

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

A	L	S	O	N	S		C	O	N	S	O	L	I	D	A	T	E	D		R	E	S	O	U	R	C	E	S	
I	N	C	.																										

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

A	L	S	O	N	S		B	U	I	L	D	I	N	G		2	2	8	6		D	O	N		C	H	I	N	O
R	O	C	E	S		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y						

Form Type

1	7	-	Q
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	.	A	.
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## COMPANY INFORMATION

Company's Email Address

<b>Legal@alcantaragroup.com</b>
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Company's Telephone Number/s

<b>9823000</b>
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Mobile Number

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No. of Stockholders

<b>466</b>
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Annual Meeting  
Month/Day

<b>May 25</b>
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Fiscal Year  
Month/Day

<b>December 31</b>
--------------------

## CONTACT PERSON INFORMATION

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

Name of Contact Person

<b>Robert F. Yenke</b>
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Email Address

<b>ryenke@alcantaragroup.com</b>
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Telephone Number/s

<b>9823000</b>
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Mobile Number

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Contact Person's Address

<b>Alsons Building 2286 Don Chino Roces Avenue Makati City</b>
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**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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

SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q

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

1. For the quarterly period ended 30 September 2017
2. SEC Identification Number 59366
3. BIR Tax Identification Number - 001-748-412
4. Exact name of registrant as specified in its charter: ALSONS CONSOLIDATED RESOURCES, INC.
5. Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6. Industry Classification Code: \_\_\_\_\_ (SEC Use Only)
7. Alsons Bldg., 2286 Pasong Tamo Extension,  
Makati City 1231  
Address of principal office Postal Code
8. (632) 982-3000  
Registrant's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 4 and 8 of the SRC  

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
<b>Common Stock P 1.00 par value</b>	<b>6,291,500,000 Shares</b>
11. Are any or all of these securities listed on the Philippine Stock Exchange ?  
Yes ☒ No ☐  
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange Common Stock
12. Check whether the registrant:
  - (a) has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):  
Yes ☒ No ☐
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

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## PART I -- FINANCIAL INFORMATION

### Item 1. Financial Statements

The following financial statements are submitted as part of this report:

Interim Financial Statements as of September 30, 2017 and for the Nine-Month Periods Ended September 30, 2017 and 2016 (with Comparative Audited Consolidated Balance Sheet as of December 31, 2016).

### Key Performance Indicators

The following key performance indicators were identified by the Company and included in the discussion of the results of operations and financial condition for the Six months ended September 30, 2017 and 2016. (Amounts in million pesos, except ratios)

Financial KPI	Definition	September 30	
		2017	2016
<u>Profitability</u>			
<b>REVENUES</b>		<b>₱5,222</b>	<b>₱4,889</b>
<b>EBITDA</b>		<b>1,248</b>	<b>718</b>
EBITDA Margin	$\frac{\text{EBITDA}}{\text{Net Sales}}$	<b>35%</b>	<b>23%</b>
Return on Equity	$\frac{\text{Net Income}}{\text{Total Average Stockholders' Equity}}$	<b>3%</b>	<b>7%</b>
<b>NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS</b>		<b>118</b>	<b>110</b>
<u>Efficiency</u>			
Operating Expense Ratio	$\frac{\text{Operating Expenses}}{\text{Gross Operating Income}}$	<b>23%</b>	<b>39%</b>
<u>Liquidity</u>			
Net Debt Coverage	$\frac{\text{Cash Flow from Operating Activities}}{\text{Net Financial Debt}}$	<b>12%</b>	<b>9%</b>
<b>CURRENT RATIO</b>	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	<b>1.12:1</b>	<b>3.55:1</b>
<b>DEBT-TO-EQUITY RATIO</b>		<b>2.21:1</b>	<b>1.94:1</b>
Asset-to-equity Ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	<b>3.06:1</b>	<b>2.96:1</b>
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interest and Taxes}}{\text{Interest Expense}}$	<b>1.48:1</b>	<b>2.75:1</b>

### Profitability

Earnings before interest, taxes, depreciation and amortization (EBITDA) margin of the Company improved significantly to 35% from 23% in the same period last year due mainly to the contribution of SEC which commenced commercial operations last year. Return on equity

(ROE) however, decreased to 3% from 7% due to reduction in income from the diesel fired power plants.

### Efficiency

For the nine-month period ended September 30, 2017, Sarangani Energy Corporation's Section 1 continue to be the main revenue driver of the Company, contributing ₱3.1 billion in revenues. The operating expense ratio improved to 23% from 39% in the previous period. The operating efficiency of all the power plants continues to operate in accordance with the operating plans and budgets.

ACR's cash flows from operations this period improved significantly at ₱2,243 million due mainly to the timing of collection of trade receivables and settlement of trade and other current liabilities during the period. The availment of short-term loans and settlement of maturing obligations contributed to the increase in net debt coverage from ratio 9% in 2016 to 12% this period while current ratio decreased to 1.12:1 from last period's 3.55:1 resulting from higher accounts payable and accrued expenses.

### **DESCRIPTION OF KEY PERFORMANCE INDICATORS:**

1. **REVENUES.** Revenue is the amount of money that the company subsidiaries receive arising from their business activities and is presented in the top line of the statements of income. The present revenue drivers of the Company are i) Energy and power and ii) Real estate. Revenue growth is one of the most important factors management and investors use in determining the potential future stock price of a company and is closely tied to the earnings power for both the near and long-term timeframes. Revenue growth also aids management in making a sound investment decision.
2. **EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA).** The Company computes EBITDA as earnings before extra-ordinary items, net finance expense, income tax, depreciation and amortization. It provides management and investors with a tool for determining the ability of the Company to generate cash from operations to cover financial charges and income taxes. It is also a measure to evaluate the Company's ability to service its debts, to finance its capital expenditure and working capital requirements.
3. **NET EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT.** Net income attributable to shareholders is one more step down from net income on the income statement. The net income of a company is just all of the revenues minus all of the expenses including interest expenses and taxes. Net income attributable to shareholders is the net income minus the non-controlling interests. This aids management and investors in identifying company's profit allocated to each outstanding share.
4. **DEBT-TO-EQUITY RATIO.** This measures the company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.
5. **CURRENT RATIO.** Current ratio is a measurement of liquidity computed by dividing current assets by current liabilities. It is an indicator of the Company's ability to meet its current maturing obligations. The higher the ratio, the more liquid the Company presents.



## **Item 2. Management's Discussion and Analysis of Results of Operations and Financial Condition**

### **RESULTS OF OPERATIONS**

The six months financial results showed ₱5,222 million revenues, 7% higher than the ₱4,889 million revenues in 2016. The increase was due mainly to the full commercial operations of SEC which commenced on April 29 last year and contributed ₱3,128 million in revenues this year. All the existing diesel plants are currently operating as merchants and with bilateral contracts with various cooperatives and off-takers.

Cost of goods sold and services was also higher in 2017 at ₱3,817 million from last year's ₱3,676 million due mainly to the cost incurred by SEC 1 amounting to ₱2,250 million. Gross profit significantly improved this year at ₱1,404 million from ₱1,214 million in 2016 and gross profit rate from 25% to 27%.

Due to lower related personnel costs and taxes and licenses incurred this year, general and administrative expenses was 24% lower from ₱340 million to ₱259 million this year. These costs savings were related to the corporate re-organization implemented last year.

Net finance charges this year was at ₱819 million compared to last year's ₱509 million due mainly to the interest incurred on the project loan related to the construction of SEC phase 1. The 2016 interest were capitalized as part of project cost currently under construction at that time.

Due to the impact of higher interest expense this year, net income in 2017 was at ₱274 million from last year's ₱238 million. Parent net income was at ₱118 million against the ₱110 Million registered in the same period last year resulting in an earnings per share of ₱0.018 from ₱0.017 in the previous year.

The nine months financial results in 2017 is still in accordance with the operating plan and budget.

### **REVIEW OF FINANCIAL POSITION**

ACR and Subsidiaries continue to post strong balance sheets with total assets of ₱32,640 million, from ₱30,810 million at the end of 2016.

Current assets decrease slightly from ₱6,084 million to ₱5,604 million brought about by the lower trade and other receivables and cash and cash equivalents during the period.

On the other hand, non-current assets increased 9% from ₱24,726 million to ₱27,036 million. This is due largely to the increase in property, plant and equipment resulting from the on-going construction of phase 2 of SEC power plant during the period.

Total liabilities amounted to ₱21,975 million, slightly higher than the ₱20,098 million reported at the end of 2016. The increase in accounts payable and accrued expenses and loans payable related to SEC phase 2 construction resulted to the increase in total liabilities.

As of September 30, ACR's current ratio decreased from 3.28:1 to 1.12 and its debt to equity ratio also increased to 2.21:1 from 1.71:1 last year.



ACR's consolidated statement of cash flows showed that cash from operating activities is the major source of funding for payment of maturing loans and additional capital expenditures during the period..

i. Causes of the material changes (5% or more) in balances of relevant accounts as of September 30, 2017 compared to December 31, 2016 are as follows:

- a) **Short-term Cash Investments** – Decreased 17%  
The decrease is due mainly to usage of and the termination of placements by SPPC and WMPC and used to pay the dividends declared during the year.
- b) **Trade and Other Receivables** – Decreased 11%  
The decrease is due mainly to the timing of collection of trade receivables during the period.
- c) **Spare Parts and Supplies** – Decreased 27%  
The decrease is due mainly to the spare parts billed-up of Sarangani Energy during the period as well as usage of the SPPC, MPC and WMPC for their regular maintenance.
- e) **Prepaid Expenses and Other Current Assets** – Increased 5%  
The increase was due to the timing of payments of creditable withholding and valued added taxes.
- f) **Other Noncurrent Assets** – Increased 5%  
The increase was due to the additional deferred cost incurred for SRPI and hydro projects.
- f) **Accounts Payable and Accrued Expenses** – Increased 18%  
The timing of payments of trade payables led to the increase in this account during the period.
- g) **Loans payable** – Increased 158%  
The availment of a short-term loan by subsidiaries caused the increase in this account.
- h) **Income Tax Payable** – Decreased 58%  
Timing of payments of income tax payable led to the increase in this account during the period.
- i) **Noncontrolling Interest** – Decreased 23%  
The share on noncontrolling interest in the dividend declared by SPPC and WMPC caused the decrease in this accounts which partly offset by its share in the consolidated net income.

ii. Events that will trigger Direct or Contingent Financial Obligation that is material to the Company, including any default or acceleration of obligation.

Some of the subsidiaries or affiliates of the Company are from time to time involved in routine litigation and various legal actions incidental to their respective operations. However, in the opinion of the Company's management, none of the legal matters in which its subsidiaries or affiliates are involved have material effect on the Company's financial condition and results of operations.



- iii. Material Off-Balance Sheet Transactions, Arrangements, Obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

On Jun 3, 2017, the Company has signed an agreement with Global Business Power Corporation (GBP) for a 50% less one share stake in ATEC. The completion of the transaction is subject to the satisfaction of certain conditions precedent. The Philippine Competition Commission (PCC) approved the transaction on September 25, 2017. As of September 30, 2017, the conditions set forth in the Investment Agreement are being addressed and finalized.

The Company is also in the process of securing approval from the Securities and Exchange Commission (Commission) to issue its first tranche of commercial papers worth ₱500 million, as part of a ₱2.5 billion shelf registration. As of September 30, 2017, the Commission is yet to issue its approval.

## **PART II -- OTHER INFORMATION**

### **Other Required Disclosures**

1. The attached interim financial reports were prepared in accordance with accounting standards generally accepted in the Philippines. The accounting policies and methods of computation followed in these interim financial statements are the same compared with the audited financial statements for the period ended December 31, 2016.
2. Except as reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), there were no unusual items affecting assets, liabilities, equity, net income or cash flows for the interim period.
3. There were no material changes in estimates of amounts reported in prior periods that have material effects in the current interim period.
4. Except as disclosed in the MD&A, there were no other issuances, repurchases and repayments of debt and equity securities.
5. There were no material events subsequent to September 30, 2016 up to the date of this report that needs disclosure herein.
6. There were no changes in the composition of the Company during the interim period such as business combination, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
7. There were no changes in contingent liabilities or contingent assets since December 31, 2016.
8. There are no material contingencies and other material events or transactions affecting the current interim period.
9. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity.





10. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact to the Company.
11. There is no significant element of income or loss that did not arise from the Company's continuing operations.
12. There are no known seasonal or cyclical aspects that had a material effect on the financial condition or results of operations for the interim period.
13. There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources for such expenditures.
14. Any seasonal aspects that had a material effect on the financial condition or results of operations.

ACR being a holding company has no seasonal aspects that will have any material effect on its financial condition or operational results.

ACR's power business units generates fairly stable stream of revenues throughout the year.

ACR's real property development does not show any seasonality. The remaining real estate inventory of Alsons Land does not shown signs of impairments during the period.

There are NO matters and events that need to be disclosed under SEC Form 17-C.

### SIGNATURES

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

#### **ALSONS CONSOLIDATED RESOURCES, INC.**


Issuer

By:

Registrant :

  
\_\_\_\_\_  
**TIRSO G. SANTILLAN, JR.**  
Executive Vice-President & COO

Date: Nov. 10, 2017

  
\_\_\_\_\_  
**ROBERT F. YENKE**  
Chief Financial Officer

Date: 11-10-2017

# Alsons Consolidated Resources, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As at September 30, 2017 and for the Three-Month Periods Ended  
September 30, 2017 and 2016  
*(With Comparative Audited Consolidated Balance Sheet as at  
December 31, 2016)*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES****INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS****AS AT SEPTEMBER 30, 2017****(With Comparative Audited Figures as at December 31, 2016)**

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱1,963,130,026	₱2,050,586,516
Short-term cash investments (Note 4)	48,228,400	58,172,400
Trade and other receivables (Note 5)	1,855,027,443	2,089,455,903
Real estate inventories (Note 6)	645,739,417	646,886,864
Spare parts and supplies - at cost	475,295,794	651,649,055
Prepaid expenses and other current assets (Note 9)	616,468,044	587,051,018
<b>Total Current Assets</b>	<b>5,603,889,124</b>	<b>6,083,801,756</b>
<b>Noncurrent Assets</b>		
Noncurrent portion of installment receivables	6,414,629	6,557,239
Investments in real estate (Note 6)	176,127,393	176,276,075
Investments in associates (Note 10)	2,175,644,762	2,175,644,762
Property, plant and equipment (Note 7)	21,011,131,386	18,708,877,299
Available-for-sale (AFS) financial assets	2,346,997,318	2,343,630,303
Goodwill (Note 8)	806,687,320	806,687,320
Net retirement assets	27,013,617	29,607,129
Deferred income tax assets – net	14,049,640	30,321,457
Other noncurrent assets	471,686,438	448,322,409
<b>Total Noncurrent Assets</b>	<b>27,035,752,503</b>	<b>24,725,923,993</b>
<b>TOTAL ASSETS</b>	<b>₱32,639,641,627</b>	<b>₱30,809,725,749</b>

**LIABILITIES AND EQUITY****Current Liabilities**

Accounts payable and other current liabilities (Note 11)	₱1,857,404,625	₱1,572,066,165
Loans payable	1,722,815,329	667,030,719
Income tax payable	24,423,946	58,789,821
Current portion of long-term debt	1,412,858,128	612,245,238
<b>Total Current Liabilities</b>	<b>5,017,502,028</b>	<b>2,910,131,943</b>

**Noncurrent Liabilities**

Long-term debt - net of current portion	16,063,838,695	16,278,965,915
Deferred income tax liabilities - net	683,878,564	700,463,748
Retirement benefits liabilities	32,085,668	32,051,884
Asset retirement obligation	178,154,436	176,117,468
<b>Total Noncurrent Liabilities</b>	<b>16,957,957,363</b>	<b>17,187,599,015</b>
<b>Total Liabilities</b>	<b>21,975,459,391</b>	<b>20,097,730,958</b>

(Forward)

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
<b>Equity (Note 12)</b>		
Capital stock	₱6,326,883,333	₱6,322,483,333
Other equity reserves	1,777,880,948	1,774,513,933
Retained earnings:		
Unappropriated	1,026,207,767	1,013,611,249
Appropriated	1,300,000,000	1,300,000,000
Attributable to equity holders of the parent	10,430,972,048	10,410,608,515
Non-controlling interests	233,210,188	301,386,276
<b>Total Equity</b>	<b>10,664,182,236</b>	<b>10,711,994,791</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱32,639,641,627</b>	<b>₱30,809,725,749</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*



**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Nine-Month Period Ended September 30		Three-Month Period Ended September 30	
	2017	2016	2017	2016
Energy fees	P5,209,458,703	P4,871,938,115	P1,638,338,253	P1,685,678,384
Sale of real estate	3,067,163	796,620	-	796,620
Management fees	-	7,562,913	-	-
Rental income and others	9,139,428	9,115,408	3,046,528	2,227,850
	5,221,665,294	4,889,413,056	1,641,384,781	1,688,702,854
<b>INCOME (EXPENSES)</b>				
Cost of services	(3,817,252,791)	(3,675,679,369)	(1,221,051,733)	(1,198,559,475)
General and administrative expenses	(259,284,529)	(339,660,766)	(86,843,087)	(76,802,788)
Finance income (charges) - net	(818,138,793)	(509,588,751)	(275,301,475)	(288,872,567)
Other income - net ( Note 10)	62,715,752	15,702,841	61,612,292	4,492,555
	(4,831,960,361)	(4,509,226,045)	(1,521,584,003)	(1,559,742,275)
<b>INCOME BEFORE INCOME TAX</b>	389,704,933	380,187,011	119,800,778	128,960,579
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>				
Current	123,712,652	137,999,644	38,824,245	46,591,754
Deferred	(8,492,149)	4,089,502	(2,998,066)	1,011,276
	115,220,503	142,089,146	35,826,179	47,603,030
<b>NET INCOME</b>	P274,484,430	P238,097,865	P83,974,599	P81,357,549
<b>Attributable to:</b>				
Owners of the parent (Note 11)	P117,660,518	P110,042,217	P31,633,969	P57,966,852
Non-controlling interest	156,823,912	128,055,648	52,340,630	23,390,697
	P274,484,430	P238,097,865	P83,974,599	P81,357,549
<b>Basic/diluted earnings per share attributable to owners of the parent</b>	0.018	0.017	P0.005	P0.009

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE INCOME**

	Nine Months Period Ended September 30		Three Months Ended September 30	
	2017 Unaudited	2016 Unaudited	2017 Unaudited	2016 Unaudited
<b>NET INCOME FOR THE PERIOD</b>	<b>₱274,484,430</b>	<b>₱238,097,865</b>	<b>₱83,974,599</b>	<b>₱81,357,549</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that will be reclassified subsequently to profit or loss</i>				
Gain (loss) on valuation of AFS financial assets	3,367,015	(4,554,000)	(237,448)	(11,817,539)
Translation adjustment	-	14,896,280	-	60,032,887
	<b>3,367,015</b>	<b>10,342,280</b>	<b>(237,448)</b>	<b>48,215,348</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱277,851,445</b>	<b>₱248,440,145</b>	<b>₱83,737,151</b>	<b>₱129,572,897</b>
<b>Attributable to:</b>				
Owners of the parent	₱88,631,012	₱14,202,287	₱31,396,521	₱106,182,210
Non-controlling interests	105,383,282	104,664,961	52,340,630	23,390,687
	<b>₱194,014,294</b>	<b>₱118,867,248</b>	<b>₱83,737,151</b>	<b>₱129,572,897</b>

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

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**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE -MONTH PERIODS ENDED SEPTEMBER 30, 2017 AND 2016**

	Attributable to Equity Holders of the Parent						
	Capital Stock(Note 10)	Actuarial Gains (Losses)	Unrealized Gains (Losses) on AFS Financial Assets	Unappropriated Retained Earnings	Appropriated Retained Earnings	Equity Reserves	Non-controlling Interests (Note 1)
Balance at December 31, 2016	₱6,322,483,333	₱4,756,234	(₱52,922,963)	₱1,013,611,249	₱1,300,000,000	₱145,480,697	₱301,386,276
Net income	-	-	-	117,660,518	-	-	156,823,912
Other comprehensive income	-	-	3,367,015	-	-	-	-
Total comprehensive income (loss)	-	-	3,367,015	117,660,518	-	-	156,823,912
Appropriation of retained earnings	-	-	-	-	-	-	-
Collection of subscription	4,400,000	-	-	-	-	-	-
Dividends declared	-	-	-	(105,064,000)	-	-	-
Balance at September 30, 2017	₱6,326,883,333	₱4,756,234	(₱49,555,948)	₱1,026,207,767	₱1,300,000,000	₱145,480,697	₱233,210,188
Balance at December 31, 2015	₱6,318,083,333	₱5,753,023	(₱50,979,995)	₱797,647,185	₱1,300,000,000	₱145,480,697	₱416,741,962
Net income	-	-	-	110,042,217	-	-	128,055,648
Other comprehensive income	-	-	(4,554,000)	-	-	-	-
Total comprehensive income (loss)	-	-	(4,554,000)	110,042,217	-	-	128,055,648
Appropriation of retained earnings	-	-	-	-	-	-	-
Collections of subscription	4,400,000	-	-	-	-	-	-
Dividends declared	-	-	-	(105,064,000)	-	-	-
Balance at September 30, 2016	₱6,322,483,333	₱5,753,023	(₱55,533,995)	₱802,625,402	₱1,700,000,000	₱145,480,697	₱544,797,610

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30	
	2017 (Unaudited)	2016 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	₱389,704,933	₱380,187,011
Adjustments for:		
Depreciation and amortization	657,761,777	484,633,895
Interest income	(40,386,416)	(111,540,366)
Finance charges	858,525,209	621,129,117
Retirement cost	(33,784)	101,351
Unrealized foreign exchange loss (gain)	-	60,714,677
Impairment loss on deferred project cost	-	-
Loss (gain) on sale of property and equipment	-	-
Operating income before working capital changes	1,865,571,720	1,435,225,685
Decrease (increase) in:		
Trade and other receivables	84,683,939	(282,383,486)
Prepaid expenses and other current assets	(29,417,026)	280,735,263
Spare parts and supplies	176,353,261	(141,681,268)
Increase (decrease) in:		
Accounts payable and other current liabilities	269,688,155	149,920,743
Net cash flows from operations	2,366,880,049	1,441,816,937
Increase (decrease) in income tax payable	(123,712,652)	(137,999,644)
Net cash flows from (used in) operating activities	2,243,167,397	1,303,817,293
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in:		
Other noncurrent assets	(23,364,030)	(18,764,452)
Due from related parties	149,744,521	(40,061,885)
Short-term cash investments	9,944,000	163,552,935
Additions to property, plant and equipment (Note 7)	(2,960,015,864)	(1,802,991,999)
Additions to investment in associate	-	(900,011,502)
Interest received	40,386,416	111,540,366
Increase in other noncurrent liabilities	-	-
Computer software	-	-
Proceeds from disposal of property and equipment	-	731,368,486
Net cash flows from (used in) investing activities	(2,783,304,958)	(1,755,368,051)





**ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Nine Months Ended September 30	
	2017	2016
	(Unaudited)	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment (payments) of:		
Payment of debts	(P550,276,275)	(P300,000,000)
Availment of debts	2,191,546,555	206,128,206
Interest	(858,525,209)	(621,129,117)
Dividends	(330,064,000)	
Net cash flows used in financing activities	452,681,071	(715,000,911)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(87,456,490)	(1,166,551,669)
<b>EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	-	(3,131,992)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	2,050,586,516	3,939,847,554
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 4)</b>	P1,963,130,026	P2,770,163,393

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*



# **ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES** **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

## **1. General Information**

### Corporate Information

Alsons Consolidated Resources, Inc. (ACR or Parent Company) is a stock corporation organized on December 24, 1974 as Victoria Gold Mining Corporation to engage in the business of exploration of oil, petroleum and other mineral products. The corporate name was changed to Terra Grande Resources, Inc. in March 1995 and to Alsons Consolidated Resources, Inc. in June 1995 to mark the entry of the Alcantara Group. ACR's primary purpose was consequently changed to that of an investment holding company and oil exploration was relegated as a secondary purpose. The Company's ultimate parent company is Alsons Corporation, a company incorporated in the Philippines.

The registered office address of ACR is 2286 Don Chino Roces Ave. Extension, Makati City.

The consolidated financial statements include the accounts of ACR and the subsidiaries (collectively referred to as "the Group") listed in the table below:

Subsidiaries	Nature of business	Percentage of Ownership			
		2017		2016	
		Direct	Indirect	Direct	Indirect
Conal Holdings Corporation (CHC)	Investment holding	100.00	—	100.00	—
Alsing Power Holdings, Inc. (APHI)	Investment holding	20.00	80.00	20.00	80.00
Western Mindanao Power Corporation (WMPC)	Power generation	—	55.00	—	55.00
Southern Philippines Power Corporation (SPPC)	Power generation	—	55.00	—	55.00
Alto Power Management Corporation (APMC)	Management services	—	60.00	—	60.00
APMC International Limited (AIL)	Management services	—	100.00	—	100.00
Mapalad Power Corporation (MPC)	Power generation	—	100.00	—	100.00
FGen Northern Power Corp. (FGNPC)	Power generation	—	60.00	—	60.00
Alsons Renewable Energy Corporation (AREC)	Investment holding	80.00	—	80.00	—
Siguil Hydro Power Corporation (Siguil)	Power generation	—	80.00	—	80.00
Kalaong Power Corporation (Kalaong)	Power generation	—	80.00	—	80.00
Alsons Thermal Energy Corporation (ATEC)	Power generation	100.00	—	100.00	—
Sarangani Energy Corporation (Sarangani)	Power generation	—	75.00	75.00	—
ACES Technical Services Corporation (ACES)	Management services	—	100.00	100.00	—
San Ramon Power, Inc. (SRPI)	Power generation	—	100.00	100.00	—
Alsons Power International Limited (APIL)	Power generation	100.00	—	100.00	—
Alsons Land Corporation (ALC)	Real estate	99.55	—	99.55	—
MADE (Markets Developers), Inc.	Distribution	80.44	—	80.44	—
Kamanga Agro-Industrial Ecozone Development Corporation (KAED)	Real estate	100.00	—	100.00	—
Alsons Power Supply Corporation (APSC)	Customer Service	100.00	—	—	—

SPPC and WMPC are independent power producers (IPPs) with Energy Conversion Agreements (ECAs) with the Philippine government through the National Power Corporation (NPC). ECA of SPPC and WMPC ended in May 2016 and December 2015, respectively.

Except for AIL and APIL, which are incorporated in the British Virgin Islands (BVI), all of the subsidiaries are incorporated in the Philippines.

### Power and Energy

CHC and Subsidiaries. In July 2014, CHC and SPPC redeemed preferred shares of 178,462 and 483,875, respectively, for a total consideration of ₱232 million (\$5.2 million). The redeemed preferred shares were retired and are no longer available for re-issue. The share of the non-controlling interests (NCI) in the redemptions in 2014 is shown below:

	Number of Shares	Total Amount	Share of Non- controlling Interests
CHC	178,462	₱70,858,798	₱—
SPPC	483,875	161,042,877	72,469,702
		₱231,901,675	₱72,469,702

The Board of Directors (BOD) of Northern Mindanao Power Corporation (NMPC), a subsidiary under CHC, approved on April 25, 2008 the amendments to NMPC's Articles of Incorporation to shorten its corporate life up to November 15, 2009. After November 15, 2009, NMPC was dissolved. Consequently, NMPC's remaining assets and liabilities have all been transferred to CHC's books as at December 31, 2009. CHC is responsible for the final liquidation of NMPC's net assets and the payment to the non-controlling shareholders. In 2013, CHC has fully liquidated the net distributable assets of NMPC and paid the non-controlling shareholders.

CHC organized and incorporated MPC on July 13, 2010 as a wholly owned subsidiary to rehabilitate and operate the 103 MW Bunker-Fired Iligan Diesel Power Plants (IDPPs) I and II located in Iligan City. On June 27, 2011, ACR acquired full control of MPC through an agreement with CHC, wherein CHC assigned all shares to ACR. The deed of sale of IDPP with Iligan City Government was signed on February 27, 2013. On August 1, 2013, ACR transferred MPC to CHC for a total consideration of ₱0.3 million (\$7,781). MPC entered into Power Supply Agreements (PSAs) with various distribution utilities and electric cooperatives (see Note 33). On September 6, 2013, MPC started operating 98 MW of the 103 MW Bunker-Fired IDPPs. MPC completed the rehabilitation and operates the balance of 5 MW in 2014.

On July 7, 2015, CHC subscribed and paid 60% of FGNPC's outstanding common shares amounting to ₱0.04 million (\$832). Investment of non-controlling interest amounted to ₱0.02 million (\$459) in 2015.

### ATEC and Subsidiaries

ATEC. On November 23, 2015, ACR organized ATEC primarily to develop and invest in energy projects, including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱1 million.

On October 13, 2016, ACR and ATEC executed an assignment of share agreement wherein the Parent Company assigned and transferred its ownership interests in ACES to ATEC for a total consideration of ₱20 million. Accordingly, ACES became wholly owned subsidiary of ATEC.

On Jun 3, 2017, the Company has signed an agreement with Global Business Power Corporation (GBP) for a 50% less one share stake in ATEC. The completion of the transaction is subject to the satisfaction of certain conditions precedent. The Philippine Competition Commission (PCC) approved the transaction on September 25, 2017.

Sarangani. CHC organized Sarangani on October 15, 2010 as a wholly owned subsidiary to construct, commission and operate power generating plant facilities of electricity in Maasim,



Sarangani Province. On June 27, 2011, ACR acquired full control of Sarangani through an agreement with CHC, wherein CHC assigned all its shares to ACR. On December 10, 2012, ACR entered into a shareholders agreement with Toyota Tsusho Corporation (TTC), a company incorporated in Japan, wherein TTC subscribed and paid ₱355 million worth of Sarangani shares representing 25% of the total equity of Sarangani. In accordance with the shareholders agreement, ACR increased its investment in Sarangani to 75% of the total equity of Sarangani by converting its advances and additional cash infusion.

The construction of the Sarangani's SM200 project is in two phases. Construction of Phase 1 (105 MW) of the Project commenced in January 2013 and was completed in 2016. The preliminary works for Phase 2 (105 MW) has started in 2016 and the construction of the plant is expected to be completed in 2019.

In 2015, ACR made additional cash infusion and conversion of advances totaling to ₱572 million, primarily to meet the funding requirements of Sarangani's SM200 project.

On April 20, 2016, ACR subscribed to ATEC's proposed increase in authorized capital stock to the amount of ₱2,989,285,100 worth of shares of stock. The subscription was paid by way of ACR's investment in Sarangani and cash amounting to ₱14 million.

*ACES.* ACR organized and incorporated ACES on July 7, 2011 primarily to provide operations and maintenance services to the Group's coal power plants.

*SRPI.* ACR organized and incorporated SRPI on July 22, 2011 as a wholly owned subsidiary. SRPI was incorporated primarily to acquire, construct, commission, operate and maintain power generating plants and related facilities for the generation of electricity. SRPI has obtained its Environmental Compliance Certificate (ECC) on March 20, 2012 for the planned 105MW coal fired power plant to be located in Zamboanga Ecozone. SRPI's expected construction of the power plant that was previously forecasted to commence in the later part of 2013, has been deferred at a later time. The total project cost is estimated at ₱13 billion. As at September 30, 2017, SRPI has not yet started the construction of the power plant.

#### *AREC and Subsidiaries*

*Siguil and Kalaong.* ACR organized and incorporated Siguil and Kalaong on July 22, 2011 as wholly owned subsidiaries. Siguil and Kalaong were incorporated primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources. Siguil's 17MW Hydro Power Project is in Maasim, Sarangani while Kalaong's 22MW Hydro Power Project is in Bago, Negros Oriental. These projects are expected to augment power supply in the cities of General Santos and Bacolod, respectively, once they are completed. As at September 30, 2017, Siguil and Kalaong have not yet started commercial operations.

*AREC.* On September 18, 2014, ACR organized AREC primarily to develop and invest in energy projects including but not limited to the exploration, development and utilization of renewable energy resources with total capital infusion amounting to ₱31 million.

On July 10, 2015, ACR and AREC executed an assignment of share agreement wherein the Company assigned and transferred its ownership interests in Siguil and Kalaong to AREC. Accordingly, Siguil and Kalaong became subsidiaries of AREC. Also, ACR sold its 20% interest to ACIL, Inc., an entity under common control. Accordingly, ACR's interest in AREC was reduced from 100% in 2014 to 80% in 2015.



Property Development

*ALC.* On November 25, 1994, the Parent Company incorporated ALC to acquire, develop, sell and hold for investment or otherwise, real estate of all kinds, sublease office spaces and manufacture door and house frames.

*KAED.* On September 3, 2010, the Parent Company incorporated KAED to establish, develop, operate and maintain an agro-industrial economic zone and provides the required infrastructure facilities and utilities such as power and water supply and distribution system, sewerage and drainage system, waste management system, pollution control device, communication facilities and other facilities as may be required for an agro-industrial economic zone. As at September 30, 2017, KAED has not yet started commercial operations.

Other Investments

*MADE.* MADE, which is in the distribution business, has incurred significant losses in prior years resulting in capital deficiency. Because of the recurring losses, MADE decided to cease operations effective April 30, 2006 and terminated its employees. These factors indicate the existence of a material uncertainty which may cast significant doubt about MADE's ability to continue operating as a going concern. As at September 30, 2017, MADE has no plans to liquidate but new business initiatives are being pursued which will justify resumption of its trading operations.

*APSC.* ACR organized and incorporated APSC on October 13, 2016 primarily to provide services necessary or appropriate in relation to the supply and delivery of electricity. As at September 30, 2017, APSC has not yet started commercial operations.

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**2. Basis of Preparation and Statement of Compliance**

Basis of Preparation

The unaudited interim condensed consolidated financial statements of the Group as at September 30, 2017 and for the three-month periods ended September 30, 2017 and 2016 have been prepared in accordance with the Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*.

The unaudited interim condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets and derivative financial instruments that have been measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso, the functional and presentation currency of the Parent Company.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2016.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements comprise the financial statements of the Parent Company and the subsidiaries it controls (see Note 1).

New Standards and Interpretations Issued and Effective as at January 1, 2016

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2016.



The nature and impact of each new standard and amendment is described below:

- Amendments to PAS 1, *Presentation of Financial Statements - Disclosure Initiative*, clarifies the materiality requirements as shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions. The amendments also clarify that specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position may be disaggregated and entities have flexibility as to the order in which they present the notes to financial statements. In addition, the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. For additional subtotals presented in the statement of profit or loss and other comprehensive income, line items should be presented to reconcile any such subtotals with the subtotals or totals currently required in PFRS for such statement.

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS, does not affect recognition and measurement, and facilitate enhanced disclosure effectiveness. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no significant impact on the consolidated financial statements.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the consolidated financial statements.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments). The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the consolidated financial statements.

- PFRS 14, *Regulatory Deferral Accounts*. PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate



line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments). The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the consolidated financial statements given that the Group has not used a revenue-based method to depreciate its non-current assets.
- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments). The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments have no impact on the consolidated financial statements as the Group does not have any bearer plants.

*Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*. PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively.



However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*. This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*. The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

#### Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of the issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

#### *Effective in 2018*

- PFRS 9, *Financial Instruments* (2014 or final version). In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. 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 comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 is not expected to have any significant impact on the consolidated financial statements.

#### *Effective in 2019*

- PFRS 16, *Leases*. The new standard introduces major changes in lease accounting. Under PFRS 16, lessees will no longer classify their leases as operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the leased assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose





more information in their financial statements, particularly on the risk exposure to residual value.

PFRS 16 will replace PAS 17 and supersede the related interpretations. Earlier application is not permitted until the FSRC has adopted the new revenue recognition standard.

The Group believes that this new standard has no impact on the consolidated financial statements.

#### *Deferred effectivity*

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have significant impact on the consolidated financial statements of the Group.
- Amendments to PFRS 10 and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. On January 13, 2016, the FRSC 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. The Group will consider these amendments for future sale or contribution of assets of the Group to its associates.

In addition, the IASB has issued the following new standard that has not yet adopted locally by the SEC and FRSC. The Group is currently assessing the impact of this new standard and plans to adopt such on its required effective date once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*. IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.



The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to June 30, 2017 on the Group's consolidated financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

### 3. Segment Information

The Group conducts majority of its business activities in two major business segments: (1) Energy and Power, and (2) Property Development. The Group's other activities consisting of product distribution and investment holding activities are shown in aggregate as "Other Investments."

Information with regard to the Group's significant business segments are shown below:

Nine-Month Period Ended September 30, 2017						
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
Revenues						
External customer	P5,238,445,983	P12,206,592	P-	P5,250,652,575	P-	P5,250,652,575
Inter-segment	68,911,390	3,823,479	275,000,000	347,734,869	(347,734,869)	-
Total revenues	5,307,357,373	16,030,071	275,000,000	5,598,387,444	(347,734,869)	5,250,652,575
Finance income	23,475,708	197,792	16,689,548	40,363,048	-	40,363,048
Finance charges	(592,534,566)	-	(478,617,085)	(1,071,151,651)	212,626,442	(858,525,209)
Provision for income tax	114,981,097	239,406	571,049	115,791,552	-	115,791,552
Net income (loss)	522,018,234	846,571	(168,662,410)	354,202,395	(79,717,965)	274,484,430

Nine-Month Period Ended September 30, 2016						
	Energy and Power	Property Development	Other Investments	Total	Eliminations	Consolidated
<b>Earnings Information:</b>						
Revenues						
External customer	P4,879,501,028	P9,912,028	P-	P4,889,413,056	P-	P4,889,413,056
Inter-segment	112,240,118	3,668,995	652,687,718	768,596,831	(768,596,831)	-
Total revenues	4,991,741,146	13,581,023	652,687,718	5,658,009,887	(768,596,831)	4,889,413,056
Finance income	54,120,948	124,582	57,294,836	111,540,366	-	111,540,366
Finance charges	(400,189,456)	-	(463,716,916)	(863,906,372)	242,777,255	(621,129,117)
Provision for income tax	141,903,750	185,396	571,049	142,660,195	-	142,660,195
Net income (loss)	451,953,500	1,837,112	97,727,497	551,518,109	(313,420,244)	238,097,865

### 4. Cash and Cash Equivalents and Short-term Cash Investments

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Cash on hand	P251,500	P251,500
Cash in banks	1,929,385,201	2,040,298,350
Cash equivalents	33,493,325	10,036,666
	<b>P1,963,130,026</b>	<b>P2,050,586,516</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of up to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Short-term cash investments amounting to P33 million and P10 million as at September 30, 2017 and December 31, 2016, respectively, consist of money market placements with maturities of more than three months but less than one year with interest ranging from 3.00% to 4.10%.

## 5. Trade and Other Receivables

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade:		
Power	₱723,485,267	₱964,559,609
Real estate	99,139,718	91,506,354
Product distribution and others	31,730,458	31,730,458
Due from related parties	1,016,460,956	966,128,080
Retention receivable	43,009,378	46,364,378
Others	31,052,115	79,160,083
	1,944,877,892	2,179,448,962
Less noncurrent portion of installment receivables	6,414,629	6,557,239
	1,938,463,263	2,172,891,723
Less allowance for impairment losses	83,435,820	83,435,820
	₱1,855,027,443	₱2,089,455,903

### Power

These receivables are noninterest-bearing and are generally on 30 days term. Trade receivables include SPPC's long-outstanding receivables from NPC amounting to ₱123 million and as of September 30, 2017 and December 31, 2016, respectively. These receivables pertain to the portion of accounts that were disputed by NPC and was decided upon by the Energy Regulation Commission (ERC) on June 3, 2013 in favor of SPPC. On July 23, 2013, NPC elevated the case to the Court of Appeals (CA). On August 17, 2015, CA denied NPC's motion for reconsideration and decided in favor of SPPC. On September 18, 2015, NPC elevated the case with the Supreme Court (SC). On July 4, 2016, SC rendered a decision holding NPC liable to pay SPPC for the additional 5 MW from 2005 to 2010 which affirmed ERC's requirement for both parties to reconcile settlement amount. On November 23, 2016, SC issued its decision to deny the motion for reconsideration submitted by NPC and to render the case with finality. However, ERC left the specific amount of NPC's liability for determination by SPPC and NPC through reconciliation of accounts.

The allowance for impairment loss of ₱33 million as at September 30, 2017 and December 31, 2016, respectively, is management's best estimate of impairment loss on the long-outstanding receivables from NPC.

### Real Estate

These pertain to receivables from venturers and customers from the sale of residential and commercial lots and units. Real estate receivables are generally noninterest-bearing and have terms of less than one year, except for installment receivables amounting to ₱62 million as at September 30, 2017 and December 31, 2016, respectively, which are collectible in monthly installment over a period of two to 10 years and bear interest rates ranging from 18% to 21% computed on the outstanding balance of the principal. Title on the lots sold is passed on to the buyer only upon full settlement of the contract price. The noncurrent portion of the installment receivables amounted to ₱6.4 million and ₱7 million as at September 30, 2017 and December 31, 2016 respectively. Real estate receivables include the Group's share on the sale of the developed residential and commercial lots and golf shares in the Eagle Ridge Golf and Residential Estates jointly developed with Sta. Lucia Realty and Development, Inc. (SLRDI).



Product Distribution and Others

These pertain to receivables from the supply of goods and merchandise to customers. Product distribution and other receivables are noninterest-bearing and generally have a term of less than one year. Outstanding receivables amounting to ₱32 million were fully provided with allowance for impairment losses as at September 30, 2017 and December 31, 2016.

Retention Receivable and Due from Related Parties

Retention receivable pertains to the outstanding balance from Aboitiz Land, Inc. (Aboitiz) for the sale of Lima Land Inc. (LLI), which will be collected upon accomplishment of certain milestones.

Transactions with related parties pertain mainly to cash advances and reimbursement of expenses. Outstanding related party balances are generally settled in cash.

Due from Related Parties and Other Receivables

Other receivables primarily include advances to employees, receivables from contractors, receivables from insurance claims and receivables from venturers. Terms and conditions of the "Due from related parties. On November 25, 2016, SPPC recognized gain from settlement of insurance claim for damaged diesel engine amounting to ₱69.70 million.

The Parent Company has various advances to third parties that were nonmoving since prior years. These advances have been specifically identified to be potentially uncollectible and thus, provided with allowance amounting to ₱5.07 million as at September 30, 2017 and December 31, 2016.

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**6. Real Estate Inventories and Investments in Real Estate**

Real Estate Inventories

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Eagle Ridge Project (General Trias, Cavite) - at cost	₱618,268,590	₱619,416,037
Campo Verde Project (Lipa and Malvar, Batangas) - at NRV	27,470,827	27,470,827
	<u>₱645,739,417</u>	<u>₱646,886,864</u>

Investments in Real Estate

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
ALC Property (Pasong Tamo, Makati)	₱129,029,425	₱129,178,107
Batangas Project (Lipa and Malvar, Batangas)	42,412,032	42,412,032
Laguna Project (Cabuyao, Laguna)	4,685,936	4,685,936
	<u>₱176,127,393</u>	<u>₱176,276,075</u>

Lanang Property

On December 27, 2011, the BOD of ACR approved the acquisition of 72% of the outstanding shares (consisting of 2,000,000 common shares and 344,498 preferred shares) of C. Alcantara & Sons, Inc. (CASI) from Aldevinco, a stockholder of ACR and Alcorp, in behalf of Aldevinco, for a total consideration of ₱1,226 million. The acquisition was paid through the reduction of ACR's receivables from Aldevinco equivalent to ₱1,226 million on that date. The total consideration of ₱1,226 million represents the market value of Lanang landholdings of CASI as determined by an

independent third party appraiser. This acquisition provides ACR the right to own and develop 21.27 hectares of land and 3 hectares of foreshore leased area in Lanang, Davao City.

CASI filed with the Bureau of Internal Revenue (BIR) and notified the SEC regarding the shortening of its corporate life until March 31, 2014. As a result, ACR received the Lanang property of CASI as liquidating dividend amounting to ₱1,226 million in 2014. Transaction costs incurred such as taxes and processing fees to transfer the Lanang property to ACR's name totaling ₱49 million were capitalized as part of "Investments in real estate". Also, ACR incurred input VAT amounting to ₱103 million in 2014 arising from this transaction.



## Balances as at September 30, 2017



Balances as at December 31, 2016

Cost	Main Engine, Plant Structures and Others	Plant Mechanical, Electrical, Switchyard and Desulfurization Equipment	Land, Buildings and Leasehold Improvements	Machinery and Other Equipment	Construction in Progress	Total
Balances at beginning of year	₱6,728,301,635	₱3,848,817,389	₱483,981,849	₱230,755,417	₱12,961,754,333	₱24,253,610,623
Additions	173,357,032	2,130,837	68,107,270	51,083,69	3,458,020,594	3,752,699,429
Disposals	(190,518,257)	-	-	(1,340,902)	(10,705,657)	(202,564,816)
Reclassifications	12,524,932,268	791,625,912	-	148,638,878	(13,465,197,058)	-
Balances at end of year	19,236,072,678	4,642,574,138	552,089,119	429,137,089	2,943,872,212	27,803,745,236
Accumulated depreciation and amortization						
Balances at beginning of year	(4,957,055,251)	(3,349,926,248)	(88,511,363)	(181,985,919)	-	(8,577,478,781)
Depreciation and amortization for the year	(573,526,757)	(53,943,903)	(39,390,298)	(38,547,373)	-	-705,408,331
Disposals	186,678,273	-	-	1,340,902	-	188,019,175
Balances at end of year	(5,343,903,735)	(3,403,870,151)	(127,901,661)	(219,192,390)	-	(9,094,867,937)
<b>Net Book Value</b>	<b>₱13,892,168,943</b>	<b>₱1,238,703,987</b>	<b>₱424,187,458</b>	<b>₱209,944,699</b>	<b>₱2,943,872,212</b>	<b>₱18,708,877,299</b>

Construction in progress represents the total accumulated costs incurred for the construction of Sarangani's power-generating project "SM 200". The construction of SM 200 is in two phases.

Construction of Phase 1 (105 MW) of SM 200 commenced in January 2013 and was completed in April 2016. The preliminary works for Phase 2 (105 MW) has started in 2016 and the construction of the plant is expected to be completed in 2019.

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## 8. Goodwill

Goodwill acquired through business combinations has been allocated to the power generation CGUs consisting of the operations of SPPC and WMPC.

The power plants of SPPC and WMPC were fully contracted in 2016. However, the actual dispatch capacity were significantly lower than what was originally forecasted. Accordingly, the Group revised the assumed dispatchable capacity which significantly reduced the cash flow projections. As a result, the Group recognized impairment loss on goodwill amounting to ₱245 million in 2016. As at September 30, 2017 and December 31, 2016, the carrying amount of goodwill amounted to ₱807 million, respectively.

### Key assumptions used in value-in-use calculations

The calculation of value-in-use for both CGUs are most sensitive to the following assumptions explained as follows:

*Tariff rates.* Tariff rates, comprising capital recovery fee, fixed and variable operation and maintenance fee, actual fuel cost and other variable energy fees, pertain to the rates used in determining the amount of energy fees to be billed to electric cooperatives and distribution utilities. The tariff rates used in the value-in-use computation are based on SPPC's and WMPC's provisionally approved PSAs.

*Contracted and dispatchable capacity.* Contracted capacity reflects the management's forecast of future contracts to be agreed with electric cooperatives and distribution utilities, and approved by ERC. On the other hand, dispatchable capacity reflects management's estimate of actual energy to be delivered during the contract period. Contracted and dispatchable capacities are based on historical performance of the CGUs.

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## 9. Prepaid Expenses and Other Current Assets

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Deposit in interest reserve accounts	₱310,995,414	₱290,536,677
Creditable withholding tax	211,359,995	206,052,597
Prepayments	90,036,588	65,391,821
Input VAT	4,076,047	25,069,92
	₱616,468,044	₱587,051,018

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# 10. Investment in Associates

	Percentage of Ownership		2017	2016
	2017	2016		
<b>At Equity</b>				
<b>Acquisition costs:</b>				
Indophil Resources Phils. Inc.	2.00	2.00	₱1,213,332,960	₱1,213,332,960
Aviana Development Corporation	34.00	34.00	962,311,802	962,311,802
RCPHI	31.24	31.24	80,851,701	80,851,701
T'boli Agro-Industrial Development, Inc.	22.32	22.32	66,193,299	66,193,299
Duta, Inc.	-	30.00	-	13,725,000
			<b>2,322,689,762</b>	<b>2,336,414,762</b>
Accumulated impairment losses:				
Balance at beginning of period			<b>147,045,000</b>	<b>160,770,000</b>
			<b>₱2,175,644,762</b>	<b>₱2,175,644,762</b>

## Aviana

On March 21, 2013, Aldevinco and ACIL, Inc. (collectively referred to as "AG") and Ayala Land, Inc. (Ayala Land) entered into a joint venture agreement, where Ayala Land shall own 60% and AG shall own 40% of the outstanding capital stock of Aviana to undertake the development of the Lanang property of the ACR in Davao City. On September 17, 2013, Avian was incorporated as a joint venture corporation. The Parent Company subscribed t the 296 preferred shares and 32 common shares for 32.8% ownership in Aviana. In December 2015, the Parent Company subscribed to additional 332,200 preferred shares and 35,800 common shares of Aviana through the conversion of the Parent Company's advances amounting to 36 million. In August 2015, the Parent Company subscribed to additional 261,450 preferred shares and 29,050 common shares of Aviana for 22 million. The additional subscription to shares of Aviana in 2015 increased the Parent Company's interest inAviana to 34%. As at September 30, 2017, Aviana has not yet started its commercial operations.

## Duta, Inc.

On May 24, 2017 a memorandum of understanding was signed by Phoenix with Petronas Dagangan Berhad (PDB) Netherlands B.V., a wholly owned subsidiary of PDB, in relation to the planned 100-percent share acquisition of Petronas Energy Philippines, Inc. (PEPI) and its affiliate Duta. On July 5, 2017 Phoenix has approved and authorized the execution of two agreements for the purchase of 100-percent shares owned by PDB Netherlands in PEPI and 100-percent shares in Duta, Inc. The Philippine Competition Commission has approved the transaction and allows Phoenix to acquire the entire equity interest of PDB (Netherlands) B.V. in PEPI and Duta on August 5, 2017. The Company realized other income of P53 million.

## 11. Accounts Payable and Other Current Liabilities

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Trade	₱1,321,094,889	₱762,766,522
Accrued expenses	411,547,697	642,295,878
Payable to customers	50,012,836	55,698,345
Output tax and withholding tax payable	58,603,298	78,625,277
Other current liabilities	16,145,905	60,121,743
	<b>₱1,857,404,625</b>	<b>₱1,572,066,165</b>

Trade payables are noninterest-bearing and are normally on a 60 to 75 days term.

Accrued expenses represent accruals for vacation and sick leaves, interest, overhead fees and utilities. Accrued expenses are normally settled within a year.

Other current liabilities include statutory payables, such as withholding taxes, SSS premiums and other liabilities to the government. Other current liabilities are noninterest-bearing and have an average term of 30 days.

## 12. Equity

### Capital Stock

	September 30, 2017		December 31, 2016	
	No. of shares	Amount	No. of shares	Amount
<b>Authorized</b>				
Common stock - ₱1 par value	11,945,000,000	₱11,945,000,000	11,945,000,000	₱11,945,000,000
Preferred stock - ₱0.01 par value	5,500,000,000	55,000,000	5,500,000,000	55,000,000
		<b>₱12,000,000,000</b>		<b>₱12,000,000,000</b>
<b>Common Shares</b>				
Issued and outstanding	6,291,500,000	₱6,291,500,000	6,291,500,000	₱6,291,500,000
<b>Preferred Shares</b>				
Subscribed	5,500,000,000	55,000,000	5,500,000,000	55,000,000
Subscriptions receivable		(19,616,667)		(24,016,667)
		<b>₱6,326,883,333</b>		<b>₱6,322,483,333</b>

On May 25, 2011, SEC approved the amendment of the Articles of Incorporation of ACR creating a class of preferred shares, by reclassifying 55,000,000 unissued common shares with a par value of ₱1.0 per share into 5,500,000,000 redeemable preferred voting shares with a par value of ₱0.01 per share.

The redeemable preferred shares have the following features:

- Redeemable preferred shares may only be issued or transferred to Filipino citizens or corporations or associations at least 60% of capital of such corporations or associations is owned by Filipino citizens.
- Holders of redeemable preferred shares are entitled to receive, out of the unrestricted retained earnings of ACR, cumulative dividends at the rate of 8% per annum of the par value of the preferred shares, before any dividends shall be paid to holders of the common shares.

- c. ACR may, by resolution of the BOD, redeem the preferred shares at par value. ACR will redeem the preferred shares at par value (i) when the foreign equity limits to which ACR is subject to shall have been removed; and (ii) ACR is not engaged in any other activity likewise reserved exclusively to Filipino citizens, or corporations or associations at least sixty percent (60%) of whose capital is owned by Filipino citizens that would otherwise require ACR to maintain the ownership of the preferred shares by such Filipino citizens. The preferred shares when redeemed will not be retired, and may be reissued upon resolution of the BOD.
- d. In the event of dissolution or liquidation, holders of redeemable preferred shares are entitled to be paid in full, or pro-rata insofar as the assets and properties of ACR will permit, the par value of each preferred share before any distribution shall be made to the holders of common shares, and are not entitled to any other distribution.

All common and preferred shares have full voting rights.

On February 4, 2013, Alcorp subscribed to 5,500,000,000 preferred shares with par value of ₱0.01 per share, from the unissued authorized preferred shares of the Company. On the same date, Alcorp paid ₱13.8 million representing 25% of the subscription price of ₱55.0 million.

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Activity	Authorized Common Shares	No. of Shares Issued	Issue/Offer Price
1993	Initial Public Offering	12,000,000,000	6,291,500,000	₱1
2011	Conversion of unissued common shares to redeemable preferred shares	(55,000,000)	—	—
		11,945,000,000	6,291,500,000	

#### Retained Earnings

On May 4, 2012, the BOD approved the appropriation of ₱850 million of its retained earnings as at December 31, 2011, for its equity contributions to the following projects:

Project Name	Nature/Project Description	Amount (In millions)	Timeline (Year)
SM200 1 & 2	Phase 1 of the 200 MW coal-fired power plant in Maasim, Sarangani	₱400	2015
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	150	2016
IDPP 1 & 2*	Rehabilitation of 108 MW diesel plant in Iligan City	200	2013
Siguil	Hydro-electric power in Maasim, Sarangani	35	2017
Bago	Hydro-electric power in Negros Occidental	15	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	50	2019
		₱850	

\* The ₱200 million previously appropriated for IDPP 1 & 2 in 2012 was reallocated to SM200 Phase 2 which is expected to be completed in 2018.

On March 28, 2014, the BOD approved an additional appropriation of ₱850 million of the Parent Company's retained earnings as at December 31, 2013 for its equity contribution to the following projects:

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Project Name	Nature/Project Description	Amount (In millions)	Timeline (Year)
SM200 1 & 2*	Phase 2 of the 200 MW coal-fired power plant in Maasim, Sarangani	₱600	2015
ZAM100	Construction of 105 MW coal-fired power plant in San Ramon, Zamboanga City	150	2017
Siguil	Hydro-electric power in Maasim, Sarangani	35	2017
Bago	Hydro-electric power in Negros Occidental	15	2019
SMI400	400 MW coal-fired power facility for future power requirements of the Tampakan copper-gold mine in South Cotabato	50	2019
		<b>₱850</b>	

\*As discussed above, completion of Phase 2 was extended to 2018.

On December 11, 2015, the BOD approved the reversal of appropriation relating to Phase 1 of the Sarangani project amounting to ₱400 million.

The retained earnings are restricted from being declared as dividends to the extent of the appropriation for equity contribution to the foregoing projects.

The Parent Company declared the following cash dividends:

Year	Date of Declaration	Amount	Per Share	Date of Record	Date of Payment
2017	May 25, 2017	₱100,664,000	₱0.016	June 30, 2017	July 25, 2017
2017	May 25, 2017	4,400,000	0.008	June 30, 2017	July 25, 2017
2016	May 27, 2016	100,664,000	0.016	June 30, 2016	July 25, 2016
2016	May 27, 2016	4,400,000	0.0008	June 30, 2016	July 25, 2016
2015	March 27, 2015	3,145,750	0.0005	June 5, 2015	March 22, 2016
2015	May 22, 2015	62,915,000	0.01	June 5, 2015	June 16, 2015

Dividends on preferred shares amounting to ₱4 million in 2016 and 2015 were applied against the Parent Company's subscriptions receivable from Alcorp.

The share of non-controlling interests on the dividends declared by subsidiaries amounted to ₱330 and ₱443 million in 2017 and 2016, respectively.

SPPC and WMPC declared dividend in 2017 amounting to ₱500,000,000 that remain outstanding as of September 30, 2017.

The retained earnings is further restricted for dividend declaration to the extent of undistributed earnings of subsidiaries amounting to ₱1,116 million and ₱993 million as at September 30, 2017 and December 31, 2016, respectively.

#### Earnings Per Share (EPS) Attributable to Equity Holders of the Parent

	Nine-Month Period Ended September 30	
	2017 (Unaudited)	2016 (Unaudited)
Net income attributable to equity holders of the parent	₱117,660,518	₱110,042,217
Dividends on preferred shares	(4,400,000)	(4,400,000)
Net income attributable to equity holders of the parent after dividends on preferred shares	113,260,518	105,642,217
Divided by the average number of common shares outstanding during the year	6,291,500,000	6,291,500,000
Basic/Diluted EPS	₱0.018	₱0.017

### 13. Loans Payable

#### *Parent Company*

In 2016, ACR availed of unsecured short-term loans from local banks totaling to ₱367 million. The loans are subject to annual interest rates ranging from 3.25% to 3.90% per annum and are payable lump sum on various dates within one year.

#### *MPC*

The outstanding bank loans of MPC on Development Bank of the Philippines (DBP) and Philippine National Bank as at December 31, 2015 amounted to ₱200 million and ₱100 million, respectively. MPC availed of the loans to service its operating requirements, collection and distribution of electricity. In 2016, MPC fully settled the bank loans. Interest rates of the loans ranged from 4.0% to 4.8% in 2016.

#### *WMPC*

On November 9, 2016, WMPC availed of bank loan from DBP amounting to ₱150 million with interest rate of 3.5%. The loan was fully paid on February 17, 2017.

#### *SPPC*

On December 5, 2016, SPPC availed of bank loan from DBP amounting to ₱150 million with interest rates of 3.5%. The loan was fully paid on March 3, 2017. Interest expense related to loans payable amounted to ₱2.6 million in 2016.

### 14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include (a) enterprise that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family or any such individual. In considering each possible related party relationships, attention is directed to the substance of the relationships, and not merely to the legal form.

Transactions with related parties pertain mainly to cash advances and reimbursements of expenses. Outstanding related party balances are generally settled in cash.

The table below shows the details of the Group's transactions with related parties.

Related Party		Advances	Due from Related Parties	Terms	Conditions
Major Shareholders	2017	₱51,422,093	₱881,198,541	30 days, noninterest bearing	Party secured, no impairment
	2016	195,605,137	829,776,448		
Subsidiaries of major stockholders	2017	7,461	110,192,363	30 days, noninterest bearing	Unsecured, no impairment
	2016	97,563,051	110,184,902		
Affiliates	2017	(1,096,678)	25,070,052	30 days, noninterest bearing	Unsecured, no impairment
	2016	52,772,500	26,166,730		
Total	2017	₱50,332,876	₱1,016,460,956		
	2016	₱345,940,688	₱966,128,080		

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The Compensation of key management personnel are as follows:

	2017	2016
Salaries and wages	₱29,985,487	₱29,942,071
Retirement benefits costs	2,470,678	2,409,454
	₱32,456,165	₱32,351,525

#### 15. Financial Risk Management Objectives and Policies

The Group's principal financial instruments are composed of cash and cash equivalents, short-term cash investments, AFS financial assets, loans payable, and long-term debt. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables (including noncurrent portion of installment receivables) and accounts payable and other current liabilities which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, and market risk (interest rate risk, equity price risk and foreign currency risk).

Management and the BOD review and approve policies for managing each of these risks which are summarized below.

##### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or a customer contract, leading to a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

In the Group's real estate business, transfer of the property is executed only upon full payment of the purchase price. There is also a provision in the sales contract which allows forfeiture of the installment/deposits made by the customer in favor of the Group in case of default. These measures minimize the credit risk exposure or any margin loss from possible default in the payment of installments.

In the Group's power generation business, exposure to credit risk arises from default of counterparties, with a maximum exposure equal to the carrying amount of the receivables from PSAs with various customers.

The credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, short-term cash investments, trade and other receivables and AFS investments, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

##### Liquidity Risk

Liquidity risk arises from the possibility that the Group encounter difficulties in raising funds to meet or settle its obligations at a reasonable price. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets (held for liquidity purposes):

	September 30, 2017				Total
	On Demand	≤ 1 Year	>1-3 Years	> 3 Years	
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	₱1,857,404,625	₱94,207,214	₱-	₱-	₱1,857,404,625
Loans payable	-	1,722,815,329	-	-	1,722,815,329
Long-term debt	-	1,412,858,128	8,561,160,914	7,502,677,781	17,476,696,823
	₱1,857,404,625	₱3,229,880,671	₱8,561,160,914	₱7,502,677,781	₱21,151,123,991
<b>Financial Assets</b>					
Cash and cash equivalents	₱1,963,130,026	₱-	₱-	₱-	₱1,963,130,026
Short-term cash investments	-	48,228,400	-	-	55,036,967
Trade receivables	791,024,700	25,185,656	6,414,629	31,730,458	854,355,443
AFS financial assets	2,346,997,318	-	-	-	2,346,997,318
	₱5,101,152,044	₱73,414,056	₱6,414,629	₱31,730,458	₱5,212,711,187

\* Excluding statutory payables and other payable to government agencies

	September 30, 2016				Total
	On Demand	≤ 1 Year	>1-3 Years	> 3 Years	
<b>Financial Liabilities</b>					
Accounts payable and other current liabilities*	₱1,400,543,572	₱94,207,214	₱-	₱-	₱1,494,750,786
Loans payable	-	52,000,000	-	-	52,000,000
Long-term debt	-	313,874,264	9,513,185,367	7,502,677,781	17,329,737,412
	₱1,400,543,572	₱460,081,478	₱9,513,185,367	₱7,502,677,781	₱18,876,488,198
<b>Financial Assets</b>					
Cash and cash equivalents	₱2,770,163,893	₱-	₱-	₱-	₱2,770,163,893
Short-term cash investments	-	9,651,400	-	-	9,651,400
Trade receivables	437,735,227	679,201,148	6,758,473	-	1,123,694,849
AFS financial assets	2,341,019,271	-	-	-	2,341,019,271
	₱5,548,918,391	₱688,852,548	₱6,758,473	₱-	₱6,245,529,412

\* Excluding statutory payables and other payable to government agencies

### Equity Price Risk

Equity price risk is the risk that the fair value of quoted AFS financial assets decreases as the result of changes in the value of individual stock. The Group's exposure to equity price risk relates primarily to the Group's quoted AFS financial assets. The Group's policy requires it to manage such risk by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector. The Group intends to hold these investments indefinitely in response to liquidity requirements or changes in market conditions.

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder's value.

The Group considers its total equity and debt reflected in the unaudited interim condensed consolidated balance sheet as its capital. The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares and raise additional. No changes were made in the objectives, policies or processes as at September 30, 2017 and December 31, 2016, respectively.

The Group monitors its capital based on debt to equity ratio. The Group includes within debt interest bearing loans and borrowings. Capital includes equity attributable to the equity holders of the parent less (add) the net unrealized gain (loss) reserve and cumulative translation adjustments.

The Group's current ratio and debt-to-equity ratio as at September 30, 2017 and December 31, 2016 follow:

Current Ratio

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Current assets	₱5,603,889,124	₱ 6,083,801,756
Current liabilities	5,017,502,028	2,910,131,943
	1.12:1	2.09:1

Debt-to-Equity Ratio

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Long-term debt	₱17,476,696,823	₱16,891,211,153
Loans payable	1,722,815,329	667,030,719
Total debt	19,199,512,152	17,558,241,872
Equity attributable to equity holders of the parent	10,430,972,048	10,410,608,515
Other reserves	(1,777,880,948)	(1,774,513,933)
Adjusted equity	8,653,091,100	₱8,636,094,582
	2.21:1	2.03:1

**16. Financial and Non-financial Instruments**

The Group uses the following hierarchy for determining and disclosing the fair value of financial and non-financial instruments by valuation technique:

- Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

During the three-month periods ended September 30, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



**Alsons Consolidated Resources, Inc. and Subsidiaries**  
Schedule of Financial Soundness

**Attachment C**

Financial KPI	Definition	Nine Months Ended September 30	
		2017	2016
<b>Liquidity</b>			
Current Ratio / Liquidity Ratio	Current Assets	1.12:1	3.55:1
	Current Liabilities		
<b>Solvency</b>			
Debt to Equity Ratio/Solvency Ratio	Long-term debt (net of unamortized transaction costs)+Loans Payable	2.21:1	1.94:1
	(Capital Stock-Non-controlling interest+RE)		
<b>Interest Rate Coverage Ratio</b>			
Interest Rate Coverage Ratio	Earnings Before Interest and Taxes	1.48:1	1.75:1
	Interest Expense		
<b>Profitability Ratio</b>			
Return on Equity	Net Income	3.0%	7.14%
	Total Average Stockholders' Equity		
<b>Asset-to-Equity Ratio</b>			
Asset-to-Equity Ratio	Total Assets	3.06:1	2.96:1
	Total Equity		

8

ALSONS CONSOLIDATED RESOURCES, INC. AND SUBSIDIARIES  
ACCOUNTS RECEIVABLES  
AS OF SEPTEMBER 30, 2017

Attachment A

Type of Accounts Receivable:	TOTAL	1month	2-3months	4-6months	7months to 1year	1-2years	3-5years	5years and above	Past due Accounts
<b>a) Accounts Receivable – Trade</b>									
1 Power	723,485,287	492,509,359	10,449,215	24,870,332	195,656,362	10,052,820	7,963,105	68,115,877	-
2 Real Estate	93,745,707	346,212	3,007,961	1,395,473	2,864,259	1,041,331	1,353,922	1,113,544	-
3 Rental	5,394,011	458,432	625,239	280,877	520,666	-	-	31,730,458	-
4 Plywood Hardiflex, agri & Ind'l	31,730,458	-	-	-	-	-	-	-	-
Subtotal	854,355,443	493,314,003	14,082,415	26,546,682	199,041,287	11,094,151	9,317,027	100,959,879	-
Less: Allow. For Doubtful Accounts	78,164,463	-	-	-	-	-	-	78,164,463	-
Net Trade Receivables	776,190,980	493,314,003	14,082,415	26,546,682	199,041,287	11,094,151	9,317,027	22,795,417	-
<b>b) Accounts Receivable – Others</b>									
1 Advances affiliates/project developer/joint venture	1,016,480,956	6,375,320	19,189,237	36,861,974	18,105,753	59,181,406	10,982,373	865,764,895	-
2 Advances contractors and suppliers	18,721,673	17,172,535	1,549,138	-	-	-	-	-	-
3 Accrued Interest	146,375	146,375	-	-	-	-	-	-	-
4 Advances officers & employees	4,949,362	859,135	431,647	450,427	1,104,338	2,103,814	38,594,749	836,595	-
5 Miscellaneous and other receivables	43,829,455	128,773	6,269,339	-	-	-	-	866,601,490	-
Total Accounts Receivable – Others	1,094,107,821	24,682,138	27,439,361	37,312,400	19,210,091	61,285,219	47,577,122	5,271,357	-
Less: Allow. For Doubtful Accounts	5,271,357	-	-	-	-	-	-	-	-
ACCOUNTS RECEIVABLE-NET (a + b)	1,078,836,463	24,682,138	27,439,361	37,312,400	19,210,091	61,285,219	47,577,122	861,330,133	-
	1,855,027,443	517,996,140	41,521,775	63,859,082	218,251,378	72,379,370	56,894,149	884,125,550	-

Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
<b>1. Trade receivable</b>		
a) Power	Receivable arising from sale of power to NPC	30 days
b) Lots	Sale of residential lots	3 to 10 years
c) Rental	Office, parking & warehouse rental	30 days
d) Plywood Hardiflex, agri & Ind'l	Sale of ecowood, fiber cement board, Agri & Industrial products	38, 58 & 130 days
<b>2. Non-Trade receivable</b>		
a) Advances Officers & Employees	Cash advances for business expenses	30 days
b) Advances Operators/Contractors	Advances made to operators/contractors	30 days
c) Accrued Interest	Interest on temporary investments	30 – 90 days
d) Others	Advances to various and other entities for business/investment development and routine inter-company transactions.	30 days – 2 years

## Attachment B

Title of Issue and Type of Obligation	Loans Payable in the Balance Sheet	Current Portion of Long-Term Debt in the Balance Sheet	Interest Rates	Term	Maturity	Non-Current Portion of Long-Term Debt in the Balance Sheet
Parent Company Development Bank of the Phils. Land Bank of the Philippines Robinsons Bank Corporation Social Security System SSS Provident Fund		11,300,000 7,000,000 700,000	Fixed 7.243% Fixed 7.243% and 7.92% Fixed 7.243% and 7.92% Fixed 7.243% Fixed 7.92%	Maturity Date Maturity Date / Annually Maturity Date / Annually Maturity Date Annually	3. Dec. 2020 3. Dec. 2020 and 3. Dec. 2022 3. Dec. 2020 and 3. Dec. 2022 3. Dec. 2020 3. Dec. 2022	3,426,945,524 2,376,877,939 975,863,353 491,321,338 68,107,055
St. Louis School Inc. Metropolitan Bank and Trust Company Metropolitan Bank and Trust Company Easystride Inc. SBJ Markina Shoe Exchange Corp. Missionary Sisters of Immaculate Heart Pag-asá human Development Foundation Inc. St. Louis School Inc. Sterling Bank of Asia Trust Group Multinational Investment Bancorporation SBJ Markina Shoe Exchange Corp. Metropolitan Bank and Trust Company Stella Maris College Metropolitan Bank and Trust Company Metropolitan Bank and Trust Company Metropolitan Bank and Trust Company St. Theresa's College-QC Missionary Sisters of Immaculate Heart St. Augustine's School Inc. Jardiolin, Victoria &lor Bitong, Dinah Dawn &lor Jardiolin, Majar &lor Jardiolin, Sebastian Marktreach Corporation Shoecat Inc. Missionary Sisters of Immaculate Heart Sterling Bank of Asia Trust Group Metropolitan Bank and Trust Company Stella Maris College St. Augustine's School Inc. Multinational Foundation Inc. Metropolitan Bank and Trust Company	20,000,000.00 34,000,000.00 124,000,000.00 20,380,963.76 10,190,481.88 6,147,100.15 5,976,722.43 3,220,004.83 30,000,000.00 3,090,375.91 20,380,963.76 22,000,000.00 7,062,708.33 100,000,000.00 170,000,000.00 120,000,000.00 15,032,500.00 11,434,925.13 4,629,996.56 5,132,401.78 20,529,607.15 17,450,166.07 14,000,000.00 18,000,000.00 100,000,000.00 5,000,000.00 2,156,411.64 3,000,000.00 50,000,000.00		3.75% 3.75% 3.75% 3.75% 3.50% 3.50% 3.50% 3.75% 3.75% 3.75% 3.75% 3.75% 3.50% 3.75% 3.75% 3.75% 3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 3.50% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75% 3.75%		16. Oct. 2017 16. Oct. 2017 30. Oct. 2017 6. Nov. 2017 6. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 13. Nov. 2017 16. Nov. 2017 27. Nov. 2017 7. Dec. 2017 7. Dec. 2017 7. Dec. 2017 11. Dec. 2017 11. Dec. 2017 11. Dec. 2017 18. Dec. 2017 18. Dec. 2017 18. Dec. 2017 18. Dec. 2017 18. Dec. 2017 18. Dec. 2017 20. Dec. 2017	
Saranggani Energy Corp. Banco de Oro RCBC UCPB Asia United Bank Philippine Business Bank Planters Development Bank Robinson Savings Bank Decommissioning Liability Philippine Business Bank RCBC		1,092,682,494 24,563,441 24,563,441 36,845,161 12,281,720 2,456,344 2,456,344	Fixed 8.06% Fixed 8.06% Fixed 8.06% Fixed 8.06% Fixed 8.06% Fixed 8.06% Fixed 8.06%	Semi-Annual Semi-Annual Semi-Annual Semi-Annual Semi-Annual Semi-Annual Semi-Annual	19. Oct. 2026 19. Oct. 2026 19. Oct. 2026 19. Oct. 2026 19. Oct. 2026 19. Oct. 2026 19. Oct. 2026	4,575,331,268 929,416,129 929,416,129 1,394,124,194 464,708,065 92,941,613 92,941,613
Mapalad Power Corporation Banco de Oro Unionbank of the Philippines	360,000,000 300,000,000	198,009,183	Fixed 4.25% Fixed 4.25%		6. Oct. 2017 23. Oct. 2017	
	100,000,000		Fixed 6.25% Fixed 3.875%		15. Aug. 2019 17. Jan. 2018	245,844,476
<b>TOTAL</b>	<b>Php1,722,815,329</b>	<b>Php1,412,858,128</b>				<b>Php16,063,838,695</b>