COVER SHEET

SEC Registration Number

C	S	2	0	0	9	0	1	2	6	9

Company Name

PHILIPPINE H2O VENTURES CORP.

AND SUBSIDIARIES

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

4TH FLOOR 20 LANSBERGH PLACE

170 TOMAS MORATO AVE. COR.

SCOUT CASTOR ST., QUEZON CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q 1st Qtr. 2018		NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
ortrud_ting@joh.ph	3 7 3 - 3 0 3 8	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
37	3rd Wednesday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ORTRUD T. YAO	ortrud_ting@joh.ph	373-3038	

Contact Person's Address

4TH FLOOR 20 LANSBERGH PLACE 170 TOMAS MORATO AVE. COR. SCOUT CASTOR ST., QUEZON CITY

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

PHILIPPINE H2O VENTURES CORP.

SEC FORM 17-Q

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

1. For the quarterly period ended: **March 31, 2018**

2. SEC Identification No. **CS200901269**

3. BIR Tax Identification **No. 007-236-853-000**

4. Exact name of registrant as specified in its charter:
PHILIPPINE H2O VENTURES CORP.

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

6. Industry Classification Code : _________ (SEC Use Only)

7. Address of principal office and Postal Code:
4th Floor 20 Lansbergh Place, Tomas Morato Ave. cor. Scout Castor St., 1103 Quezon City

8. Registrant's telephone no. and area code: **(632) 373-3038**

9. Former name, address, and fiscal year, if changed since last report:
Not applicable

10. Securities registered pursuant to Sections 4 & 8 of the RSA:

Title of Each Class	No. of Shares of Common Stock Outstanding &/or Amount of Debt Outstanding
Common Stock, ₱ 1 par value	**243,241,504 shares**

11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code 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 [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days:
Yes [x] No [ ]

TABLE OF CONTENTS

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND DECEMBER 31, 2017

(Amounts in Philippine Pesos)

	Notes		**2018 (Unaudited)**		2017 (Audited)
ASSETS					
Current Assets					
Cash and cash equivalents		₱	**77,915,810**	₱	102,797,117
Receivables – net			**–**		77,766,878
Due from related parties	7		**–**		32,330,639
Prepayments and other current assets			**–**		11,987,080
			77,915,810		224,881,714
Current assets held for sale	1,5		**1,114,011,464**		–
Total Current Assets			**1,191,927,274**		224,881,714
Noncurrent Assets					
Available-for-sale investment			**–**		1,546,252
Investment in an associate			**–**		976,925
Property and equipment – net			**–**		950,095,004
Deferred tax assets	8		**–**		12,933,064
Other noncurrent assets			**–**		16,887,351
Total Noncurrent Assets			**–**		982,438,596
		₱	**1,191,927,274**	₱	1,207,320,310
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and other current liabilities		₱	**–**	₱	172,654,931
Short-term loans payable			**–**		35,000,000
Current portion of long-term loans payable	6		**–**		23,932,804
Due to related parties	7		**–**		10,047,031
Income tax payable	8		**–**		13,195,043
			–		254,829,809
Current liabilities held for sale	1,5		**591,905,399**		–
Total Current Liabilities			**591,905,399**		254,829,809
Noncurrent Liabilities					
Long-term loans payable	6		**–**		312,782,821
Retirement benefit obligation			**–**		9,852,453
Customers' deposits			**–**		21,913,436
Deferred tax liabilities	8		**–**		16,651,667
Total Noncurrent Liabilities			**–**		361,200,377
Total Liabilities			**591,905,399**		616,030,186

(Forward)

(Carryforward)

		2018 (Unaudited)		2017 (Audited)
EQUITY				
Attributable to Equity Holders of Parent Company				
Capital stock	₱	**243,241,504**	₱	243,241,504
Additional paid-in capital		**58,073,612**		58,073,612
Revaluation surplus in property and equipment		**23,509,019**		23,509,019
Fair value gain on available-for-sale investment		**544,450**		544,450
Reserve on actuarial loss		**(1,132,855)**		(1,132,855)
Retained earnings		**177,621,135**		168,296,392
		501,856,865		492,532,122
Noncontrolling Interest		**98,165,010**		98,758,002
Total Equity		**600,021,875**		591,290,124
	₱	**1,191,927,274**	₱	1,207,320,310

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Amounts in Philippine Pesos)

	Note		2018		2017
WATER SERVICE REVENUES		₱	**61,669,825**	₱	53,256,493
COST OF SERVICES			**25,498,266**		20,413,088
GROSS INCOME			**36,171,559**		32,843,405
OPERATING EXPENSES			**17,246,507**		16,225,792
INCOME FROM OPERATIONS			**18,925,052**		16,617,613
OTHER CHARGES - NET			**(4,391,861)**		(4,244,362)
INCOME BEFORE INCOME TAX			**14,533,191**		12,373,251
CURRENT INCOME TAX EXPENSE	8		**5,657,332**		5,473,352
TOTAL COMPREHENSIVE INCOME		₱	**8,875,859**	₱	6,899,899
NET INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent company		₱	**9,324,743**	₱	7,592,992
Noncontrolling interest			**(448,884)**		(693,093)
		₱	**8,875,859**	₱	6,899,899
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Equity holders of the parent company		₱	**9,324,743**	₱	7,592,992
Noncontrolling interest			**(448,884)**		(693,093)
		₱	**8,875,859**	₱	6,899,899
EARNINGS PER SHARE	9	₱	**0.0383**	₱	0.0312

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Amounts in Philippine Pesos)

	Attributable to Equity Holders of Parent Company							
	Capital stock	Additional paid-in capital	Revaluation surplus in property and equipment	Fair value gain on available-for-sale investments	Reserved on actuarial gain (loss)	Retained earnings	Total	Noncontrolling interest
Balance at December 31, 2016	243,241,504	58,073,612	20,789,073	474,943	215,973	130,805,848	453,600,953	35,320,333
Income (loss) for the period						7,592,992	7,592,992	(693,093)
Balance at March 31, 2017	243,241,504	58,073,612	20,789,073	474,943	215,973	138,398,840	461,193,945	34,627,240
Balance at December 31, 2017	**243,241,504**	**58,073,612**	**23,509,019**	**544,450**	**(1,132,855)**	**168,296,392**	**492,532,122**	**98,758,002**
Income (loss) for the period						**9,324,743**	**9,324,743**	**(448,884)**
Cash dividends								**(144,108)**
Balance at March 31, 2018	**243,241,504**	**58,073,612**	**23,509,019**	**544,450**	**(1,132,855)**	**177,621,135**	**501,856,865**	**98,165,010**

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017

(Amounts in Philippine Pesos)

	Note		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax and noncontrolling interest		₱	**14,533,191**	₱	12,373,251
Adjustments for:					
Depreciation and amortization			**10,196,564**		9,395,361
Interest expense	6		**4,631,301**		4,463,009
Interest income			**(188,600)**		(56,646)
Operating income before working capital changes			**29,172,456**		26,174,975
Decrease (increase) in:					
Receivables			**23,373,544**		11,134,705
Prepayments and other current assets			**(600,698)**		(199,118)
Decrease in accounts payable and other current liabilities			**(35,633,648)**		(24,456,540)
Net cash provided by operations			**16,311,654**		12,654,022
Income tax paid	8		**(13,716,283)**		(414,547)
Interest received			**188,600**		56,646
Net cash provided by operating activities			**2,783,971**		12,296,121
CASH FLOWS FROM INVESTING ACTIVITIES					
Collections from (advances to) related parties	7		**15,534,106**		(81,307)
Additions to property and equipment			**(885,827)**		(2,118,352)
Net cash provided by (used in) investing activities			**14,648,279**		(2,199,659)
CASH FLOW FROM FINANCING ACTIVIIES					
Loan drawings (payments)	6		**19,016,799**		(5,041,916)
Interest payments	6		**(5,782,943)**		(5,898,808)
Increase in customers' deposits			**811,300**		662,011
Advances from (payments to) related parties	7		**(305,451)**		1,332
Cash dividend payments			**(144,108)**		–
Net cash provided by (used in) financing activities			**13,595,597**		(10,277,381)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			**31,027,847**		(180,919)
CASH AND CASH EQUIVALENTS CLASSIFIED AS CURRENT ASSETS HELD FOR SALE	5		**(55,909,154)**		–
DECREASE IN CASH AND CASH EQUIVALENTS			**(24,881,307)**		(180,919)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD			**102,797,117**		138,829,991
CASH AND CASH EQUIVALENTS AT END OF PERIOD		₱	**77,915,810**	₱	138,649,072

See accompanying Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. **Corporate Information**

Philippine H2O Ventures Corp. ("Parent Company") formerly Calapan Ventures Inc. was incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on January 30, 2009. The common shares of the Parent Company are listed and traded in the Philippine Stock Exchange (PSE).

On August 18, 2014, the SEC approved change of name of the Parent Company from Calapan Ventures, Inc. to Philippine H2O Ventures Corp.

Philippine H2O Ventures Corp. is a subsidiary of Jolliville Holdings Corporation (JOH), a Company incorporated in the Philippines and listed in the PSE.

The consolidated financial statements include the accounts of the Philippine H2O Ventures Corp. and the following subsidiaries ("Group"):

Name of Subsidiary	Dates of Incorporation	Percentage of Ownership
Calapan Waterworks Corporation (CWWC)	May 23, 1991	99.75
Group's ownership through CWWC on		
Metro Agoo Waterworks Inc. (MAWI)	September 17, 2012	84.12

The Parent Company was incorporated primarily to invest in, purchase, or otherwise acquire and own, hold, use, develop, lease, sell, assign, transfer, mortgage, pledge, exchange, operate, enjoy or otherwise dispose of, as may be permitted by law, all properties of every kind, nature and description and wherever situated, including but not limited to real estate, whether improved or unimproved, agricultural and natural resource projects, buildings, warehouses, factories, industrial complexes and facilities; shares of stock, subscriptions, bonds, warrant, debentures, notes, evidences of indebtedness, and other securities and obligations of any corporation or corporations, associations, domestic or foreign, for whatever lawful to pay therefore stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including complying with the provisions of Revised Securities Act.

The principal activities of the subsidiaries are as follows:

Name of subsidiary	Principal activity
CWWC	Operates, manages and maintains the general business of development and utilization of water resources to harness, produce and supply water for domestic, municipal, agricultural, industrial, commercial or recreational purposes.
MAWI*	Will engage in the operation, management and maintenance of development and utilization of water resources. Also, will acquire, own, lease, construct, install, equip, operate, manage and maintain plants.

** started operations in February 2016*

On October 23, 2002, the 12th Congress of the Republic of the Philippines enacted Republic Act No. 9185 whereby CWWC was granted a franchise to construct, install, operate, and maintain for commercial purposes and in the public interest, a water supply and sewerage system for the purpose of distributing water for sale and for sanitation in the City of Calapan, province of Oriental Mindoro. The franchise is for a period of 25 years from the date of enactment. The Act took effect on February 9, 2003. CWWC was also granted a Certificate of Public Convenience (CPC) by the National Water Resources Board (NWRB) on January 22, 2014 which expired on January 17, 2018. CWWC filed an application for renewal before the NWRB on July 13, 2017 which is still under evaluation as of March 31, 2018.

On October 18, 2012, the Provincial Government of La Union issued Ordinance No. 31-2012 whereby MAWI was granted a franchise to construct, install, operate, and maintain a water supply and sewerage system in Agoo, Tubao and other waterless municipalities in the second district of the province of La Union. The franchise is for a period of 25 years from the date of effectivity of ordinance. MAWI was also granted a CPC by the NWRB on October 21, 2015 and will expire on October 21, 2020.

On February 2, 2016, MAWI started its commercial operations.

On December 12, 2016, CWWC's BOD approved the declaration of cash dividends of ₱1 per common share, or a total of ₱117,808,839. Out of the total dividends declared, dividends attributable to the Parent Company amounting to ₱117,647,484 were converted into deposit for future stock subscription in 2016. In March 2017, Parent Company subscribed 19,577,914 CWWC's common shares valued at ₱6 per share through the use of the deposit for future stock subscription.

On December 29, 2016, MAWI's BOD and stockholders approved the increase of MAWI's authorized capital stock from ₱10,000,000 divided into 10,000,000 common shares with par value of ₱1 per share to ₱110,000,000 divided into 10,000,000 common shares with par value of ₱1 per share and 100,000 preferred shares with par value of ₱1,000 per share. MAWI received ₱35,000,000 from a third party as deposit for future stock subscription. Out of the total deposit received, ₱25,000,000 was applied for subscription of 25,000 preferred shares after the increase in authorized capital stock was approved by the SEC on May 25, 2017. On June 14, 2017, the remaining deposit of ₱10,000,000 was applied for subscription of 10,000 preferred shares. On December 18, 2017, MAWI issued additional 65,000 preferred shares at ₱1,000 par value per share amounting to ₱65,000,000 to third party stockholder.

On December 19, 2017, the Parent Company was notified by JOH that the latter along with its subsidiaries and related parties will be selling all their shareholdings in the Parent Company representing 62% of the issued and outstanding capital of the Parent Company to a third party or to any subsidiary or associate of the third party (the H2O Sale). One of the conditions to the H2O Sale is the implementation and completion by H2O of a spin–off by selling all of its existing business and assets, including shares and interest in its subsidiaries. The Parent Company shall also collect all receivables, settle all its obligations, assign its contractual interests, transfer or reassign all of its employees and settle and dissolve its retirement fund.

On February 20, 2018, CWWC's BOD approved the declaration of cash dividends amounting to ₱58,000,000.

On February 21, 2018, Tubig Pilipinas Corp. (formerly Tabuk Water Corp.), a wholly-owned subsidiary of JOH, entered into a purchase agreement with the Parent Company to purchase all the latter's shares and interests, subject to conditions, in CWWC consisting of 137,045,398 shares representing 99.75% of the issued and outstanding capital stock of CWWC for a consideration of ₱442 million (the CWWC Sale). Closing of the purchase and sale transaction of CWWC sale shall take place upon the approval by the Parent Company's stockholders representing at least two-thirds of the outstanding capital stock, and confirmation by the third party and JOH that all the conditions related to the H2O Sale have been satisfied or waived, or will be satisfied or waived by virtue of the closing of the CWWC Sale. On April 4, 2018, the Parent Company's stockholders approved the CWWC Sale. As a result of the above transaction, the subsidiaries' assets and liabilities were presented separately as "Current assets held for sale" and "Current liabilities held for sale", respectively (see Note 5).

The registered address of Philippine H2O Ventures Corp. is at 4th Floor 20 Lansbergh Place Bldg., 170 Tomas Morato cor. Scout Castor St., Quezon City.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared on the historical cost basis except for available-for-sale investment and certain property and equipment which are stated at appraised values. These consolidated financial statements are presented in Philippine pesos, which is the Group's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements include the accounts of Parent Company and the aforementioned subsidiaries (see Note 1) held directly or indirectly through wholly and majority-owned subsidiaries. Subsidiaries are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated Statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany accounts, transactions, and income and expenses and losses are eliminated upon consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Noncontrolling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity they're in. Noncontrolling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the noncontrolling interest in excess of the non-controlling interests in the subsidiary's equity are allocated against the interest of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover losses.

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

3. Changes in Accounting and Financial Reporting Policies

Changes in Accounting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial years except for the following amended PAS which became effective in 2017:

- PAS 7, *"Cash Flow Statements": Disclosure Initiative*
  The amendments require the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The specific disclosure that may be necessary in order to satisfy the above requirement includes:

  - changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and
  - a reconciliation of the opening and closing balances of liabilities arising from financing activities in the consolidated Statements of financial position including those changes identified immediately above.

  The amendments did not have significant impact on the financial statements as this affects disclosures only.

- PAS 12, *"Income Taxes": Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments in recognition of deferred tax assets for unrealized losses clarify the requirements on recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value.

  The amendments have no significant impact on the Group's financial statements as this affects disclosures only.

Annual Improvements to PFRS (2012-2014 Cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 12, *"Disclosure of Interest in Other Entities": Clarification of the Scope of the Standard*
  Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interest listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

  This amendment does not have significant impact to the Group's financial statements as this affects disclosures only.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2017

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its financial statements.

Effective in 2018

- PFRS 2, *"Share-Based Payment": Classification and Measurement of Share-based Payment Transactions*
  This contains the following clarifications and amendments:
  - Accounting for cash-settled share-based payment transactions that include a performance condition;
  - Classification of share-based payment transactions with net settlement features;
  - Accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are to be applied prospectively. However, retrospective application is allowed if this is possible without the use of hindsight. If an entity applies the amendments retrospectively, it must do so for all of the amendments described above.

  The amendments are currently not applicable to the Group as it has no share–based payment transaction.

- PFRS 4, *"Insurance Contracts": Applying* PFRS 9*, Financial Instruments with PFRS 4, Insurance Contracts*
  The amendments provide two options for entities that issue insurance contracts within the scope of PFRS 4:
  - An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach");
  - An optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PRFS 4 (the "deferral approach")

  The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

  The amendments are currently not applicable to the Group since it does not have activities that are predominantly connected with insurance or insurance contracts.

- PFRS 9, *"Financial Instruments: Classification and Measurement"*
  PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

  The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. The Group is currently assessing the impact of this new standard to its financial statements.

This is not expected to have a significant impact on the Group's financial statements.

- PFRS 15, "*Revenue from Contracts with Customers*"
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under 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 PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 15, *Clarifications to PFRS 15, Revenue from Contracts with Customers*
  These amendments, which are effective from January 1, 2018, clarify how companies:
  - identify a performance obligation, the promise to transfer a good or a service to a customer, in a contract;
  - determine whether a company is a principal (the provider of a good or service) or an agent responsible for arranging for the good or service to be provided;
  - determine whether the revenue from granting a license should be recognized at a point in time or over time.

  The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PAS 40, *"Investment Property": Transfers of Investment Property*
  The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight.

Annual Improvements to PFRS and PAS (2014 - 2016 Cycles)
Amendment to PAS 28, *Measuring an Associate of Joint Venture at Fair Value*
The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Philippine Interpretation IFRIC 22, *"Foreign Currency Transactions and Advance Considerations"*
  The interpretation addresses foreign currency transactions or parts of transactions where:
  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
  - the prepayment asset or deferred income liability is non-monetary.

  IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

Effective in 2019
- PFRS 16, *"Leases"*
  Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

  The Group plans to adopt the new standard on the required effective date. It is currently assessing the impact of the new standard and expects it to significantly impact its lease arrangements wherein the Group is a lessee as it will already recognize the related assets and liabilities in its statements of financial position.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that an entity applies PFRS 9, Financial Instruments including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

- The amendments are effective for periods beginning on or after January 1, 2019, with early application permitted. The amendments are to be applied retrospectively but they provide transition requirements similar to those in PFRS 9 for entities that apply the amendments after they first apply PFRS 9. They also include relief from restating prior periods for entities electing, in accordance with PFRS 4 Insurance Contracts, to apply the temporary exemption from PFRS 9. Full retrospective application is permitted if that is possible without the use of hindsight.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the Board of Accountancy (BoA).

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Prepayment Features with Negative Compensation amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are to be applied retrospectively for fiscal years beginning on or after January 1, 2019, i. e. one year after the first application of PFRS 9 in its current version. Early application is permitted so entities can apply the amendments together with PFRS 9 if they wish so. Additional transitional requirements and corresponding disclosure requirements must be observed when applying the amendments for the first time.

  The amendments were approved by the FRSC on November 8, 2017 but are still subject to the approval by the BoA.

- Philippine Interpretations IFRIC 23, *Uncertainty over Income Tax Treatments*
  The Interpretation clarifies application of recognition and measurement requirements in PAS 12, Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: a) whether an entity considers uncertain tax treatments separately; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances.

  Philippine IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation may be applied retrospectively using PAS 8, only if the application is possible without the use of hindsight or may be applied retrospectively with the cumulative effect of the initial application recognized as an adjustment to equity on the date of initial application. In this approach, comparative information is not restated. The date of initial application is the beginning of the annual reporting period in which an entity first applies this Interpretation.

  The interpretations were adopted by the FRSC on July 12, 2017 but are still subject to the approval by the BoA.

Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Currently, the Group has no activities to which this interpretation will apply.

- PFRS 10, *"Consolidated Financial Statements" and PAS 28, Investments in Associates and Joint Ventures": Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is a housed

in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and in banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash, with original maturities of three months or less from acquisition dates and that are subject to an insignificant risk of changes in value.

<u>Financial Assets and Liabilities</u>
Recognition
The Group recognizes a financial asset or liability in the consolidated Statements of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit and loss (FVPL).

Determination of fair value
Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

- *Loans and Receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at cost and at amortized cost subsequent to initial recognition in the consolidated Statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as noncurrent assets.

- *Available-for-sale (AFS) financial assets*
  AFS financial assets are those non-derivative financial assets that are designated as AFS or are not classified in any of the other categories. After initial recognition, AFS financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated Statements of comprehensive income. The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction; reference to the current market value of another instrument which is substantially the same; discounted cash flows analysis and option pricing models.

  Classified under this category are the Group's mutual fund managed by an insurance company.

- *Other Financial Liabilities*
  This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations and borrowings. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

Assets carried at amortized cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group's consolidated Statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets are collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized as part of profit or loss in the consolidated Statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

AFS Financial Asset
If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated Statements of comprehensive income, is transferred from statements of changes in equity to the consolidated Statements of comprehensive income. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in the consolidated Statements of comprehensive income.

For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment is removed from statements of changes in equity and recognized in the consolidated Statements of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated Statements of comprehensive income; increases in their fair value after impairment are recognized directly in consolidated Statements of changes in equity.

Derecognition of Financial Assets and Liabilities
Financial Assets
A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in consolidated Statements of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated Statements of financial position if, and only if, there is a currently enforceable

legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated Statements of financial position.

Prepayments and Other Current Assets

Prepayments are expenses paid in advance and recorded as asset before they are utilized and regularly recurring in the normal course of the business. Prepayments and other current assets are initially recognized at cost. These are carried at cost less accumulated amortization and any allowance for impairment, if any. This account comprises the following:

- *Prepaid rent and other expenses* are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated Statements of comprehensive income when incurred.
- *Creditable withholding tax* is deducted from income tax payable in the same year the revenue was recognized.

Prepayments and other assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent assets.

The net amount of value-added tax (VAT) recoverable from, or payable to, the taxation authority is included as part of "Prepayments and other current assets" or "Accounts payable and other current liabilities" in the consolidated Statements of financial position.

Input VAT

Input tax is recognized when an entity in the Group purchases goods or services from a VAT-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

Property and Equipment

Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value except for land and improvements and building and improvements.

Initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable cost of bringing the assets to its working condition and location for its intended use. Expenses incurred and paid after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Land and improvements and building and improvements are carried at appraised values as determined by an independent firm of appraisers on August 31, 2017. The appraisal increment resulting from the revaluation was credited to "Revaluation Surplus in Property and Equipment" shown under "Equity" section in the consolidated Statements of financial position. Other property and equipment are carried at cost less accumulated depreciation, amortization and any allowance for impairment in value.

In situation where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Land improvements	20
Water utilities and distribution system	5 – 50
Building and improvements	25 – 40
Office furniture and equipment	5
Transportation equipment	5
Leasehold improvements	10

Leasehold improvements are amortized over the estimated useful life of the assets or the term of the lease, whichever is shorter.

Construction in Progress included in the property and equipment is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in Progress is not depreciated until such time as the relevant assets are completed or installed and put into operational use.

The useful life, residual value and depreciation and amortization method are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts, and any gain or loss resulting from their disposal is credited or charged to current operations.

Investment in an Associate

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is initially recognized at cost and subsequently accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

Any excess of the cost of acquisition over the Group's share in the fair value of the identifiable net assets of the associate at date of acquisition is recognized as goodwill. Any excess of the fair value of the identifiable assets, liabilities and contingent liabilities and assets of the investee company over cost is included in the determination of the Group's share of the profit or loss in the period in which the investment is acquired.

Under the equity method, the Group carries its investment in associate at cost, increased or decreased by the Group's equity in net earnings or losses of the investee company and reduced by dividends received. An associate is an entity over which the Parent Company is in a position to exercise significant or joint control, through participation in the financial and operating policy decision of the investee company, generally accompanying a shareholding between 20% to 50% of the voting rights, but which are neither subsidiaries nor interests in joint venture.

Impairment of Non-financial Assets

The carrying values of long-lived assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs.

Impairment losses are recognized in the consolidated Statements of comprehensive income in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation and amortization) had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is credited to current operations.

<u>Customers' Deposits</u>
Customers' deposits are noninterest-bearing cash reservation fees received from the Group's customers for sales that do not meet the revenue recognition criteria (i.e., transfer of risk and rewards to customers through actual delivery of merchandise or services) as at reporting date. Customers' deposits will be applied against future rendition of services which are generally completed within the next twelve months or will be returned to customers in case of cancellation of reservation.

<u>Employee benefits</u>

- *Employee Leave Entitlement*
  Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

- *Short-term benefits*
  Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wage, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

- *Retirement benefits*
  Retirement benefits liability, as presented in the consolidated Statements of financial position, is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for the effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

  The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method. The retirement benefit costs comprise of the service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the company and close members of the family of any such individual; and (d) other related parties such as directors, officers and stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Equity

- *Capital* stock is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

- *Revaluation surplus* accounts for the excess of the fair market value over the carrying amounts of Land included under the "Property and equipment" account. Any appraisal decrease is first offset against appraisal increment on earlier revaluation with respect to the same property and is thereafter charged to operations.
- *Fair value gain on available-for-sale* investment accounts are the excess of the fair market value over the cost of investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to profit and loss in the year that the permanent fluctuation is determined.
- *Retained earnings* include all current and prior period net income less any dividends declared as disclosed in the consolidated Statements of changes in equity.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefit associated with the transactions will flow to the Group and the amount can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any VAT. The following specific recognition criteria must also be met before revenue is recognized:

- *Water service revenues* are recognized when the related water services are rendered.
- *Sale of goods* is recognized upon delivery of goods sold, and the transfer of risks and rewards to the customer has been completed.
- *Financial income* is recognized on a time proportion basis that reflects the effective yield on the asset.

- *Other income* is recognized when the related income/service is earned.

Cost and Expense Recognition

Cost and expenses are recognized upon utilization of the service or at the date they are incurred. Except for borrowing costs attributable to qualifying assets, all finance costs are recognized in the consolidated Statements of comprehensive income. Finance charges and similar expenses are reported on accrual basis.

VAT

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs incurred during the construction period on loans and advances used to finance construction and property development are capitalized as part of construction and development costs included under "Property and Equipment" account in the consolidated Statements of financial position. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on applicable weighted average borrowing rate.

All other borrowing costs are charged to operation in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever the term of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance lease are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated Statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rental is recognized as expense in the periods in which they are incurred.

Rental expense under operating leases is charged to profit or loss on a straight-line basis over the term of the lease except for those leases with an escalation clause which is recognized in accordance with PAS 17.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Income Taxes

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

Current Tax

The current year tax is based on taxable income for the year. Taxable income differs from income as reported in the consolidated Statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and carryforward benefits of net operating loss carryover (NOLCO) and minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at end of each financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Income tax relating to items recognized directly in equity is recognized in equity and other comprehensive income.

Earnings per Share (EPS)

EPS is determined by dividing net profit for the year by the weighted average number of shares outstanding during the year including fully paid but unissued shares as of the end of the year, adjusted for any subsequent stock dividends declared. Diluted earnings per share is computed by dividing net income for the year by the weighted average number of common shares issued and outstanding during the year after giving effect to assumed conversion of potential common shares. The Group has no existing dilutive shares.

Segment Reporting

The Group's primary and only operating business is its water utilities and distribution services. While the Group's operations are spread on different regions in the Philippines, the Group has no geographical segment as the operations in various regions are all regulated by the NWRB.

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and, c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at end of each financial reporting period and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

Events after the End of Financial Reporting Period
Post year-end events that provide additional information about the Group's position at the end of financial reporting period (adjusting events) are reflected in the Group's consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements when material.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

- *Determination of Control*
  The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:

  a. Power over the entity;
  b. Exposure, or rights, to variable returns from its involvement with the entity; and,
  c. The ability to use its power over the entity to affect the amount of the Group's returns.

  The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

- *Assessment of Classification of Financial Instruments*
  The Group classifies a financial instrument, or its components parts, on initial recognition financial liability or an equity instrument in accordance with the substance of the contractual definitions of a financial asset, a financial liability or an equity instrument. The substance rather than its legal form, governs its classification in the consolidated Statements of financial position.

- *Determination of Fair Value of Financial Instruments*
  PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rate), the timing and amount of changes in fair value would

differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

- *Determination of Operating Lease Commitments*
  The Group assesses at the inception of the lease whether the arrangement is a finance or operating lease based on who bears substantially all the risks and benefits incidental to ownership of the leased item. The Group as a lessee has entered into a lease contract for its office where it has determined that the risks and rewards related to the property are retained by the lessor. As such, the agreement is accounted for as operating lease.

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

- *Impairment on Receivables*
  The Group maintains allowances for impairment losses on receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. The factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

- *Impairment of AFS investment*
  If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit and loss, is transferred from the "Revaluation reserve" account to profit or loss and presented as a reclassification adjustment within other comprehensive income. Reversals in respect of equity instruments classified as AFS are not recognized in profit or loss. Reversal of impairment loss is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after impairment loss was recognized.

- *Determination of Retirement and Other Benefits*
  The determination of the Group's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for pension costs and other retirement benefits and include among others, discount and salary increase rates. Actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods.

  While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Group's pension and other retirement obligations.

  The Group also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availment of employees, subject to the

Group's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

- *Fair Value of Property and Equipment*
  The Group's property and equipment which include parcels of land and building are carried at revalued amount at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers. The fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and seller in an arm's length transaction as at the valuation date. Such amount is influenced by different factors including the location and specific characteristics of the property (e.g., size, features, and capacity), quantity of comparable properties available in the market, and economic condition and behavior of the buying parties. A significant change in these elements may affect prices and the value of the assets.

- *Useful Lives of Property and Equipment*
  Useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

- *Provision for Contingencies*
  The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on its financial position and results of operations. It is possible, however, that future results of operation could be materially affected by changes or in the effectiveness of strategies relating to these proceedings.

- *Impairment of Non-Financial Assets*
  Impairment review is performed when certain impairment indicators are present. Such indicators would include significant changes in asset usage, significant decline in market value and obsolescence or physical damage on an asset. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Determining the net recoverable value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

- *Recoverability of Deferred Tax Assets*
  The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

  Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized.

5. Current Assets and Current Liabilities Held for Sale

As a result of the approval of the CWWC Sale by the Parent Company's stockholders on April 4, 2018 (see Note 1), the following accounts of the subsidiaries were classified under Current assets held for sale as of March 31, 2018:

Cash and cash equivalents	₱55,909,154
Receivables – net	54,393,334
Due from related parties	16,796,533
Prepayments and other current assets	12,587,778
Available-for-sale investment	1,546,252
Investment in an associate	976,925
Property and equipment – net	941,981,073
Deferred tax assets	12,933,064
Other noncurrent assets	16,887,351
	₱1,114,011,464

The following accounts of the subsidiaries were classified under Current liabilities held for sale as of March 31, 2018:

Accounts payable and other current liabilities	₱137,066,447
Short-term loans payable	60,000,000
Current portion of long-term loans payable	23,932,804
Due to related parties	9,741,580
Income tax payable	5,136,092
Long-term loans payable	306,799,620
Retirement benefit obligation	9,852,453
Customers' deposits	22,724,736
Deferred tax liabilities	16,651,667
	₱591,905,399

6. Loans Payable

The following discussion pertains to the Group's loans:

<u>*Short-term loans*</u>

a. In 2017, CWWC availed short-terms loan from a local bank amounting to ₱20.0 million for 90 days for an annual interest rate of 3.1% and ₱15.0 million for 15 days for an annual interest rate of 4%. The latter was fully paid in January 2018.

b. In February 2018, CWWC availed short-term loan from a local bank amounting to ₱40.0 million for 90 days for an annual interest rate of 3.1%.

Long-term loans

a. In 2005, CWWC entered into a loan agreement with a local bank for the rehabilitation, expansion and improvement of its waterworks system for ₱137.0 million payable in fifteen (15) years inclusive of a maximum of two years grace period on principal. Interest is fixed at 10.5% per annum, reviewable and subject to adjustment annually thereafter but not to exceed 15% per annum. CWWC was able to negotiate the interest rate at 6.0% to 7.5% in 2018 and 2017.

   Debt Covenant
   CWWC executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of CWWC's Reserve Fund (via Savings or Other Investment Account) equivalent to two monthly interest amortization during the grace period, to increase to two monthly principal and interest amortization after the grace period onwards; and (b) billed water/receivables until the amount of the loan is fully paid. The Reserve Fund shall be maintained for CWWC's expenses for maintenance, operation and emergency fund.

   Also, CWWC mortgaged certain property and equipment situated in Calapan City, Oriental Mindoro in favor of the bank.

b. In 2014, CWWC entered into another loan agreement with a local bank amounting to ₱118.2 million payable in ten (10) years with an annual interest rate of 6%. The proceeds of the loan will be used exclusively to finance water source development, acquisition of the three (3) sets electro-mechanical equipment, site and land equipment, construction of a high ground reservoir and expansion of its waterworks system.

c. In 2015, MAWI entered into a loan agreement with a local bank to partially finance the Phase 1 of the proposed improvement and expansion of its water supply system for ₱280.0 million payable in fifteen (15) years inclusive of a maximum of two (2) years grace period on principal. Initial interest is fixed at 6.78% per annum reviewable and subject to adjustment.

   Debt Covenant
   MAWI executed a Deed of Assignment relative to the loan, in favor of the bank of (a) a portion of MAWI's Reserve Fund equivalent to at least 5% of its monthly revenue and shall be effective only after six (6) months from the date of commercial operation; and (b) billed water services until the amount of the loan is fully paid. The said Reserve Fund is subject to a hold-out provision equivalent to at least one (1) quarterly amortization due under this agreement.

   Also, MAWI entered in to a Deed of Undertaking and Deed of Trust to constitute (a) within six (6) months from the date of full release of loan a real estate mortgage over all real properties, together with improvements to be acquired out of the total proceeds of the loan; (b) to increase its authorized capital stock and paid up capital within one (1) year of loan availment to at least ₱45.0 million and within two (2) years from the date of full release of loan to at least ₱92.0 million; and (c) a chattel mortgage over property and equipment to be acquired under the loan agreement.

Loans payable balance amounted to ₱371,715,625 as of December 31, 2017.

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7. **Related Party Transactions**

The Group has the following transactions with related parties:

a. Unsecured and non-interest bearing cash advances with related parties for investing and working capital purposes. Also, the Group availed unsecured and non-interest bearing cash advances from its major stockholder and affiliate for the acquisition of operating machinery and equipment. Settlements of these advances are made in cash.

b. Management and consultancy agreement with an affiliate renewable annually upon such terms and conditions as may be mutually agreed upon by both parties.

c. Lease of office space from an affiliate for a period of one year, renewable upon mutual agreement of both parties.

d. Service agreement with an entity under common/shared ownership for the operations and maintenance of the water system facilities located in Agoo, La Union for a period of three years, renewable upon mutual agreement of both parties.

e. In 2014, CWWC entered into a construction agreement with an entity under common/shared ownership where the latter agreed to complete the execution and completion of Phase 1 of 2014 Expansion Program. Total contract price of the project amounted to ₱162.0 million.

f. In 2015, MAWI entered into a construction agreement with a related entity where the latter agreed to complete the execution and completion of Phase 1 of the Agoo Water System for a contract price of ₱313.7 million.

8. **Income Taxes**

The provision for income tax differs from the amount computed by applying the statutory income tax rate to income before income tax due mainly to interest income already subjected to final tax at a lower rate.

The deferred tax assets represent the tax consequences of NOLCO, retirement benefit obligation, and allowances for impairment losses and excess MCIT over RCIT.

The deferred tax liability pertains to tax consequences of capitalized borrowing costs and appraisal increase in land under property and equipment.

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

EPS is computed as follows:

	For the Three Months Ended March 31	
	2018	2017
Net income attributable to the equity holders of the Parent Company	**₱9,324,743**	₱7,592,992
Divided by weighted average number of common shares	**243,241,504**	243,241,504
	₱0.0383	₱0.0312

There were no potential dilutive shares in 2018 and 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial Position (Balance Sheet)

Total assets decreased by 1.27% or about ₱15.39 million to ₱1,191,927,274 as of March 31, 2018. The decrease can be attributed to the collection of receivables and due from related parties.

Cash and cash equivalents decreased by ₱24,881,307 mainly due to settlement of payables to suppliers and contractor and payment of 2017 annual income tax.

Current assets held for sale amounting to ₱1,114,011,464 and current liabilities held for sale amounting to ₱591,905,399 were presented separately in the consolidated Statements of Financial Position as of March 31, 2018 as a result of the Memorandum of Agreement executed by JOH and its subsidiaries and related parties (the "Sellers") and a third party for the sale of 150,824,890 shares representing 62.01% of the issued and outstanding capital stock of the Parent Company, inclusive of the 36.73% held by JOH.

Noncontrolling interest represents the share of noncontrolling shareholders in the net assets of CWWC and MAWI. The change in this account represents the share of noncontrolling shareholders in the results of operations for this period.

Results of Operations

Water service revenues grew due to the increase in number of service connections from 18,276 subscribers in March 2017 to 20,668 subscribers in March 2018. Revenues grew by ₱8,413,332 or 15.80% from ₱53,256,493 to ₱61,669,825 for the three months ended March 31, 2018 vis-à-vis last year.

Cost of services increased by 24.91% or ₱5,085,178 primarily due to higher repairs and maintenance during the period and incremental power consumption of new production wells.

Operating expenses was higher this year by ₱1,020,715 mainly due to write-off of input VAT and creditable withholding taxes of H2O.

Net other charges slightly increased by ₱147,499 for the period. The increase was mainly attributed to interest charges on additional loan during the period.

Total comprehensive income increased by 28.64%, or ₱1,975,960, primarily due to higher water service revenues.

Noncontrolling interest represents noncontrolling stockholders' share in the net income or loss of CWWC and MAWI. The fluctuation in this account is tied-in to the operating results of CWWC and MAWI and to the Parent Company's overall ownership in the former.

Liquidity and Solvency

The Group's cash balance decreased from end-2017 of ₱102.80 million to ₱77.92 million as of March 31, 2018. The decrease for this period was the result of payments of obligations mentioned earlier.

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and serve its maturing obligations. The objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. The Group manages liquidity by maintaining adequate reserves through advances from related parties and loan facilities with local banks. Further, its strong relations with suppliers and creditors enable the Group to negotiate and stretch credit terms. It may also be worth mentioning that payment terms of accounts with related parties have no definite call dates. The retirement benefit obligation and deferred tax liabilities may also be regarded as provisions and are not due immediately.

Dividends

No dividends were declared in the years 2018 and 2017.

Issuances, Repurchases, and Repayments of Debt and Equity Securities

None

Events that will trigger Direct or Contingent Financial Obligation that is Material to the Group, including any Default or Acceleration of an Obligation

None

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

None

Known Trends, Demands, Commitments, Events or Uncertainties that will have a Material Impact on Liquidity or that are reasonably expected to have a Material Favorable or Unfavorable Impact on Net Sales/Revenues/Income from Continuing Operations

None

Cause for any Material Change from period to period which shall include Vertical and Horizontal Analyses of any Material Item

This is already incorporated in the discussion under "Results of Operations" and "Financial Position".

Seasonal Aspects that has a Material Effect on the Financial Statements

None

Material Commitments for Capital Expenditures, General Purpose of such Commitments, Expected Sources of Funds for such Expenditures

CWWC is currently undertaking Phase I of its expansion program in Calapan City. Phase I involves development of three new water production facilities, installation of storage facilities for the water system, and pipe laying of additional distribution lines. Phase I is estimated to cost about ₱150 million, about ₱120 million will be financed through bank borrowings while the balance will be funded through internally generated funds.

Any Significant Elements of Income or Loss that did not arise from Continuing Operations

None

Financial Risk Disclosure

Please refer to Note 4 of the Notes to Consolidated Financial Statements for the description, classification and measurements applied for financial instruments of the Group.

The main purpose of the Group's financial instruments is to fund the Group's operations and to acquire and improve property and equipment. The main risks arising from the use of financial instruments are liquidity risk, interest rate risk and credit risk. The Group's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Liquidity risk
The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and serve its maturing obligations. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Credit risk
Credit risk refers to the risk that a customer/debtor will default on its contractual obligations resulting in financial loss to the Group. The Group controls this risk through regular coordination with the customers. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group also controls this risk by cutting its services and refusal to reconnect until the customer's account is cleared or paid.

The Group's credit risk is primarily attributable to its trade receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term borrowings. The Group's policy is to minimize interest rate cash flow risk exposures. Long-term borrowings are therefore usually at agreed interest rates.

Philippine H2O Ventures Corp.

Schedule of Financial Indicators

KEY PERFORMANCE INDICATORS			**MARCH 2018**	**MARCH 2017**
I PROFITABILITY				
Return on Total Assets	ROA=	NI+ {(interest exp x (1-tax rate)}	12,117,770	10,024,005
		Ave. Total Assets	1,199,623,792	1,207,235,513
It measures efficiency of the Group in using its assets to generate net income.			0.0101	0.0083
Return on Equity	ROE=	Annual Net Income	8,875,859	6,899,899
		Ave. Stockholder's Equity	595,656,000	492,371,236
It is a measure of profitability of stockholders' investments. It shows net income as percentage of shareholder equity.			0.0149	0.0140
Water Revenue per Subscriber	WRS=	Water Revenue	61,669,825	53,256,493
		Ave. No. of Water Subscribers	20,549	18,131
Measures how well service and facilities improvements have influence consumer's usage			3,001	2,937
II FINANCIAL LEVERAGE				
Debt Ratio	Debt Ratio=	Total Liabilities	591,905,399	702,947,682
		Total Assets	1,191,927,274	1,198,768,867
It is a solvency ratio and it measures the portion of the assets of a business which are financed through debt.			0.4966	0.5864
Debt to Equity Ratio	Debt to Equity=	Total Liabilities	591,905,399	702,947,682
		Shareholder's Equity	600,021,875	495,821,185
It measures the degree to which the assets of the business are financed by the debts and the shareholders' equity of a business.			0.9865	1.4177
III MARKET VALUATION				
Price to Book Ratio	PB ratio=	Market value/share	5.80	3.70
		Book value/share	2.47	2.04
Relates the Group's stock to its book value per share			2.35	1.81

Below is the aging analysis of receivables:

There are no receivables balance as of March 31, 2018 (see Note 5).

	December 31, 2017				
	Current	31 to 60 days	61 to 90 days	More than 90 days	Total
Trade	₱15,867,773	₱551,817	₱195,834	₱11,741,738	₱28,357,162
Advances and nontrade	85,000	85,130	30,000	49,209,586	49,409,716
Total	₱15,952,773	₱636,947	₱225,834	₱60,951,324	₱77,766,878

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES
(A Subsidiary of Jolliville Holdings Corporation)

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(Amounts in Philippine Pesos)

Beginning Unappopriated Retained Earnings	₱145,706,927
Add: Net income during the period	56,547,735
Retained Earnings Available for Dividend Declaration	₱202,254,662

PHILIPPINE H2O VENTURES CORP. AND SUBSIDIARIES

SUMMARY OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

AS OF MARCH 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		**Adopted**	**Not Adopted**	**Not Applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements (2009-2011 Cycle): Repeated Application of PFRS 1			✓
	Annual Improvements (2009-2011 Cycle): First-time Adoption of PFRS – Borrowing Cost			✓
	Annual Improvements (2011-2013 Cycle): First-time Adoption of PFRS – Meaning of Effective PFRS			✓
	Annual Improvements (2014-2016 Cycle) Deletion of Short-term Exemptions for Firsttime adopters*		✓	
PFRS 2	Share-based Payment			✓**
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓**
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2010-2012 Cycle): Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*		✓	
PFRS 3 (Revised)	Business Combinations			✓**
	Annual Improvements (2010-2012 Cycle): Accounting for Contingent Consideration in a Business Combination			✓
	Annual Improvements (2011-2013 Cycle): Scope Exceptions for joining Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓**
	Annual Improvements (2012-2014 Cycle): Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal			✓**
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓**
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓**
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Financial Instruments: Disclosure – Servicing Contracts			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2012-2014 Cycle): Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓**
PFRS 8	Operating Segments			✓**
	Annual Improvements (2010-2012 Cycle): Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓**
	Amendments to PFRS 9: Financial Instruments – Classification and Measurement*		✓	
	Prepayment Features with Negative Compensation*		✓	
PFRS 10	Consolidated Financial Statements			✓**
	Amendments for Investment Entities			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendments to PFRS 10: Consolidated Financial Statements and PAS 28: Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
PFRS 11	Joint Arrangements			✓**
	Amendments to PFRS 11: Accounting for Acquisitions of Interest in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓**
	Amendments for Investment Entities			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PFRS 12 – Clarification of the Scope of the Standard			✓**
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements (2010-2012 Cycle): Short-term Receivables and Payables	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2011-2013 Cycle): Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓**
PFRS 15	Revenue from Contracts with Customers*		✓	
	Amendments to PFRS 15: Clarifications to PFRS 15*		✓	
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements (2009-2011 Cycle): Clarification of the Requirements for Comparative Information	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative			✓**
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓**
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax - Recovery of Underlying Assets			✓**
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓**
PAS 16	Property, Plant and Equipment	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Annual Improvements (2009-2011 Cycle): Classification of Servicing Equipment			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Depreciation			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19 – Defined Benefit Plans: Employee Contributions			✓**
	Annual Improvements (2012-2014 Cycle): Employee Benefits – Regional Market Issue Regarding Discount Rate			✓**
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓**
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓**
	Amendment: Net Investment in a Foreign Operation			✓**
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements (2010-2012 Cycle): Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓**
PAS 27	Consolidated and Separate Financial Statements			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments in Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 27: Separate Financial Statements – Equity Method in Separate Financial Statements			✓**
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓**
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities - Applying the Consolidation Exception			✓**
	Annual Improvements to PFRSs (2014 to 2016 Cycle): Amendments to PAS 28 – Measuring an Associate or Joint Venture at Fair Value*		✓	
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*		✓	
	Long-term Interests in Associates and Joint Ventures*		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓**
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓**
	Amendment to PAS 32: Classification of Rights Issues			✓**
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓**
	Annual Improvements (2009-2011 Cycle): Presentation – Tax effect of Distribution to Holders of Equity Instruments			✓**
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓**
	Annual Improvements (2009-2011 Cycle): Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Annual Improvements (2012-2014 Cycle): Interim Financial Reporting – Disclosure of information 'elsewhere in the Interim Financial Report'*		✓	
PAS 36	Impairment of Assets	✓		
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓**
	Annual Improvements (2010-2012 Cycle): Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓**
	Amendment to PAS 16: Property, Plant and Equipment and PAS 38: Intangible Assets – Classification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓**
	Amendments to PAS 39: The Fair Value Option			✓**
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓**
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
	Amendment to PAS 39: Eligible Hedged Items			✓**
	Amendment to PAS 39: Novations of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓**
	Annual Improvements (2011-2013 Cycle): Investment Property			✓**
	Amendments to PAS 40: Transfers of Investment Property*		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16: Property, Plant and Equipment and PAS 41: Agriculture – Bearer Plants			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓**
IFRIC 9	Reassessment of Embedded Derivatives			✓**
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓**
IFRIC 10	Interim Financial Reporting and Impairment			✓**
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓**
IFRIC 12	Service Concession Arrangements			✓**
IFRIC 13	Customer Loyalty Programmes			✓**
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓**
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓**
IFRIC 15	Amendments to Philippine Interpretations IFRIC- 15, Agreements for Construction of Real Estate*		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓**
IFRIC 17	Distributions of Non-cash Assets to Owners			✓**
IFRIC 18	Transfers of Assets from Customers			✓**

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓**
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration*		✓	
IFRIC 23	Uncertainty over Income Tax Treatments*		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

*These are effective subsequent to December 31, 2017
**Adopted but no significant impact.

SIGNATURES

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

Issuer: **PHILIPPINE H2O VENTURES CORP.**

FOR THE REGISTRANT

Chief Executive Officer: **JOLLY L. TING**

Signature and Title: ______________________________

Chief Executive Officer

Chief Financial Officer: **ORTRUD T. YAO**

Signature and Title: ______________________________

Chief Financial Officer

Date: May 2, 2018