains to the 13,750,000 Series "G" preferred stocks issued to FPH by way of private placement.

As of December 31, 2017 and 2016, total unpaid cash dividends on preferred stocks amounting to \$14.5 million (₱722.9 million) and \$14.7 million (₱731.8 million), respectively, are presented as "Dividends payable" in the parent company statements of financial position.

The retained earnings balance is restricted to the extent of acquisition price of the treasury stocks amounting to \$103.0 million and \$97.8 million as of December 31, 2017 and 2016, respectively.

d. Treasury Stocks

On October 6, 2015, the Parent Company purchased from the open market 36,365,000 Series "F" redeemable preferred stocks at a market price of ₱110.00 per share. The transaction was made pursuant to a two-year buyback program approved by the BOD on May 12, 2014. Total payments for the buyback of the Series "F" redeemable preferred stocks amounted to \$85.6 million (₱4.0 billion) [see Note 1].

In 2016, the Parent Company purchased from the open market 10,010 and 5,026,280 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to \$0.02 million (₱1.1 million) and \$12.2 million (₱598.8 million), respectively.

In 2017, the Parent Company purchased from the open market 422,830 and 1,868,200 Series "F" and Series "G" redeemable preferred stocks, respectively. Total payments for the buyback of the Series "F" and Series "G" redeemable preferred stocks amounted to \$0.9 million (₱45.8 million) and \$4.2 million (₱211.7 million), respectively.

As of December 31, 2017 and 2016, the Parent Company has total Series "F" and Series "G" redeemable preferred stocks held in treasury amounting to \$103.0 million and \$97.8 million, respectively.

In 2018, the Parent Company purchased from the open market 6,091,200 common stocks amounting to \$1.8 million (₱90.5 million).



e. Basic and Diluted EPS

The basic/diluted earnings per share amounts were computed as follows:

	2017	2016
	<i>(In Thousands, Except Number of Shares and Per Share Data)</i>	
Net income attributable to equity holders of the Parent Company	\$105,985	\$87,312
Less dividends on preferred stocks	28,072	30,399
(a) Net income attributable to common stockholders of the Parent Company	77,913	56,913
(b) Weighted average number of common stocks outstanding	3,660,943,557	3,660,943,557
Basic/diluted earnings per share (a/b)	\$0.02	\$0.02

The Parent Company does not have any dilutive potential common stocks as at December 31, 2017 and 2016.

13. Share-based Payment Plans

Employee Stock Option Plan (ESOP)

Under the Parent Company's ESOP which was approved by the BOD in July 2002, there was only one option grant which was dated July 1, 2003. Options awarded pursuant to this option grant are no longer exercisable following the Option Expiration Date of July 1, 2013. There is no ESOP currently in place.

Employee Stock Purchase Plan (ESPP)

In accordance with the provisions of the ESPP, the plan expired on April 15, 2015, or ten (10) years from the plan's adoption date of April 15, 2005. No award or issuance of shares has been granted to any employee under the plan, and no ESPP is currently in place.

14. Related Party Transactions

Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors and stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.



The following are the significant transactions with related parties:

- a. The Parent Company received cash dividends from its subsidiaries totaling to \$159.0 million and \$116.3 million for the years ended December 31, 2017 and 2016, respectively, which are shown as “Dividend income” in the parent company statements of income. Such dividends were declared by the following subsidiaries:

	2017	2016
FGHC	\$79,598	\$48,794
Northern Terracotta	37,261	—
Unified	23,400	20,538
BVHC	15,809	34,114
FG Hydro	—	7,087
Others	2,936	5,775
	\$159,004	\$116,308

As of December 31, 2017, the Parent Company has a dividend receivable from FGES amounting to \$1.4 million (₱70.0 million) arising from the dividends declared by FGES in 2017, which is shown as “Dividend income” in the parent company statements of income (see Note 8).

- b. The details of the Parent Company’s “Advances from subsidiaries” are as follows:

Advances from FGPC

In November 2008, a portion of the proceeds of the loan availed by FGPC from a consortium of nine foreign banks amounting to \$154.9 million was upstreamed to the Parent Company. Such advances from FGPC were subject to an interest rate of 175 basis points over the average of the rate for the six months U.S. dollar deposits quoted by three reputable banks in the Philippines, provided however, that such interest rate shall in no case exceed 5.8%.

On June 28, 2017, the Parent Company fully paid the advances from FGPC amounting to \$82.3 million, including accrued interest.

As of December 31, 2017 and 2016, advances from FGPC including accrued interest amounted to nil and \$81.3 million, respectively, are recorded under the “Advances from subsidiaries” account in the parent company statements of financial position.

Advances from FGP

On November 5, 2012, a portion of proceeds of the loan availed by FGP from a facility with seven local banks amounting to \$195.6 million was upstreamed to the Parent Company by issuance of a promissory note. Such advances from a subsidiary are subject to a fixed interest rate of 2.5%. As of December 31, 2017 and 2016, the advances from FGP including accrued interest amounted to \$140.2 million and \$136.8 million, respectively, are recorded under the “Advances from subsidiaries” account in the parent company statements of financial position.

- c. The Parent Company is engaged as EDC’s consultant to render services pertaining to financial, business development and other matters under a Consultancy Agreement. On March 8, 2015, the Parent Company and EDC agreed to extend the Consultancy Agreement for a period of 24 months, from January 1, 2015 to December 31, 2016, for a monthly fee of \$0.6 million (₱28.4 million, net of withholding taxes plus VAT). On November 23, 2016, the Consultancy Agreement was further extended for another 24 months, from January 1, 2017 to



December 31, 2018, for a monthly fee of \$0.6 million (₱28.0 million, net of withholding taxes plus VAT).

Consultancy fees amounted to \$7.9 million and \$8.5 million for the years ended December 31, 2017 and 2016, respectively. The Parent Company has outstanding receivables from EDC related to the foregoing amounting to \$1.3 million and \$0.7 million as of December 31, 2017 and 2016, respectively, and is included in the “Other current assets” account in the parent company statements of financial position (see Note 7).

- d. Except for the U.S. dollar-denominated advances from/to subsidiaries, all other advances to and from related parties represent noninterest-bearing U.S. dollar and Philippine peso-denominated emergency loans to meet working capital and investment requirements of the Parent Company. Such advances to and from related parties are payable on demand.
- e. The Parent Company leases from Rockwell its office premises where its new principal office is located. Total rent expense included under “Rent” in the “General and administrative expenses” account in the parent company statements of income amounted to \$0.06 million in 2017 and 2016 (see Note 15). As of December 31, 2017, future minimum rental payments under the non-cancellable operating lease with Rockwell amounted to \$0.07 million within one year and \$0.1 million a year after but not more than five years.
- f. On September 1, 2016, the Parent Company entered into a Project Development and Technical Consultancy Services Agreement (the Agreement) with FNPC and Prime Meridian relating to the development, construction and completion of the 420 MW San Gabriel and the 97 MW Avion power plants (collectively referred to as the “Projects” or “Power Plants”). Under the Agreement, the Parent Company shall render engineering and environmental studies, consultation, procurement of licenses and permits for, supervision of site planning and preparation for construction, engineering, and construction management of the Projects.

The above services shall commence during the period of development and construction of the power plant up to its full completion, unless sooner terminated or otherwise extended as may be agreed by the parties.

The commissioning of the San Gabriel and Avion Power Plants were completed in November 2016 and September 2016, respectively. FNPC and Prime Meridian paid the Parent Company a fixed fee amounting to \$15.0 million and \$5.0 million (net of VAT), respectively, and presented under “Other income (charges)” account in the parent company statement of income in 2016.

g. Intercompany Guarantees

During the February 26, 2014 meeting, the BOD of the Parent Company approved the confirmation, ratification and approval of the authority of the Parent Company, pursuant to Clause (i) of the Second Article of the Parent Company’s Amended Articles of Incorporation, to act as a guarantor or co-obligor or assume any obligation of any person, corporation or entity in which the Corporation may have an interest, directly or indirectly, including but not limited to FNPC, which is the operating company of the 420 MW San Gabriel power plant and Prime Meridian, which is the operating company of the 97 MW Avion power plant, under such terms and conditions as the Parent Company’s duly authorized representatives may deem necessary, proper or convenient in the best interests of the Parent Company and its relevant subsidiary. On May 12, 2014, the stockholders of the Parent Company ratified and confirmed such authority.



On July 10, 2014, the Parent Company signed a Guarantee and Indemnity Agreement with KfW-IPEX, guaranteeing FNPC's punctual performance on all its payment obligations under the Export Credit Facility loan agreement.

As of December 31, 2017 and 2016, the Parent Company issued guarantees totaling to nil and \$8.0 million, respectively, in favor of the Board of Investments (BOI), to guarantee the payment of customs duties waived in the event that FNPC and/or Prime Meridian does not comply with the terms and conditions of their respective Certificates of Authority specifically on the installation and permanent use of imported capital equipment, spare parts and accessories that were installed in the San Gabriel and Avion power plants. On February 8, 2017, the BOI granted the respective requests of FNPC and Prime Meridian for the cancellation of the Parent Company guarantees in view of San Gabriel and Avion power plants' compliance of its obligations under their respective Certificates of Authority.

h. Compensation of key management personnel are as follows:

	2017	2016
Short-term employee benefits	\$4,179	\$5,186
Retirement benefits (see Note 16)	494	405
	\$4,673	\$5,591

Terms and Conditions of Transactions with Related Parties. As mentioned above, except for the Parent Company guarantees issued to FNPC and Prime Meridian in relation to the construction of San Gabriel and Avion power plants, respectively, there have been no other guarantees provided for or received from any other related party in 2017 and 2016.

Except for advances to/from subsidiaries, outstanding balances at yearend are unsecured, interest-free and settlement occurs in cash. The Parent Company has not recognized any impairment loss on amounts due from related parties for the years ended December 31, 2017 and 2016. This assessment is undertaken each financial year through a review of the financial position of the related parties and the market in which the related party operates.

A summary of the outstanding related party balances (see Note 8) follows:

Related Party	Nature of Transactions	Terms	Transactions for the		Balances as of	
			Years Ended December 31	2016	December 31	2016
Due from related parties						
		Unsecured and				
Red Vulcan	Interest-free advances	receivable on demand	\$5,086	\$114	\$15,212	\$10,089
FGHC	- do -	- do -	—	—	9,554	9,554
FG Bubunawan	- do -	- do -	2,438	4,075	7,015	4,600
Goldsilk	- do -	- do -	29,376	461	3,478	1,517
FG Mindanao	- do -	- do -	169	183	2,739	2,581
FG Prime	- do -	- do -	—	323	1,968	1,976
FG Land	- do -	- do -	—	1	1,779	1,787
FG Puyo	- do -	- do -	413	546	1,614	1,206
FG Tagoloan	- do -	- do -	574	711	1,592	1,022
Northern Terracotta	- do -	- do -	—	—	1,372	5,192
FG Luzon	- do -	- do -	4	—	959	959
Prime Terracota	- do -	- do -	47	42	799	753
FPH	- do -	- do -	—	—	716	719
FGEN LNG	- do -	- do -	3	19	652	649
FGEN Power Ventures	- do -	- do -	12	101	478	467

(Forward)



Related Party	Nature of Transactions	Terms	Transactions for the Years Ended December 31		Balances as of December 31	
			2017	2016	2017	2016
Allied Gen	- do -	- do -	\$1	\$—	\$360	\$361
Blue Vulcan	- do -	- do -	—	—	339	340
FG Premier	- do -	- do -	—	34	216	217
FG Visayas	- do -	- do -	—	—	187	187
FG Ecopower	- do -	- do -	—	—	179	180
FGNEC	- do -	- do -	—	2	167	168
FNPC	- do -	- do -	1	3	162	162
First Philec	Marketing services	Payable monthly Unsecured and	—	151	151	149
FGEN Fuel Line	Interest-free advances	receivable on demand	57	78	135	78
FGen Meridian	- do -	- do -	80	—	101	22
FGPC	- do -	- do -	—	10	97	97
FG Cabadbaran	- do -	- do -	—	—	83	83
FGESHI	- do -	- do -	—	9	93	93
LNG Holdings	- do -	- do -	2	22	87	85
Prime Meridian	- do -	- do -	—	—	75	75
FG Tumalaong	- do -	- do -	—	19	24	24
FNMHCI	- do -	- do -	—	—	19	20
FG Visayas Energy	- do -	- do -	1	2	14	14
FGES	- do -	- do -	8	23	13	6
FGEN Northern Power	- do -	- do -	—	—	8	8
FGMRC	- do -	- do -	2	1	7	5
FG Bukidnon	- do -	- do -	—	29	—	53
Others**	- do -	- do -	8	11	31	18
			\$38,282	\$6,970	\$52,475	\$45,516

Due to related parties

FGPC	Interest-free advances	Unsecured and payable on demand	\$303,234	\$8	\$303,241	\$8
Onecore			—	—	76,363	76,363
FGP	- do -	- do -	18	50,006	57,269	57,256
Blue Vulcan			—	—	11,613	11,613
FGRI	- do -	- do -	—	—	336	336
FGHC International Ltd.*	- do -	- do -	—	—	145	145
FGHC	- do -	- do -	1	5	6	5
FG Pipeline	- do -	- do -	—	—	6	6
			\$303,253	\$50,019	\$448,979	\$145,732

Advances from subsidiaries***

FGP	Interest-bearing loan	Unsecured and payable by installment	\$3,154	\$3,104	\$140,155	\$136,771
FGPC	- do -	- do -	1,069	3,040	136	81,324
			\$4,223	\$6,144	\$140,291	\$218,095

Other current assets

EDC (see Note 7)	Consultancy fees	Unsecured and receivable on demand	\$7,851	\$8,481	\$1,280	\$652
FGES (see Notes 7 and 8)	Dividends Receivable	- do -	1,402	—	1,402	—
			\$9,253	\$8,481	\$2,682	\$652

*FGHC International Ltd. and FPIC are subsidiaries of FPH.

** Included in "Others" are advances to newly incorporated subsidiaries in 2015.

***Including accrued interest.

On June 28, 2017, a portion of the proceeds of FGPC'S \$500.0 million term loan facility with a 7-year tenor until May 2024 was upstreamed to the Parent Company.



15. Expenses

General and Administrative

	2017	2016
Staff costs	\$8,468	\$9,718
Professional fees	1,862	2,098
Taxes and licenses	748	713
Advertising	293	416
Transportation and travel	308	394
Depreciation and amortization (see Note 9)	317	322
Rent	209	319
Other outside services	214	285
Seminars and trainings	164	178
Repairs and maintenance	131	146
Donations	61	48
Others	369	352
	\$13,144	\$14,989

Staff Costs

	2017	2016
Salaries and wages	\$7,783	\$9,125
Retirement benefits (see Note 16)	685	593
	\$8,468	\$9,718

Interest Expense and Financing Charges

	2017	2016
Interest on:		
Long-term debts (see Note 11)	\$32,156	\$34,342
Advances from subsidiaries (see Note 14)	4,590	7,680
Accretion of debt issuance costs on		
Long-term debts (see Note 11)	504	603
Unamortized debt issuance costs (see Note 11)	1,666	—
	\$38,916	\$42,625

16. Retirement Benefits

The following tables summarize the funded status and amounts recognized in the parent company statements of financial position for the retirement plan and the components of net retirement benefits expense recognized as part of “Staff costs” in the “General and administrative expense” account in the parent company statements of income.

Net retirement benefits asset is included in the “Other noncurrent assets” account in the parent company statements of financial position as of December 31, 2017 and 2016.



Under the existing regulatory framework, Republic Act (R.A.) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The amounts recognized in the parent company statements of financial position are as follows:

	2017	2016
Present value of defined benefit obligation	\$5,671	\$6,348
Fair value of plan assets	(5,693)	(6,928)
Net retirement benefits asset	(\$22)	(\$580)

The amounts recognized in the parent company statements of income are as follows:

	2017	2016
Current service cost	\$716	\$645
Net interest	(31)	(52)
Retirement benefits expense	\$685	\$593

Movements in the present value of the defined benefit obligation are as follows:

	2017	2016
Balances at beginning of year	\$6,348	\$5,463
Current service cost	716	645
Interest cost	305	258
Benefits paid	(362)	—
Actuarial gains (losses) due to:		
Experience adjustments	(661)	382
Changes in financial assumptions	(470)	—
Changes in demographic assumptions	(171)	(48)
Foreign exchange adjustments	(34)	(352)
Balances at end of year	\$5,671	\$6,348

Movements in the fair value of plan assets are as follows:

	2017	2016
Balances at beginning of year	\$6,928	\$6,467
Interest income	336	310
Return on plan assets, excluding interest income	(1,169)	538
Benefits paid	(362)	—
Foreign exchange adjustments	(40)	(387)
Balances at end of year	\$5,693	\$6,928
Actual return on plan assets	(\$833)	\$848

The Parent Company has initially funded the retirement plan in December 2005. The Parent Company does not expect to contribute to the retirement plan in 2017 given its net retirement benefit asset position.



The retirement fund of the Parent Company is maintained and managed by BDO Trust and Investment Group. The investing decisions of the Plan are made by its Retirement Committee.

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or marked-to-market.

The plan assets and investments by each class as of December 31, 2017 and 2016 are as follows:

	2017	2016
Investments quoted in active market		
Quoted equity investments:		
Holding firms	\$2,136	\$2,988
Industrial - electricity, energy, power and water	1,069	1,175
Financials - banks	10	6
	3,215	4,169
Investments in debt instruments:		
Government securities	1,763	1,248
Investments in corporate bonds	178	180
	1,941	1,428
Investment in mutual funds	92	638
Unquoted investments:		
Cash and cash equivalents	437	673
Receivables and other assets	16	29
Liabilities	(8)	(9)
	445	693
Fair value of plan assets	\$5,693	\$6,928

- Cash and cash equivalents include regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.625% to 4.888% and have maturities from 2018 to 2020;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.13% to 6.50% and have maturities from 2018 to 2022; and
- As of December 31, 2017 and 2016, investment in equity securities consist of investments in the following securities:

Issuer	Relationship	2017	2016
Lopez Holdings	Intermediate parent company	\$1,069	\$2,988
FPH (Voting common stocks)	Parent Company	2,136	1,175
Others	N/A	10	6
		\$3,215	\$4,169

The carrying amounts of investments in equity securities also approximate their fair values since these are marked-to-market.



For the year ended December 31, 2017, unrealized losses arising from the investments in Lopez Holdings and FPH amounted to \$0.4 million and \$0.2 million, respectively.

For the year ended December 31, 2016, unrealized gain arising from the investments in Lopez Holdings amounted to \$0.4 million, and unrealized loss arising from the investment in FPH amounted to \$0.1 million.

The details of the realized gains (losses) for the years ended December 31, 2017 and 2016 based on the type of securities are as follows:

	2017	2016
Investment in government securities	(\$700)	\$169
Investment in shares of stock	(14)	341
Investment in corporate debt instruments	(1)	25
	(\$715)	\$535

The voting rights over these equity securities are exercised by the trustee bank.

- Other financial assets held by this plan are primarily accrued interest income on cash deposits and debt securities held by the plan and dividend receivable from equity securities.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

The principal actuarial assumptions used in determining retirement benefit obligations of the Parent Company as at January 1 are as follows:

	2017	2016
Discount rate	5.57%	5.11%
Future salary increase rate	8.00%	8.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2017, assuming if all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Effect on Present Value of defined Benefit Obligation
Discount rate	+1%	(\$353)
	-1%	393
Future salary increases	+1%	\$409
	-1%	(374)

The Parent Company estimated that the weighted average duration of benefit payment is 10.07 years in 2017.



Following are the information about the maturity profile of the defined benefit obligations as of December 31, 2017 and 2016:

	2017	2016
Less than one (1) year	\$197	\$510
One (1) year up to five (5) years	2,239	2,071
More than five (5) years up to 10 years	6,179	6,776
More than 10 years up to 15 years	3,799	4,538
More than 15 years up to 20 years	4,088	7,750
More than 20 years	322	2,185

17. Income Tax

The components of the deferred income tax asset (liabilities) as of December 31, 2017 and 2016 are as follows:

	2017	2016
Deferred income tax liabilities on:		
Difference between the carrying amounts of nonmonetary assets and their related tax bases	(\$9)	(\$18)
Net retirement benefits asset	(7)	(174)
Excess of the unamortized debt issuance cost under effective interest rate method over straight-line method	—	(112)
	(16)	(304)
Deferred income tax asset on NOLCO	16	304
	\$—	\$—

Certain deferred income tax assets of the Parent Company have not been recognized since management believes that it is not probable that sufficient future taxable income will be available against which they can be utilized. The deductible temporary differences of certain items in the parent company statements of financial position and the carryforward benefits of NOLCO and MCIT for which no deferred income tax assets were recognized consist of the following:

	2017	2016
NOLCO	\$131,785	\$119,448
Unrealized foreign exchange losses	67,545	88,163
Excess of the unamortized debt issuance cost under straight-line method over effective interest rate method	1,314	—
MCIT	753	688
Others	196	258

As of December 31, 2017 and 2016, the taxable temporary differences representing the excess of the carrying amount of the investments in subsidiaries over the tax base amounted to \$327.8 million and \$341.9 million, respectively. There is no corresponding deferred income tax liability recognized since these temporary differences pertain to investment in domestic companies and, accordingly, the reversals of these temporary differences are through regular dividend distribution not subject to income tax.



Provision for current income tax in 2017 and 2016 amounting to \$0.1 million and \$0.5 million, respectively, represents MCIT.

The balance of NOLCO as of December 31, 2017 may be used by the Parent Company as additional deductions against the future taxable income. Similarly, the MCIT balance as of December 31, 2017 may be applied as credit against future income tax liability of the Parent Company.

The balances of NOLCO and MCIT, with their respective years of expiration, are as follows:

Incurred for the Year Ended December 31	Available until December 31	NOLCO		MCIT	
		<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
2015	2018	\$46,785	₱2,335,958	\$125	₱6,226
2016	2019	25,773	1,286,858	501	25,037
2017	2020	59,279	2,959,816	127	6,344
		\$131,837	₱6,582,632	\$753	₱37,607

Movements in NOLCO are as follows:

	2017		2016	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$120,462	₱5,989,403	\$106,900	₱5,030,689
Additions	59,279	2,959,816	25,882	1,286,858
Expirations	(47,598)	(2,366,587)	(6,973)	(328,144)
Foreign exchange adjustments	(306)	—	(5,347)	—
Balances at December 31	\$131,837	₱6,582,632	\$120,462	₱5,989,403

Movements in MCIT are as follows:

	2017		2016	
	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>	<i>(In U.S. Dollar)</i>	<i>(In Philippine Peso)</i>
Balances at January 1	\$688	₱34,179	\$783	₱36,859
Additions	127	6,344	504	25,037
Expirations	(59)	(2,916)	(589)	(27,717)
Foreign exchange adjustments	(3)	—	(10)	—
Balances at December 31	\$753	₱37,607	\$688	₱34,179

A reconciliation between the statutory income tax due and effective income tax due follows:

	2017	2016
Provision for income tax computed at the statutory tax rate of 30%	\$31,833	\$26,354
Adjustments resulting from:		
Permanent differences	(48,109)	(35,193)
Effect of using 2% MCIT	12,848	9,366
Unrealized foreign exchange losses	3,554	—
Translation difference	—	7
Provision for income tax	\$126	\$534

R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. The TRAIN mainly amended the personal income tax rates, adjusted the VAT exempt



thresholds and increased excise taxes on petroleum and mineral products and automobiles. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the Parent Company assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date.

18. Financial Risk Management Objectives and Policies

The Parent Company's principal financial liabilities are comprised of long-term debts and advances from subsidiaries, among others. The main purpose of these financial liabilities is to raise financing for the Parent Company's growth and operations. The Parent Company has other financial assets and liabilities such as cash and cash equivalents, financial assets at FVPL, amounts due from/to related parties, accounts payable and accrued expenses and dividends payable, which arise directly from its operations.

The main financial risks arising from the Parent Company's financial instruments are interest rate risk, credit risk, foreign currency risk and liquidity risk. The BOD reviews and approves policies for managing each of these risks as summarized below. The Parent Company's accounting policies in relation to derivative financial instruments are set out in Note 2 to the parent company financial statements.

Interest Rate Risk

The Parent Company's exposure to the risk of changes in market interest rate relates primarily to its advances from subsidiaries that are subject to floating interest rates.

The Parent Company believes that prudent management of its interest cost will entail a balanced mix of fixed and variable rate debt. On a regular basis, the Finance team of the Parent Company monitors the interest rate exposure and presents it to management by way of a compliance report. To manage the exposure to floating interest rates in a cost-efficient manner, the Parent Company may consider prepayment, refinancing or entering into derivative financial instruments, as deemed necessary and feasible.

As of December 31, 2017 and 2016, approximately 100.0% and 88.6% respectively, of the Parent Company's borrowings are subject to fixed interest rate.

Interest Rate Risk Table

The following table sets out the nominal amounts, by maturity, of the Parent Company's financial instruments that are exposed to interest rate risk (amounts in millions):

	2017					
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	Total
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$—	\$—	\$—	\$91.69	\$91.69
US\$200M Term Loan	4.90%	20.00	40.00	47.00	81.00	188.00
Advances from subsidiaries:						
FGP*	2.50%	71.06	64.18	—	—	\$135.24

* Excluding accrued interest



	2016					Total
	Interest Rates	Within 1 Year	More than 1 Year up to 3 Years	More than 3 Years up to 5 Years	More than 5 Years	
Fixed Rate						
Long-term debts:						
US\$300M Notes	6.50%	\$—	\$—	\$—	\$300.00	\$300.00
US\$200M Term Loan	4.90%	6.00	40.00	40.00	108.00	194.00
Advances from subsidiaries:						
FGP*	2.50%	38.97	64.18	32.09	—	135.24
Floating Rate						
Advances from FGPC*	2.88%	16.43	35.62	29.08	—	81.13
* <i>Excluding accrued interest</i>						

* Excluding accrued interest

Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Parent Company that are not included in the foregoing tables are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates for the year ended December 31, 2017, with all other variables held constant, of the Parent Company's income before income tax (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Increase (Decrease) in Effect on Income Before Income Tax
2017	+100	—
	-100	—
2016	+100	(\$915)
	-100	915

Credit Risk

The credit risk of the Parent Company is limited to the risk arising from the inability of the related parties to make payments when due. With respect to credit risk arising from the other financial assets of the Parent Company, which include cash and cash equivalents and consultancy fee receivables, the Parent Company's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2017 and 2016, the Parent Company's total financial assets amounted to \$420.3 million and \$177.6 million, respectively. These financial assets are neither past due nor impaired as at financial reporting dates.



Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the Parent Company as of December 31, 2017 and 2016:

	2017	2016
Loans and receivables:		
Cash and cash equivalents	\$365,076	\$129,351
Due from related parties	52,475	45,516
Consultancy fee receivables (under “Other current assets” account)	1,280	652
Dividends receivable (under “Other current assets” account)	1,402	—
Financial assets at FVPL	21	2,049
	\$420,254	\$177,568

The Parent Company does not hold collateral for its financial assets as security.

Credit quality of neither past due nor impaired financial assets

The evaluation of the credit quality of the Parent Company’s financial assets considers the payment history of the counterparties.

Financial assets are classified as ‘high grade’ if the counterparties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counterparties normally include banks and related parties who pay on or before due date. Financial assets are classified as ‘standard grade’ if the counterparties settle their obligations to the Parent Company with tolerable delays.

As of December 31, 2017 and 2016, all of the Parent Company’s financial assets are viewed by management as ‘high grade’ considering the collectability of the receivables and the credit history of the counterparties.

Concentration of Credit Risk

As of December 31, 2017 and 2016, the Parent Company has no significant concentration of credit risk.

Foreign Currency Risk

The Parent Company’s exposure to foreign currency risk arises as its functional currency, the U.S. dollar, is not the local currency in its country of operations. Certain financial assets and liabilities as well as some expenses are denominated in Philippine peso. To manage the foreign currency risk, the Parent Company may consider entering into derivative transactions as necessary.



The following table sets out the Philippine peso-denominated financial assets and liabilities as of December 31, 2017 and 2016 that may affect the parent company financial statements (amounts in millions):

	2017		2016	
	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances	Philippine peso-denominated Balances	Equivalent U.S. Dollar Balances
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	₱8,654	\$173	₱539	\$8
Dividends receivable				
(under “Other current assets” account)	70	1	–	–
Consultancy fee receivables				
(under “Other current assets” account)	64	1	32	2
Due from related parties	1,736	35	1,533	31
Financial assets at FVPL	1	–	102	9
Total financial assets	10,525	210	2,206	50
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses	472	9	170	3
Due to related parties	17	1	17	–
Dividends payable	723	14	732	16
Total financial liabilities	1,212	24	919	19
Net Financial Assets	₱9,313	\$186	₱1,287	\$31

In translating these Philippine peso-denominated monetary assets and liabilities into U.S. Dollar, the exchange rates used were ₱49.93 to \$1.00 and ₱49.72 to \$1.00, the Philippine peso-U.S. Dollar closing exchange rates for December 31, 2017 and 2016, respectively.

The following table sets out, for the years ended December 31, 2017 and 2016, the impact on the Parent Company’s income (loss) before income tax of the range of reasonably possible movements in the U.S. Dollar and Philippine peso exchange rates with all other variables held constant, due to changes in the fair value of monetary assets and liabilities.

	2017		2016	
Change in exchange rate (in Philippine Peso against U.S. Dollar)	6%	(6%)	5%	(5%)
	<i>(Amounts in Millions)</i>			
Increase (decrease) in income (loss) before income tax	(\$10.6)	\$11.9	(\$1.3)	\$1.3

Any change in foreign currency exchange rate pertaining to financial assets and liabilities will have no impact on the Parent Company’s equity, other than those already affecting the parent company statements of income.

Liquidity Risk

The Parent Company’s exposure to liquidity risk refers to lack of funding needed to finance its growth and capital expenditures, service its maturing loan obligations in a timely fashion, and meet its working capital requirements. To manage this exposure, the Parent Company maintains its internally generated funds and prudently manages the proceeds obtained from fund raising activities through the debt and



equity markets. On a regular basis, the Parent Company's Treasury department monitors the available cash balances by preparing cash position reports. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance the operations.

In addition, the Parent Company has short-term deposits and has available credit lines with certain banking institutions. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses the financial market conditions for opportunities to pursue fund-raising activities.

As of December 31, 2017 and 2016, 60.0% and 24.2%, respectively, of the Parent Company's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the parent company financial statements.

The following tables below summarize the maturity profile of the Parent Company's financial assets used for liquidity management and financial liabilities as of December 31, 2017 and 2016 based on the contractual undiscounted payments:

	2017					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial assets:						
Cash and cash equivalents	\$365,076	\$-	\$-	\$-	\$-	\$365,076
Financial assets at FVPL	21	-	-	-	-	21
	\$365,097	\$-	\$-	\$-	\$-	\$365,097
Financial liabilities:						
Accounts payable and accrued expenses*	\$4,759	\$-	\$-	\$-	\$-	\$4,759
Dividends payable	-	14,478	-	-	-	14,478
Due to related parties	448,979	-	-	-	-	448,979
Long-term debts	-	14,632	20,549	99,428	223,849	358,458
Advances from subsidiaries	44,311	-	35,321	66,216	-	145,848
	\$498,049	\$29,110	\$55,870	\$165,644	\$223,849	\$972,522

* Excluding local and other taxes and payable to government agencies.

	2016					Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year up to 5 Years	Over 5 Years	
Financial assets:						
Cash and cash equivalents	\$129,351	\$-	\$-	\$-	\$-	\$129,351
Financial assets at FVPL	2,049	-	-	-	-	2,049
	\$131,400	\$-	\$-	\$-	\$-	\$131,400
Financial liabilities:						
Accounts payable and accrued expenses*	\$1,426	\$-	\$-	\$-	\$-	\$1,426
Dividends payable	-	14,719	-	-	-	14,719
Due to related parties	145,732	-	-	-	-	145,732
Long-term debts	-	7,780	27,554	189,559	459,616	684,509
Advances from subsidiaries	16,417	-	47,597	169,603	-	233,617
	\$163,575	\$22,499	\$75,151	\$359,162	\$459,616	\$1,080,003

* Excluding local and other taxes and payable to government agencies.

Capital Management

The primary objective of the Parent Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, comply with its financial loan covenants and maximize shareholder value.



The Parent Company manages its capital structure and makes adjustments to it in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new stocks (see Note 12).

No changes were made in the objectives, policies or processes for the years ended December 31, 2017 and 2016. The Parent Company was able to meet its capital management objectives as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the Parent Company considers its total equity of \$2,079.7 million and \$2,032.0 million as its capital.

The Parent Company monitors capital using the debt to equity ratio, which is total liabilities divided by total equity. The Parent Company's practice is to keep the debt to equity ratio lower than 75:25.

	2017	2016
Accounts payable and accrued expenses	\$6,586	\$10,564
Dividends payable	14,478	14,719
Due to related parties	448,979	145,732
Long-term debts	278,003	490,143
Advances from subsidiaries	140,291	218,095
Total liabilities	\$888,337	\$879,253
Total equity	\$2,079,724	\$2,032,016
Debt to equity ratio	43:57	43:57

The Parent Company is obligated to perform certain covenants with respect to maintaining specified debt-to-equity and minimum debt-service-coverage ratios, as set forth in the respective agreements with the creditors. As of December 31, 2017 and 2016, the Parent Company is in compliance with those covenants.

19. Financial Instruments

Set out in the following tables is a comparison by category of the carrying values and fair values of the Parent Company's financial instruments as at December 31, 2017 and 2016 that are carried in the parent company financial statements:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	\$365,076	\$365,076	\$129,351	\$129,351
Due from related parties	52,475	52,475	45,516	45,516
Dividends receivable (under "Other current assets" account)	1,402	1,402	—	—
Consultancy fee receivables (under "Other current assets" account)	1,280	1,280	652	652
Financial assets at FVPL	21	21	2,049	2,049
	\$420,254	\$420,254	\$177,568	\$177,568



	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Loans and borrowings:				
Accounts payable and accrued expenses**	\$4,759	\$4,759	\$8,486	\$8,486
Dividends payable	14,478	14,478	14,719	14,719
Due to related parties	448,979	448,979	145,732	145,732
Long-term debts	278,003	286,481	490,143	513,226
Advances from subsidiaries*	140,291	140,878	218,095	220,461
	\$886,510	\$895,575	\$877,175	\$902,624

*Carrying value includes accrued interest as of December 31, 2017 and 2016.

**Excluding output VAT, local and other taxes and payables to government agencies.

Fair Value and Categories of Financial Instruments

The fair values of cash and cash equivalents, amounts due to/from related parties, dividends receivable, consultancy fee receivables, accounts payable and accrued expenses, and dividends payable approximate their carrying values as at financial reporting date due to the short-term maturities of the transactions.

Financial Assets at FVPL

The fair values of financial assets at FVPL are based on the total net asset value as at reporting date.

Long-term debts and advances from subsidiaries

The fair values of long-term debts and advances from subsidiaries, specifically FGP, were computed by discounting the instruments' expected future cash flows using the prevailing credit adjusted U.S. Dollar interest rates on December 31, 2017 and 2016 ranging from 1.428% to 2.375% and 0.436% to 2.244%, respectively.

The fair value of advances from FGPC was determined by discounting future cash flows using the prevailing U.S. credit-adjusted LIBOR ranging from nil and 0.966% to 1.987% in 2017 and 2016, respectively.

Financial Instruments Carried at Fair Value

As of December 31, 2017 and 2016, the fair value measurement of financial assets at FVPL and long-term debt is categorized under Level 2 and Level 3 of fair value hierarchy, respectively. The Parent Company has no financial instruments under Level 1.

20. Other Matters

Legal Proceedings

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
G.R. No. 194239, Supreme Court of the Philippines

On November 15, 2010, a Petition for the Issuance of a Writ of Kalikasan was filed before the Supreme Court (SC) by the West Tower Condominium Corporation, et al., against respondents First Philippine Industrial Corporation (FPIC), the Parent Company, their respective boards of directors and officers, and John Does and Richard Roes. The petition was filed in connection with



the oil leak which is being attributed to a portion of FPIC's white oil pipeline located in Bangkal, Makati City.

The petition was brought by the West Tower Condominium Corporation purportedly on behalf of its unit owners and in representation of the inhabitants of Barangay Bangkal, Makati City. The petitioners sought the issuance of a Writ of Kalikasan to protect the constitutional rights of the Filipino people to a balanced and healthful ecology, and prayed that the respondents permanently cease and desist from committing acts of negligence in the performance of their functions as a common carrier; continue to check the structural integrity of the entire 117-km white oil pipeline and replace the same; make periodic reports on findings with regard to the said pipeline and their replacement of the same; be prohibited from opening the white oil pipeline and allowing its use until the same has been thoroughly checked and replaced; rehabilitate and restore the environment, especially Barangay Bangkal and West Tower Condominium, at least to what it was before the signs of the leak became manifest; open a special trust fund to answer for similar contingencies in the future; and be temporarily restrained from operating the said pipeline until final resolution of the case.

On November 19, 2010, the SC issued a Writ of Kalikasan with Temporary Environmental Protection Order (TEPO) directing the respondents to: (i) make a verified return of the Writ within a non-extendible period of ten days from receipt thereof; (ii) cease and desist from operating the pipeline until further orders from the court; (iii) check the structural integrity of the whole span of the pipeline, and in the process apply and implement sufficient measures to prevent and avert any untoward incident that may result from any leak in the pipeline; and (iv) make a report thereon within 60 days from receipt thereof.

The Parent Company and its impleaded directors and officers filed a verified Return in November 2010, and a Compliance in January 2011, explaining that the Parent Company is not the owner and operator of the pipeline, and is not involved in the management, day-to-day operations, maintenance and repair of the pipeline. For this reason, neither the Parent Company nor any of its directors and officers has the capability, control, power or responsibility to do anything in connection with the pipeline, including to cease and desist from operating the same.

For the purpose of expediting the proceedings and the resolution of all pending incidents, the SC reiterated its order to remand the case to the Court of Appeals to conduct subsequent hearings within a period of 60 days, and after trial, to render a report to be submitted to the SC.

On December 21, 2012, the former 11th Division of the Court of Appeals rendered its Report and Recommendation in which the following recommendations were made to the SC: (i) that certain persons/organizations be allowed to be formally impleaded as petitioners subject to the submission of the appropriate amended petition; (ii) that FPIC be ordered to submit a certification from the DOE that the white oil pipeline is safe for commercial operation; (iii) that the petitioners' prayer for the creation of a special trust fund to answer for similar contingencies in the future be denied for lack of sufficient basis; (iv) that respondent Company not be held solidarily liable under the TEPO; and (v) that without prejudice to the outcome of the civil and criminal cases filed against respondents, the individual directors and officers of FPIC and the Parent Company not be held liable in their individual capacities.

Petitioners filed a Motion for Partial Reconsideration in January 2013, in which they prayed, among others, that the Department of Science and Technology (DOST), specifically its Metal Industry Research and Development Center, be tasked to chair the monitoring of FPIC's compliance with the directives of the court and issue the certification required to prove that the pipeline is safe to



operate before commercial operation is resumed; that stakeholders be consulted before a certification is issued; that a trust fund be created to answer for future contingencies; and that the Company and the directors and officers of the Parent Company and FPIC also be held liable under the Writ of Kalikasan and the TEPO.

In a Compliance dated January 25, 2013, FPIC submitted to the SC a Certification signed by then DOE Secretary Carlos Jericho L. Petilla stating that the black oil pipeline is safe for commercial operation.

On July 30, 2013, the SC resolved to adopt the recommendations of the CA in its December 2012 resolution. Specifically, the SC ordered FPIC to secure a certification from the DOE that the white oil pipeline is safe to resume commercial operations, as well as consider FPIC's adoption of an appropriate leak detection system used in monitoring the entire pipeline's mass input versus mass output and the necessity of replacing pipes with existing patches and sleeves. On October 25, 2013 the DOE issued a certification that the white oil pipeline is safe to return to commercial operations. FPIC submitted the DOE certification to the SC on October 29, 2013. On June 16, 2015, the SC issued another resolution recognizing the powers of the DOE to oversee the operation of the pipelines. The resolution also stated that the DOE is fully authorized by law to issue an order for the return to commercial operations of the pipeline following integrity tests. Petitioners have filed several motions for the SC to reconsider this resolution. As of March 15, 2018, the final resolution of the Writ remains pending with the SC.

West Tower Condominium Corporation, et al. vs.
First Philippine Industrial Corporation, et al.
Civil Case No. 11-256, Regional Trial Court, Makati Branch 58

On March 24, 2011, a civil case for damages was filed by the West Tower Condominium Corporation and some residents of the West Tower Condominium against FPIC, the FPIC directors and officers, the Parent Company, Pilipinas Shell Petroleum Corporation, and Chevron Philippines, Inc. before the Makati City RTC. In their complaint, the Plaintiffs alleged that FPIC, its directors and officers, and the Company violated R.A. No. 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990), R.A. 8749 (Philippine Clean Air Act of 1999) and Its Implementing Rules and Regulations, and R.A. 9275 (Philippine Clean Water Act of 2004). The complaint sought payment by the Defendants of actual damages comprising incurred rentals for alternative dwellings, incurred additional transportation and gasoline expenses and deprived rental income; recompense for diminished or lost property values to enable the buying of new homes; incurred expenses in dealing with the emergency; moral damages; exemplary damages; a medical fund; and attorney's fees.

First Gen filed its Answer in May 2011, in which it was argued that the case is not an environmental case under the Rules of Procedure for Environmental Cases, but an ordinary civil case for damages under the Rules of Court for which the appropriate filing fees should be paid before the court can acquire jurisdiction thereof. In an Order dated August 22, 2011, Makati City RTC (Branch 158) Judge Eugene Paras ruled that the complaint is an ordinary civil action for damages and that the Plaintiff should pay the appropriate filing fees in accordance with the Rules of Court within 10 days from receipt of the Order. The other individual plaintiffs were ordered dropped as parties in the case. The Plaintiffs filed a Motion to Inhibit Judge Paras as well as a Motion for Reconsideration of the Order. In an Order dated October 17, 2011, the court reiterated that it has no jurisdiction over the case and ordered the referral of the case to the Executive Judge for re-raffle.



In an Order dated December 1, 2011, Judge Elpidio Calis of the Makati City RTC (Branch 133) declared that the records of the case have been transferred to his court. In an Order dated March 29, 2012, Judge Calis denied the plaintiffs' Motion for Reconsideration for lack of merit, and ordered the plaintiffs to pay the appropriate filing fees within ten (10) days from receipt of the Order, with a warning that non-compliance will constrain the court to dismiss the case for lack of jurisdiction. Instead of paying the filing fees, the plaintiffs filed a Petition for Certiorari with the CA to nullify the order of Branch 133.

In a resolution dated June 30, 2014, the CA denied the petition of West Tower and affirmed the trial court's recognition of the case as being an ordinary action for damages. The CA, however, also ruled that the individual residents who joined West Tower in the civil case need not file separate cases, but instead can be joined as parties in the present case. West Tower and FPIC each filed a motion for partial reconsideration, with West Tower arguing that the case is an ordinary action for damages, and FPIC assailing the ruling that the individual residents can be joined as parties in the present case. Both motions were denied in a CA resolution dated December 11, 2014. Both parties subsequently filed separate Petitions for Certiorari with the SC assailing the CA's resolution. As of March 15, 2018, the case remains pending.

West Tower Condominium Corporation vs. Leonides Garde, et al.
NPS No. XV-05-INQ-11J- 02709
Office of the City Prosecutor
Makati City

This is a criminal complaint for negligence under Article 365 of the Revised Penal Code against FPIC directors and some of its officers, as well as directors of the Parent Company, Pilipinas Shell Petroleum Corporation and Chevron Philippines, Inc.

On December 14, 2011, a Counter-Affidavit with Verified Manifestation was filed by Francis Giles B. Puno, Director, President and Chief Operating Officer of First Gen and one of the Respondents. The other Respondent-Directors of the Parent Company verified the Verified Manifestation and adopted the factual allegations and defenses in the Counter-Affidavit of Respondent Puno.

Makati City Prosecutor Feliciano Aspi *motu proprio* (on his own) inhibited himself from the case on the ground that he had previously worked for the counsel of the Parent Company. Complainant then filed with the Department of Justice (DOJ) a petition for change of venue, which petition was granted by way of Department Order No. 63 dated January 18, 2012, which designated Manila Senior Assistant City Prosecutor Raymunda Apolo as special investigating prosecutor for the case.

In an Order dated February 3, 2012, Makati City Prosecutor Aspi ordered the consolidation of the case with another case entitled Anthony M. Mabasa et al. vs. Roberto B. Dimayuga et al. for violation of Article 183 of the Revised Penal Code.

In a Resolution dated February 22, 2018, the complaint was dismissed for lack of probable cause. The prosecutor held that considering that the respondent-directors and officers of FPIC, the Parent Company, Shell and Chevron were not personally, directly or in supervisory capacity assigned to perform acts of operation, maintenance and control over the pipeline, they cannot be held criminally liable for negligence under Article 365 of the Revised Penal Code.



21. Changes in Liabilities Arising from Financing Activities

	January 1, 2017	Cash flows	Foreign exchange movement	Others	December 31, 2017
Current and non-current portion of long-term debts	\$490,143	(\$214,310)	\$-	\$2,170	\$278,003
Accrued interest payable	7,060	(30,893)	-	27,570	3,737
Due to related parties and current and non-current advances from subsidiaries	363,827	220,997	-	4,446	589,270
Dividends payable	14,719	(53,938)	455	53,242	14,478
Total liabilities from financing activities	\$875,749	(\$78,144)	\$455	\$87,428	\$885,488

“Others” include the amortization of debt issuance costs, write-off of unamortized debt issuance costs, declaration of dividends on preferred stocks that were not yet paid at the end of financial reporting date, and the effect of accrued but not yet paid interest on long-term debts.

22. Events After the Financial Reporting Date

As of March 15, 2018, the Parent Company purchased from the open market 6,091,200 common stocks amounting to ₱90.5 million (\$1.8 million).

On March 15, 2018, the BOD of the Parent Company approved the amendment to the Article Seventh of the Parent Company’s Amended Articles of Incorporation to increase the authorized capital stock from ₱8,600.0 million to ₱11,600.0 million by way of creating 300.0 million Series "H" preferred stocks with a par value of ₱10.0 a share. This amends the March 12, 2015 resolution of the BOD increasing the authorized capital stock for ₱8,600.0 million to ₱10,200.0 million by creation of 160.0 million Series "H" preferred stocks.

23. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Parent Company reported and paid the following types of taxes as of and for the year ended December 31, 2017:

VAT

The Parent Company’s sales are subject to output VAT. The applicable VAT rate is 12.0%.

a. Net Sales/Receipts and Output VAT declared in the Parent Company’s VAT returns

	Net Sales/ Receipts	Output VAT
	<i>(Amounts in Philippine Peso)</i>	
Taxable Sales:		
Sale of services	₱363,823,530	₱43,538,824
Others	1,468,757	176,251
	₱364,292,287	₱43,715,075

Sale of services pertains to gross receipts/collections on revenues from consultancy services (i.e., lodged under the account “Consultancy fee” in the parent company statement of income).



The Parent Company has no VAT exempt and/or VAT zero-rated sales/receipts for the year 2017.

b. Input VAT credits claimed in the Parent Company's VAT returns

	Amounts in Philippine Peso
Balance at the beginning of year	₱—
Current year's domestic purchases/payments for:	
Services lodged under other accounts	17,250,162
Capital goods subject to amortization	900,754
Capital goods not subject to amortization	457,592
Goods other than resale or manufacture	207,257
Total input VAT available against output VAT	₱18,815,765

As of December 31, 2017, the Parent Company's output VAT payable and input VAT credits amounted to nil and ₱6,822,292, respectively.

Documentary Stamp Tax (DST)

The DST paid/ accrued for the year on the following transactions:

Transactions	Amounts in Philippine Peso
Advances to (from) related parties	₱9,480,793
Insurance	295,225
Others	89,227
	₱9,865,245

Taxes and License Fees

Taxes and license fees include DST, business taxes and permits, real property taxes, and fringe benefit taxes recorded in the "Taxes and licenses" account under the parent company statement of income for the year ended December 31, 2017:

	Amounts in Philippine Peso
Taxes and licenses lodged under operating expenses:	
Fringe benefit tax	₱15,868,250
DST	9,865,245
Business taxes and permits	9,759,917
PSE fees	2,008,000
Real property tax	4,705
SEC fees	11,675
Others	75,150
	₱37,592,942



Withholding Taxes

The details of the Parent Company's withholding taxes paid or accrued are as follows:

	Amounts in Philippine Peso
Withholding taxes on compensation	₱110,495,467
Expanded withholding taxes	57,066,450
Final withholding taxes	294,800,854
Withholding value-added tax	598,388
	<u>₱462,961,159</u>

Others

The Parent Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued for the year ended December 31, 2017.

The Parent Company has no tax cases or litigation and/or prosecution in courts or bodies outside the BIR as of and during the year ended December 31, 2017.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
First Gen Corporation
6th Floor, Rockwell Business Center Tower 3
Ortigas Avenue, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of First Gen Corporation as at and for the years ended December 31, 2017 and 2016 and have issued our report thereon dated March 15, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations as of December 31, 2017 is the responsibility of the Parent 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 basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic 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.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner
CPA Certificate No. 0114122
SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020
Tax Identification No. 219-674-288
BIR Accreditation No. 08-001998-103-2017,
January 31, 2017, valid until January 30, 2020
PTR No. 6621266, January 9, 2018, Makati City

March 15, 2018



FIRST GEN CORPORATION**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2017**

List of Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations Committee (PIC) Q&A's effective as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		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: 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			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Conditions			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions*	Not early adopted		
PFRS 3 (Revised)	Business Combinations	✓		
	Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendments to PFRS 3: Scope Exceptions for Joint Arrangements			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 4	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments, with PFRS 4*	Not early adopted		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not early adopted		
	Amendments to PFRS 7: Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Prepayment Features with Negative Component*	Not early adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Investment Entities*	Not early adopted		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 10 (cont'd)	Amendments to PFRS 10: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Applying the Consolidation Exception			✓
	Amendments to PFRS 12: Disclosure of Interest in Other Entities-Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendments to PFRS 13: Short-term Receivables and Payables	✓		
	Amendments to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		
PFRS 16	Leases*	Not early adopted		
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	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12 (cont'd)	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12 (cont'd)	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Clarification of Servicing Equipment			✓
	Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation			✓
	Amendment to PAS 16: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional market issue regarding discount rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 28 (Amended) <i>(cont'd)</i>	Amendments to PAS 28: Long-term Interests in Associates in Joint Ventures*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 32	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: Tax Effect of Distribution to Holders of Equity Instruments			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: 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	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 39 (cont'd)	Amendments to PAS 39: Reclassification of Financial Assets			✓
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property			✓
	Amendments to PAS 40: Investment Property			✓
	Amendments to PAS 40: Transfers of Investment Property*	Not early adopted		
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
Philippine interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9: 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			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*	Not early adopted		
IFRIC 23	Uncertainty over Income Tax Treatment*	Not early adopted		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation Special Purpose Entities			✓
	Amendment to SIC-12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*Standards and interpretations which will become effective subsequent to December 31, 2017.

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2017 and 2016.



EXHIBIT “C”

SRC RULE 68, As Amended (2011) (Schedules)

FIRST GEN CORPORATION AND SUBSIDIARIES

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December 31, 2017

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* These schedules, which are required by SRC Rule 68.1, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or in the related notes thereto.

Receivables from certain officers and employees were made in the ordinary course of business.

The Company is not a financial guarantor of obligations of any unconsolidated entity.