

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-A, AS AMENDED

### ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended  
Dec 31, 2020
2. SEC Identification Number  
ASO95002283
3. BIR Tax Identification No.  
004-703-376-000
4. Exact name of issuer as specified in its charter  
DMCI Holdings Inc.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
3/F Dacon Building 2281 Chino Roces Avenue, Makati City  
Postal Code  
1231
8. Issuer's telephone number, including area code  
(632) 88883000
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	13,277,470,000
PREFERRED	960

11. Are any or all of registrant's securities listed on a Stock Exchange?
  - Yes       No
 If yes, state the name of such stock exchange and the classes of securities listed therein:  
 The Philippine Stock Exchange Common Shares and Preferred Shares
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes  No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

pHP18,258,449,222.52

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes  No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Annual Consolidated Financial Statements for the period December 31, 2020

(b) Any information statement filed pursuant to SRC Rule 20

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

Exhibits and Schedules

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



# DMCI Holdings, Inc.

## DMC

**PSE Disclosure Form 17-1 - Annual Report**  
**References: SRC Rule 17 and**  
**Section 17.2 and 17.8 of the Revised Disclosure Rules**

For the fiscal year ended	Dec 31, 2020
Currency	Php Thousands

### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
<b>Current Assets</b>	112,421,138	108,702,923
<b>Total Assets</b>	204,393,539	200,787,001
<b>Current Liabilities</b>	48,576,085	49,874,263
<b>Total Liabilities</b>	103,190,768	97,948,927
<b>Retained Earnings/(Deficit)</b>	64,391,833	64,906,070
<b>Stockholders' Equity</b>	101,202,771	102,838,074
<b>Stockholders' Equity - Parent</b>	81,646,321	82,403,647
<b>Book Value Per Share</b>	6.15	6.21

### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2020	Dec 31, 2019
<b>Gross Revenue</b>	67,700,100	87,761,221
<b>Gross Expense</b>	60,840,087	72,212,930
<b>Non-Operating Income</b>	3,083,741	4,216,956
<b>Non-Operating Expense</b>	1,191,072	3,160,882
<b>Income/(Loss) Before Tax</b>	8,752,681	16,604,365
<b>Income Tax Expense</b>	1,344,572	1,758,909
<b>Net Income/(Loss) After Tax</b>	7,408,109	14,845,456
<b>Net Income/(Loss) Attributable to Parent Equity Holder</b>	5,858,949	10,533,131
<b>Earnings/(Loss) Per Share (Basic)</b>	0.44	0.79
<b>Earnings/(Loss) Per Share (Diluted)</b>	0.44	0.79

### Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2020	Dec 31, 2019
<b>Liquidity Analysis Ratios:</b>			
<b>Current Ratio or Working Capital Ratio</b>	<b>Current Assets / Current Liabilities</b>	2.31	2.18
<b>Quick Ratio</b>	<b>(Current Assets - Inventory - Prepayments) / Current Liabilities</b>	0.81	0.76
<b>Solvency Ratio</b>	<b>Total Assets / Total Liabilities</b>	1.98	2.05

**Financial Leverage Ratios**

<b>Debt Ratio</b>	<b>Total Debt/Total Assets</b>	0.25	0.23
<b>Debt-to-Equity Ratio</b>	<b>Total Debt/Total Stockholders' Equity</b>	0.51	0.46
<b>Interest Coverage</b>	<b>Earnings Before Interest and Taxes (EBIT) / Interest Charges</b>	4.1	6.34
<b>Asset to Equity Ratio</b>	<b>Total Assets / Total Stockholders' Equity</b>	2.02	1.95

**Profitability Ratios**

<b>Gross Profit Margin</b>	<b>Sales - Cost of Goods Sold or Cost of Service / Sales</b>	0.23	0.32
<b>Net Profit Margin</b>	<b>Net Profit / Sales</b>	0.11	0.17
<b>Return on Assets</b>	<b>Net Income / Total Assets</b>	0.04	0.09
<b>Return on Equity</b>	<b>Net Income / Total Stockholders' Equity</b>	0.07	0.13
<b>Price/Earnings Ratio</b>	<b>Price Per Share / Earnings Per Common Share</b>	12.83	8.33

**Other Relevant Information**

Attached is the SEC Form 17-A report with attachments.

**Filed on behalf by:**

<b>Name</b>	Herbert Consunji
<b>Designation</b>	Executive Vice President & Chief Finance Officer

COVER SHEET

A S O 9 5 0 0 2 2 8 3  
SEC Registration Number

D M C I H O L D I N G S , I N C .

(Company's Full Name)

3 R D F L R . D A C O N B L D G .

2 2 8 1 C H I N O R O C E S A V E .

M A K A T I C I T Y

(Business Address: No., Street City / Town / Province)

HERBERT M. CONSUNJI  
Contact Person

(632) 8888-3000  
Company Telephone Number

(Third Tuesday of May)

1 2 3 1  
Month Day

SEC Form 17-A  
FORM TYPE

0 5 1 8  
Month Day

Fiscal Year

Annual Meeting

N.A.  
Secondary License Type, If Applicable

C F D  
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2020
2. SEC Identification Number ASO95-002283 3. BIR Tax Identification No. 004-703-376
4. Exact name of issuer as specified in its charter DMCI Holdings, Inc.
5. Philippines  
Province, Country or other jurisdiction  
of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 3<sup>rd</sup> Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City 1231  
Address of principal office Postal Code
8. Tel. (632) 8888-3000 Fax: None  
Issuer's telephone number, including area code
9. Not applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>No. of Shares Outstanding</u>	<u>Amount</u>
Common Shares	13,277,470,000	Php13,277,470,000.00
Preferred Shares	960	960.00
TOTAL	13,277,470,960	Php13,277,470,960.00

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ X ] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ X ]

No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ]

No [ ]

13. **Php18,258,449,222.52**

The aggregate market value of the voting stock held by non-affiliates of the registrant

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Not applicable

Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Audited Financial Statements as of December 31, 2020 (Part II C)

(b) Exhibits and Schedules (Part V)

**DMCI HOLDINGS, INC.**  
**ANNUAL REPORT ENDING DECEMBER 31, 2020**

**TABLE OF CONTENTS**  
**SEC FORM 17-A**

	<b>Page</b>
Part I – Business and General Information -----	06
Item 1. Business Information -----	06
Item 2. Properties -----	11
Item 3. Legal Proceedings -----	15
Item 4. Submission of Matters to a Vote of Security Holders -----	17
Part II – Operation and Financial Condition -----	16
Item 5. Market for Issuer's Common Equity and Related Stockholder Matters -----	17
1. Market information -----	17
2. Holders -----	18
3. Dividends -----	19
4. Recent Sales of Unregistered Securities -----	19
Item 6. Management Discussion and Analysis of Plan of Operations FY 2020-2019 -----	20
Management Discussion and Analysis of Plan of Operations FY 2019-2018-----	30
Management Discussion and Analysis of Plan of Operations FY 2018-2017-----	41
Item 7. Financial Statements -----	53
Item 8. Information on Independent Accountant and other Related Matters -----	53
Part III – Control and Compensation Information -----	54
Item 9. Directors and Executive Officers of the Issuers -----	54
Item 10. Executive Compensation -----	60
Item 11. Security Ownership of Certain Beneficial Owners and Management -----	62
Item 12. Certain Relationships and Related Transactions -----	63
Part IV – Corporate Governance and Sustainability -----	64
Item 13. Corporate Governance -----	64
Item 14. Sustainability Report -----	64
Part V – Exhibits and Schedules -----	64
A. List of Top 20 Stockholders -----	65
B. Reports under SEC 17-C -----	66
SIGNATURE -----	71



## **ATTACHMENTS**

### **A. STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

### **B. CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

- a. Independent Auditors' Report
- b. Consolidated Statements of Financial Position
- c. Consolidated Statements of Income
- d. Consolidated Statements of Comprehensive Income
- e. Consolidated Statements of Changes in Equity
- f. Consolidated Statements of Cash Flows
- g. Notes to Consolidated Financial Statements

### **C. INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES**

- a. Schedules required by Annex 68-J
- b. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- c. Statement of Financial Soundness Indicators (Annex 68-E)
- d. Map of the relationships of the companies within the group

## PART I - BUSINESS AND GENERAL INFORMATION

### ITEM 1. BUSINESS DESCRIPTION

**DMCI Holdings, Inc.** (the “Company”) was incorporated on March 8, 1995 as a holding company to extract greater value from the engineering expertise and construction resources of D.M. Consunji, Inc., the pioneering contractor behind some of the biggest and most complex infrastructures in the Philippines. It was listed on the Philippine Stock Exchange on December 18, 1995.

In only a few years after incorporation, the Company has expanded its business organization to include five major subsidiaries, namely: **D.M. Consunji, Inc.**, **DMCI Project Developers, Inc.**, **Semirara Mining and Power Corporation**, **DMCI Power Corporation** and **DMCI Mining Corporation**. In addition, the Company has an indirect ownership in Maynilad Water Services, Inc. through a 27 percent stake in **Maynilad Water Holding Company, Inc.**, which owns 93 percent of the water concessionaire.

**D. M. Consunji, Inc. (DMCI)**, a wholly owned subsidiary, is engaged in general construction services. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI is currently one of the leading engineering and construction firms in the country. It operates in four key construction segments: building, energy, infrastructure, and utilities. Over the years, its pioneering methodologies and expertise have allowed it to complete high-rise buildings, toll roads, bridges, power plants and water facilities of varying scale and complexity. DMCI is at the forefront of building important and technically challenging structures that will improve lives, sustain communities and enable growth in the Philippines.

**DMCI Project Developers, Inc. (PDI)**, a wholly owned subsidiary incorporated in 1995 initially as a housing division under DMCI. Subsequently in 1999, DMCI Homes was spun off to address the surge in demand for urban homes. Since then, the Company has made high-quality living available to average Filipino families through its innovative designs, proprietary technologies and cost-efficient methodologies. Its core products include residential condominium units with resort-inspired amenities in mid-rise and high-rise developments in Metro Manila and other key areas in Luzon, as well as in Cebu and Davao City.

**Semirara Mining and Power Corporation (SMPC)**, a 56.65% subsidiary and is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. It is the largest coal producer in the country. SMPC has two wholly owned subsidiaries, Sem-Calaca Power Corporation (2x300 MW) and Southwest Luzon Power Generation Corporation (2x150 MW). The two companies provide baseload power through bilateral contracts with distribution utilities. Excess generation is sold to the Wholesale Electricity Spot Market (WESM).

**DMCI Power Corporation (DPC)** is a wholly-owned subsidiary of the Company incorporated in 2006 and is engaged in the business of a generation company which designs, constructs, invest in, and operate power plants. DPC provides off-grid power to missionary areas through long-term power

supply agreements with local electric cooperatives. It currently operates and maintains bunker-fired power plants and diesel generating sets in parts of Masbate, Oriental Mindoro and Palawan.

**DMCI Mining Corporation (DMC)** incorporated in 2007 to engage in ore and mineral mining and exploration. It has two nickel mining assets, namely Berong Nickel Corp (BNC) and Zambales Diversified Metals Corp (ZDMC). The former is located in Berong, Long Point, Moorsom and Ulugan, all in the province of Palawan, while the latter is located in Acoje, Zambales. Both mining companies use open pit technique to extract nickel, chromite and iron laterite.

**Maynilad Water Holding Company, Inc. (Maynilad)** (*formerly DMCI-MPIC Water Co.*) is a consortium with Metro Pacific Investments Corporation and Marubeni Philippines Corp. which owns 93% equity at Maynilad Water Services, Inc. (MWSI). The Company's economic interest in MWSI decreased to 25% from 41%, after Marubeni acquired 20% of economic interest in Maynilad last February 2013.

The lists of subsidiaries, associates and joint venture as well as the information of each operating segment of the Company are contained in the attached Consolidated Financial Statements as of December 31, 2019.

**Any bankruptcy, receivership or similar proceeding**

There has been no other business development such as bankruptcy, receivership or similar proceeding that affected the registrant for the past three years.

**Material reclassification, merger, consolidation, or purchase or sale of a significant amount of asset not in the ordinary course of business**

There has been no material reclassification, merger, consolidation or purchase or sale of a significant amount of asset that is not in the ordinary course of business for the past three years.

***Business of Issuer***

**Principal products or services and their markets**

The Company is a publicly-listed firm with subsidiaries or affiliates engaged in construction, real estate, coal mining, nickel mining, power generation, and water distribution businesses. Its revenues and net income are being generated and consolidated from its subsidiaries.

**Percentage of sales or revenues and net income contributed by foreign sales**

Except for coal and nickel segments, revenues of the Group were primarily derived from sales within the Philippines. Excluding sales from its own power plant, export sales from coal segment accounted for 75%, 79% and 56% of coal sales in 2020, 2019 and 2018, respectively. For nickel segment, 100% are export sales.

**Distribution methods of the products or services**

This is not applicable to the Parent Company being a holding company. For the operating companies, the following are the distribution methods of products and services: DMCI pursue construction projects both from government and private investors. DMCI closely works with the project owners, concerned government agencies, qualified subcontractors and service providers in delivering quality service. Meanwhile, PDI has its own in-house sales team and external brokers in marketing its residential products to its customers. Marketing policy of SMPC is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis. For nickel mining, DMC sells directly to the customers. All nickel sales are on FOB basis. The Company's power segments have power supply agreements to private distribution utilities, various cooperatives and other customers. Meanwhile, Water is distributed through Maynilad's network of pipelines, pumping stations and mini-boosters.

**Status of any publicly-announced new product or service**

There has been no new product or services aside from the existing products or services offered by the operating subsidiaries of the Company.

**Competition**

Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment. Its construction business is primarily conducted by wholly-owned subsidiary, D.M. Consunji, Inc. (DMCI), which has, for its competitors, numerous construction contracting companies, both local and foreign, currently operating in the country. It has been an acknowledged trend that the state of construction industry depends mainly on prevailing economic conditions. Thus, the currently strong economic growth explains the continued expansion in the construction industry. To optimize its resources and profitability, DMCI has been focusing on selected markets where construction demand has remained relatively strong, particularly, in more complex building structures and civil works. The Company's coal mining is the largest coal producer in the country. Competition is coming from imported coal. The real estate business, PDI, is well-positioned to capture the end-user market with much lower price for the same market with that of its competitor.

**Sources and availability of raw materials and the names of principal suppliers**

Not applicable to DMCI Holdings, Inc. For DMCI and PDI, it has its own pool of equipment and construction materials supplies. Meanwhile, SMPC and DMC sources its ore from its mining properties under appropriate rights granted by law or the Government of the Philippines.

**Dependence on single customer or a few customers**

DMCI Holdings has successfully diversified into various business segments and market base. Total revenue consists of the following: coal (33%), real estate (21%), construction (21%), on-grid power (18%), off-grid power (5%) and nickel (2%). The subsidiaries have various customers in terms of location, profile and target market such that the loss of a few customers would not have a material adverse effect on DMCI Holdings and its subsidiaries taken as a whole.

**Transactions with and/or dependence on related parties**

All transactions with related companies are done on market terms and arm's length basis. See Note 21 (Related Party Disclosures) of the Notes to the Consolidated Financial Statements.

**Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held**

Not applicable to DMCI Holdings, Inc. For DMCI, it is and remains a quadruple-A ("AAAA") licensed contractor, given by the Philippine Construction Accreditation Board (PCAB), in consideration of certain minimum requirements such as: (1) financial capacity; (2) equipment capacity; (3) experience of firm; and (4) experience of technical personnel. The Quadruple A license is currently the highest given to firms that satisfy the institution's requirements and allows the AAAA builder-developer to qualify to be invited to foreign bids. PDI is also recognized as a Quadruple A contractor by PCAB on January 2017. It is the first real estate firm to be recognized as such. Meanwhile, SMPC has existing royalty agreements with the Department of Energy (DOE) and land claimants. SMPC is in full compliance with its existing royalty agreements as of December 31, 2019.

**Need for any government approval of principal products or services**

Not applicable to DMCI Holdings, Inc. The operating subsidiaries and affiliate comply with all existing and applicable requirements to secure government approvals on its products/services.

**Effect of existing or probable governmental regulations to the business**

Not applicable to DMCI Holdings, Inc. but only to its operating subsidiaries and affiliate. The operating subsidiaries and affiliate comply with all existing and applicable government regulations and secure all government approvals for its registered activities. For DMCI and PDI, it is required under Philippine laws to secure construction permits and environmental clearances from appropriate government agencies prior to actually undertaking each project. Meanwhile, SMPC and DMC are required under Philippine laws to secure mining and exploration permits, as well as environmental clearances from appropriate government agencies for its continuing operations. The power businesses under SMPC and DPC, on the other hand, is required to comply with the provisions of the Electric Power Industry Reform Act (EPIRA) that was passed in June 2001. For Maynilad, any tariff rate adjustments require the approval of the Metropolitan Waterworks and Sewerage System (MWSS) and regulatory office.

**Estimate of amount spent for research and development activities**

Research and development activities of DMCI Holdings, Inc. and its subsidiaries are done on a per project basis. DMCI Holdings, Inc. and its subsidiaries do not allocate fixed percentages or specific amounts as the costs of research and development varies depending on the nature of the project.

**Costs and effects of compliance with environmental laws**

Not directly applicable to DMCI Holdings, Inc., but only to its operating subsidiaries. Costs vary depending on the size and nature of a construction project for the construction and real estate businesses. SMPC and DMC must comply with the environmental standards in accordance to their respective Environmental Compliance Certificate (ECC). Meanwhile, the power businesses are required to be compliant with certain environmental laws such as the Clean Air Act (RA 9275). For Maynilad,

wastewater facilities are required to be maintained in compliance with environmental standards set primarily by the Department of Environment and Natural Resources (DENR) regarding effluent quality. DMCI Holdings, Inc. and its subsidiaries has made continuous efforts to meet and exceed all statutory and regulatory standards.

### **Total Number of Employees**

The total number of full-time employees of the Company is twelve (12) who are neither unionized nor covered by special incentive arrangements.

### **Major Risks**

Risk management is entrenched in the decision-making process of the Company and its subsidiaries. We continually monitor and assess our risk areas and develop strategies and action plans to better manage them.

The Company identified three key risk management areas.

#### **1. Key people movement**

With a number of senior executives set to retire from key positions in the next few years, developing a clear succession plan and roadmap is key to sustaining the operations and growth of the organization.

The Company is now developing a pool of potential successors, from which future leaders and senior managers will be drawn.

Mentoring and talent development is also being intensified to prepare the next batch of professionals to assume greater responsibilities in the organization.

#### **2. Portfolio management**

##### *Financial stability of the holding company*

Our primary responsibility is to deliver value to our shareholders by ensuring the financial stability of the Company. We continue to maintain a strong balance sheet that will provide support for growth and cushion for economic uncertainties.

Our cash flows are dependent on the ability of our subsidiaries and affiliate to pay dividends. These are used to pay dividends to our shareholders and to fund new investments.

The senior management of the holding company participates in the strategic planning process of the subsidiaries and affiliates to align their strategic goals and actions with the holding company, to unlock synergies within the Group and to ensure that their capital allocation decisions will allow the holding company to deliver on its dividend commitment.

##### *Entering into new or allied investments*

We recognize that identifying and pursuing strategic business opportunities as they arise

is critical for the creation of long-term value for the holding company.

A gating process is established wherein all new business opportunities are evaluated based on highly selective criteria identified by the Board and senior management. This is conducted to minimize the time and resources of evaluating potential investments that may not be pursued eventually.

In making investment decisions, Management considers investments in industries that will leverage the Company's engineering and management expertise and construction resources, along with the risk adjusted returns of the potential investments and specific measures to manage these identified risks.

Upon the Board's decision to pursue the investment, a technical working group is established to perform due diligence covering the financial, operational, regulatory and risk management of the investment. Once the holding company has invested, a post implementation review is performed to evaluate if project objectives are met and to identify improvements for mitigating future risks.

### **3. Regulatory and compliance risk**

The Group operates in highly regulated, contract-based industries. Compliance with applicable laws, regulations, contractual obligations and stakeholder covenants is key to sustaining its businesses.

To manage our compliance risks, we have dedicated compliance and regulatory teams in our operating subsidiaries that coordinate with the different business units to ensure conformity to applicable laws and regulations and ISO standards. They also monitor emerging laws and regulations affecting the industries.

## **ITEM 2. PROPERTIES**

The Company and its subsidiaries own and lease several tracts of land for operations and for administrative/office use. The leases are renewable under such terms and conditions that are agreed upon by the contracting parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to Note 34 of the accompanying Notes to the Consolidated Financial Statements for further details on lease agreements.

The Company and its subsidiaries also invested in equipment used especially in its construction, real estate, mining and power businesses.

All properties and equipment are free of any liens and encumbrances except for some equipment used as collateral for existing loans of the subsidiaries for which they are in full compliant with (see Notes 13, 15 and 19 of the accompanying Notes to the Consolidated Financial Statements for further details).

## SEMIRARA MINING AND POWER CORPORATION

The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of PhP5.720 million for 2020. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

<b>a. Building/Offices</b>	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
		Oxygen/Acetylene Building	2
Refo Office	1	Molave Pit Offices	1
Genset Shed at CPP	1	Molave Pitshop	1
IMS Office & Library	1	Narra Pit Offices	1
Lime Plant	1	Product Office	1
Magazine Building	3	RMO Office	1
Main Workshop	1	Sandblasting & Painting	3
Warehouse	1	Shipping Mayflower Office	1
Coal Shed at Product	1	Shipping Shipyard Office	1
HRD Building	1	Tire Shop at MWS	1
Diesel Power Plant	1		
<b>b. Housing</b>			
Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	1,022
Group Staff House	2	Pinatubo Housing	51
Individual Staff House	3	Molave Phase 1 Extension	69
Kalamansig Housing	103	Waffle Crete Building	2
Laborer's Clusters 1-8	78	IS Extension	59
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3
Lebak Housing	154	Phase 7 Housing	153

### c. Others



Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Aviary	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1
Desalination Plant	1		

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment worth PhP1.287 billion, PhP2.904 billion, and PhP4.218 billion for 2020, 2019 and 2018, respectively.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas with rental payments of PhP150.57 million to cover the entire duration of the lease:

1. 2x300 MW units of the Calaca Power Plant with its major components and accessories
2. Staff Housing Units
3. Guest House
4. Pier
5. Conveyor Unloading System
6. Coal Stockyard
7. Administrative Building
8. Motorpool

On July 4, 2011, SCPC exercised its option to buy several parcels of land with an aggregate area of 29.3 hectares, subject of the lease from PSALM all located within the premises of the Calaca Power Plants. SCPC assigned its option to buy over an additional 8.2-hectare lot to the Company which option was exercised on July 4, 2011. Said 8.2 hectares was later sold by the Company to SLPGC on August 28, 2013.

**D.M. CONSUNJI, INC.**

The following are the properties and equipment owned by the Company:

<b>PLANTS</b>	<b>46</b>
<b>METAL FORMWORKS</b>	<b>76</b>
<b>CONSTRUCTION EQUIPMENT</b>	
Lifting equipment	128
Concreting equipment	113
Excavation equipment	97
Hauling equipment	40
Power generating equipment	34
Earthmoving equipment	19
Pile driving equipment	15
Compaction equipment	12
Special support equipment	10
Air equipment	5
Shop equipment	18
	<b>491</b>
<b>SERVICE VEHICLES</b>	<b>46</b>
<b>TOTAL</b>	<b>659</b>

**DMCI POWER**

DMCI Power and its subsidiary owns the following power plants as of December 31, 2020:

- 12.40MW bunker-fired and 36.98MW diesel generator in Masbate
- 9.90MW bunker-fired and 59.09MW diesel generator in Palawan
- 15.56MW bunker-fired plant in Oriental Mindoro

**DMCI PROJECT DEVELOPERS, INC.**

<b>Classification</b>	<b>Property Description</b>	<b>Location</b>
EQUIPMENT	Office equipment Communication equipment Furniture and fixtures Transportation equipment Machinery & other construction equipment Software Mock-up assets	Various

LAND	Residential	Cavite, Laguna, Rizal, Batangas, Bulacan, Benguet, Pampanga, Davao City, Cebu City, Iloilo City, Manila, Quezon City, Taguig, Las Pinas, Makati, Pasay, Valenzuela, Pasig and Mandaluyong
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**DMCI MINING CORPORATION**

All mining equipment are owned by its operating subsidiaries, namely Berong Nickel Corporation and Zambales Diversified Metals Corp.

**ITEM 3. LEGAL PROCEEDINGS**

None of the directors and officers was involved in the past five (5) years in any bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found in an action by any court or administrative body to have violated a securities or commodities law.

Except for the following, none of the directors, executive officers and nominees for election is subject to any pending material legal proceedings as of the date of this information statement.

(1) Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78. - A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as “a network of 5 world clubs.”

The case was re-raffled to RTC-QC Branch 85 (the “Court”). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants’ sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants’ filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was

filed by the complainants, but was ordered stricken out from records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

(2) Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice, National Prosecution Service. - These consolidated cases arose out of the same events in the immediately above-mentioned case, which is likewise pending before the DOJ.

In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants, through counsel, recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants' counsel. This case remains pending to date.

(3) Sps. Andrew D. Pope and Annalyn Pope vs. Alfredo Austria, et al., NPS Docket No. XV-INV-14K-01066, Office of the City Prosecutor, Taguig City. – This involves a complaint for syndicated estafa filed against certain directors of the Corporation, namely Messrs. Isidro A. Consunji, Jorge A. Consunji, Ma. Edwina C. Laperal, Victor A. Consunji, Cesar A. Buenaventura, certain directors of the Corporation's subsidiaries D.M. Consunji, Inc. ("DMCI") and DMCI Project Developers, Inc. ("DMCI-PDI"), namely, Alfredo A. Austria, Victor S. Limlingan, Maria Cristina C. Gotianun, David Consunji, Edilberto C. Palisoc, and the Corporation's Corporate Secretary and Assistant Corporate Secretary, Atty. Noel A. Laman and Atty. Ma. Pilar Pilares-Gutierrez. The complainants alleged that DMCI failed to deliver the transfer certificate of title over the parcel of land they bought in Mahogany Place III, one of the developments of DMCI-PDI. In a Resolution dated February 16, 2016, the Office of the City Prosecutor for Taguig City dismissed the Complaint-Affidavit dated November 6, 2014 of complainants Andrew David Pope and Annalyn Pope, because of Spouses Pope's failure to show the element of deceit as would establish probable cause to indict the respondents for syndicated estafa. Spouses Pope filed a Petition for Review dated May 6, 2016 ("Petition") with the Department of Justice ("DOJ"), seeking to reverse and set aside the Taguig City Prosecutor's Office's ("TCPO") Resolution dated February 16, 2016 insofar as it dismissed Pope Spouses' complaint for syndicated estafa against the Corporation's directors and officers. The impleaded officers and directors filed their Comment on May 27, 2016. The review is still pending with the DOJ.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to vote of the security holders during the fourth quarter of the fiscal year covered by this report.

### PART II – OPERATIONAL AND FINANCIAL INFORMATION

#### ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

##### (1) Market Information

Both common and preferred shares of DMCI Holdings, Inc. are traded on the Philippine Stock Exchange.

The high and low sales prices of the Company's equity at the Philippine Stock Exchange for each quarter of the last two fiscal years and the first quarter of 2021 are set forth below.

##### Common Share Prices

		High	Low
2019	First Quarter	13.00	11.08
	Second Quarter	12.42	9.71
	Third Quarter	10.74	8.31
	Fourth Quarter	9.10	4.95
2020	First Quarter	7.16	3.10
	Second Quarter	4.14	4.02
	Third Quarter	4.04	4.00
	Fourth Quarter	5.74	5.66
2021	First Quarter	5.80	4.81

##### Preferred Share Prices

		High	Low
2019	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-
2020	First Quarter	-	-
	Second Quarter	-	-
	Third Quarter	-	-
	Fourth Quarter	-	-

2021	First Quarter	-	-
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Price information as of the latest practicable trading date: As of **April 6, 2021**:

	High	Low	Close	Volume
Common Shares	5.66	5.56	5.60	9.4 million
Preferred Shares	-	-	-	-

If the information called for by the aforementioned paragraph is being presented in a registration statement relating to a class of common equity for which at the time of filing there is no established public trading market in the Philippines, indicate the amounts of common equity – **Not applicable**

## (2) Holders

(a) Set forth the approximate number of holders of each class of common equity of the registrant as of the latest practicable date but in no event more than ninety (90) days prior to filing the registration statement. Include the names of the top twenty (20) shareholders of each class and the number of shares held and the percentage of total shares outstanding held by each.

**Number of Shareholders:** As of March 31, 2021, the Company had a total of 719 shareholders of which 708 were holders of common shares and 11 were holders of preferred shares.

**Common Shares:** 13,277,470,000 - Of the total outstanding common shares, 688,113,605 common shares representing 5.18% of the outstanding common shares are owned by foreign shareholders as of February 28, 2021.

Title of Class	Name	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation	Filipino	6,621,561,069	49.87%
Common	Philippine Central Depository, Inc. (PCD)	Filipino	3,127,845,343	23.56%
Common	DFC Holdings, Inc.	Filipino	2,379,799,910	17.92%
Common	Philippine Central Depository, Inc. (PCD)	Foreigner	646,676,705	4.87%

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of December 31, 2020 as contained in Exhibit (2) is herein incorporated by reference.

### **(3) Dividends**

Set forth below are cash dividends declared on each class of its common equity by the Company for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68:

1. On April 10, 2019, the BOD of the Parent Company declared cash dividends amounting P0.28 regular dividends and P0.20 special cash dividends per outstanding common shares in favor of the common stockholders of record as of April 29, 2019. This was paid on May 10, 2019 with a total amount of P6.37 billion.
2. On March 5, 2020, the BOD of the Parent Company declared cash dividends amounting P0.23 regular dividends and P0.25 special cash dividends per outstanding common shares in favor of the common stockholders of record as of March 23, 2020. This was paid on April 3, 2020 with a total amount of P6.37 billion.
3. On March 29, 2021, the BOD of the Parent Company declared dividends amounting P0.13 regular cash dividends and P0.35 special cash dividends per outstanding common shares in favor of the common stockholders of record as of April 15, 2021. This will be paid on April 26, 2021 with a total amount of P6.37 billion.

There are no contractual or other restrictions on the Company's ability to pay dividends. However, the ability of the Company to pay dividends will depend upon the amount of distributions, if any, received from the Company's operating subsidiaries and joint venture investments and the availability of unrestricted retained earnings.

### **(4) Recent Sales of Unregistered Securities – *NONE***

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

### CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2020

#### Full Year 2020 vs Full Year 2019

#### I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2020 and 2019:

##### CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,009	P5,727	(P3,718)	-65%
DMCI HOMES	1,940	3,020	(1,080)	-36%
MAYNILAD	1,540	1,761	(221)	-13%
DMCI POWER (SPUG)	537	611	(74)	-12%
DMCI MINING	483	182	301	165%
D.M. CONSUNJI, INC.	109	906	(797)	-88%
PARENT & OTHERS	(51)	223	(274)	-123%
<b>CORE NET INCOME</b>	<b>6,567</b>	<b>12,430</b>	<b>(5,863)</b>	<b>-47%</b>
NON-RECURRING ITEMS	(708)	(1,897)	1,189	63%
<b>REPORTED NET INCOME</b>	<b>P5,859</b>	<b>P10,533</b>	<b>(P4,674)</b>	<b>-44%</b>

DMCI Holdings, Inc. (the "Company") recorded P5.9 billion in reported net income in 2020, a 44% drop from P10.5 billion the previous year. The decline was largely attributable to the strict quarantine restrictions and economic impacts of the COVID-19 pandemic.

Excluding non-recurring losses of P1.9 billion mostly coming from one-time noncash goodwill impairment charge for its Zambales mining assets in 2019 and P708 million pertaining mainly to sales cancellations for a real estate project in 2020, core net income fell 47% from P12.4 billion to P6.6 billion.

For the fourth quarter alone, the Company posted P1.9 billion in consolidated net income, a 59% improvement from P1.2 billion last year owing to the absence of a one-time goodwill impairment loss. Core net income, on the other hand, slipped by 34% from P3.1 billion to P2.1 billion.

Core income contribution from Semirara Mining and Power Corporation dropped 65% from P5.7 billion to P2 billion owing to double-digit declines in coal sales (-16%) and average selling prices for coal (-23%) and electricity (-32%).

DMCI Homes contributed P1.9 billion in core income, 36% lower from P3 billion as the suspension of non-essential work in the first semester led to a slowdown in construction accomplishments which effectively lowered revenue recognition and unit turnovers. Higher construction costs also contributed to the earnings decline.



Affiliate Maynilad accounted for P1.5 billion, a 13% decline from P1.8 billion in 2019 owing to lower commercial and industrial sales and higher depreciation and amortization for its water source and wastewater capital investments.

DMCI Power income fell 12% from P611 million to P537 million due to the absence of a one-time retroactive adjustment in Palawan's non-fuel tariff amounting to P113 million recorded in 2019. However, without the retroactive adjustment, the off-grid power business posted an 8% increase in income contribution.

Core income share from DMCI Mining soared 165% from P182 million to P483 million following a 41% jump in nickel shipments and a 14% increase in average selling prices.

D.M. Consunji, Inc. recorded an 88% drop in earnings contribution from P906 million to P109 million mainly due to lower construction productivity and accomplishments because of the COVID-19 pandemic.

DMCI Holdings and other investments realized a P51 million loss compared to a P223 million net income in 2019 owing to lower interest income and COVID-19 expenses.

#### **SEMIRARA MINING AND POWER CORPORATION**

Core income contributions from SMPC plunged 65% from P5.7 billion to P2 billion due to the combined effect of the following:

- Coal sales volume declined 16% from 15.6 MMT to 13.1 MMT due to sharp contraction in global demand and domestic consumption.
- Average selling price of coal dropped 23% from P2,074 to P1,591 due to weak market conditions.
- Electricity sales improved 14% from 3,702 GWh to 4,218 GWh due to higher availability of SCPC plants post-Life Extension Program.
- BCQ and spot market prices contracted 9% and 50%, respectively. Consequently, average selling price for electricity declined by 32% from 4.07 to 2.76 Php/KWh.
- Revenues down as demand and prices for coal and electricity contracted due to COVID-19 restrictions and China coal import quotas. Decline in coal and electricity sales also attributable in part to the deferment of mining operations in Molave North Block 7 and unplanned outages of SLPGC.

Including non-recurring items mainly pertaining to asset impairment loss, SMPC's net income attributable to DMCI Holdings declined by 65% to P1.9 billion from P5.5 billion.

#### **DMCI HOMES**

Wholly-owned subsidiary DMCI Homes contributed P1.9 billion in core net income to the Parent Company, a 36% decline from last year.

The weak performance was mainly due to a 12% percent drop in revenues from P18.6 billion to P16.3 billion as the suspension of non-essential business operations in the first semester led to a 76-day construction stoppage while the passage of Bayanihan law provided a moratorium on payment collections

from mid-March until the end of 2020. Sales cancellation in its Davao property further dragged down revenue realized during the year.

Meanwhile, gross profit of the real estate business slipped by 41% to P3.2 billion following higher construction costs related to the dress-up of units completed in prior years.

Including the non-recurring losses from the cancellations, net income dropped 55% to P1.4 billion.

Strict quarantine measures and limited mobility resulted in a marked slowdown in sales booking and project launches. Sales and reservations contracted 47% from P36.7 billion to P19.6 billion. Meanwhile, DMCI Homes project launches declined from 4 projects in 2019 to 2 projects in 2020: Alder Residences and The Camden Place.

### **MAYNILAD**

DMCI Holdings has indirect ownership of Maynilad through a 27% stake in Maynilad Water Holdings, which owns 93% of the water company.

Maynilad reported a net income of P6.4 billion, 16% down from P7.7 billion last year. The decline was due to the following:

- Flattish growth in billed volume, from 535.3 mcm in 2019 to 536.4 mcm in 2020
- Customer mix shifted to 83.8% domestic market from 80.1% in 2019 as lockdowns reduced commercial and industrial activities
- Average effective tariff declined by 4% to 42.1
- 17% increase in depreciation and amortization due to substantial investments in water source and wastewater reclamation

After adjustments at the consortium company level, the Company's equity in net earnings fell 13% from P1.7 billion to P1.5 billion. Excluding the share in non-recurring items, equity in net earnings also contracted by 13% to P1.5 billion.

### **DMCI POWER (SPUG)**

DMCI Power, a wholly-owned subsidiary, provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

Net income contribution from DMCI Power declined by 12% from P611 million to P537 million due to the combined effect of the following:

- Total sales volume increased by 6% due to higher demand across all markets
  - Masbate electricity sales grew 6% from 120.4 GWh to 127.5 GWh
  - Palawan sales improved 5% from 148.3 GWh to 155.5 GWh
  - Oriental Mindoro sales increased 8% from 61.2 GWh to 65.9 GWh

- Despite the increase in volume sold, revenues declined by 13% while EBITDA declined by 8% due to the absence of the P113 million one-time retroactive adjustment approved in 2019 pertaining to Palawan's non-fuel tariff for 2017 and 2018 operations coupled with a 17% drop in average selling prices attributed to lower pass-through fuel component.

DMCI Power began commercial operations of its P2.7 billion 15MW thermal power plant in Masbate on September 11, 2020. The commercial operation of the thermal plant will provide significant savings in the Universal-Charge for Missionary Electrification (UC-ME) subsidy of about P500 million every year.

## **DMCI MINING**

DMCI Mining delivered a core net income contribution of P483 million, a 165% increase from P182 million last year. The marked improvement was due to the combined effect of the following:

- 15% increase in nickel production from 1.4 million WMT to 1.6 million WMT owing to the full-year operations of Zambales Diversified Metals Corporation (ZDMC)
- 41% rise in shipments as strong stainless steel production boosted China demand for low-grade nickel and the prevailing Indonesian ore export ban tightened supply
- 14% improvement in average selling price despite selling lower average grade nickel due to better market conditions
- 10% decline in cash cost per WMT from P860 / WMT to P771 / WMT on the back of higher nickel shipments
- 15% growth in total depletion, depreciation and amortization from P302 million to P348 million due mainly to the resumption of mining operations in Zambales

The nonrecurring loss of P1.6 billion in 2019 pertains to the noncash goodwill impairment associated with its mining assets in Zambales.

## **D.M. CONSUNJI, INC.**

Net income contributions from core business DMCI declined 88% from P906 million to P109 million due to the negative impacts of the COVID-19 pandemic, to elaborate:

- Revenues contracted by 10% from P18.3 million to P16.4 million as the 76-day lockdown in the first semester led to lower construction accomplishments, reduced manpower and supply chain disruptions. Limited public transportation and quarantine restrictions in the second semester also dragged down productivity compared to the previous year.
- As a result of lower construction productivity, gross profit fell 53%.
- Despite the COVID-19 and operational headwinds, DMCI posted a positive EBITDA of P 1.1 billion. Contributions from its three integrated joint venture projects, namely, North South Commuter Railway, Solaire North and Cebu-Cordova Link Expressway, provided strong revenue support.

At the end of 2020, the DMCI order book (balance of work) stood at P58.7 billion, 14% down from P68.2 billion at the close of 2019 following the realization of construction revenue for the period. This amount includes P22.6 billion share in the balance of work of integrated joint ventures.

Only three projects were awarded to the company during the year, reflecting the steep drop in public and private infrastructure investments as proponents either cancelled or delayed their planned projects to preserve cash.

Meanwhile, major ongoing projects in the order book include among others, NLEX-SLEX Connector Road of NLEX Corporation, viaduct works and depot of Phase 1 of North-South Commuter Rail, Cavite-Laguna Expressway of MPCALA Holdings, Inc., Skyway Stage 3 (Section 1) of Citra Central Expressway Corp. (a unit of San Miguel Corporation), Connor and Maven at Capitol Commons of Ortigas & Company, IKEA Philippines of SM Prime Holdings, Inc. and The Estate Makati, an ultra-high end residential condominium of SM Development Corp. and Federal Land.

### **Explanation of movement in consolidated income statement accounts:**

#### **Revenue**

Consolidated revenue for 2020 contracted by 23% from P87.8 billion to P67.7 billion as the COVID-19 pandemic resulted to work disruptions and lower market demand and prices. Coal import quotas imposed by China last August as well as the sales cancelation in a real estate project in Davao also dragged down revenues for the year.

#### **Cost of Sales and Services**

From P60.1 billion in 2019, cost of sales and service declined by 14% to P51.9 billion due mainly to lower accomplishments, fuel cost and sales volume partially offset by higher cost of real estate sales owing to dress-up of units already completed in previous years.

#### **Operating Expenses**

Government royalties for the year amounted to P1.8 billion, 54% down from P3.9 billion last year due to lower profitability of the coal business. Excluding government royalties, operating expenses incurred slipped by 14% to P7.1 billion due mainly to lower depreciation, repairs and selling expenses.

#### **Equity in Net Earnings**

Equity in net earnings of associates dropped by 14% as a result of lower income share in Maynilad consortium.

#### **Finance Income**

Consolidated finance income decreased by 50% due mainly to the absence of SCPC's one-time interest income from PSALM claims. Lower interest income from placements likewise contributed to the decline.

#### **Finance Costs**

Consolidated finance costs fell by 22% due to lower borrowing rates.

#### **Impairment of Goodwill**

In 2019, the goodwill associated with the mining assets in Zambales Diversified Metals Corporation (ZDMC) and Zambales Chromite Mining Company (ZCMC) was written-off as certain regulatory restrictions and differences in ore grade estimates no longer support the original valuation.

#### **Other Income (Expense) - net**

Other income slipped by 27% due mainly to lower penalties and forfeitures fees of the real estate business in line with the Bayanihan Act.

#### Provision for Income Tax

Lower taxable income resulted to the 24% drop in consolidated provision for income tax (both current and deferred) during the year.

## **II. CONSOLIDATED FINANCIAL CONDITION**

### ***December 31, 2020 (Audited) vs December 31, 2019 (Audited)***

Despite the economic contraction brought by the COVID-19 pandemic, the Company's financial condition remained stable as consolidated total assets as of December 31, 2020 stood at P204 billion, a 2% increase from December 31, 2019. Meanwhile, consolidated total equity decreased by 2% to P101 billion following dividend payments and lower profitability during the year.

Consolidated cash decreased by 12% from P21.6 billion in December 31, 2019 to P18.9 billion in December 31, 2020 due mainly to payment of dividends and capital expenditures during the period.

Receivables rose by 26% from P16.3 billion to P20.4 billion in 2020 due mainly to the extended grace period in real estate receivables.

Contract assets (current and non-current) dropped by 6% as lockdown restrictions dragged down accomplishments in the real estate and construction businesses.

Consolidated inventories increased by 9% from P49.7 billion to P53.9 billion following the land acquisitions of the real estate business.

Other current assets jumped by 10% to P7.9 billion due mainly to advances to suppliers and subcontractors and reclassification of the current portion of cost to obtain contract from other noncurrent assets.

Investments in associates and joint ventures grew by 9% due mainly to income take-up from Maynilad.

Investment properties and right-of-use assets decreased by 7% and 31%, respectively, due to depreciation and amortization recognized during the year.

Property, plant and equipment stood at P62 billion from P63.2 billion last year as depreciation and depletion more than offset capital expenditures in 2020.

Exploration and evaluation asset increased by 1% due to exploration and evaluation activity of the nickel mining segment.

Pension assets and remeasurements on retirement plans (under equity) slipped by 3% and 57%, respectively. Meanwhile, pension liabilities grew by 56% in 2020. The movements in these accounts were due mainly to the effects of differences between actual results and previous actuarial assumptions.

Deferred tax assets decreased by 16% following the realization of previous year tax benefit.

Other noncurrent assets contracted by 27% due mainly to recoupment of advances to suppliers. Further dragging down the account is lower real estate commission due to slowdown in sales booking as a result of strict quarantine measures and limited mobility during the year.

Accounts and other payables including income tax payable increased by 1% to P25.1 billion due mainly to the timing of payments of trade payables.

Contract liabilities (current and non-current) rose by 2% from last year due mainly to the excess of customer's deposit/billed accomplishments over progress of work.

Liabilities for purchased land jumped by 7% due to the acquisition of land for real estate development.

From P46.9 billion, total debt (under short-term and long-term debt) grew by 11% to P51.9 billion following loan availments during the year.

Deferred tax liabilities dropped by 5% due mainly to the excess of taxable over book income.

Other noncurrent liabilities slipped by 18% due mainly to movement in the provision for decommissioning and rehabilitation in coal mining and lower lease liabilities following payments and contract modifications during the year.

Net accumulated unrealized gains on equity investments designated at FVOCI grew 8% due to the increase in fair market value of quoted securities during the year.

Share in other comprehensive loss of associates rose by 88% due mainly to the take-up from Maynilad.

Consolidated retained earnings stood at P64.4 billion at the end of December 2020, 1% down from P64.9 billion at the close of 2019 after generation of P5.9 billion net income and payment of P6.4 billion Parent dividends.

Non-controlling interest declined by 4% as a result of the non-controlling share in net income and dividends in SMPC.

### **III. KEY RESULT INDICATORS**

The Company and its Subsidiaries (the "Group") use the following key result indicators to evaluate its performance:

- a) Segment Revenues
- b) Segment Net Income (after Non-controlling Interests)
- c) Earnings Per Share
- d) Return on Common Equity
- e) Net Debt to Equity Ratio

## SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Year		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P28,250	P44,255	(P16,005)	-36%
D.M. CONSUNJI, INC.	16,445	18,303	(1,858)	-10%
DMCI HOMES	16,267	18,584	(2,317)	-12%
DMCI POWER (SPUG)	3,969	4,541	(572)	-13%
DMCI MINING	2,472	1,610	862	54%
PARENT & OTHERS	297	468	(171)	-36%
<b>TOTAL REVENUE</b>	<b>P67,700</b>	<b>P87,761</b>	<b>(P20,061)</b>	<b>-23%</b>

The initial indicator of the Company's gross business results is seen in the movements of revenues in each business segment. As shown above, consolidated revenue dropped by 23% as the COVID-19 pandemic resulted to work disruptions and lower market demand and prices. Coal import quotas imposed by China last August as well as the sales cancellation in a real estate project in Davao also dragged down revenues for the year.

## CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2020	2019	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P2,009	P5,727	(P3,718)	-65%
DMCI HOMES	1,940	3,020	(1,080)	-36%
MAYNILAD	1,540	1,761	(221)	-13%
DMCI POWER (SPUG)	537	611	(74)	-12%
DMCI MINING	483	182	301	165%
D.M. CONSUNJI, INC.	109	906	(797)	-88%
PARENT & OTHERS	(51)	223	(274)	-123%
<b>CORE NET INCOME</b>	<b>6,567</b>	<b>12,430</b>	<b>(5,863)</b>	<b>-47%</b>
NON-RECURRING ITEMS	(708)	(1,897)	1,189	63%
<b>REPORTED NET INCOME</b>	<b>P5,859</b>	<b>P10,533</b>	<b>(P4,674)</b>	<b>-44%</b>

The net income (after non-controlling interest) of the Company has multiple drivers for growth from different business segments. The economic slowdown and challenges brought by the COVID-19 pandemic resulted to the 44% decline in consolidated net income for the year. The community quarantines hit productivity while weak market conditions dragged the sales performance of most business segments. DMCI Mining was able to beat the downtrend because of strong nickel demand from China amid the Indonesian nickel ore export ban. DMCI Power posted higher sales volume but its profitability fell due to the high base effect of the retroactive tariff adjustment for its Aborlan plant in 2019.

## EARNINGS PER SHARE

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

The Company's consolidated basic and diluted EPS was P0.44/share for the year ended December 31, 2020, a 44% drop from P0.79/share EPS year-on-year.

### **RETURN ON COMMON EQUITY**

Return on common equity is defined as the amount of net income a company earns per book value of common shares. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent common equity. The Company's return on common equity stood at 7% and 13% for the year ended December 31, 2020 and 2019, respectively.

### **NET DEBT TO EQUITY RATIO**

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P51.9 billion from P46.9 billion last year, which resulted to a net debt to equity ratio of 0.33:1 as of December 31, 2020 and 0.25:1 as of December 31, 2019.

### ***FINANCIAL SOUNDNESS RATIOS***

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Gross Margin	23%	32%
Net Profit Margin	11%	17%
Return on Assets	4%	9%
Return on Parent Equity	7%	13%
Current Ratio	231%	218%
Net Debt to Equity Ratio	33%	25%
Asset to Equity Ratio	202%	195%
Interest Coverage Ratio	4 times	6 times



## PART II--OTHER INFORMATION

1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. COVID-19 Pandemic  
The COVID-19 pandemic and containment measures have caused disruptions in the Group's businesses. However, there have been easing of the quarantine measures in key areas of the Philippines and the rollout of the national vaccination program is expected to further improve market activities. The Group continues to implement measures to alleviate the effects and believes that its business would remain relevant despite the challenges posed by the COVID-19 pandemic. The details on operating metrics and impact of COVID-19 on the 2020 earnings are discussed in "Section 1 of the Management's Discussion and Analysis".
4. On March 29, 2021, the BOD of the Parent Company declared cash dividends amounting P0.13 regular dividends and P0.35 special cash dividends per outstanding common shares in favor of the common stockholders of record as of April 15, 2021. This will be paid on April 26, 2021 with a total amount of P6.37 billion.
5. On March 5, 2020, the BOD of the Parent Company has declared cash dividends amounting to P0.23 regular dividends per common share and P0.25 special cash dividends per common share for a total of P6.37 billion in favor of the stockholders of record as of March 23, 2020 and payable on April 3, 2020.
6. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
7. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
8. There are no 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
9. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
10. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. – None
11. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.
12. All necessary disclosures were made under SEC Form 17-C.

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2019

### Full Year 2019 vs Full Year 2018

#### I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2019 and 2018:

#### CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Period		Variance	
	2019	2018	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P5,727	P7,447	(P1,720)	-23%
DMCI HOMES	3,020	3,160	(140)	-4%
MAYNILAD	1,761	1,837	(76)	-4%
D.M. CONSUNJI, INC.	906	1,212	(306)	-25%
DMCI POWER (SPUG)	611	465	146	31%
DMCI MINING	182	117	65	56%
PARENT & OTHERS	223	237	(14)	-6%
<b>CORE NET INCOME</b>	<b>12,430</b>	<b>14,475</b>	<b>(2,045)</b>	<b>-14%</b>
NON-RECURRING ITEMS	(1,897)	38	(1,935)	-5092%
<b>REPORTED NET INCOME</b>	<b>P10,533</b>	<b>P14,513</b>	<b>(P3,980)</b>	<b>-27%</b>

DMCI Holdings, Inc. (the "Company") recorded P10.5 billion in reported net income in 2019, a 27% drop from P14.5 billion the previous year. The decline was due mainly to the weak contributions from the coal energy, construction, real estate and water businesses coupled with a one-time goodwill impairment of the Zambales mine assets of DMCI Mining. Excluding the non-recurring items, core net income decreased 14% from P14.5 billion to P12.4 billion.

For the fourth quarter alone, the Company posted P1.2 billion in net income, a 70% decline from P4.1 billion last year due mainly to the 47% reduction in contribution from SMPC and the P1.6 billion non-cash goodwill impairment. Likewise, core net income for the quarter slipped by 25% from P4.2 billion to P3.1 billion in 2019.

The Company wrote-off the goodwill associated with the mining assets in Zambales Diversified Metals Corporation (ZDMC) and Zambales Chromite Mining Company (ZCMC) as prevalent market conditions and regulatory restrictions no longer support the original valuation.

The two companies were bought in 2014 when mid-grade nickel prices averaged US\$49. In 2019, the average selling price of mid-grade nickel plunged 45% to US\$27, effectively reducing the saleable resource. Also, the lack of requisite permits caused ZCMC to remain non-operational while ZDMC was unable to resume full commercial production due to the absence of ancillary permits in other areas.

The non-recurring losses in 2019 also includes the share in accelerated depreciation of Sem-Calaca Power Corporation (SCPC) following the rehabilitation of its Units 1 and 2 power plants. Meanwhile, the non-recurring items in 2018 pertains mainly to the gain on sale of land by DMCI Homes offset by the share in accelerated depreciation of SCPC.

Full year core net income contributions from SMPC fell 23% from P7.4 billion to P5.7 billion due to the 22% decline in average coal prices and lower generation of Calaca Units 1 and 2 following the maintenance of both plants during the year.

DMCI Homes experienced a marked slowdown in project construction, resulting in a 4% slide in core earnings contribution from P3.2 billion to P3 billion.

Meanwhile, share in core net income from affiliate Maynilad went down by 4% to P1.8 billion owing to higher amortization and depreciation expenses for its capital expenditure program.

D.M. Consunji, Inc. posted a 25% drop in net income from P1.2 billion to P906 million due to the absence of significant realized claims and savings from projects nearing completion compared to last year.

Off-grid energy business DMCI Power Corporation contributed P611 million, a 31% growth from P465 million following the approval of a P1.13 per kwh adjustment on its non-fuel tariff for its Aborlan power plant in Palawan.

Core net income contribution from DMCI Mining rose 56% from P117 million to P182 million due to the 82% increase in nickel shipment.

Contributions from Parent Company and other investments slipped 6% to P223 million due to lower interest income.

## **SEMIRARA MINING AND POWER CORPORATION**

The coal and on-grid power businesses are reported under Semirara Mining and Power Corporation, a 56.65% owned subsidiary of DMCI Holdings, Inc.

### **COAL**

Coal production in 2019 stood at 15.2 million metric tons (MT), a 17% growth from 12.9 million MT last year. The record high production is due mainly to increased capacity and favorable weather conditions during the year. Strip ratio also improved from 12.0x to 11.5x in 2019. Consequently, coal sales for the year expanded by 35% to a record high of 15.6 million MT compared to 11.6 million MT in 2018. Of the total sales volume, 66% went to export sales while the remaining are sold to power and cement plant customers. Drop in global coal prices translated to a 22% decrease in average selling price which offset the increase in sales volume in 2019.

### **POWER**

Power generation from 2x300 MW Units 1 and 2 and 2x150MW Units 3 and 4 totaled 3,589 GWh in 2019, compared to 4,650 GWh last year. Unit 1 was under maintenance for nine months beginning

December 30, 2018. Unit 2, however, ran at a de-rated capacity of 200MW for most part of the year until its scheduled plant maintenance in October 2019. This resulted to a 54% decline in generated power from these plants. Meanwhile, power generation of Units 3 and 4 surged by 51% from 1,368 GWh to 2,070 GWh this year due mainly to higher availability and average capacity of both plants. Consequently, total volume sold for 2019 slipped by 20% to 3,702 GWh from 4,621 GWh last year. Lower global coal prices pushed down average selling price of Sem-Calaca (Units 1 and 2) by 8% from last year. Meanwhile, Southwest Luzon Power Generation (Units 3 and 4) benefited from higher WESM prices as 76% of its electricity sales went to the spot market. As a result, its average selling price for 2019 went up by 11%.

## **PROFITABILITY**

Consolidated net income after tax in 2019 reached P9.7 billion, 20% down from P12.0 billion last year. Net of eliminations, the coal segment and Southwest Luzon Power and Generation (Units 3 and 4) generated a net income of P6.2 billion and P3.5 billion, respectively, while Sem-Calaca (Units 1 and 2) generated P0.1 billion net loss. As a result, net income contribution to the Parent Company declined by 20% from P6.8 billion in 2018 to P5.5 billion in 2019. Excluding non-recurring items, SMPC's core income attributable to DMCI Holdings declined 23% from P7.4 billion to P5.7 billion.

For detailed information – refer to SMPC's SEC Form 17A filed with the SEC and PSE.

## **DMCI HOMES**

Net income contribution of wholly owned subsidiary, DMCI Project Developer's Inc. (PDI) amounted to P3 billion in 2019. Excluding the one-time gain on sale of land in 2018, the Company contributed a 4% decline from P3.2 billion earnings last year.

Realized revenues slipped by 10% from P20.6 billion to P18.6 billion in 2019 due to lower accomplishment for the period. Meanwhile total operating costs (under cost of sales and operating expenses) declined at a slower pace of 9% from P17.1 billion to P15.6 billion. Consequently, total operating income dropped by 15% to P2.9 billion in 2019.

Sales and reservations during the year stood at P36.7 billion, 15% down from P43.4 billion last year due mainly to the timing of project launches.

To expand its product offering, the Company has launched four projects in various areas of Metro Manila. Total sales value of 2019 project launches is estimated to be at P42 billion.

On the other hand, capex disbursements grew by 35% to P19.5 billion from P14.5 billion last year. Of the amount spent in 2019, 61% went to development cost and the rest to land and asset acquisition.

## **MAYNILAD**

Maynilad's water and sewer service revenue in 2019 rose by 9% to P23.6 billion from P21.7 billion due to the combined effect of the increase in tariff (basic and inflation-linked) and the number of water connections.

Average non-revenue water at district metered area (DMA) level improved from 29.79% in 2018 to 26.39% in 2019 as a result of the 3.1% decrease in water supply coupled with the 1.6% billed volume growth during the year.

Cash operating expenses grew by 6% to P6.6 billion due to higher personnel costs and water treatment chemical cost for the period. Meanwhile, noncash operating expenses rose by 19% primarily driven by increases in amortization of intangible assets which grew in line with Maynilad's capital expenditure program.

As a result, net income of Maynilad for 2019 stood at P7.7 billion. Excluding the non-recurring items, core net income remained flat as compared to last year. After adjustments at the consortium company level, core equity in net earnings slipped by 4% to P1.8 billion in 2019.

### **D.M. CONSUNJI, INC.**

Earnings from construction business in 2019 amounted to P906 million, 25% down from P1.2 billion last year.

Construction revenue for the year jumped by 26% from P14.6 billion to P18.3 billion in 2019. Higher accomplishment from ongoing projects mainly accounted for the revenue growth during the period. However, despite the revenue growth, gross profit dropped by 7% from P2.2 billion to P2.0 billion in 2019 due to the absence of significant realized claims and savings from projects nearing completion. Meanwhile, operating expenses increased by 24% due mainly to taxes, salaries and information, communication and technology (ICT)-related expenses.

Order book (balance of work) at the end of December 2019 stood at P68.2 billion compared to last year's P27.9 billion. Awarded projects during the year totaled P53.6 billion of which P25 billion pertains to DMCI's share in the balance of work of integrated joint ventures. Newly awarded projects during the year includes Section 1 of NLEX-SLEX Connector Road of NLEX Corporation, viaduct and depot for the first phase of the North-South Commuter Railway (NSCR) project, Procurement of Trackwork, Electrical and Mechanical systems and Integration with Existing systems for LRT Line 2 - East (Masinag) Extension Project, CAMANA Water Reclamation Facility and the 150 MLD Laguna Lake Water Treatment Plant of Maynilad and the Mi'Casa Kaia Phase 1 residential building of Federal Land.

### **DMCI POWER (SPUG)**

An added growth area of the power segment is under DMCI Power Corporation (DPC), a wholly-owned subsidiary of DMCI Holdings, Inc. DPC provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

As of December 31, 2019, the total installed rated capacity is 133.92MW. Operations in Sultan Kudarat ended in December 2018 following the expiration of the Power Supply Agreement (PSA) with Sultan Kudarat Electric Cooperative, Inc. (SUKELCO).

Sales volume for 2019 in Masbate (120.38 GWh), Palawan (148.33 GWh) and Mindoro (61.23 GWh) totaled 329.94 GWh, a 7% growth from last year. Electricity dispatch in favor of hydropower plants in Oriental Mindoro during the second half of 2019 were offset by higher power demand in Masbate and Palawan. On the

other hand, average selling prices increased by 5% from P13.14/kWh to P13.76/kWh due to its higher pass-through fuel component and the effect of tariff adjustment for the Aborlan bunker. As a result, total off-grid generation revenue rose by 11% to P4.5 billion from P4.1 billion last year. On the other hand, total costs (under cost of sales and operating expenses) went up by 9% to P3.8 billion driven by higher fuel prices, genset rentals and taxes.

Consequently, net income contribution of the off-grid power segment rose by 31% from P465 million in 2018 to P611 million in 2019.

## **DMCI MINING**

The nickel and metals (non-coal) mining business is reported under DMCI Mining Corporation, a wholly-owned subsidiary of DMCI Holdings, Inc.

DMCI Mining Corporation recorded a P1.5 billion net loss in 2019 due mainly to the one-time goodwill impairment of its Zambales mining assets. Excluding the non-recurring loss, the Company reported a 56% improvement in net income contribution from P117 million to P182 million in 2019.

Revenues for 2019 rose by 33% to P1.6 billion due to higher shipment of lower-grade nickel ore. Nickel shipments for the year stood at 1.2 million wet metric tons (WMT), 82% up from last year's 643 thousand WMT. The improvement in nickel shipments is due to the resumption of operations in Berong Nickel Corporation and Zambales Diversified Metals Corporation (ZDMC) by virtue of the Department of Environment and Natural Resources (DENR) Resolution dated November 2018 and September 2019, respectively. However, average selling price declined from P1,883 per WMT to P1,374 per WMT as a result of selling lower grade nickel during the period. Average ore grade of sold inventories stood at 1.46% in 2019 compared to 1.70% in 2018.

Total company cash cost per WMT (under cost of sales and operating expenses) amounted only to P860 per WMT in 2019 compared from P1,250 per WMT in 2018 following the increase in nickel shipment this year.

The Company wrote-off the P1.6 billion goodwill associated with the mining assets in ZDMC and Zambales Chromite Mining Company (ZCMC) as prevalent market conditions and regulatory restrictions no longer support the original valuation.

The two companies were bought in 2014 when mid-grade nickel prices averaged US\$49. In 2019, the average selling price of mid-grade nickel plunged 45% to US\$27, effectively reducing the saleable resource. Also, the lack of requisite permits caused ZCMC to remain non-operational while ZDMC was unable to resume full commercial production due to the absence of ancillary permits in other areas.

## **Explanation of movement in consolidated income statement accounts:**

### **Revenue**

Consolidated revenue for 2019 jumped by 6% from P82.8 billion to P87.8 billion due to the increase in energy generation of SLPGC (Units 3 and 4), higher WESM prices and higher accomplishment in the construction business.

#### Cost of Sales and Services

From P51.9 billion in 2018, cost of sales and service rose by 16% to P60.1 billion due mainly to increase in energy generation of SLPGC, replacement power incurred in SCPC and higher construction cost.

#### Operating Expenses

Operating expenses grew by 4% to P12.2 billion in 2019 due to higher government royalties of the coal segment. Government royalties for 2019 and 2018 amounted to P3.9 billion and P3.6 billion, respectively. Excluding this item, operating expenses only increased by 2%.

#### Equity in Net Earnings

Equity in net earnings of associates remained flat at P1.8 billion coming mainly from the income share in Maynilad consortium.

#### Finance Costs

Consolidated finance costs expanded by 34% due to loan availments during the period.

#### Finance Income

Consolidated finance income rose by 25% due to interest received by SCPC from PSALM claims.

#### Impairment of Goodwill

As a result of the analysis of the recoverable value in 2019, the P1.6 billion goodwill attributable to the Zambales mining assets has been written-off. The decline in global nickel prices coupled with lower estimated ore grade of reserves and certain regulatory restrictions led to the recognition of a non-cash goodwill impairment loss for the year.

#### Other Income (Expense) – net

Other income slipped by 37% due to absence of the one-time gain on sale of land of DMCI Homes.

#### Provision for Income Tax

The net operating loss of Sem-Calaca (Units 1 and 2) mainly accounted for the 45% drop in consolidated provision for income tax (both current and deferred) during the period.

## **II. CONSOLIDATED FINANCIAL CONDITION**

#### **December 31, 2019 (Audited) vs December 31, 2018 (Audited)**

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P201 billion and P103 billion, respectively as of December 31, 2019. This is an improvement of 10% and 6%, respectively.

Consolidated cash expanded by 40% from P15.5 billion in December 31, 2018 to P21.6 billion in December 31, 2019. The company generated a healthy cash flow from operations amounting to P25.1 billion which was reduced by capital expenditures and dividend payments during the year.

Receivables contracted by 3% from P16.7 billion to P16.3 billion in 2019 driven mainly by the timing of collections and lower energy sales of SCPC.

Contract assets (current and non-current) grew by 16% due to the excess of progress of work over billed accomplishments in the real estate and construction businesses.

Consolidated inventories jumped by 11% from P44.7 billion to P49.7 billion following the land acquisitions of the real estate business.

Other current assets slipped by 29% to P7.2 billion due mainly to recoupment of advances to suppliers for equipment and spare parts.

Investments in associates and joint ventures increased by 7% to P15.2 billion due to investment in a joint venture by DMCI Homes and equity in net earnings from Maynilad.

Investment properties declined by 9% due mainly to depreciation during the year.

Property, plant and equipment stood at P63.2 billion, 11% up from P57.1 billion last year. The increase was attributed to capital expenditures in the coal, power and construction businesses.

Pension assets and remeasurements on retirement plans (under equity) slipped by 21% and 46%, respectively. Meanwhile, pension liabilities grew by 88% in 2019. The movements in these accounts were due mainly to the effects of differences between actual results and previous actuarial assumptions.

Deferred tax assets rose by 84% following the additional recognition related to the net operating loss carryover (NOLCO) of SCPC during the year.

Goodwill of P1.6 billion attributed to the Zambales mining assets of DMCI Mining was written-off in 2019 as prevalent market conditions and regulatory restrictions no longer support the original valuation.

Right of use assets of P0.3 million and the corresponding lease liability recorded under "Other noncurrent liabilities" were recognized in 2019 upon adoption of PFRS 16, Leases.

Other noncurrent assets expanded by 49% due to additional advances to suppliers and subcontractors which are expected to be recouped more than 12 months.

Accounts and other payables including income tax payable increased by 11% to P24.9 billion due mainly to the timing of payments of trade payables.

Contract liabilities (current and non-current) rose by 46% from last year due mainly to the excess of customer's deposit/billed accomplishments over progress of work.

Liabilities for purchased land (current and non-current) declined by 5% mainly due to payments made during the year.

From P41.5 billion, total debt (under short-term and long-term debt) grew by 13% to P46.9 billion following loan availments during the year.



Deferred tax liabilities dropped by 1% due mainly to the movement of deferred taxes in nickel mining business.

Other noncurrent liabilities slipped by 25% due to reclassification of commission payable to current liabilities.

Net accumulated unrealized gains on equity investments designated at FVOCI grew 19% due to the increase in fair market value of quoted securities during the year.

Share in other comprehensive loss increased by 53% which pertains the take-up of Maynilad other comprehensive loss.

Consolidated retained earnings stood at P64.9 billion at the end of December 2019, 7% up from P60.7 billion after P10.5 billion of net income and payment of P6.4 billion Parent dividends.

Non-controlling interest rose by 10% as a result of the non-controlling share in the consolidated net income of Semirara.

### III. KEY RESULT INDICATORS

The Company and its Subsidiaries (the "Group") use the following key result indicators to evaluate its performance:

- f) Segment Revenues
- g) Segment Net Income (after Non-controlling Interests)
- h) Earnings Per Share
- i) Return on Common Equity
- j) Net Debt to Equity Ratio

#### SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Year		Variance	
	2019	2018	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P44,255	P41,968	P2,287	5%
DMCI HOMES	18,584	20,572	(1,988)	-10%
D.M. CONSUNJI, INC.	18,303	14,582	3,721	26%
DMCI POWER (SPUG)	4,541	4,079	462	11%
DMCI MINING	1,610	1,212	398	33%
PARENT & OTHERS	468	430	38	9%
<b>TOTAL REVENUE</b>	<b>P87,761</b>	<b>P82,843</b>	<b>P4,918</b>	<b>6%</b>

The initial indicator of the Company's gross business results is seen in the movements in the different business segment revenues. As shown above, consolidated revenue grew 6% mainly driven by the increase in energy generation of SLPGC (Units 3 and 4), higher WESM prices and higher accomplishment in the construction business.

**CONSOLIDATED NET INCOME AFTER NON-CONTROLLING INTERESTS**

<i>(in Php Millions)</i>	For the Period		Variance	
	2019	2018	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P5,727	P7,447	(P1,720)	-23%
DMCI HOMES	3,020	3,160	(140)	-4%
MAYNILAD	1,761	1,837	(76)	-4%
D.M. CONSUNJI, INC.	906	1,212	(306)	-25%
DMCI POWER (SPUG)	611	465	146	31%
DMCI MINING	182	117	65	56%
PARENT & OTHERS	223	237	(14)	-6%
<b>CORE NET INCOME</b>	<b>12,430</b>	<b>14,475</b>	<b>(2,045)</b>	<b>-14%</b>
NON-RECURRING ITEMS	(1,897)	38	(1,935)	-5092%
<b>REPORTED NET INCOME</b>	<b>P10,533</b>	<b>P14,513</b>	<b>(P3,980)</b>	<b>-27%</b>

The net income (after non-controlling interest) of the Company have multiple drivers for growth from different business segments. The weak contributions from SMPC, D.M. Consunji, Inc., DMCI Homes and Maynilad coupled with the one-time goodwill impairment in 2019 resulted to the 27% decline in consolidated net income.

**EARNINGS PER SHARE**

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

The Company's consolidated basic and diluted EPS was P0.79/share for the year ended December 31, 2019, a 27% drop from P1.09/share EPS year-on-year.

**RETURN ON COMMON EQUITY**

Return on common equity is defined as the amount of net income a company earns per book value of common shares. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent common equity. The Company's return on common equity stood at 13% and 19% for the year ended December 31, 2019 and 2018, respectively.

**NET DEBT TO EQUITY RATIO**

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P46.9 billion from P41.5 billion in 2018, which resulted to a net debt to equity ratio of 0.25:1 as of December 31, 2019 and 0.27:1 as of December 31, 2018.

**FINANCIAL SOUNDNESS RATIOS**

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Gross Margin	32%	37%
Net Profit Margin	17%	24%
Return on Assets	9%	12%
Return on Parent Equity	13%	19%
Current Ratio	218%	212%
Net Debt to Equity Ratio	25%	27%
Asset to Equity Ratio	195%	188%
Interest Coverage Ratio	6 times	12 times

## PART II--OTHER INFORMATION

1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On March 5, 2020, the BOD of the Parent Company has declared cash dividends amounting to P0.23 regular dividends per common share and P0.25 special cash dividends per common share for a total of P6.37 billion in favor of the stockholders of record as of March 23, 2020 and payable on April 3, 2020.
4. On April 10, 2019, the BOD of the Parent Company has declared cash dividends amounting to P0.28 regular dividends per common share and P0.20 special cash dividends per common share for a total of P6.37 billion in favor of the stockholders of record as of April 29, 2019 and was paid on May 10, 2019.
5. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
6. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
7. There are no 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
8. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
9. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. – None
10. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.
11. All necessary disclosures were made under SEC Form 17-C.

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2018

### Full Year 2018 vs Full Year 2017

#### I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2018 and 2017:

<b>NET INCOME AFTER NON-CONTROLLING INTERESTS</b> <i>(in Php Millions)</i>	For the Year		Variance	
	2018	2017	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P7,447	P8,136	(P689)	-8%
DMCI HOMES	3,160	3,551	(391)	-11%
MAYNILAD	1,837	1,765	72	4%
D.M. CONSUNJI, INC.	1,212	1,043	169	16%
DMCI POWER (SPUG)	465	359	106	30%
DMCI MINING	117	113	4	4%
PARENT & OTHERS	237	79	158	200%
<b>CORE NET INCOME</b>	<b>14,475</b>	<b>15,046</b>	<b>(571)</b>	<b>-4%</b>
NON-RECURRING ITEMS	38	(281)	319	114%
<b>REPORTED NET INCOME</b>	<b>P14,513</b>	<b>P14,765</b>	<b>(P252)</b>	<b>-2%</b>

DMCI Holdings, Inc. (the "Company") recorded P14.5 billion in reported net income in 2018, a 2% slip from P14.8 billion the previous year. The construction, real estate, off-grid power, water and nickel mining businesses delivered healthy returns but the weaker performance of the coal energy business tempered the consolidated net income for the year.

Excluding the non-recurring items in 2018 and 2017, core net income of DMCI Holdings receded 4% from P15 billion to P14.5 billion.

The non-recurring items in 2018 pertains mainly to a P715 million gain on sale of land by DMCI Homes and P679 million share in accelerated depreciation of Sem-Calaca Power Corporation (SCPC) due to rehabilitation of Units 1 and 2 power plants.

Meanwhile, non-recurring items in 2017 include a P117 million share in Maynilad's redundancy and right-sizing costs and P164 million mainly coming from the share in accelerated depreciation of SCPC.

DMCI Holdings posted a 3% improvement in consolidated revenues from P80.7 billion to P82.8 billion driven by strong performance of the construction, real estate, off-grid power and nickel mining businesses.

For the fourth quarter alone, the Company recorded P3 billion in consolidated net income, nearly unchanged from P3.1 billion in 2017. Likewise, consolidated revenues slightly grew by 1% from P22.3 billion in 2017 to P22.5 billion in 2018.

Net income contributions from SMPC fell 14% from P8 billion to P6.8 billion due to nearly 8-month shutdown of Southwest Luzon Power Generation Corporation (Unit 1), inclement weather and China's soft ban on coal imports. Excluding non-recurring items, SMPC's core income attributable to DMCI Holdings declined 8% from P8.1 billion to P7.4 billion.

DMCI Homes registered a 9% increase in net income from P3.6 billion to P3.9 billion owing to a 3% rise in revenues and a one-time gain of P715 million on sale of land. Excluding the non-recurring item, core net income of DMCI Homes went down by 11% due to higher cost of materials and impact of adoption of a new accounting standard, particularly on the recording of broker's commission, which increased cost of sales.

Meanwhile, share in net income from affiliate Maynilad increased 7% from P1.6 billion to P1.8 billion following a 3% increase in billed volume which was boosted by an inflation rate adjustment of 2.8% in January and 2.7% basic charge increase in October. Excluding non-recurring items, share in Maynilad's core income increased by 4% to P1.8 billion.

Net income contributions from D.M. Consunji, Inc. jumped 16% from P1 billion to P1.2 billion due to a 12% increase in revenues and recognition of variation orders from projects nearing completion.

Off-grid energy business DMCI Power saw its net earnings surge 30% from P359 million to P465 million. The double-digit growth was driven by a 25% increase in energy sales volume.

DMCI Mining registered modest growth in 2018 as its net income climbed 4% from P113 million to P117 million. The increase was due to a 22% rise in nickel shipment volume of higher-grade nickel.

DMCI Holdings and other investments rose 200% from P79 million to P237 million due to higher interest income.

## **SEMIRARA MINING AND POWER CORPORATION**

The coal and on-grid power businesses are reported under Semirara Mining and Power Corporation, a 56.65% owned subsidiary of DMCI Holdings, Inc.

### **COAL**

Coal production in 2018 stood at 12.9 million metric tons (MT), slightly lower by 2% from 13.2 million MT last year. Continuous heavy rains caused the slowdown in production specifically during the third quarter of the year. With lower production and China's soft ban on imported coal in Q4, coal sales

volume dropped 12% from 13.1 million MT to 11.6 million MT. Domestic coal sales reached 6.6 million MT accounting for 57% of the total sales volume, while the balance pertains to coal exports. Average selling price rose by 18% due to higher global coal prices which tempered the drop in sales volume. On the other hand, strip ratio during the year increased to 12.0:1 from 9.5:1 due mainly to the ongoing rehabilitation of Panian mine. Excluding the rehabilitation, strip ratio in 2018 actually stood within normal range at 10.2:1.

## **POWER**

Power generation from 2x300 MW of Sem-Calaca (3,282 GWh) and 2x150MW of Southwest Luzon Power Generation (1,368 GWh) totaled 4,650 GWh in 2018 compared to 5,202 GWh last year. The 11% drop was mainly due to the prolonged shutdown of Unit 1 of Southwest Luzon Power Generation. Consequently, total volume sold in 2018 stood at 4,621 GWh, 10% down from 5,159 GWh sold last year. Meanwhile, higher global coal prices pushed average selling price of Sem-Calaca up by 10% from last year. However, the expiration of higher-priced power supply agreement (PSA) of Southwest Luzon Power Generation have pulled down its average selling price by 11% in 2018.

## **PROFITABILITY**

Consolidated net income after tax in 2018 reached P12.0 billion, 15% down from P14.2 billion last year. Net of eliminations, the coal segment generated a net income of P5.9 billion, while Sem-Calaca and Southwest Luzon Power Generation generated P4.5 billion and P1.6 billion, respectively. As a result, net income contribution to the Parent Company declined by 14% from P8.0 billion in 2017 to P6.8 billion in 2018. Excluding non-recurring items, SMPC's core income attributable to DMCI Holdings declined 8% from P8.1 billion to P7.4 billion.

For detailed information – refer to SMPC Information Statement filed with SEC and PSE.

## **DMCI HOMES**

Net income contribution of wholly owned subsidiary, DMCI Project Developer's Inc. (PDI) amounted to P3.9 billion in 2018, a 9% rise from P3.6 billion the previous year. Excluding the gain on sale of undeveloped land of P0.7 billion, the Company contributed P3.2 billion net income, a 11% slip from last year.

Realized revenues for the period jumped by 3% from P19.9 billion to P20.6 billion in 2018. Following the percentage of completion method, revenues are recognized based on the progress of its project development and at least 15 percent of the contract price has been collected from the buyer. Below 15 percent collections are recognized under "Contract liabilities" account.

On the other hand, total costs (under cost of sales and operating expenses) grew at a faster pace from P15.7 billion to P17.1 billion in 2018. The 9% increase is attributed mainly to higher cost of

construction materials and business taxes. The adoption of the new accounting standard, particularly on the recording of broker's commission, also increased cost of sales.

Sales and reservations surged 14% from P38.0 billion in 2017 to P43.4 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects.

During the year, the Company has launched new projects located in various areas of Metro Manila with total estimated sales value of P27.8 billion.

On the other hand, capex disbursements grew by 19% to P14.5 billion from P12.2 billion last year. Of the amount spent in 2018, 77% went to development cost and the rest to land and asset acquisition.

## **MAYNILAD**

The Company's investment in the water business is recognized mainly through its equity investment in the partnership with Metro Pacific Investments Corporation (MPIC) and Marubeni Corporation of Japan, with the actual operations under Maynilad Water Services, Inc. (Maynilad).

Maynilad handles the water distribution and sewer services for the western side of Metro Manila and parts of Cavite.

During the year, billed volume grew by 3%, from 511.66 million cubic meters (mcm) to 527.15 mcm. The improvement in the billed volume was brought about by the increase in billed services through its continued expansion mostly in the southern areas of the concession, namely in Cavite, Muntinlupa, Las Piñas and Paranaque. Consequently, total billed services in 2018 stood at 1,407,503, a 3.6% growth from last year.

Average non-revenue water at district metered area (DMA) level improved from 32.26% in 2017 to 29.79% in 2018 as a result of the 0.6% marginal decrease in water supply coupled with higher billed volume growth during the year.

Maynilad's water and sewer service revenue rose by 7.3% to P21.7 billion from P20.2 billion last year driven by higher billed volume coupled with a favorable customer mix, inflation rate adjustment of 2.8% in January 2018 and the tariff adjustment of 2.7% in October 2018.

Cash operating expenses declined by 4.6% after savings in personnel cost coming from the redundancy and right-sizing program last year. Meanwhile, non-cash operating expenses rose by 14.7% primarily driven by increases in amortization of intangible assets which grew in line with Maynilad's continuing capital expenditure program.

As a result, Maynilad reported a net income of P7.3 billion in 2018, a 7% improvement from P6.8 billion last year.



After adjustments at the consortium company level, the Company's equity in net earnings reported a 7% growth from P1.6 billion in 2017 to P1.8 billion in 2018. Excluding the share in one-time loan refinancing cost in 2018 and one-time cost of the right-sizing program in 2017, equity in net earnings rose by 4% to P1.8 billion.

### **D.M. CONSUNJI, INC.**

Earnings from construction business expanded by 16% from P1.0 billion in 2017 to P1.2 billion in 2018.

Construction revenue for the year improved by 12% from P13.1 billion to P14.6 billion in 2018. Higher accomplishment from ongoing building projects and new energy projects mainly accounted for the revenue growth during the period. Meanwhile, gross profit for the period jumped by 17% to P2.2 billion in 2018 due to realization of variation orders for projects nearing completion.

Order book (balance of work) at the end of December 2018 stood at P27.9 billion, 12% up from P24.8 billion at the close of 2017. Awarded projects during the year totaled P12.3 billion which includes Civil Works for Plant Expansion Project of JG Summit Petrochemical Corp., Metro Manila Skyway Stage 3 Nagtahan Rampway of Citra Central Expressway Corp., Pasay Trenchless Pipelaying of Maynilad, and various building projects including SM Mall of Asia Block 4 of SM Prime Holdings, Connor of Ortigas & Co., De La Salle College of St. Benilde Academic, Sports and Dormitory Buildings and The Estate Makati of ST 6747 Resources Corporation (a joint venture of SM Development Corporation and Federal Land).

### **DMCI POWER (SPUG)**

An added growth area of the power segment is under DMCI Power Corporation (DPC), a wholly-owned subsidiary of DMCI Holdings, Inc. DPC provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives.

As of December 31, 2018, the total installed rated capacity is 106.18MW. Out of the total, 34.69MW (12.40MW bunker-fired and 22.29MW diesel) is in Masbate, 52.24MW (9.90MW bunker-fired and 42.34MW diesel) in Palawan, 15.56MW bunker-fired plant in Oriental Mindoro and 3.69MW diesel-fired in Sultan Kudarat.

Sales volume reported in Masbate (110.92 GWh), Palawan (130.69 GWh) and Mindoro (66.27 GWh) totaled 307.89 GWh, a 25% growth from last year due mainly to higher power demand and improved load across all operating segments. On the other hand, average selling prices for the period increased by 21% from P10.84/kWh to P13.15/kWh due to its higher pass-through fuel component brought about by increasing fuel prices. As a result, total off-grid generation revenue rose by 50% to P4.1 billion from P2.7 billion last year. On the other hand, total costs (under cost of sales and operating expenses) went up by 55% to P3.5 billion also driven by higher fuel prices.

Consequently, net income contribution of the off-grid power segment in 2018 rose by 30% from P359 million in 2017 to P465 million in 2018.

### **DMCI MINING**

The nickel and metals (non-coal) mining business is reported under DMCI Mining Corporation, a wholly-owned subsidiary of DMCI Holdings, Inc.

DMCI Mining Corporation registered a modest growth of 4% in net income contribution from P113 million to P117 million in 2018.

Revenue rose by 60% to P1.2 billion in 2018 from P759 million in 2017 due to the 22% growth in nickel shipment of higher-grade ore. From 525 thousand wet metric tons (WMT), total shipments jumped to 643 WMT in 2018 mostly coming from Berong Nickel Corporation (BNC). Nickel ore shipments came from the existing stockpiles in response with the order to remove such from the Department of Environment and Natural Resources (DENR). Meanwhile, average ore grade improved from 1.51% in 2017 to 1.70% in 2018. As a result, composite average price increased to P1,883 per WMT in 2018 from P1,446 per WMT in 2017.

The segment's total depletion, depreciation and amortization amounted to P116 million in 2018, a 5% increase from P110 million in 2017 mainly coming from depreciation and depletion cost carried in shipped inventory. Meanwhile, total cash cost per WMT (under cost of sales and operating expenses) amounted to P1,250 per WMT in 2018 compared to P1,123 per WMT in 2017 due to higher cost of environmental activities as required by DENR.

BNC is allowed to resume mining operations by virtue of a DENR Resolution lifting its Suspension Order. Meanwhile, DENR has resolved to partially grant the Motion for Reconsideration filed by Zambales Diversified Metals Corporation (ZDMC). ZDMC has since then submitted and secured approval of its Action Plan for the DENR findings. Upon full accomplishment of its Action Plan, the resumption of ZDMC's mine operations shall be recommended and ordered by DENR.

### **Explanation of movement in consolidated income statement accounts:**

#### **Revenue**

Consolidated revenue rose by 3% from P80.7 billion in 2017 to P82.8 billion in 2018. The higher accomplishment in the construction business, increasing demand in the off-grid power business, increase in real estate sales and higher nickel shipments more than offset the drop in SMPC during the year.

#### **Cost of Sales and Services**

Consolidated cost of sales and services grew at a faster pace than revenues at 12% from P46.2 billion in 2017 to P51.9 billion in 2018. The rise in cost is due mainly to higher cost of materials and the

reclassification of broker's commission which was previously presented under operating expenses of the real estate business.

#### Gross Profit

Gross profit in 2018 amounted to P31.0 billion, 10% down from P34.5 billion last year due mainly to the prolonged shutdown of SLPGC Unit 1 and the higher cost of materials and reclassification of broker's commission of the real estate business.

#### Operating Expenses

Government royalties amounted to P3.6 billion in 2018, a 17% decline from P4.3 billion last year due to higher cash cost of the coal business during the year. Excluding government royalties, operating expenses actually dropped by 7% after reclassification of the commission expense of the real estate business.

#### Equity in Net Earnings

Equity in net earnings of associate improved by 8% as a result of higher income take up from Maynilad consortium.

#### Finance Costs

Consolidated finance costs grew by 30% due to new loan availments from coal and power businesses.

#### Finance Income

Consolidated finance income expanded by 76% due to higher financing income from real estate business and higher interest income from placements during the period.

#### Other Income-net

Other income rose by 58% due mainly to the gain on sale of undeveloped land of DMCI Homes during the period.

#### Provision for Income Tax

Lower taxable profits mainly from Sem-Calaca (Units 1 and 2) accounted for the 2% drop in consolidated provision for income tax (both current and deferred) for the year.

## **II. CONSOLIDATED FINANCIAL CONDITION**

### **December 31, 2018 (Audited) vs December 31, 2017 (Audited)**

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P182 billion and P97 billion, respectively as of December 31, 2018. This is an improvement of 6% and 4%, respectively.

Consolidated cash contracted by 39% from P25.3 billion in December 31, 2017 to P15.5 billion in December 31, 2018. The company generated a healthy cash flow from operations amounting to

P18.1 billion but higher dividends and capital expenditures during the year reduced the ending cash balance as of year-end.

Total receivables including contract assets (current and non-current) increased by 12% from P29.6 billion to P33.2 billion mainly attributed to higher recognized revenues from the real estate business and the timing of collection of power receivables.

Consolidated inventories expanded by 29% from P34.7 billion to P44.7 billion coming mainly from higher coal inventory and spare parts inventory for coal and on-grid power businesses as well as land acquisitions of the real estate business.

Other current assets rose to P10.1 billion, a 22% increase due mainly to advances to suppliers for equipment and spare parts.

Investments in associates and joint ventures jumped by 6% to P14.2 billion due mainly to the equity in net earnings from Maynilad.

Property, plant and equipment stood at P57.1 billion, 2% up from P55.7 billion last year. The increase was attributed to capital expenditures in the coal and power businesses which were offset by the depreciation and depletion during the period.

Investment properties slipped by 19% due mainly to change in use of a property.

Deferred tax assets grew by 42% due mainly to unrealized profit that are taxable during the year but not yet recognized as accounting income.

Pension assets, pension liabilities and remeasurements on retirement plans (under equity) slipped by 10%, 15% and 10%, respectively, due mainly to changes in the discount rate used in the actuarial valuation for 2018.

Other noncurrent assets expanded by 235% due mainly to the noncurrent portion of the “costs to obtain contract” of the real estate business. Following the adoption of the new accounting standard, total sales commission to real estate agents are capitalized under “costs to obtain contract” with the related commission payable recorded under liabilities. The capitalized cost is amortized using percentage of completion (POC) method consistent with the real estate revenue recognition policy.

Accounts and other payables including income tax payable increased by 19% to P22.5 billion coming mainly from the current portion of commission payable to real estate agents.

Contract liabilities (current and non-current) in 2018 rose 7% from last year due mainly to billings in excess of total costs incurred and earnings recognized in the construction business.

Liabilities for purchased land declined by 10% mainly due to payments made during the year.

From P39.5 billion, total debt (under short-term and long-term debt) grew by 5% to P41.5 billion following loan availments of the coal and power businesses.

Deferred tax liabilities grew by 19% due mainly to the excess of book over tax income in real estate.

Other noncurrent liabilities jumped by 10% coming mainly from the noncurrent portion of the commission payable to real estate agents.

Treasury shares pertain to redemption cost during the year of the parent company's preferred shares.

Premium on acquisition of non-controlling interests increased by 37% which pertains to the buyback of Semirara shares in 2018.

Net accumulated unrealized gains on equity investments designated at FVOCI grew 115% due to the increase in fair market value of quoted securities during the year.

Consolidated retained earnings stood at P60.7 billion at the end of December 2018, 4% up from P58.3 billion after P14.5 billion of net income and payment of P12.7 billion Parent dividends.

Non-controlling interest rose by 7% as a result of the non-controlling share in the consolidated net income of Semirara.

### III. KEY RESULT INDICATORS

The Company and its Subsidiaries (the "Group") use the following key result indicators to evaluate its performance:

- k) Segment Revenues
- l) Segment Net Income (after Non-controlling Interests)
- m) Earnings Per Share
- n) Return on Common Equity
- o) Net Debt to Equity Ratio

#### SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Year		Variance	
	2018	2017	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P41,968	P43,944	(P1,976)	-4%
DMCI HOMES	20,572	19,904	668	3%
D.M. CONSUNJI, INC.	14,582	13,066	1,516	12%
DMCI POWER (SPUG)	4,079	2,713	1,366	50%
DMCI MINING	1,212	759	453	60%
PARENT & OTHERS	430	317	113	36%
<b>TOTAL REVENUE</b>	<b>P82,843</b>	<b>P80,703</b>	<b>P2,140</b>	<b>3%</b>

The initial indicator of the Company's gross business results is seen in the movements in the different business segment revenues. As illustrated above, revenue grew by 3% mainly driven by the higher accomplishments in the construction business, increasing demand in the off-grid power business, increase in real estate sales and higher shipments in the nickel mining business. The drop in Semirara's revenue was brought about by lower energy generation and fewer coal sales volume for the year.

#### NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Year		Variance	
	2018	2017	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P7,447	P8,136	(P689)	-8%
DMCI HOMES	3,160	3,551	(391)	-11%
MAYNILAD	1,837	1,765	72	4%
D.M. CONSUNJI, INC.	1,212	1,043	169	16%
DMCI POWER (SPUG)	465	359	106	30%
DMCI MINING	117	113	4	4%
PARENT & OTHERS	237	79	158	200%
<b>CORE NET INCOME</b>	<b>14,475</b>	<b>15,046</b>	<b>(571)</b>	<b>-4%</b>
NON-RECURRING ITEMS	38	(281)	319	114%
<b>REPORTED NET INCOME</b>	<b>P14,513</b>	<b>P14,765</b>	<b>(P252)</b>	<b>-2%</b>

The consolidated net income (after non-controlling interest) of the Company have multiple drivers for growth from different business segments. The construction, real estate, off-grid power, water and nickel mining businesses delivered healthy returns but the weaker performance of the coal energy business tempered the consolidated net income for the year.

#### EARNINGS PER SHARE

Earnings per share (EPS) pertains to the company's income allocated to each outstanding share of common stock. It serves as an indicator of the company's profitability.

The Company's consolidated basic and diluted EPS was P1.09/share for the year ended December 31, 2018, a 2% drop from P1.11/share EPS year-on-year.

#### RETURN ON COMMON EQUITY

Return on common equity is defined as the amount of net income a company earns per book value of common shares. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent common equity. The Company's return on common equity stood at 19% and 20% for the year ended December 31, 2018 and 2017, respectively.

#### NET DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its solvency and leverage exposure through the net debt to equity ratio. This test

indicates the Company's ownership of creditors vs. owners/investors. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P41.5 billion from P39.5 billion last year, which resulted to a net debt to equity ratio of 0.27:1 as of December 31, 2018 and 0.15:1 as of December 31, 2017.

**FINANCIAL SOUNDNESS RATIOS**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Gross Margin	37%	43%%
Net Profit Margin	24%	26%
Return on Assets	12%	13%
Return on Parent Equity	19%	20%
Current Ratio	212%	260%
Net Debt to Equity Ratio	27%	15%
Asset to Equity Ratio	188%	184%
Interest Coverage Ratio	12 times	14 times

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

1. The Company's operation is a continuous process. It is not dependent on any cycle or season;
2. Economic and infrastructure developments in the country may affect construction business; Interest rate movements may affect the performance of the real estate industry; Mining activities are generally hinge on the commodities market. Businesses not affected by known cycle, trends or uncertainties are power and water.
3. On March 8, 2018, the BOD of the Parent Company declared cash dividends amounting to P0.28 regular dividends per outstanding common share and P0.20 special cash dividends per outstanding common share in favor of the common stockholders of record as of March 23, 2018 and was paid on April 6, 2018.  
On November 19, 2018, the BOD of the Parent Company declared special cash dividends amounting to P0.48 per outstanding common share in favor of the common stockholders of record as of December 5, 2018 and was paid on December 18, 2018.
4. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
5. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
6. There are no 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
7. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
8. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. – None
9. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.
10. All necessary disclosures were made under SEC Form 17-C.



## ITEM 7. FINANCIAL STATEMENTS

Please see the attached consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules.

## ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

- a. The external auditors of the Company and its subsidiaries is the accounting firm Sycip, Gorres, Velayo and Co. (SGV & Co.). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Board of Directors of the Company, upon recommendation of its Audit Committee, approved the engagement of the services of SGV & Co. as external auditor and Ms. Dhonabee B. Seneres as the Partner-in-Charge starting 2018 audit period given the required audit partner rotation every five years.

The re-appointment of the external auditor SGV & Co. will be presented to the stockholders for their approval at the annual stockholders' meeting.

Representatives of SGV & Co. are expected to be present at the stockholders' meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

- b. The Company's Audit Committee reviews and discusses with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management. It also reviews the external auditor's audit plans that increase the credibility and objectivity of the Company's financial reports and public disclosure.

The Company's Audit Committee reviews the external auditor's fee schedules and any related services proposals for Board approval.

### External audit fees and services

Below are the External Audit Fees of the Company and its subsidiaries for two fiscal years:

	2020	2019
Audit and audit related fees	P18,152,900	P18,104,870
Non-audit	130,000	120,000

SGV & Co. was engaged by the Company to audit its annual financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2020 and 2019. The audit-related fees include assurance and services that are reasonably related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

### Tax fees

No tax consultancy services were secured from SGV & Co. for the past two years.

### Non-audit fees

The non-audit fees for 2019 and 2018 pertain to the validation of stockholders' votes during the annual stockholders' meetings.

### Changes in and disagreements with accountants on accounting and financial disclosure

The Company has engaged the services of SGV & Co. during the two most recent fiscal years. There were no disagreements with SGV & Co. on any matter of accounting principles or practices, financial statement disclosures, or auditing scope or procedure.

## **PART III - CONTROL AND COMPENSATION INFORMATION**

### **ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

#### **(1) Identify Directors, Including Independent Directors, and Executive Officer.**

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>
Isidro A. Consunji	Chairman of the Board President/Chief Executive Officer	72	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	91	Filipino
Herbert M. Consunji	Director/Executive Vice President & Chief Finance Officer/Chief Compliance Officer/Chief Risk Officer	68	Filipino
Ma. Edwina C. Laperal	Director/Treasurer	59	Filipino
Maria Cristina C. Gotianun	Director/Assistant Treasurer	66	Filipino
Jorge A. Consunji	Director	69	Filipino
Luz Consuelo A. Consunji	Director	67	Filipino
Antonio Jose U. Periquet	Director (Independent)	59	Filipino
Honorio O. Reyes-Lao	Director (Independent)	76	Filipino
Noel A. Laman	Corporate Secretary	81	Filipino
Ma. Pilar P. Gutierrez	Asst. Corporate Secretary	44	Filipino
Cherubim O. Mojica	Vice President & Corporate Communications Head	43	Filipino

## REGULAR DIRECTORS

**Isidro A. Consunji** – is 72 years old; has served the Corporation as a regular director for twenty five (26) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corp. and Atlas Consolidated Mining and Development Corp.; **(Non-listed)** D. M. Consunji, Inc., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Calaca Res Corp., Sem-Cal Industrial Park Developers, Inc., Semirara Claystone, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corp. and Crown Equities, Inc., Wire Rope Corporation of the Philippines, Philippine Overseas Construction Board (Chairman), Construction Industry Authority of the Phils. **Education.** Bachelor of Science in Engineering (University of the Philippines), Master of Business Economics (Center for Research and Communication), Master of Business Management (Asian Institute of Management), Advanced Management (IESE School, Barcelona, Spain). **Civic Affiliations.** Philippine Overseas Construction Board, *Chairman*, Construction Industry Authority of the Philippines, *Board Member*, Philippine Constructors Association, *Past President*, Philippine Chamber of Coal Mines, *Past President*, Asian Institute of Management Alumni Association, *Member*, UP Alumni Engineers, *Member*, UP Aces Alumni Association, *Member*.

**Cesar A. Buenaventura** – is 91 years old; has served the Corporation as a regular director for twenty six (26) years since March 1995; is a regular/independent Director of the following: **(Listed)** Semirara Mining and Power Corp., iPeople Inc. (Independent Director), Petroenergy Resources Corp., Concepcion Industrial Corp (Independent Director); Pilipinas Shell Petroleum Corp. (Independent Director); International Container Terminal Services, Inc. (Independent Director); **(Non-listed)** D.M. Consunji, Inc., Mitsubishi-Hitachi Power Systems Phils, Inc. (Chairman) **Education.** Bachelor of Science in Civil Engineering (University of the Philippines), Masters Degree in Civil Engineering, Major in Structures (Lehigh University, Bethlehem, Pennsylvania). **Civic Affiliations.** Pilipinas Shell Foundation, *Founding Member*, Makati Business Club, *Board of Trustee* University of the Philippines, *Former Board of Regents*, Asian Institute of Management, *Former Board of Trustee*, Benigno Aquino Foundation, *Past President*, Trustee of Bloomberry Cultural Foundation, Trustee of ICTSI Foundation Inc.; **Special Recognition.** Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II; MAP Management Man of the Year 1985; One of the top 100 graduates of the University of the Philippines College of Engineering in its 100-year History

**Herbert M. Consunji** – is 68 years old; has served the Corporation as a regular director for twenty six (26) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** D.M. Consunji, Inc., Subic Water and Sewerage Company, Inc., DMCI Mining Corp., Sem-Calaca Res Corporation, DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Cal Industrial Park Developers, Inc. **Education.** Top Management Program, Asian Institute of Management; Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Certified Public Accountant (CPA). **Civic Affiliations.** Philippine Institute of Certified Public Accountants, *Member*; Financial Executives Institute of the Phils., *Member*; Shareholders' Association of the Phils., *Member*; *Management Association of the Philippines, Member*.

**Jorge A. Consunji** – is 69 years old; has served the Corporation as a regular director for twenty six (26) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corp.; **(Non-listed)** D.M. Consunji Inc., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., DMCI Concepcion Power Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corporation, Wire Rope Corporation of the Phils., Private Infra Dev Corp., Manila Herbal Corporation, Sirawai Plywood & Lumber Co., M&S Company, Inc. **Education.** Bachelor of Science in Industrial Engineering (De La Salle University); Attended the Advanced Management Program Seminar at the University of Asia and the Pacific and Top Management Program at the Asian Institute of Management. **Civic Affiliations.** Construction Industry Authority of the Phils, *Board Member*, Asean Constructors Federation, *Former Chairman*, Phil. Constructors Association, *Past President/Chairman*, Phil. Contractors Accreditation Board, *Former Chairman*, Association of Carriers & Equipment Lessors, *Past President*.

**Ma. Edwina C. Laperal** - is 59 years old; has served the Corporation as a regular director from March 1995 to July 2006 (11years and 4 months) and from July 2008 to present (13 years); is a regular Director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** D.M. Consunji, Inc., DMCI Project Developers, Inc., Dacon Corporation, DMCI Urban Property Developers, Inc, Sem-Calaca Power Corp., DFC Holdings, Inc. **Education.** BS Architecture (University of the Philippines), Masters in Business Administration (University of the Philippines). **Civic Affiliations.** UP College of Architecture Alumni Foundation Inc., *Member*; United Architects of the Philippines, *Member*; Guild of Real Estate Entrepreneurs And Professionals (GREENPRO) formerly Society of Industrial-Residential-Commercial Realty Organizations, *Member*; Institute of Corporate Directors, *Fellow*.

**Luz Consuelo A. Consunji** – is 67 years old; has served the Corporation as a regular director for five (5) years since 2016. She is a regular director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** South Davao Development Corp., Dacon Corp. and Zanorte Palm-Rubber Plantation, Inc.; **Education.** Bachelor’s Degree in Commerce, Major in Management (Assumption College), Master’s in Business Economics (University of Asia and the Pacific). **Civic Affiliations.** Mary Mother of the Poor Foundation, Treasurer (May 2012-July 2014), Missionaries of Mary Mother of the Poor, Treasurer (May 2012 – present).

**Maria Cristina C. Gotianun** is 66 years old; has served the Corporation as a regular director for two years since 2019 and as Assistant Treasurer for twenty six (26) years. She is a regular director the following positions: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** Dacon Corporation, D.M. Consunji, Inc., DMCI Power Corporation, Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sirawan Food Corporation, Sem-Cal Industrial Park Development Corp., St. Raphael Power Generation Corp., Semirara-Energy Utilities, Inc., Semirara Claystone, Inc., Sem Calaca Res Corp. **Education.** Bachelor of Science in Business Economics (University of the Philippines), Major in Spanish - Instituto de Cultura Hispanica, Madrid, Spain; Special Studies in Top Management Program, AIM

ACCEED; and Strategic Business Economics Program, University of Asia & the Pacific. **Civic Affiliations.** Institute of Corporate Directors, *Fellow*.

## INDEPENDENT DIRECTORS

**Honorio O. Reyes-Lao** - is 76 years old; has served the Corporation as an Independent Director for ten (10) years 2009. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Lao is deemed to have been an independent director of the Company for eight (8) years since 2012. Mr. Lao is also an independent director of Semirara Mining and Power Corporation and a director of Philippine Business Bank (Listed); **(Non-Listed)** DMCI Project Developers, Inc. (independent director from 2016-present), Southwest Luzon Power Generation Corp. (2017-present), Sem-Calaca Power Corp. (2017-present), Gold Venture Lease and Management Services Inc. (2008-2009), First Sovereign Asset Management Corporation (2004-2006, CBC Forex Corporation (1998-2002) , CBC Insurance Brokers, Inc. (1998-2004), CBC Properties and Computers Center, Inc. (1993-2006); **Education.** Bachelor of Arts, Major in Economics (De La Salle University), Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Masters Degree in Business Management (Asian Institute of Management); **Civic Affiliations.** Institute of Corporate Directors, Fellow, Rotary Club of Makati West, Member/Treasurer, Makati Chamber of Commerce and Industries, Past President.

**Antonio Jose U. Periquet** - is 59 years old; Mr. Periquet has been an Independent Director of the company since August 2010. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Periquet is deemed to have been an independent director of the Company for eight (8) years since 2012. Mr. Periquet is also a director of the following: **(Listed)** ABS-CBN Corporation, Ayala Corporation , Bank of the Philippine Islands, The Max's Group of Companies, Philippine Seven Corporation, Inc. Semirara Mining and Power Corporation; **(Non-listed)** Albizia ASEAN Tenggara Fund, Campden Hill Group, Inc. (Chairman), Campden Hill Advisors, Inc., Pacific Main Properties and Holdings (Chairman), Lyceum of the Philippines University, BPI Capital Corporation, BPI Family Savings Bank, Inc., BPI Asset Management and Trust Corporation (Chairman), The Straits Wine Company, Inc.; **Education.** Mr. Periquet is a graduate of the Ateneo de Manila University (AB Economics). He also holds an MSc in Economics from Oxford University and an MBA from the University of Virginia. **Civic Affiliations.** Global Advisory Council, Darden Graduate School of Business Administration, University of Virginia, Member; Finance and Budget Committee of the Board, Ateneo de Manila University, Member; Finance Committee, Philippine Jesuit Provincial, Member.

## KEY OFFICERS

**Noel A. Laman** is 81 years old; has been the Corporate Secretary for twenty six (26) years since March 1995; he holds the following positions: **(Non-listed)** Castillo Laman Tan Pantaleon & San Jose Law Offices, Founder/Senior Partner; Co-founder, DCL Group of Companies; President, DCL Management Ventures, Inc. **Education.** Bachelor of Science, Jurisprudence (University of the Philippines); Bachelor of Laws (University of the Philippines); Master of Laws (University of Michigan Law School); **Civic Affiliations.** Integrated Bar of the Philippines, Past Secretary, Treasurer, Vice President, Makati Chapter; Rotary Club Makati West, Past President; Intellectual Property Association of the Philippines (IPAP), Past President; Asian Patent Attorneys Association (APAA), Past Council Member; Firm Representative to the German Philippine Chamber of Commerce, Inc., Member.

**Ma. Pilar P. Gutierrez** is 44 years old; has served the Corporation as Assistant Corporate Secretary for ten (10) years since 2010; she holds the following positions: **(Listed)** National Reinsurance Corporation of the Philippines, Assistant Corporate Secretary; **(Non-listed)** Castillo Laman Tan Pantaleon & San Jose Law Firm, Senior Partner. She serves as Assistant Corporate Secretary of the following subsidiaries/affiliates of the Corporation: D.M. Consunji, Inc., DMCI Project Developers, Inc., Dacon Insurance Brokers, Inc., Wire Rope Corporation of the Philippines, and DM Consunji Technical Training Center Inc. She is also the Corporate Secretary of the following companies: Pricon Microelectronics, Inc., Test Solution Services, Inc., Manpower Resources of Asia, Inc., Sealanes Marine Services, Inc., Software AG Philippines, Inc., Mercury Battery Industries, Inc., Philippine Advanced Processing Technology, Inc., Rentokil Initial Philippines, Inc., Draeger Philippines Corporation, NCSI Philippines Inc., CBRE GWS IFM Phils. Corp., CBRE GWS Business Support Services Philippines Inc., Pratt Whitney Global Philippines, Inc. Cement Roadstone Holdings Philippines Inc. , Zico Corporate Services Inc., Top Keen Philippines Inc. and Jacobs Projects Philippines, Inc. She is likewise the Assistant Corporate Secretary of the following companies: Honeywell CEASA (Subic Bay) Company, Inc., IQVIA Solutions Philippines, Inc., IQVIA Solutions Operations Center Philippines, Inc., SingTel Philippines, Inc., CCT Constructors Corporation, GTVL Manufacturing Industries, Inc., Multisports, Inc., KBP Real Estate Corporation and JTEKT Philippines Corporation. She is currently an Instructor at the University of the Philippines, College of Law. **Education.** Bachelor of Laws, University of the Philippines (2001); Bachelor of Science in Management, Major in Legal Management (B.S.L.M.), Ateneo de Manila University (1997).

**Cherubim O. Mojica** is 43 years old, worked as the Head of Corporate Communications Department of Maynilad from October 2008 to 2014; Corporate Communications Coordinator of First Philippine Corp. from December 2000 to July 2007; Deputy Supervisor of the US Embassy Manila from July 2000 to November 2007; and Political Affairs Officer VI of House of Representatives of the Philippines from March 1999 to February 2000. She joined the Company last September 2014 as Corp. Communications Officer and was appointed as Vice President & Corporate Communications Officer in November 2016.

Currently, there are no director or executive officer share options relating to the capital of the Company.

**(2) Identify Significant Employees –**

There are no other significant employees of the Corporation other than the executive officers.

Although the Corporation has and will likely continue to rely significantly on the aforementioned individuals, it is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Corporation and will not compete upon termination.

**(3) Family Relationships -** Describe any family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the registrant to become directors or executive officers. – **See below:**

<u>Name</u>	<u>Relationship</u>
Isidro A. Consunji	Brother of Jorge A. Consunji, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun
Herbert M. Consunji	Cousin of Isidro A. Consunji, Jorge A. Consunji, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun

**(4) Involvement in Certain Legal Proceedings -**

(Please refer to PART I-C. Legal Proceedings)

(a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time - **NONE**

- i. Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses - **NONE**
- ii. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities - **NONE**

- iii. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated – **NONE**

## ITEM 10. EXECUTIVE COMPENSATION

### ANNUAL COMPENSATION

Name	Principal Position	Salary	Bonus	Per Diem Allowance**	Other annual compensation
Isidro A. Consunji	Chairman of the Board of Directors/President		None		None
Herbert M. Consunji	Executive Vice President & Chief Finance Officer		None		None
Ma. Edwina C. Laperal <sup>1</sup>	Treasurer		None		None
Maria Cristina C. Gotianun <sup>2</sup>	Asst. Treasurer		None		None
Victor S. Limlingan <sup>3</sup>	Managing Director		None		None
	<b>YEARS</b>				
	2017	P 10,634,322.22	-	P 1,520,000.00	-
	2018	P 10,634,322.22	-	P 1,520,000.00	-
	2019	P 11,120,190.25	-	P 1,360,000.00	-
	2020	P 9,178,322.29	-	P 1,760,000.00	-
	2021*	P 9,178,322.29	-	P 1,760,000.00	-
	<b>TOTAL:</b>	<b>P 50,745,479.27</b>	-	<b>P 7,920,000.00</b>	-
	<b>YEARS</b>				
All other directors and executive officers as a group unnamed	2017	P 4,136,665.00	None	P 3,920,000.00	-
	2018	P 4,136,665.00		P 3,920,000.00	-
	2019	P 4,267,289.17		P 2,880,000.00	-
	2020	P 2,059,876.48		P 2,720,000.00	-

<sup>1</sup> The Treasurer does not receive any compensation as Treasurer of the Corporation. However, she receives the usual *per diem* as a regular director of the Corporation.

<sup>2</sup> The Assistant Treasurer does not receive any compensation as Assistant Treasurer of the Corporation. However, she receives the usual *per diem* as a regular director of the Corporation.

<sup>3</sup> Retired on June 30, 2020



	2021*	P 2,059,876.48		P 2,720,000.00	-
	<b>TOTAL:</b>	<b>P 16,660,372.13</b>		<b>P 16,160,000.00</b>	-

*\*Approximate figures*

**PER DIEM AS DIRECTORS FOR 2020**

<b>Name</b>	<b>Principal Position</b>	<b>Per Diem Allowance**</b>
Isidro A. Consunji	Chairman of the Board of Directors/President	320,000.00
Herbert M. Consunji	Director/ Executive Vice President & Chief Finance Officer	640,000.00
Ma. Edwina C. Laperal	Director/ Treasurer	400,000.00
Maria Cristina C. Gotianun	Director/ Asst. Treasurer	400,000.00
Jorge A. Consunji	Director	440,000.00
Luz Consuelo A. Consunji	Director	400,000.00
Cesar A. Buenaventura	Vice Chairman of the Board	600,000.00
Antonio Jose U. Periquet	Independent Director	640,000.00
Honorio O. Reyes-Lao	Independent Director	640,000.00
	Total	P 4,480,000.00
	<b>YEARS</b>	
	2017	P 4,720,000.00
	2018	P 4,320,000.00
	2019	P 3,840,000.00
	2020	P 4,480,000.00
	2021*	P 4,480,000.00
	<b>TOTAL (2017-2021):</b>	<b>P 21,840,000.00</b>

*\*Approximate figures*

The directors receive per diem in the amount of Php80,000.00 for every board meeting and Php40,000.00 for every committee meeting.

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing, pension or retirement plan.

There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Company.

**ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

**a. Beneficial Ownership of Directors of the Corporation as of March 31, 2021.**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Isidro A. Consunji	65,000	Direct	Filipino	0.0005%
Common	Cesar A. Buenaventura	900,000	Direct	Filipino	0.0068%
Common	Ma. Edwina C. Laperal	3,315,000	Direct	Filipino	0.0050%
Common	Jorge A. Consunji	5,000	Direct	Filipino	0.0000%
Common	Herbert M. Consunji	23,000	Direct	Filipino	0.0002%
Common	Luz Consuelo A. Consunji	101,000	Direct	Filipino	0.0008%
Common	Maria Cristina C. Gotianun	5,500	Direct	Filipino	0.0000%
Common	Antonio Jose U. Periquet	125,000	Direct	Filipino	0.0009%
Common	Honorio O. Reyes-Lao	185,000	Direct	Filipino	0.0014%
<b>Aggregate Ownership</b>		<b>4,659,400</b>			<b>0.0351%</b>

**b. Owners owning 5% or more of the voting stocks of the Corporation as of March 31, 2021**

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Beneficial Ownership	Percent of Class
Common	Dacon Corporation (Fil) 2281 Chino Roces Avenue Makati City	6,621,561,069	49.87%
Common	PCD Nominee Corp. (Fil) 6764 Ayala Avenue Legaspi Village, Makati City	3,127,845,343	23.56%
Common	DFC Holdings, Inc. (Fil) 2281 Chino Roces Avenue Makati City	2,379,799,910	17.92%
Common	PCD Nominee Corp. (For) 6764 Ayala Avenue Legaspi Village, Makati City	646,676,705	4.87%

Below is the list of the individual beneficial owners under PCD account who holds more than 5% of the voting securities of Registrant.

Title of Class	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
	None			

There is no person under PCD account who hold more than 5% of the company's shares.

**c. Changes in Control – NONE**

**ITEM 12. Certain Relationships and Related Transactions**

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which includes affiliates. Related parties may be individuals or corporate entities.

The Group, in the regular conduct of business, has entered into transactions consisting of construction contracts, equipment rentals, sale and purchases of goods, services and properties, reimbursement of operating expenses, with associates, joint ventures and other related parties. Transactions entered into with related parties are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

Material related party transactions are reviewed by the Audit and Related Party Transactions Committee of the Board and properly disclosed in the accompanying consolidated financial statements. The Company have approval requirements and limits on the amount and extent of related party transactions in compliance with the requirements under Revised SRC Rule 68.

## **PART IV - CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT**

### **Item 13. CORPORATE GOVERNANCE**

For a detailed report on 2020 Corporate Governance please refer to this link

[Click here](#) or copy and paste the link below

[http://www.dmciholdings.com/corporate\\_governance/page/corporate-governance-report/2020](http://www.dmciholdings.com/corporate_governance/page/corporate-governance-report/2020)

### **Item 14. SUSTAINABILITY REPORT**

[Click here](#) or copy and paste the link below

[http://www.dmciholdings.com/corporate\\_social\\_responsibility/page/2020-sustainability-report](http://www.dmciholdings.com/corporate_social_responsibility/page/2020-sustainability-report)

## **PART V - EXHIBITS AND SCHEDULES**

### **Item 15. Exhibits and Reports on SEC Form 17-C**

**(a) Exhibits** - See accompanying index to exhibits

**(a) Reports on SEC Form 17-C** - The list of the reports from the preceding period ending December 31, 2020 is herein incorporated by reference.

**LIST OF TOP 20 STOCKHOLDERS  
AS OF DECEMBER 31, 2020**

<b>Rank</b>	<b>Last Name</b>	<b>Shareholdings</b>	<b>Percentage</b>
1	DACON CORPORATION	6,621,561,069	49.87%
2	PCD NOMINEE CORPORATION (FILIPINO)	3,272,161,215	24.64%
3	DFC HOLDINGS INC.	2,379,799,910	17.92%
4	PCD NOMINEE CORPORATION (FOREIGN)	683,317,057	5.15%
5	DMCI RETIREMENT PLAN	99,900,000	0.75%
6	BERIT HOLDINGS CORPORATION	99,882,687	0.75%
7	SZE KOU FOR OR SZE WING WAH ERIC	20,450,000	0.15%
8	AUGUSTA HOLDINGS INC.	19,140,975	0.14%
9	DMCI RETIREMENT FUND	13,000,000	0.10%
10	REYES, JOSEFA CONSUNJI	5,650,000	0.04%
11	LAPERAL MA. EDWINA/MIGUEL DAVID C.	2,750,000	0.02%
12	YNTALCO REALTY DEVT. CORPORATION	2,500,000	0.02%
13	DELA VEGA, BENIGNO	2,050,000	0.02%
14	WINDERMERE HOLDINGS INC.	1,905,715	0.01%
15	GREAT TIMES HOLDINGS CORPORATION	1,898,565	0.01%
16	ZHENG AO	1,840,000	0.01%
17	MAKATI SUPERMARKET CORP.	1,727,500	0.01%
18	FILAMOR ENRIQUE	1,570,000	0.01%
19	LI XIUFEN	1,464,000	0.01%
20	JABBERWOCK HOLDINGS, INC.	1,311,514	0.01%

**Summary of Submittals of SEC Form 17-C  
For the Year 2020**

Date	Nature of Report
January 2, 2020	Redemption of Preferred Shares
January 8, 2020	Advisory on Board of Directors' Meeting Attendance
January 15, 2020	DMC share transaction by Director/Officer
January 23, 2020	DMC share transaction by Director
January 23, 2020	DMC share transaction by Director/Officer
January 28, 2020	DMC share transaction by Director
February 3, 2020	Redemption of Preferred Shares
February 20, 2020	DMC share transaction by Director/Officer
February 24, 2020	DMC share transaction by Director/Officer
February 26, 2020	DMC share transaction by Director/Officer
March 2, 2020	Redemption of Preferred Shares
March 5, 2020	Board Meeting Results
March 5, 2020	Press Release: DMCI Holdings 2019 Net income
March 5, 2020	Notice of Annual Stockholders' Meeting
March 5, 2020	Declaration of Cash Dividends
March 12, 2020	DMC share transaction by Director/Officer
March 13, 2020	Response to SEC Notice to PLCs dated March 12, 2020
March 23, 2020	Notice of Postponement of Annual Stockholders' Meeting
March 24, 2020	Amended Notice of Postponement of Annual Stockholders' Meeting
March 25, 2020	Notice to Stockholders on Cash Dividends Distribution
April 1, 2020	Redemption of Preferred Shares
April 17, 2020	DMC share transaction by Director/Officer
April 17, 2020	DMC share transaction by Substantial Stockholder (Dacon Corp.)
April 22, 2020	DMC share transaction by Director
April 23, 2020	DMC share transaction by Director
May 1, 2020	Redemption of Preferred Shares
May 4, 2020	DMC share transaction by Director/Officer
May 4, 2020	DMC share transaction by Substantial Stockholder (Dacon Corp.)

<b>Date</b>	<b>Nature of Report</b>
May 6, 2020	DMC share transaction by Director/Officer
May 6, 2020	DMC share transaction by Director
May 6, 2020	DMC share transaction by Substantial Stockholder (Dacon Corp.)
May 7, 2020	DMC share transaction by Substantial Stockholder (Dacon Corp.)
May 7, 2020	DMC share transaction by Director/Officer
May 8, 2020	DMC share transaction by Director/Officer
May 14, 2020	Board Meeting Results
May 14, 2020	Press Release: DMCI Holdings earnings down 78% to P616M
May 14, 2020	Notice of Annual Stockholders' Meeting
May 22, 2020	DMC share transaction by Director/Officer
May 22, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
May 24, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
May 27, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
June 3, 2020	Redemption of Preferred Shares
June 3, 2020	DMC share transaction by Director/Officer
June 4, 2020	DMC share transaction by Director/Officer
June 15, 2020	DMC share transaction by Director/Officer
June 16, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
June 18, 2020	DMC share transaction by Director/Officer
June 18, 2020	DMC share transaction by Director/Officer
June 18, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
June 22, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
June 22, 2020	DMC share transaction by Director/Officer
June 24, 2020	DMC share transaction by Director/Officer
June 26, 2020	Resignation of Officers
June 26, 2020	DMC share transaction by Director/Officer
June 26, 2020	DMC share transaction by Director
June 26, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
June 29, 2020	Revised Material Related Party Transactions Policy
June 30, 2020	DMC share transaction by Director/Officer
June 30, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)

Date	Nature of Report
July 1, 2020	Redemption of Preferred Shares
July 1, 2020	DMC share transaction by Director/Officer
July 1, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 6, 2020	DMC share transaction by Director/Officer
July 7, 2020	DMC share transaction by Director/Officer
July 13, 2020	DMC share transaction by Substantial Stockholder (Dacon Corp.)
July 14, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 14, 2020	DMC share transaction by Director/Officer
July 14, 2020	DMC share transaction by Director
July 14, 2020	Results of the Annual Stockholders' Meeting
July 17, 2020	Change in Investor Relations contact details
July 21, 2020	DMC share transaction by Director/Officer
July 28, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 28, 2020	DMC share transaction by Director
July 29, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 29, 2020	DMC share transaction by Director/Officer
July 29, 2020	DMC share transaction by Director
July 30, 2020	DMC share transaction by Director
July 30, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 31, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
July 31, 2020	DMC share transaction by Director/Officer
August 3, 2020	Redemption of Preferred Shares
August 3, 2020	DMC share transaction by Director/Officer
August 3, 2020	Notice of Analysts' Briefing
August 5, 2020	DMC share transaction by Director/Officer
August 5, 2020	DMC share transaction by Director
August 5, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 6, 2020	DMC share transaction by Director/Officer
August 6, 2020	DMC share transaction by Director/Officer
August 7, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 10, 2020	Results of Board Meeting




Date	Nature of Report
August 10, 2020	Press Release: DMCI Holdings Q2 Earnings Down 62% To P1.4b
August 17, 2020	Press Release: DMCI Mining nickel exports jump 25% in H1
August 19, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 19, 2020	DMC share transaction by Director/Officer
August 20, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 24, 2020	DMC share transaction by Director/Officer
August 24, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 24, 2020	DMC share transaction by Director/Officer
August 24, 2020	DMC share transaction by Independent Director
August 25, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 25, 2020	DMC share transaction by Director/Officer
August 25, 2020	Results of Special Board Meeting
August 27, 2020	Press Release: DMCI Homes adapts to COVID-19 challenges
August 27, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
August 28, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 2, 2020	Redemption of Preferred Shares
September 2, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 4, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 7, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 8, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 8, 2020	DMC share transaction by Director/Officer
September 11, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 21, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
September 23, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
October 1, 2020	Redemption of Preferred Shares
October 1, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
October 2, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
October 5, 2020	DMC share transaction by Substantial Stockholder (DFC Holdings Inc.)
November 3, 2020	Redemption of Preferred Shares
November 4, 2020	Notice of Analysts' Briefing
November 9, 2020	Board Meeting Results

Date	Nature of Report
November 9, 2020	Press Release: DMCI Holdings trims earnings decline to 34% in Q3; 9M earnings down 58% to Php 3.9 billion
November 11, 2020	DMC share transaction by Director
November 17, 2020	DMC share transaction by Director/Officer
November 17, 2020	Press Release: DMCI Homes to complete 10 buildings by year-end
November 19, 2020	DMC share transaction by Director/Officer
November 20, 2020	DMC share transaction by Director/Officer
November 26, 2020	DMC share transaction by Director/Officer
December 1, 2020	Redemption of Preferred Shares
December 1, 2020	DMC share transaction by Director/Officer
December 1, 2020	DMC share transaction by Director/Officer
December 1, 2020	DMC share transaction by Director/Officer
December 1, 2020	DMC share transaction by Director
December 4, 2020	Amended DMC share transaction by Director/Officer
December 5, 2020	Amended DMC share transaction by Director

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on 06 APR 2021.

By:

  
Isidro A. Consunji  
Chairman and President


  
Herbert M. Consunji  
Executive Vice President & Chief Finance Officer

  
Atty. Noel A. Laman  
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this 06 APR 2021 day of 06 APR 2021 2021 affiants exhibiting to me his/their Passport details, as follows:

NAMES	Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	P2690001B	07-31-19	DFA Manila
Herbert M. Consunji	P9195543A	10-17-18	DFA NCR North East
Atty. Noel A. Laman	P0578138B	02-07-19	DFA Manila

Doc. No. 196  
Page No. 41  
Book No. 161  
Series of 2021

  
ATTY RAYMOND A. RAMOS  
~~COMMISSION NO. M-239~~  
Notary Public  
NOTARY PUBLIC, MAKATI CITY  
UNTIL JUNE 30, 2021 per B.M. No. 3795  
11 KALAYAAN AVENUE EXTENSION  
BARANGAY WEST REMBO, MAKATI CITY  
SG Roll No. 62179/04-26-2013  
IBP NO. 137312/01-04-2021/Pasig City  
PTR NO. MKT 8531022/01-04-2021/Makati City  
MTC Compliance No. VI-0007878/04-06-2018

**Fw: Your BIR AFS eSubmission uploads were received**

April C. Ancheta &lt;acancheta@dmcinet.com&gt;

Tue 2021-04-20 5:19 PM

**To:** Mary Grace M. Garcia <mmgarcia@dmcinet.com>**Cc:** Maria Luisa M. Banta <mmb@dmcinet.com>; Jayson B. Alcaraz <jbalcaraz@dmcinet.com>

E-mail confirmation from BIR

---

**From:** eafs@bir.gov.ph <eafs@bir.gov.ph>**Sent:** Tuesday, 20 April 2021 4:56 PM**To:** April C. Ancheta <acancheta@dmcinet.com>**Cc:** April C. Ancheta <acancheta@dmcinet.com>**Subject:** Your BIR AFS eSubmission uploads were received

Hi DMCI HOLDINGS, INC.,

**Valid files**

- eAFS004703376AFSTY122020.pdf
- eAFS004703376ITRTY122020.pdf
- eAFS004703376RPPTY122020.pdf
- eAFS004703376OTHTY122020.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-CK6G8L9G0BG8J9HACM3NQ4SWQ06BLDEA9G**Submission Date/Time: **Apr 20, 2021 04:56 PM**Company TIN: **004-703-376**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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**DMCI HOLDINGS**  
I N C O R P O R A T E D

3rd Floor  
DACON Building  
2281 Don Chino Rocas Ave.  
Makati City 1231, Philippines

Telephone  
(632) 888 • 3000  
Facsimile  
(632) 816 • 7362  
Website  
www.dmciholdings.com

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

  
\_\_\_\_\_  
**Isidro A. Consunji**  
Chairman of the Board/ *per*  
President

  
\_\_\_\_\_  
**Herbert M. Consunji**  
Executive Vice-President/ *per*  
Chief Financial Officer

*Signed this March 04, 2021*



**DMCI HOLDINGS**  
INCORPORATED

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in  
MAKATI CITY, this 01 day of MAR 2021.

3rd Floor  
DACON Building  
2281 Dan China Rocas Ave.  
Makati City 1231, Philippines

Telephone  
(632) 888 • 3000  
Facsimile  
(632) 816 • 7362  
Website  
www.dmciholdings.com

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

Doc No. 188  
Page No. 39  
Book No. 106  
Series No. 204

*[Signature]*  
ATTY. RAYMOND A. RAMOS  
COMMISSION NO. M-239  
NOTARY PUBLIC FOR MAKATI CITY  
UNTIL JUNE 30, 2021 per B.M. No. 3795  
G/F PCRC BLDG., B21-L2 SAMPAGUTA CORNER  
CAMIA STREET, PEMBO, MAKATI CITY  
SC Roll No. 62179/04-26-2013  
IBP NO. 137312/01-04-2021/Pasig City  
TR NO. MICT 8531022/01-04-2021/Makati City  
~~ATTE. RAYMOND A. RAMOS~~

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

A	S	O	9	5	0	0	2	2	8	3
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**COMPANY NAME**

D	M	C	I		H	O	L	D	I	N	G	S	,		I	N	C	.		A	N	D		S	U	B	S	I	D
I	A	R	I	E	S																								

**PRINCIPAL OFFICE** ( No. / Street / Barangay / City / Town / Province )

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

Form Type  

A	A	F	S
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Department requiring the report  

C	R	M	D
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Secondary License Type, If Applicable  

N	/	A
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**COMPANY INFORMATION**

Company's Email Address <table border="1" style="width: 100%; text-align: center;"><tr><td>www.dmciholdings.com</td></tr></table>	www.dmciholdings.com	Company's Telephone Number <table border="1" style="width: 100%; text-align: center;"><tr><td>8888-3000</td></tr></table>	8888-3000	Mobile Number <table border="1" style="width: 100%; text-align: center;"><tr><td>N/A</td></tr></table>	N/A
www.dmciholdings.com					
8888-3000					
N/A					
No. of Stockholders <table border="1" style="width: 100%; text-align: center;"><tr><td>707</td></tr></table>	707	Annual Meeting (Month / Day) <table border="1" style="width: 100%; text-align: center;"><tr><td>Third Tuesday of May</td></tr></table>	Third Tuesday of May	Fiscal Year (Month / Day) <table border="1" style="width: 100%; text-align: center;"><tr><td>December 31</td></tr></table>	December 31
707					
Third Tuesday of May					
December 31					

**CONTACT PERSON INFORMATION**

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

Name of Contact Person <table border="1" style="width: 100%; text-align: center;"><tr><td>Herbert M. Consunji</td></tr></table>	Herbert M. Consunji	Email Address <table border="1" style="width: 100%; text-align: center;"><tr><td>hmc@dmcinet.com</td></tr></table>	hmc@dmcinet.com	Telephone Number/s <table border="1" style="width: 100%; text-align: center;"><tr><td>8888-3000</td></tr></table>	8888-3000	Mobile Number <table border="1" style="width: 100%; text-align: center;"><tr><td>N/A</td></tr></table>	N/A
Herbert M. Consunji							
hmc@dmcinet.com							
8888-3000							
N/A							

**CONTACT PERSON'S ADDRESS**

<b>3rd Floor Dacon Building, 2281 Don Chino Roces Avenue, Makati City</b>
---

**NOTE 1** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





## INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors  
DMCI Holdings, Inc.  
3rd Floor, Dacon Building  
2281 Don Chino Roces Avenue  
Makati City

### Opinion

We have audited the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

### ***Recognition of Revenue from Real Estate and Construction Contracts***

For real estate contracts, the following matters are significant to our audit because these involve the application of significant judgment and estimation around: (a) the assessment of the probability that the Group will collect the consideration from the buyer; (b) the determination of the transaction price; (c) the application of the output method as the measure of progress in determining real estate revenue; and (d) the recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Also, management evaluates the historical sales cancellations and back-outs, after considering the impact of the coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses the output method. This method measures progress based on the physical proportion of work done on the real estate project which requires technical determination by the Group's specialists (i.e., project engineers).

The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agents as cost to obtain the contract and recognizes the related commission payable. The Group uses the percentage of completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

For construction contracts, revenues are determined using the input method, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group also recognizes, as part of its revenue from construction contracts, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. We considered this as a key audit matter because this process requires significant management judgements and estimates, particularly with respect to the identification of the performance obligations, estimation of the variable considerations arising from the change orders and claims and calculation of estimated costs to complete the construction projects, which requires the technical expertise of the Group's engineers.



Relevant disclosures related to this matter are provided in Notes 3 and 33 to the consolidated financial statements.

#### *Audit Response*

We obtained an understanding of the Group's revenue recognition process.

#### *Real estate contracts*

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We also considered the impact of the coronavirus pandemic to the level of cancellations during the year. We traced the analysis to cancelled sales monitoring and supporting documents such as notice of cancellations.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the output method in determining real estate revenue, we obtained an understanding of the Group's processes for determining the POC and performed tests of the relevant controls. We obtained the certified POC reports prepared by the project engineers and assessed their competence and objectivity by reference to their qualifications, experience and reporting responsibilities. For selected projects, we conducted ocular inspections, made relevant inquiries, including inquiries on how the coronavirus pandemic affected the POC during the period, and obtained the supporting details of POC reports showing the completion of the major activities of the project construction.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, (c) the buyers' equity based on the collections per statement of account; and, (d) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales.

#### *Construction contracts*

We inspected sample contracts and supplemental agreements (e.g., purchase orders, variation order proposals) and reviewed management's assessment over the identification of performance obligation within the contract and the timing of revenue recognition. For the selected contracts with variable considerations, we obtained an understanding of the management's process to estimate the amount of consideration expected to be received from the customers. For change orders and claims of sampled contracts, we compared the amounts approved by the customers against the amounts estimated by management to be received from those customers.

For the measurement of progress of the construction projects, we obtained an understanding of the Group's processes to accumulate actual costs incurred and to estimate the expected cost to complete and tested the relevant controls. We considered the competence, capabilities and objectivity of the Group's engineers by referencing their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost report and cost-to-complete



analysis. On a sampling basis, we tested actual costs incurred through examination of invoices and other supporting documents such as progress billings from subcontractors. We conducted ocular inspections on selected projects and inquired the status of the projects under construction with the Group's project engineers, including inquiries on how the coronavirus pandemic affected the POC during the period. We also inspected the associated project documentation, such as accomplishment reports and variation orders, and inquired about the significant deviations from the targeted completion. We also performed test computation of the POC calculation of management.

### ***Recoverability of Nonfinancial Assets with Indicators of Impairment***

Under PFRSs, the Group is required to test the recoverability of its nonfinancial assets namely mining properties, power plants and other property and equipment if there are indicators of impairment.

The Group has nickel mining properties in Zambales amounting to ₱812.36 million as of December 31, 2020 which include a mining property that has not commenced commercial operations and has an ongoing application for renewal of its Mineral Production Sharing Agreement (MPSA). In addition, the Group has yet to obtain a supply agreement for its gas turbine plant with a carrying value of ₱1,073.94 million as of December 31, 2020. Moreover, the joint venture agreement for the development of a thermal power plant, with a carrying value of ₱282.71 million, was terminated during the year. These conditions are impairment indicators for which the Group is required under PFRSs to test the recoverability of the relevant assets. These matters are significant to our audit because the amounts are material to the consolidated financial statements and the assessment of recoverability of mining properties, power plants and other property and equipment requires significant judgment and assumptions, such as the estimated timing of resumption of commercial operations and mine production, coal and nickel prices, price inflation, commodity prices, foreign exchange rates, future electricity demand and supply, diesel costs and discount rates.

The relevant information on this matter are disclosed in Notes 3, 10, 12, 35 and 36 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialist in evaluating the methodologies and the assumptions used in the estimation of recoverable amounts. These assumptions include the estimated timing of commercial operations and mine production, coal and nickel prices, price inflation, commodity prices, foreign exchange rates, future electricity demand and supply, diesel costs and discount rates. With respect to mineral production, we compared the forecasted mine production with the three-year work program submitted by the Group to the Mines and Geosciences Bureau and with the historical mine production output. We compared the nickel prices, price inflation, foreign exchange rate and discount rate with externally published data. We also discussed with management the status of renewal of the MPSA and obtained management assessment of the potential impact of the remaining pending permits and timing of resumption of commercial operations, particularly the recoverability of the affected assets and any potential liabilities. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate, taking into consideration the impact associated with the coronavirus pandemic. We compared the electricity and coal prices, diesel costs and inflation rate with externally published data.

We tested the parameters used in the determination of the discount rates against the discount rates of comparable companies.



In addition, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of mining properties, power plants and other property and equipment.

### ***Estimation of Provision for Decommissioning and Mine Site Rehabilitation Costs***

The Group has recognized provision for decommissioning and mine site rehabilitation costs for the open pit mines of its coal mining activities amounting to ₱254.53 million as of December 31, 2020. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and mine site rehabilitation costs are disclosed in Notes 3 and 19 to the consolidated financial statements.

#### *Audit response*

We obtained an understanding of, and performed test of controls of management's processes and controls in the estimation of future decommissioning and mine site rehabilitation costs. We evaluated the competence, capabilities and objectivity of the mine site engineers and reviewed the relevant comprehensive mine rehabilitation plan prepared by the Group's Mine Planning and Exploration Department and Environment Department. We inquired of changes in the mine plan and in the cash flow assumptions, including management's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the timing of the expected cash flows with reference to the rehabilitation plan for the open pit mines. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

### ***Estimation of Mineable Ore Reserves***

The Group's coal mining properties amounting to ₱5,160.28 million as of December 31, 2020 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 12 to the consolidated financial statements.

#### *Audit response*

We obtained an understanding of, and performed test of controls on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and



objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

### ***Accounting for the Investment in a Significant Associate***

The Group has an investment in Maynilad Water Holdings Company, Inc. (MWHCI) that is accounted for under the equity method. More than 90% of MWHCI's net income is derived from Maynilad Water Services, Inc. (MWSI). For the year ended December 31, 2020, the Group's share in the net income of MWHCI amounted to ₱1,513.81 million and accounts for 26% of the 2020 net income attributable to the Parent Company. The Group's share in the net income of MWHCI is significantly affected by: (a) MWSI's recognition of water and sewerage service revenue, (b) the amortization of MWSI's service concession assets (SCA) using the units-of-production (UOP) method, and (c) MWSI's recognition and measurement of provisions related to ongoing regulatory proceedings, disputes and tax assessments. In addition, MWSI received a letter from Metropolitan Waterworks and Sewerage System (MWSS) in 2019 informing MWSI that it was directed to perform a review of MWSI's Concession Agreement (CA), which review continued in 2020. This ongoing review of the CA is an impairment indicator for which the Group is required under PFRSs to assess the recoverability of its investment in MWHCI.

These matters are significant to our audit because (a) the recognition of water and sewerage service revenue of MWSI depends on the completeness and accuracy of capture of water consumption based on meter readings over the concession area taken on various dates, propriety of rates applied across various customer types, and reliability of the systems involved in processing the bills and in recording revenues, (b) the UOP method involves significant management judgment, estimates, and assumptions, particularly in determining the total estimated billable water volume over the remaining period of the CA, and (c) significant management judgment is involved in MWSI's estimation of provisions related to ongoing regulatory proceedings, disputes and tax assessments. The inherent uncertainty over the outcome of these regulatory, legal and tax matters is brought about by the differences in the interpretation and implementation of the relevant laws and tax regulations and/or rulings. Moreover, the determination of the recoverable amount of the investment in MWHCI requires the use of significant judgments, estimates, and assumptions about the future results of business such as the concession period, tariff rate, revenue growth, billed water volume, and discount rate.

The Group's disclosures regarding these matters are included in Notes 3 and 10 to the consolidated financial statements.

### ***Audit Response***

Our audit procedures included, among others, obtaining the relevant financial information from management about MWHCI and performed recomputation of the Group's equity in net earnings of MWHCI as recognized in the consolidated financial statements.

On the recognition of water and sewerage service revenue of MWSI, we obtained an understanding of the water and sewerage service revenue process, which includes maintaining the customer database, capturing billable water consumption, uploading captured billable water consumption to the billing system, calculating billable amounts based on MWSS-approved rates, and uploading data from the billing system to the financial reporting system. We also evaluated the design of and tested the relevant controls over this process. In addition, we performed test recalculation of the billed amounts using the MWSS-approved rates and formulae, and compared these with the amounts reflected in the billing statements. Moreover, we involved our internal specialist in performing the procedures on the computer application automated aspects of this process.



On the amortization of MWSI's SCA using the UOP method, we reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the forecasted billable water. We evaluated the competence, capabilities, and objectivity of management's specialist who estimated the forecasted volumes, taking into consideration the impact associated with the coronavirus pandemic. Furthermore, we compared the billable water volume during the year against the data generated from the billing system. We recalculated the amortization expense for the year based on the established billable water volume.

On the recognition and measurement of MWSI's provisions, we involved our internal specialist in evaluating management's assessment on whether provisions on the contingencies should be recognized, and the estimation of such amount. We also discussed with management and obtained their assessment on the expected outcome and the status of the regulatory proceedings and disputes arbitration. In addition, we obtained correspondences from relevant government agencies and tax authorities, replies from third party legal counsels and any relevant historical and recent judgment issued by the courts/tax authorities on similar matters.

On the determination of recoverable amount of the investment in MWHCI, we involved our internal specialist in evaluating the methodology and the assumptions used in the determination of the recoverable amount of the investment. These assumptions include the concession period, tariff rate, revenue growth, billed water volume, and discount rate. We compared the forecast revenue growth against the historical data of the investee and inquired from management about the plans to support the forecasted revenue, concession period and tariff rates assumed. We also compared the Group's key assumptions such as water volume against historical data. We tested the discount rate used in the impairment test by comparing it with the weighted average cost of capital of comparable companies in the region. Furthermore, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on determining the recoverable amount of the investment.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is



necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.





- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is  
Dhonabee B. Señeres.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-2 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-098-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534366, January 4, 2021, Makati City

March 4, 2021



**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands of Pesos)

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 34)	₱18,918,450	₱21,597,823
Receivables - net (Notes 6, 20 and 34)	20,422,255	16,259,523
Current portion of contract assets (Note 7)	11,282,073	14,013,673
Inventories (Note 8)	53,895,389	49,666,453
Other current assets (Notes 9 and 35)	7,902,971	7,165,451
Total Current Assets	<b>112,421,138</b>	108,702,923
<b>Noncurrent Assets</b>		
Contract assets - net of current portion (Note 7)	6,706,034	5,104,621
Investments in associates and joint ventures (Note 10)	16,590,561	15,214,358
Investment properties (Note 11)	132,663	141,927
Property, plant and equipment (Note 12)	62,023,797	63,216,452
Exploration and evaluation assets (Note 13)	229,060	226,319
Pension assets - net (Note 22)	708,040	726,754
Deferred tax assets - net (Note 28)	938,621	1,114,735
Right-of-use assets (Note 32)	183,094	266,415
Other noncurrent assets (Notes 13 and 34)	4,460,531	6,072,497
Total Noncurrent Assets	<b>91,972,401</b>	92,084,078
	<b>₱204,393,539</b>	₱200,787,001

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Short-term debt (Notes 14 and 34)	₱5,800,060	₱2,492,122
Current portion of liabilities for purchased land (Notes 15 and 34)	849,024	673,025
Accounts and other payables (Notes 16, 20 and 34)	24,813,775	24,558,551
Current portion of contract liabilities and other customers' advances and deposits (Note 17)	11,361,748	10,369,033
Current portion of long-term debt (Notes 18 and 34)	5,425,745	11,438,712
Income tax payable	325,733	342,820
Total Current Liabilities	<b>48,576,085</b>	49,874,263

(Forward)



	December 31	
	2020	2019
<b>Noncurrent Liabilities</b>		
Contract liabilities - net of current portion (Note 17)	<b>₱5,311,878</b>	₱6,048,734
Long-term debt - net of current portion (Notes 18 and 34)	<b>40,663,165</b>	32,974,892
Liabilities for purchased land - net of current portion (Notes 15 and 34)	<b>1,170,582</b>	1,223,138
Deferred tax liabilities - net (Note 28)	<b>4,952,056</b>	5,211,488
Pension liabilities - net (Note 22)	<b>782,884</b>	502,661
Other noncurrent liabilities (Notes 19 and 32)	<b>1,734,118</b>	2,113,751
Total Noncurrent Liabilities	<b>54,614,683</b>	48,074,664
Total Liabilities	<b>103,190,768</b>	97,948,927
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital (Note 21)	<b>17,949,868</b>	17,949,868
Treasury shares - Preferred (Note 21)	<b>(7,069)</b>	(7,069)
Retained earnings (Note 21)	<b>64,391,833</b>	64,906,070
Premium on acquisition of noncontrolling-interests (Note 31)	<b>(817,958)</b>	(817,958)
Remeasurements on retirement plans - net of tax (Note 22)	<b>149,316</b>	344,568
Net accumulated unrealized gains on equity investments designated at fair value through other comprehensive income (Note 13)	<b>99,131</b>	91,459
Share in other comprehensive loss of an associate (Note 10)	<b>(118,800)</b>	(63,291)
Noncontrolling-interests (Note 31)	<b>81,646,321</b>	82,403,647
Total Equity	<b>19,556,450</b>	20,434,427
Total Equity	<b>101,202,771</b>	102,838,074
	<b>₱204,393,539</b>	₱200,787,001

*See accompanying Notes to Consolidated Financial Statements.*



**DMCI HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

(Amounts in Thousands of Pesos, Except for Earnings Per Share Figures)

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b> (Note 33)			
Construction contracts	₱16,563,725	₱18,302,491	₱14,581,411
Coal mining	16,488,547	29,085,433	23,185,658
Real estate sales	16,078,509	18,519,744	20,572,250
Electricity sales	15,730,695	19,710,544	22,861,930
Nickel mining	2,471,999	1,610,297	1,211,751
Merchandise sales and others	366,624	532,712	429,860
	<b>67,700,099</b>	<b>87,761,221</b>	<b>82,842,860</b>
<b>COSTS OF SALES AND SERVICES</b> (Note 23)			
Construction contracts	15,601,800	16,254,733	12,370,176
Coal mining	12,280,312	17,783,786	12,262,084
Real estate sales	12,954,284	13,176,975	14,703,529
Electricity sales	9,849,262	11,787,026	11,849,072
Nickel mining	928,705	680,480	392,262
Merchandise sales and others	312,036	371,661	311,208
	<b>51,926,399</b>	<b>60,054,661</b>	<b>51,888,331</b>
<b>GROSS PROFIT</b>	<b>15,773,700</b>	<b>27,706,560</b>	<b>30,954,529</b>
<b>OPERATING EXPENSES</b> (Note 24)	<b>8,913,688</b>	<b>12,158,269</b>	<b>11,640,661</b>
	<b>6,860,012</b>	<b>15,548,291</b>	<b>19,313,868</b>
<b>OTHER INCOME (EXPENSES)</b>			
Equity in net earnings of associates and joint ventures (Note 10)	1,546,131	1,802,385	1,825,657
Finance income (Note 25)	503,052	996,537	794,398
Finance costs (Note 26)	(1,191,072)	(1,523,452)	(1,138,578)
Impairment of goodwill (Note 3)	—	(1,637,430)	—
Other income - net (Note 27)	1,034,558	1,418,034	2,258,979
	<b>1,892,669</b>	<b>1,056,074</b>	<b>3,740,456</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>8,752,681</b>	<b>16,604,365</b>	<b>23,054,324</b>
<b>PROVISION FOR INCOME TAX</b> (Note 28)	<b>1,344,572</b>	<b>1,758,909</b>	<b>3,205,239</b>
<b>NET INCOME</b> (Note 33)	<b>₱7,408,109</b>	<b>₱14,845,456</b>	<b>₱19,849,085</b>
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱5,858,949	₱10,533,131	₱14,512,939
Noncontrolling-interests (Note 31)	1,549,160	4,312,325	5,336,146
	<b>₱7,408,109</b>	<b>₱14,845,456</b>	<b>₱19,849,085</b>
<b>Basic/diluted earnings per share attributable to equity holders of the Parent Company</b> (Note 29)	<b>₱0.44</b>	<b>₱0.79</b>	<b>₱1.09</b>

*See accompanying Notes to Consolidated Financial Statements.*

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2020	2019	2018
<b>NET INCOME</b>	<b>₱7,408,109</b>	₱14,845,456	₱19,849,085
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>			
Changes in fair values of investments in equity instruments designated at FVOCI (Note 13)	7,916	17,663	40,989
Net remeasurement losses on pension plans - net of tax (Note 22)	(209,970)	(319,173)	(72,114)
Share in other comprehensive loss of associates (Note 10)	(55,509)	(21,900)	—
<b>TOTAL OTHER COMPREHENSIVE LOSS</b>	<b>(257,563)</b>	(323,410)	(31,125)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱7,150,546</b>	₱14,522,046	₱19,817,960
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱5,615,860	₱10,234,310	₱14,481,814
Noncontrolling-interests	1,534,686	4,287,736	5,336,146
	<b>₱7,150,546</b>	₱14,522,046	₱19,817,960

*See accompanying Notes to Consolidated Financial Statements.*

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent Company										Noncontrolling -Interests (Note 31)	Total Equity
	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-in Capital (Note 21)	Treasury Shares – Preferred (Note 21)	Unappropriated Retained Earnings (Note 21)	Premium on Acquisition of Non-controlling Interest (Note 31)	Remeasurements on Pension Plans (Note 22)	Net Accumulated Unrealized Gain on equity investments designated at FVOCI (Note 13)	Share in other comprehensive loss of an associate (Note 10)	Total		
	For the Year Ended December 31, 2020											
Balances as of January 1, 2020	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱64,906,070	(₱817,958)	₱344,568	₱91,459	(₱63,291)	₱82,403,647	₱20,434,427	₱102,838,074
Comprehensive income												
Net income	–	–	–	–	5,858,949	–	–	–	–	5,858,949	1,549,160	7,408,109
Other comprehensive income (loss)	–	–	–	–	–	–	(195,252)	7,672	(55,509)	(243,089)	(14,474)	(257,563)
<b>Total comprehensive income</b>	–	–	–	–	5,858,949	–	(195,252)	7,672	(55,509)	5,615,860	1,534,686	7,150,546
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	9,148	9,148
Cash dividends declared (Note 21)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,421,811)	(8,794,997)
<b>Balances at December 31, 2020</b>	<b>₱13,277,474</b>	<b>₱4,672,394</b>	<b>₱17,949,868</b>	<b>(₱7,069)</b>	<b>₱64,391,833</b>	<b>(₱817,958)</b>	<b>₱149,316</b>	<b>₱99,131</b>	<b>(₱118,800)</b>	<b>₱81,646,321</b>	<b>₱19,556,450</b>	<b>₱101,202,771</b>
	For the Year Ended December 31, 2019											
Balances as of January 1, 2019	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱60,746,125	(₱817,958)	₱636,260	₱76,688	(₱41,391)	₱78,542,523	₱18,536,936	₱97,079,459
Comprehensive income												
Net income	–	–	–	–	10,533,131	–	–	–	–	10,533,131	4,312,325	14,845,456
Other comprehensive income (loss)	–	–	–	–	–	–	(291,692)	14,771	(21,900)	(298,821)	(24,589)	(323,410)
<b>Total comprehensive income</b>	–	–	–	–	10,533,131	–	(291,692)	14,771	(21,900)	10,234,310	4,287,736	14,522,046
Cash dividends declared (Note 21)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,390,245)	(8,763,431)
<b>Balances at December 31, 2019</b>	<b>₱13,277,474</b>	<b>₱4,672,394</b>	<b>₱17,949,868</b>	<b>(₱7,069)</b>	<b>₱64,906,070</b>	<b>(₱817,958)</b>	<b>₱344,568</b>	<b>₱91,459</b>	<b>(₱63,291)</b>	<b>₱82,403,647</b>	<b>₱20,434,427</b>	<b>₱102,838,074</b>



	Capital Stock (Note 21)	Additional Paid-in Capital (Note 21)	Total Paid-in Capital (Note 21)	Treasury Shares – Preferred (Note 21)	Unappropriated Retained Earnings (Note 21)	Premium on Acquisition of Non-controlling Interest (Note 31)	Remeasurements on Pension Plans (Note 22)	Net Accumulated Unrealized Gain on equity investments designated at FVOCI (Note 13)	Share in other comprehensive loss of an associate (Note 10)	Total	Noncontrolling -Interests (Note 31)	Total Equity
For the Year Ended December 31, 2018												
Balances as of January 1, 2018,	₱13,277,474	₱4,672,394	₱17,949,868	₱–	₱58,979,558	(₱599,082)	₱708,374	₱35,699	(₱41,391)	₱77,033,026	₱17,244,144	₱94,277,170
Comprehensive income												
Net income	–	–	–	–	14,512,939	–	–	–	–	14,512,939	5,336,146	19,849,085
Other comprehensive income (loss)	–	–	–	–	–	–	(72,114)	40,989	–	(31,125)	–	(31,125)
Total comprehensive income	–	–	–	–	14,512,939	–	(72,114)	40,989	–	14,481,814	5,336,146	19,817,960
Acquisition of noncontrolling interest	–	–	–	–	–	(218,876)	–	–	–	(218,876)	(32,731)	(251,607)
Redemption of preferred shares (Note 21)	–	–	–	(7,069)	–	–	–	–	–	(7,069)	–	(7,069)
Cash dividends declared (Note 21)	–	–	–	–	(12,746,372)	–	–	–	–	(12,746,372)	(4,010,623)	(16,756,995)
Balances at December 31, 2018	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱60,746,125	(₱817,958)	₱636,260	₱76,688	(₱41,391)	₱78,542,523	₱18,536,936	₱97,079,459



**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands of Pesos)

	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱8,752,681</b>	₱16,604,365	₱23,054,324
Adjustments for:			
Depreciation, depletion and amortization (Notes 11, 12, 13, 23, 24 and 32)	<b>8,166,024</b>	9,202,083	9,431,800
Finance costs (Note 26)	<b>1,191,072</b>	1,523,452	1,138,578
Write-down/impairment of property, plant and equipment (Notes 3, 12, 24 and 27)	<b>157,196</b>	83,536	–
Net movement in net pension asset	<b>59,589</b>	131,569	125,348
Net unrealized foreign exchange loss (gain)	<b>58,544</b>	(236,020)	(155,266)
Equity in net earnings of associates and joint ventures (Note 10)	<b>(1,546,131)</b>	(1,802,385)	(1,825,657)
Finance income (Note 25)	<b>(503,052)</b>	(996,537)	(794,398)
Loss (gain) on sale of property, plant and equipment - net (Notes 12 and 27)	<b>(67,003)</b>	14,847	(37,269)
Impairment of goodwill (Note 3)	–	1,637,430	–
Unrealized market loss (gain) on financial assets at FVPL (Note 27)	–	245,444	(25,775)
Gain on sale of undeveloped parcel of land (Note 27)	–	–	(1,021,770)
Operating income before changes in working capital	<b>16,268,920</b>	26,407,784	29,889,915
Decrease (increase) in:			
Receivables and contract assets	<b>(3,103,847)</b>	(1,947,484)	(3,585,049)
Inventories	<b>(2,684,959)</b>	(3,814,532)	(6,502,314)
Other current assets	<b>(504,374)</b>	2,316,342	(3,674,518)
Increase (decrease) in:			
Accounts and other payables	<b>(242,589)</b>	2,499,305	4,390,015
Liabilities for purchased land	<b>123,443</b>	(105,980)	(218,002)
Contract liabilities and other customers' advances and deposits	<b>3,515,197</b>	1,905,090	729,951
Cash generated from operations	<b>13,371,791</b>	27,260,525	21,029,998
Interest received	<b>506,747</b>	996,176	785,503
Income taxes paid	<b>(1,636,124)</b>	(1,938,770)	(2,729,826)
Interest paid and capitalized as cost of inventory (Note 8)	<b>(1,436,506)</b>	(1,186,166)	(1,023,271)
Net cash provided by operating activities	<b>₱10,805,908</b>	₱25,131,765	₱18,062,404

(Forward)





	<b>Years Ended December 31</b>		
	<b>2020</b>	2019	2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received from associates	<b>₱36,000</b>	₱1,286,086	₱798,972
Additions to:			
Property, plant and equipment (Note 12)	<b>(7,543,412)</b>	(15,183,170)	(13,044,069)
Investments in associates and joint ventures (Note 10)	<b>(56,500)</b>	(500,000)	–
Investment properties and exploration and evaluation assets (Notes 11 and 13)	<b>(8,241)</b>	–	(784)
Interest paid and capitalized as cost of property, plant and equipment (Note 12)	<b>(21,742)</b>	(85,228)	(44,707)
Proceeds from disposals of:			
Property, plant and equipment	<b>642,927</b>	–	420,314
Undeveloped land	–	–	1,901,250
Investment properties	–	–	24,380
Equity investments designated at FVOCI	–	–	4,475
Decrease (increase) in other noncurrent assets	<b>1,567,484</b>	(2,256,727)	1,196,265
<b>Net cash used in investing activities</b>	<b>(5,383,484)</b>	(16,739,039)	(8,743,904)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from avilment of:			
Short-term debt (Note 37)	<b>4,260,929</b>	35,882,500	9,622,849
Long-term debt (Note 37)	<b>13,558,760</b>	23,564,500	1,223,488
Payments of:			
Short-term debt (Note 37)	<b>(952,991)</b>	(40,405,654)	(3,639,617)
Long-term debt (Note 37)	<b>(11,951,261)</b>	(13,574,242)	(5,100,886)
Dividends to equity holders of the Parent Company (Notes 21 and 37)	<b>(6,373,186)</b>	(6,373,186)	(12,746,372)
Dividends to noncontrolling-interests (Notes 21 and 37)	<b>(2,307,438)</b>	(2,390,245)	(4,010,623)
Interest	<b>(968,913)</b>	(1,586,134)	(987,757)
Lease liabilities (Note 32)	<b>(43,872)</b>	(67,268)	–
Increase (decrease) in other noncurrent liabilities (Note 37)	<b>(3,314,421)</b>	2,651,082	(3,318,122)
Acquisition of noncontrolling-interests	<b>(3,230)</b>	–	(251,607)
Redemption of preferred shares	–	–	(7,069)
<b>Net cash used in financing activities</b>	<b>(₱8,095,623)</b>	(2,298,647)	(19,215,716)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(₱6,174)</b>	<b>₱21,780</b>	<b>₱55,406</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,679,373)</b>	<b>6,115,859</b>	<b>(9,841,810)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>21,597,823</b>	<b>15,481,964</b>	<b>25,323,774</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱18,918,450</b>	<b>₱21,597,823</b>	<b>₱15,481,964</b>

*See accompanying Notes to Consolidated Financial Statements.*



# DMCI HOLDINGS, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, and manufacturing of certain construction materials. In addition, the Group has equity ownership in water concession business.

The Parent Company's shares of stock are listed and are currently traded at the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 4, 2021.

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### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and financial assets at fair value through other comprehensive income (FVOCI) which have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), except for earnings per share and par value information or unless otherwise indicated.

The accompanying consolidated financial statements have been prepared under the going concern assumption.

#### Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include the availment of the relief granted by the Philippine Securities and Exchange Commission (SEC) under Memorandum Circular (MC) Nos. 14-2018 and 3-2019, to defer the implementation of the following accounting pronouncements until December 31, 2020. These accounting pronouncements address the issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry.

- *Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry*
  - a. Assessing if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04);
  - b. Treatment of land in the determination of percentage-of-completion (POC);
  - c. Treatment of uninstalled materials in the determination of POC (as amended by PIC Q&A 2020-02); and,
  - d. Accounting for Common Usage Service Area (CUSA) charges.



- *Deferral of the adoption of PIC Q&A 2018-14: Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

The consolidated financial statements also include the availment of relief under SEC MC No. 4-2020, to defer the adoption of *IFRIC Agenda Decision on Over Time Transfers of Constructed Goods under PAS 23, Borrowing Cost*, (the IFRIC Agenda Decision on Borrowing Cost) until December 31, 2020.

In December 2020, the SEC issued MC No. 34-2020, allowing the further deferral of the adoption of provisions (a) and (b) above of *PIC Q&A 2018-12* and the IFRIC Agenda Decision on Borrowing Cost, for another three (3) years or until December 31, 2023.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in *Standards Issued but not yet Effective* section under this Note.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.



A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any noncontrolling-interests and the cumulative translation differences recorded in equity.
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other similar events. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated and domiciled in the Philippines).

	Nature of Business	2020			2019		
		Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
(In percentage)							
<u>General Construction:</u>							
<b>D.M. Consunji, Inc. (DMCI)</b>	General Construction	<b>100.00</b>	–	<b>100.00</b>	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) <sup>1</sup>	General Construction	–	<b>53.20</b>	<b>53.20</b>	–	53.20	53.20
Raco Haven Automation Philippines, Inc. (Raco) <sup>1</sup>	Non-operating	–	<b>50.14</b>	<b>50.14</b>	–	50.14	50.14
Oriken Dynamix Company, Inc. (Oriken) <sup>1</sup>	Non-operating	–	<b>89.00</b>	<b>89.00</b>	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) <sup>1</sup>	Services	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
Bulakan North Gateway Holdings Inc (Bulakan North) <sup>1</sup>	Non-operating	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
<u>Real Estate:</u>							
<b>DMCI Project Developers, Inc. (PDI)</b>	Real Estate Developer	<b>100.00</b>	–	<b>100.00</b>	100.00	–	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) <sup>2</sup>	Hotel Operator	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) <sup>2</sup>	Property Management	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI) <sup>2</sup>	Services	–	<b>100.00</b>	<b>100.00</b>	–	51.00	51.00
Riviera Land Corporation (Riviera) <sup>2</sup>	Real Estate Developer	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
Hampstead Gardens Corporation (Hampstead) <sup>2*</sup>	Real Estate Developer	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) <sup>2*</sup>	Marketing Arm	–	<b>100.00</b>	<b>100.00</b>	–	100.00	100.00
L & I Development Corporation (LIDC)	Real estate Developer	–	<b>100.00</b>	<b>100.00</b>	–	–	–
<u>Coal Mining:</u>							
<b>Semirara Mining and Power Corporation (SMPC)</b>	Mining	<b>56.65</b>	–	<b>56.65</b>	56.65	–	56.65
<u>On-Grid Power:</u>							
Sem-Calaca Power Corporation (SCPC) <sup>3</sup>	Power Generation	–	<b>56.65</b>	<b>56.65</b>	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) <sup>3</sup>	Power Generation	–	<b>56.65</b>	<b>56.65</b>	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) <sup>3</sup>	Retail	–	<b>56.65</b>	<b>56.65</b>	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) <sup>3</sup>	Non-operational	–	<b>56.65</b>	<b>56.65</b>	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) <sup>3</sup>	Non-operational	–	<b>56.65</b>	<b>56.65</b>	–	56.65	56.65

(Forward)



	Nature of Business	2020			2019		
		Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
Southeast Luzon Power Generation Corporation (SeLPGC) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65	56.65
Semirara Claystone, Inc. (SCI) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65	56.65
St. Raphael Power Generation Corporation (SRPGC) <sup>3</sup>	Non-operational	–	56.65	56.65	–	–	–
<u>Off-Grid Power:</u>							
<b>DMCI Power Corporation (DPC)</b>	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) <sup>4</sup>	Power Generation	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>							
<b>DMCI Mining Corporation (DMC)</b>	Holding Company	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) <sup>5</sup>	Mining	–	74.80	74.80	–	74.80	74.80
Ulugan Resources Holdings, Inc. (URHI) <sup>5</sup>	Holding Company	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) <sup>5</sup>	Holding Company	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) <sup>5</sup>	Holding Company	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) <sup>5</sup>	Services	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) <sup>5</sup>	Mining	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00	100.00
<u>Manufacturing:</u>							
<b>Semirara Cement Corporation (SemCem)</b>	Non-operational	100.00	–	100.00	100.00	–	100.00
<b>Wire Rope Corporation of the Philippines (Wire Rope)</b>	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70

\*Ongoing liquidation.

<sup>1</sup> DMCI's subsidiaries. Bulakan North was incorporated on October 10, 2019 and has not yet started commercial operations.

<sup>2</sup> PDI's subsidiaries. In 2020, ZMSSI became a wholly-owned subsidiary thru the acquisition of 49% noncontrolling-interests.

In addition, on October 1, 2020, PDI entered into a share purchase agreement to acquire 100% of the total outstanding shares of LIDC. The acquisition of LIDC was accounted for as an asset acquisition (see Note 3).

<sup>3</sup> SMPC's subsidiaries. During the year, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (see Note 3).

<sup>4</sup> DPC's subsidiaries.

<sup>5</sup> DMC's subsidiaries.

### Noncontrolling-Interests

Noncontrolling-interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Group.

Noncontrolling-interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling-interests are allocated against the interests of the noncontrolling-interests even if these result to the noncontrolling-interest, having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction.



Any excess or deficit of consideration paid over the carrying amount of the noncontrolling-interests is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

Except for ZMSSI and SRPGC, the proportion of ownership interest held by noncontrolling-interests presented below on the consolidated subsidiaries are consistent with the prior year:

	<u>(In Percentage)</u>
Beta Electromechanical Corporation (Beta Electromechanical)	46.80
Raco Haven Automation Philippines, Inc. (Raco)	49.86
Oriken Dynamix Company, Inc. (Oriken)	11.00
Semirara Mining and Power Corporation (SMPC)	43.35
Sem-Calaca Power Corporation (SCPC)	43.35
Southwest Luzon Power Generation Corporation (SLPGC)	43.35
Sem-Calaca RES Corporation (SCRC)	43.35
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35
Semirara Energy Utilities, Inc. (SEUI)	43.35
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35
Semirara Claystone, Inc. (SCI)	43.35
St. Raphael Power Generation Corporation (SRPGC)	43.35
Berong Nickel Corporation (BNC)	25.20
Ulugan Resouces Holdings, Inc. (URHI)	70.00
Ulugan Nickel Corporation (UNC)	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00
TMM Management, Inc. (TMM)	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30

In 2020, ZMSSI and SRPGC became wholly-owned subsidiaries of the Group. PDI acquired the remaining 49% noncontrolling-interest in ZMSSI during the year. Equity shareholdings of the joint venture partner in SRPGC of 50% was acquired by SMPC upon the termination of the joint venture arrangement between the parties.

The voting rights held by the Group in the these subsidiaries are in proportion to their ownership interests, except for URHI and TMM (see Note 3).

#### Interest in Joint Control

DMCI, a wholly-owned subsidiary of the Parent Company, has an interest in joint arrangement, whereby the parties have a contractual arrangement that establishes joint control. DMCI recognizes its share of jointly held assets, liabilities, income and expenses of the joint operation with similar items, line by line, in its financial statements.

The financial statements of the joint operations are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new standards which became effective January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.



- Amendments to PFRS 3, *Business Combinations, Definition of a Business*  
The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments apply to the current year acquisitions of the Group (see Note 3 for the related disclosures) and will apply to future business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*  
The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*  
The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The amendments did not have an impact on the consolidated financial statements.

- Conceptual Framework for Financial Reporting issued on March 29, 2018  
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions*  
The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;





- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and,
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

This amendment is not applicable to the Group as there are no rent concessions granted to the Group as a lessee.

- Adoption of PIC Q&A 2020-03, Q&A No. 2018-12-D: STEP 3- *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*  
PIC Q&A 2020-03 was issued by the PIC on September 30, 2020. The latter aims to provide an additional option to the preparers of financial statements to present as receivables, the difference between the POC and the buyer's payment, with the POC being ahead. This PIC Q&A is consistent with the PIC guidance issued to the real estate industry in September 2019.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted the additional guidance issued by the PIC in September 2019.

#### Standards Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2021*

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*  
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and,
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods.



*Effective beginning on or after January 1, 2022*

- *Amendments to PFRS 3, Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- *Amendments to PAS 16, Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.



The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### *Deferred effectivity*

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



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

The Group is currently assessing the impact of adopting these amendments.

- Deferral of Certain Provisions of PIC Q&A 2018-12, *PFRS 15 Implementation Issues Affecting the Real Estate Industry* (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 08, 2019, the Philippine SEC issued SEC MC Nos. 14-2018 and 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023. A summary of the PIC Q&A provisions covered by the SEC deferral and the related deferral period follows:

	Deferral Period
a. Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04)	Until December 31, 2023
b. Treatment of land in the determination of the POC discussed in PIC Q&A 2018-12-E	Until December 31, 2023
c. Treatment of uninstalled materials in the determination of the POC discussed in PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02)	Until December 31, 2020
d. Accounting for CUSA Charges discussed in PIC Q&A No. 2018-12-H	Until December 31, 2020

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

In November 2020, the PIC issued the following Q&As which provide additional guidance on the real estate industry issues covered by the above SEC deferrals:

- PIC Q&A 2020-04, which provides additional guidance on determining whether the transaction price includes a significant financing component
- PIC Q&A 2020-02, which provides additional guidance on determining which uninstalled materials should not be included in calculating the POC

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.



The Group availed of the SEC reliefs to defer the above specific provisions of PIC Q&A No. 2018-12-D (as amended by PIC Q&A 2020-04). Had these provisions been adopted, the Group assessed that the impact would have been a mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year consolidated financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contracts receivable, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. The Group believes that the mismatch for its contracts to sell do not constitute a significant financing component based on the examples provided in the PIC letter dated November 11, 2020.

The above would have impacted the cash flows from operations and cash flows from financing activities for all years presented.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry*

In March 2019, the IFRIC issued an Agenda Decision clarifying the criteria for the capitalization of borrowing costs in relation to the construction of residential multi-unit real estate development which are sold to customers prior to the start of construction or completion of the development.

Paragraph 8 of PAS 23 allows the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Paragraph 5 of PAS 23 defines a qualifying asset as an asset that takes a substantial period of time to get ready for its intended use or sale. The IFRIC Agenda Decision clarified that the related assets namely, installment contracts receivable, contract asset or real estate inventory, are not considered qualifying assets and therefore the corresponding borrowing cost may not be capitalized.

On February 11, 2020, the Philippine SEC issued MC No. 4-2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Further, on December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023. Effective January 1, 2024, real estate companies shall adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC agenda decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities should have been expensed out in the period incurred. This adjustment should have been applied retrospectively and would have resulted to restatement of prior year consolidated financial statements. A restatement would have impacted interest expense, cost of real estate sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.



- Deferral of PIC Q&A 2018-14, *Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)*

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was November 11, 2020.

The Group availed of the SEC relief to defer of adoption of this PIC Q&A until December 31, 2020. Currently, the Group records the repossessed inventory at cost.

As prescribed by SEC MC No. 34-2020, for financial reporting periods beginning on or after January 1, 2021, the availment of the above deferral will impact the Group's financial reporting during the period of deferral as follows:

- a) The consolidated financial statements are not considered to be in accordance with PFRSs and should specify in the "*Basis of Preparation of the Financial Statements*" section of the consolidated financial statements the accounting framework as follows:

*PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission in response to the COVID-19 pandemic particularly the assessment if the transaction price includes a significant financing component (as amended by PIC Q&A 2020-04).*

- b) The Auditor's report will:
  - i. reflect in the Opinion paragraph that the consolidated financial statements are prepared in accordance with the compliance framework described in the notes to the consolidated financial statements; and,
  - ii. include an Emphasis of Matter paragraph to draw attention to the basis of accounting that has been used in the preparation of the consolidated financial statements.

Upon full adoption of the above deferred guidance, the accounting policies will have to be applied using full retrospective approach following the guidance under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

#### Current versus Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current and noncurrent classification.



An asset is current when:

- 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 12 months after reporting date; or,
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

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

#### Fair Value Measurement

The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

The 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 consolidated financial statements are categorized within the fair value hierarchy 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 asset or liability and the level of the fair value hierarchy as explained above.

#### Cash and Cash Equivalents

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

#### Recognition and Measurement of Financial Instruments

##### *Financial assets*

##### a. Initial recognition

Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at FVOCI, or at FVPL.

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

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

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

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





The Group's financial assets comprise of financial assets at amortized cost, financial assets at FVPL and financial assets at FVOCI.

b. Subsequent measurement – Financial assets at amortized cost

Financial assets are measured at amortized cost if both of the following conditions are met:

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

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

The Group classifies cash and cash equivalents, receivables, due from related parties, and refundable deposit as financial assets at amortized cost (see Notes 4, 6, 9 and 13).

c. Subsequent measurement - Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its quoted and non-listed equity investments under this category (see Note 9).

c. Subsequent measurement - Financial assets at FVPL

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

The Group measures its derivative as financial asset at FVPL and is carried in the consolidated statement of financial position at fair value, with net changes in fair value recognized in the consolidated statement of income (see Note 5).



d. Derecognition

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial liabilities*

a. Initial recognition

Financial liabilities are classified, at initial recognition, either as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities comprise of financial liabilities at amortized cost including accounts and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities, income tax payable, and other statutory liabilities).

b. Subsequent measurement – Payables, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This category generally applies to short-term and long-term debt.

c. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially



modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

#### Impairment of Financial Assets

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

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

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

For real estate, installment contracts receivable (ICR) and contract assets, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

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

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.



For short term investments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the effective interest method over the term of the related debt.

#### Offsetting of Financial Instruments

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

#### Inventories

##### *Real Estate Held for Sale and Development*

Real estate held for sale and development consists of condominium units and subdivision land for sale and development.

Condominium units and subdivision land for sale are carried at the lower of aggregate cost and net realizable value (NRV). Costs include acquisition costs of the land, plus costs incurred for the construction, development and improvement of residential units. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Undeveloped land is carried at lower of cost and NRV.

The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Valuation allowance is provided for real estate held for sale and development when the NRV of the properties are less than their carrying amounts.

##### *Coal Inventory*

The cost of coal inventory is carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory. Cost is determined using the weighted average production cost method.



The cost of extracted coal includes all stripping costs and other mine related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with the total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.

#### *Nickel Ore Inventory*

Nickel ore inventories are valued at the lower of cost and NRV. Cost of beneficiated nickel ore or nickeliferous laterite ore is determined by the moving average production cost and comprise of outside services, production overhead, personnel cost, and depreciation, amortization and depletion that are directly attributable in bringing the beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for beneficiated nickel ore or nickeliferous laterite ore is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Stockpile tonnages are verified by periodic surveys.

#### *Materials in Transit*

Cost is determined using the specific identification basis.

#### *Equipment Parts, Materials and Supplies*

The cost of equipment parts, materials and supplies is determined principally by the average cost method (either by moving average or weighted average production cost).

Equipment parts and supplies are transferred from inventories to property, plant and equipment when the use of such supplies is expected to extend the useful life of the asset and increase its economic benefit. Transfers between inventories to property, plant and equipment do not change the carrying amount of the inventories transferred and they do not change the cost of that inventory for measurement or disclosure purposes.

Equipment parts and supplies used for repairs and maintenance of the equipment are recognized in the consolidated statement of income when consumed.

NRV for supplies and fuel is the current replacement cost. For supplies and fuel, cost is also determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

#### Other assets

Other current and noncurrent assets, which are carried at cost, pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

#### *Advances to Suppliers and Contractors*

Advances to suppliers and contractors are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Current and noncurrent classification is determined based on the usage/realization of the asset to which it is intended for (e.g., inventory, investment property, property plant and equipment).



#### *Value-added Tax (VAT)*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more. This is amortized over five (5) years or the life of the property, plant and equipment, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation. Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

#### Investments in Associates and Joint Ventures

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

Under the equity method, the investments in associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and noncontrolling-interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share to the extent of the interest in associate or joint venture.



The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

#### Investment Properties

Investment properties comprise completed property and property under construction or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets of 20 to 25 years.

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

#### Exploration and Evaluation Assets and Mining Properties

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling



- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mining properties' which is a subcategory of 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mining properties and equipment'.

Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

#### Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mining properties and subsequently amortized over its useful life using units-of-production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be reasonably identified; and,
- The costs associated with the improved access can be reliably measured.





If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as operating costs as they are incurred.

In identifying components of the body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore/coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore/coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore/coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mining properties and equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore/coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

#### Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization, and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation costs. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property, plant and equipment.



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

Depreciation, depletion and amortization of assets commences once the assets are put into operational use.

Depreciation, depletion and amortization of property, plant and equipment are calculated on a straight-line basis over the following EUL of the respective assets or the remaining contract period, whichever is shorter:

	Years
Land improvements	5-25
Power plant, buildings and building improvements	10-25
Equipment and machinery under “coal mining properties and equipment”	2-3
Equipment and machinery under “nickel mining properties and equipment”	2-5
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Leasehold improvements	5-7

The EUL and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the year the item is derecognized.

Coal and nickel mining properties are amortized using the units-of-production method. Coal and nickel mining properties consists of mine development costs, capitalized cost of mine rehabilitation and decommissioning (refer to accounting policy on “Provision for mine rehabilitation and decommissioning”), stripping costs (refer to accounting policy on “Stripping Costs”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Exploration and Evaluation Assets”, which were transferred to property, plant and equipment upon start of commercial operations. Mining rights are expenditures for the acquisition of property rights that are capitalized.

The net carrying amount of mining properties is depleted using unit-of-production method based on the estimated economically, legal and environmental saleable reserves of the mine concerned which is based on the current market prices, and are written-off if the property is abandoned.

#### Mineable Ore Reserves

Mineable ore reserves are estimates of the amount of coal and nickel that can be economically and legally extracted from the Group’s mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the mineable ore body, and require complex geological judgments to



interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the mineable ore body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mining properties and equipment' under 'Property, plant and equipment'.

#### Intangible Assets

Intangible assets and software costs acquired separately are capitalized at cost and are shown as part of the "Other noncurrent assets" account in the consolidated statement of financial position.

Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their EUL ranging from three (3) to five (5) years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

#### Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as part of cost of sales in the consolidated statement of income. During the period of development, the asset is tested for impairment annually.

#### Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investments in associates and joint ventures, right-of-use assets and intangible assets.

#### *Property, Plant and Equipment, Investment Properties, Right-of-Use Assets and Intangible Assets*

The Group assesses at each reporting date whether there is an indication that these assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required,



the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

#### *Exploration and evaluation assets*

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation assets may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

#### *Investments in associates and joint ventures*

For investments in associates and joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the carrying value and the recoverable amount of the investee company and recognizes the difference in the consolidated statement of income.

#### Liabilities for Purchased Land

Liabilities for purchased of land represents unpaid portion of the acquisition costs of raw land for future development, including other costs and expenses incurred to effect the transfer of title of the property. Noncurrent portion of the carrying amount is discounted using the applicable interest rate for similar type of liabilities at the inception of the transactions.

#### Equity

##### *Capital Stock*

Capital stock consists of common and preferred shares which are measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.



When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.

#### *Treasury Shares*

Treasury shares pertain to own equity instruments which are reacquired and are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

#### *Retained Earnings*

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the subsidiaries as approved by their respective BOD.

Dividends on common shares are deducted from retained earnings when declared and approved by the BOD or shareholders of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to expense and included in operating expenses in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.



Goodwill is initially measured at costs being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling-interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

#### Asset Acquisitions

To assess whether a transaction is the acquisition of a business, the Group applies first a quantitative concentration test (also known as a screening test). The Group is not required to apply the test but may elect to do so separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the Group elects not to apply the test, the Group will perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.



When the Group obtains control over a previously held joint operation, and the joint operation does not constitute a business, the transaction is also accounted for as an asset acquisition which does not give rise to goodwill. The acquisition cost to obtain control of the joint operation is allocated to the individual identifiable assets acquired and liabilities assumed, including the additional share of any assets and liabilities previously held or incurred jointly, on the basis of their relative fair values at the date of purchase. Previously held assets and liabilities of the joint operation should remain at their carrying amounts immediately before the transaction.

#### Revenue and Cost recognition

##### *Revenue from contract with customers*

The Group is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, water concession and manufacturing. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

##### *Revenue recognized at a point in time*

- *Coal Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US\$), respectively.

Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, labor costs including outside services, depreciation and amortization, cost of decommissioning and site rehabilitation, and other related production overhead. These costs are recognized when incurred.

- *Nickel Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time when the beneficiated nickel ore/nickeliferous laterite ore is physically transferred onto a vessel or onto the buyer's vessel.

Cost of nickel includes cost of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the inventory to its saleable condition. These are recognized in the period when the goods are delivered.

- *Sales and services*

Revenue from room use, food and beverage sales and other services are recognized when the related sales and services are rendered.

- *Merchandise Sales*

Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the control is passed on to the buyers.



*Revenue recognized over time using output method*

- *Real Estate Sales*

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period using the percentage of completion or (POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses the output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by project engineers, and reviewed and approved by area managers under construction department which integrates the surveys of performance to date of the construction activities for both subcontracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under "Receivables", is included in the "Contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the "Contract liabilities" account in the liabilities section of the consolidated statement of financial position. The impact of the significant financing component on the transaction price has not been considered since the Group availed of the relief granted by the SEC under MC Nos. 14-2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC MC No. 34-2020, the relief has been extended until December 31, 2023.

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset these costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

- *Electricity Sales*

Revenue from sale of electricity is derived from its primary function of providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using output method measured principally on actual energy delivered each month.

Revenue from spot electricity sales is derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue is recognized over time using output method measured principally on actual excess generation delivered to the grid and sold to WESM.





Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Cost of electricity sales includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of electricity sales are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of electricity sales also includes electricity purchased from the spot market and the related market fees. It is recognized as cost when the Group receives the electricity and simultaneously sells to its customers.

#### *Revenue recognized over time using input method*

- *Construction Contracts*

Revenue from construction contracts are recognized over time (POC) using the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated costs of the project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on onerous contracts are recognized immediately when it is probable that the total unavoidable contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts", which is presented under "Contract assets", represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts", which is presented under "Contract liabilities", represents billings in excess of total costs incurred and estimated earnings recognized. Contract retention receivables are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

#### Contract Balances

##### *Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).



#### *Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

For the Group's real estate segment, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. It is recognized as "contract asset" account in the consolidated statement of financial position.

For the Group's construction segment, contract asset arises from the total contract costs incurred and estimated earnings recognized in excess of amounts billed.

A receivable (e.g., ICR, receivable from construction contracts), represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

#### *Costs to obtain contract*

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group's commission payments to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of Sales and Services - Real estate sales" account in the consolidated statement of income. Capitalized cost to obtain a contract is included in 'Other current and noncurrent assets' account in the consolidated statement of financial position.

#### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

For the Group's real estate segment, contract liability arises when the payment is made or the payment is due (whichever is earlier) from customers before the Group transfers goods or services to the customer. Contract liabilities are recognized as revenue when the Group performs (generally measured through POC) under the contract. The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

For the Group's construction segment, contract liability arises from billings in excess of total costs incurred and estimated earnings recognized.

#### *Contract fulfillment assets*

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.



If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs as included in the 'Inventory' account in the consolidated statement of financial position.

*Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract*

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or capitalized cost to obtain a contract may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits.

Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Other Revenue and Income Recognition

*Forfeitures and cancellation of real estate contracts*

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

*Income from commissioning*

Income from commissioning pertains to the excess of proceeds from the sale of electricity produced during the testing and commissioning of the power plant over the actual cost incurred to perform the testing and commissioning.



#### *Dividend income*

Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

#### *Rental income*

Rental income arising from operating leases on investment properties and construction equipment is accounted for on a straight-line basis over the lease terms.

#### *Interest income*

Interest income is recognized as interest accrues using the effective interest method.

#### Operating Expenses

Operating expenses are expenses that arise in the ordinary course of operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, investment properties and property, plant and equipment. Expenses are recognized in the consolidated statement of income when incurred.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs are also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

#### Foreign Currency Translations and Transactions

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Pension Cost

The Group has a noncontributory defined benefit multi-employer retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the



present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

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

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

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

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

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

#### *Termination benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.



*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.

Leases effective January 1, 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Group as a lessor*

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

*The Group as a lessee*

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

“Right-of-use assets” are presented under noncurrent assets in the consolidated statement of financial position.

*Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments



(e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases*

The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

#### Leases prior to January 1, 2019

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

A reassessment is made after inception of the lease only if one of the following applies:

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

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

#### *The Group as a lessee*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Fixed lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis while the variable rent is recognized as an expense based on terms of the lease contract.

#### *The Group as a lessor*

Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Lease payments received are recognized as an income in the consolidated statement of income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

#### Income Taxes

##### *Current Tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

##### *Deferred tax*

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



Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

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

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

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

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

#### Earnings Per Share (EPS)

Basic EPS is computed by dividing the consolidated net income for the year attributable to equity holders of the Parent Company (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

#### Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.





### Provisions

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

#### *Provision for decommissioning and site rehabilitation costs*

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

### Contingencies

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

### Events After the Reporting Period

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

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## 3. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, 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 consolidated financial statements. Actual results could differ from such estimates.



### 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:

#### *Determining the lease term of contracts with renewal and termination options - Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus currently not enforceable (see Note 32).

#### *Revenue recognition method and measure of progress*

- *Real estate revenue recognition*

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The Group also considers the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (buyer's equity) in relation to the total contract price. Collectability is assessed by considering factors such as history with the buyer, age of real estate receivables and pricing of the property. Also, management evaluates the historical sales cancellations and back-outs, after considering the impact of the coronavirus pandemic, if it would still support its current threshold of buyers' equity before commencing revenue recognition.

In measuring the progress of its performance obligation over time, the Group uses the output method which is based on the physical proportion of work done on the real estate project and requires technical determination by the Group's specialists (project engineers). The Group believes that this method faithfully depicts the Group's performance in transferring control of real estate development to the customers.



- *Construction revenue recognition*

- a. Existence of a contract

The Group assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Group considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

- b. Revenue recognition method and measure of progress

The Group concluded that revenue for construction services is to be recognized over time because (a) the customer controls assets as it is created or enhanced; (b) the Group's performance does not create an asset with an alternative use and; (c) the Group has an enforceable right for performance completed to date. The Group assessed that the first criterion is consistent with the rationale for percentage of completion (POC) revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the Group builds the asset on the customer's land or premises and the customer can generally control any work in progress arising from the Group's performance. The last criterion is evident in the actual provisions of the contract. As the Group cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

In measuring the progress of its performance obligation over time, the Group uses the input method which is based on actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance in transferring control of construction services to the customers.

- c. Identifying performance obligation

Construction projects of the Group usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Group assessed that goods and services are not separately identifiable from other promises in the contract. The Group provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Group accounts for all of the goods and services in the contract as a single performance obligation.

With regard to variation orders, the Group assessed that these do not result in the addition of distinct goods and services and are not identified as separate performance obligations because they are highly interrelated with the services in the original contract, and are part of the contractor's service of integrating services into a single output for which the Group has been contracted.

- d. Consideration of significant financing component in a contract

The Group usually imposed to its customers a percentage of contract price as an advance payment of the total contract price as mobilization fees. The Group concluded that there is no significant financing component for those contracts where the customer pays in advance, considering: (a) the advance payments have historically been recouped within 12 months from the reporting date; and, (b) the billings are normally based on the progress of work (POC). The lag time between performance of construction service which is measured through POC and actual billing and billing to collection is substantially within 12 months.



- *Mining and electricity sales - Revenue recognition method and measure of progress*  
The Group concluded that revenue from coal and nickel ore sales is to be recognized at a point in time as the control transfers to customers at the date of shipment.

On the other hand, the Group's revenue from power sales is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance obligation

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

#### *Exploration and evaluation expenditure*

The application of the Group's accounting policy for exploration and evaluation assets requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and,
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

#### *Determination of components of ore bodies and allocation of measures for stripping cost allocation*

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

#### *Evaluation and reassessment of control*

The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to



affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and,
- c. the ability to use its power over the investee to affect the amount of the investor's returns.

Ownership interests in URHI and TMM represent 30% and 40%, respectively. The stockholders of these entities signed the Memorandum of Understanding (MOU) that gives the Group the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations are occupied by the representatives of the Group.

*Evaluation whether acquisitions constitute a business combination*

On October 1, 2020, the Group, thru DPDI, acquired 100% ownership in L & I Development Corporation (LIDC), a domestic corporation, for a total consideration of ₱624.35 million. The primary purpose of LIDC is to engage and deal with the real estate, construction and leasing. As of purchase date, the assets of LIDC mainly consists of land and building leased out to tenants. In addition, the Group, through SMPC, acquired the remaining 50% ownership interest in SRPGC through a Deed of Assignment, with a joint venture partner. SRPGC is in the process of developing power plants in Calaca, Batangas. Prior to acquisition, SMPC already owns 50% ownership interest in SRPGC.

In determining whether a transaction or an event is a business combination, the Group assessed whether the assets acquired and liabilities assumed constitute a business. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. Further, a business consists of inputs and processes applied to those inputs that have the ability to create outputs.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

The Group assessed that the acquisitions of LIDC and SRPGC do not constitute a business. In making the judgment, the Group considered the status/state of LIDC and SRPGC and assessed that there was no substantive process acquired as of acquisition date. As such, the transactions were accounted for as acquisitions of assets.



### Management's Use of Estimates

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

a. Mining

*Estimating mineable ore reserves*

The Group uses the estimated minable ore reserve in the determination of the amount of amortization of mining properties using units-of-production (UOP) method. The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist (specialists). These estimates on the mineable ore reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying value of mining properties and mining rights, included in "Property, plant and equipment" as presented in the consolidated statements of financial position amounted to ₱9,501.93 million and ₱9,029.43 million in 2020 and 2019, respectively (see Note 12).

*Estimating coal stock pile inventory quantities*

The Group estimates the stock pile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3% and 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2020 and 2019 amounted to ₱2,033.84 million and ₱2,245.13 million, respectively (see Note 8).

*Estimating provision for decommissioning and mine site rehabilitation costs*

The Group is legally required to fulfill certain obligations under its Department of Energy and National Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. In addition, the Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., costs of backfilling, reforestation, and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2020 and 2019, the provision for decommissioning and mine site rehabilitation for coal mining activities amounted to ₱254.53 million and ₱500.09 million, respectively. As of the same dates, the provision for decommissioning and mine site rehabilitation costs for the nickel mining activities amounted to ₱39.63 million and ₱30.35 million, respectively (see Note 19).



b. Construction

*Revenue recognition - construction contracts*

The Group's construction revenue is based on the POC method measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. The Group also updates the estimated total cost of the project based on latest discussions with customers to include any revisions to the job order sheets and the cost variance analysis against the supporting details. The POC method is applied to the contract price after considering approved change orders.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

- (a) whether work has commenced on the contract;
- (b) the stage of completion of contract activity; or
- (c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its construction projects and used the above guidance in determining whether there are projects with contract cost exceeding contract revenues. Based on the best estimate of the Group, adjustments were made in the books for those projects with expected losses in 2020 and 2019. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱16,563.73 million, ₱18,302.49 million and ₱14,581.41 million in 2020, 2019 and 2018, respectively (see Note 33).

*Determining method to estimate variable consideration for variation orders*

It is common for the Group to receive numerous variation orders from the customers during the period of construction. These variation orders could arise due to changes in the design of the asset being constructed and in the type of materials to be used for construction.

The Group estimates the transaction price for the variation orders based on a probability-weighted average approach (expected value method) based on historical experience.

c. Real estate

*Revenue recognition – real estate sales*

The assessment process for the percentage-of completion and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies POC method in determining real estate revenue. The POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the internal project engineers.

Revenue from real estate sales amounted to ₱16,078.51 million, ₱18,519.74 million and ₱20,572.25 million in 2020, 2019 and 2018, respectively (see Note 33).

d. Power

*Estimating provision for decommissioning and site rehabilitation costs*

The Group is contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and



costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the property, plant and equipment and increase noncurrent liabilities.

The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the provision for decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2020 and 2019, the estimated provision for decommissioning and site rehabilitation costs amounted to ₱24.68 million and ₱22.72 million, respectively (see Note 19).

*Estimating allowance for expected credit losses (ECLs)*

*a. Installment contracts receivable and contract assets*

The Group uses the vintage analysis in calculating the ECLs for real estate ICR. Vintage Analysis calculates the vintage default rate of each period through a ratio of default occurrences of each given point in time in that year to the total number of receivable issuances or occurrences during that period or year. The rates are also determined based on the default occurrences of customer segments that have similar loss patterns (i.e., by payment scheme).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., bank lending rates and interest rates) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

*b. Trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The above assessment resulted to recognition of additional allowance for impairment of ₱44.73 million, ₱12.22 million and ₱30.83 million in 2020, 2019 and 2018, respectively (see Notes 6 and 24).

The Group has considered the impact of COVID-19 pandemic and revisited its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amount of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.





*Evaluation of net realizable value of inventories*

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV.

For real estate inventories, the Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. NRV for completed real estate inventories is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group in the light of recent market transactions. NRV in respect of real estate inventories under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less estimated costs to sell. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. In line with the impact of COVID-19, the Group experienced limited selling activities that resulted to lower sales in 2020. In evaluating NRV, recent market conditions and current market prices have been considered.

For inventories such as equipment parts, materials in transit and supplies, the Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Inventories carried at cost amounted to ₱44,860.47 million and ₱41,442.68 million as of December 31, 2020 and 2019, respectively. Inventories carried at NRV amounted to ₱9,034.92 million and ₱8,223.78 million as of December 31, 2020 and 2019, respectively (see Note 8).

*Estimating useful lives of property, plant and equipment (see 'estimation of minable ore reserves' for the discussion of amortization of coal mining properties)*

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.

In 2019, the Group incurred a loss from dismantling of a mining equipment amounting to ₱83.54 million (nil in 2020 and 2018; see Notes 12 and 24).

In 2017, the BOD approved the rehabilitation of SCPC's Units 1 and 2 coal-fired thermal power plant. The rehabilitation of Units 1 and 2 coal fired power plant resulted to the recording of accelerated depreciation amounting to ₱101.23 million, ₱549.95 million and ₱1,210.10 million in 2020, 2019 and 2018, respectively. The rehabilitation of the Units 1 and 2 were completed in 2019 and 2020, respectively, and there are no salvage values for the parts replaced.



In estimating the useful life of depreciable assets that are constructed in a leased property, the Group considers the enforceability of and the intent of management to exercise the option to purchase the leased property. For these assets, the depreciation period is over the economic useful life of the asset which may be longer than the remaining lease period.

As of December 31, 2020 and 2019, the carrying value of property, plant and equipment of the Group amounted to ₱62,023.80 million and ₱63,216.45 million, respectively (see Note 12).

*Impairment testing of goodwill*

The Group reviews the carrying values of goodwill for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The goodwill of ₱1,637.43 million is attributable to the acquisition of ZDMC and ZCMC. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates, judgements and assumptions on certain events and circumstances such as the estimated timing of resumption of operations, mine production, nickel prices, price inflation and discount rate. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

The Group performed its annual impairment test of goodwill and in 2019, the Group wrote off the goodwill as prevalent market conditions and regulatory restrictions no longer support its previous assessment and valuation.

*Impairment assessment of nonfinancial assets*

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

- significant underperformance relative to projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends or change in technology.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2020	2019
Investments in associates and joint ventures (Note 10)	<b>₱16,590,561</b>	₱15,214,358
Property, plant and equipment (Note 12)	<b>62,023,797</b>	63,216,452
Right of use assets (Note 32)	<b>183,094</b>	266,415
Other current assets (Note 9)*	<b>7,430,728</b>	6,627,445
Other noncurrent assets (Note 13)*	<b>4,209,148</b>	5,853,254

\* Excluding current and noncurrent financial assets.

The Group assessed that an indicator of impairment exists for the ancillary gas turbine plant of SLPGC due to its withdrawal from the ancillary contract with NGCP in 2019 (see Note 35). As of December 31, 2020, the gas turbine plant has yet to secure a supply agreement. As a result of this, the Group reperformed impairment assessment on its gas turbine plant and recognized an impairment



loss amounting to ₱157.20 million in 2020 to reduce the carrying value to its recoverable amount (nil in 2019 and 2018). The recoverable amount was computed using discounted cash flows approach and considered certain assumptions, such as future electricity demand and supply, historical and future dependable capacity, electricity prices, growth rate, diesel costs, inflation rate and discount rate, taking into consideration the impact of COVID-19 pandemic. As of December 31, 2020 and 2019, the carrying value of ancillary gas turbine, net of related allowance for impairment loss, amounted to ₱1,073.94 million and ₱1,286.70 million, respectively (see Note 12).

The Group also assessed for impairment the aggregate carrying value representing the development cost of the 2x350 power plants of SRPGC amounting to ₱282.71 million, due to termination of the related joint venture agreement in 2020 (see Notes 10 and 12). The recoverable amount was determined using assumptions about future electricity demand and supply, as well as external inputs such as electricity and coal prices, diesel costs, inflation rate and discount rate. No impairment loss was recognized in 2020 as a result of the test.

In addition, the Group has nickel mining properties in Zambales which include mining property assessed for impairment given that it has not commenced commercial operations and has an ongoing application for renewal of its Mineral Production Sharing Agreement (MPSA, see Note 36). The recoverable amount was determined using assumptions such as the estimated timing of resumption of commercial operations and mine production, nickel prices, price inflation, commodity prices, foreign exchange rates, and discount rate. No impairment loss was recognized in 2020 and 2019 as a result of the test. As of December 31, 2020 and 2019, related carrying value of this asset (included under “Nickel Mining Properties and Equipment”) amounted to ₱812.36 million and ₱736.67 million, respectively (see Note 12).

Further in 2019, Maynilad Water Services, Inc. (MWSI), 92.85%-owned subsidiary of Maynilad Water Holdings Company, Inc. (MWHCI), received a letter from Metropolitan Waterworks and Sewerage System (MWSS) informing MWSI that it was directed to perform a review of MWSI’s Concession Agreement (CA) which review continued in 2020. The ongoing review (which may affect future tariff increases and service commitments, and concession period) was considered an impairment indicator which requires the assessment of the recoverability of the Group’s investment in MWHCI. The determination of the recoverable amount of the investment in MWHCI was determined using assumptions such as tariff rates, revenue growth, billed water volume, and discount rate. No impairment loss was recognized in 2020 and 2019 as a result of the test. As of December 31, 2020 and 2019, the carrying value of the investment in MWHCI amounted to ₱15,725.13 million and ₱14,279.10 million, respectively (see Note 10)

In addition, management also recognized provision for impairment loss on “Other current assets” amounting to ₱15.39 million and ₱123.53 million in 2020 and 2019, respectively, since management assessed that the carrying amount of these assets are not recoverable (nil in 2018, see Note 24). Allowance for impairment losses as of December 31, 2020 and 2019 amounted to ₱158.07 million and ₱142.68 million, respectively.

Management believes that no impairment indicator exists for the Group’s other nonfinancial assets.

#### *Estimating the incremental borrowing rate*

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities because the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or



when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱127.99 million and ₱218.22 million as of December 31, 2020 and 2019, respectively (see Notes 19 and 32).

#### *Deferred tax assets*

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The deferred tax assets recognized amounted to ₱1,336.41 million and ₱1,467.69 million as of December 31, 2020 and 2019, respectively. The unrecognized deferred tax assets of the Group amounted to ₱217.17 million and ₱162.20 million as of December 31, 2020 and 2019, respectively (see Note 28).

#### *Estimating pension obligation and other retirement benefits*

The cost of defined benefit pension plans and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The net pension liabilities as at December 31, 2020 and 2019 amounted to ₱782.88 million and ₱502.66 million, respectively (see Note 22). Net pension assets amounted to ₱708.04 million and ₱726.75 million as of December 31, 2020 and 2019, respectively (see Note 22).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

#### *Contingencies*

The Group is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the 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 the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the evaluation of the case, the estimates of potential claims or in the effectiveness of the strategies relating to these proceedings (see Notes 27 and 35).



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#### 4. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand and in banks	<b>₱9,622,857</b>	₱6,917,426
Cash equivalents	<b>9,295,593</b>	14,680,397
	<b>₱18,918,450</b>	₱21,597,823

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.50% to 4.25%, 1.75% to 7.00% and 1.10% to 7.75% in 2020, 2019 and 2018, respectively. Total finance income earned on cash in banks and cash equivalents amounted to ₱190.05 million, ₱538.69 million and ₱541.11 million in 2020, 2019 and 2018, respectively (see Note 25).

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#### 5. Financial Assets at FVPL

The Group's financial asset at FVPL pertains to a five-year option agreement (until December 2021) with a retail electricity supplier (RES) entered in February 2017 with respect to its exposure to the WESM which does not constitute the supply of power by the Group to the RES. This qualified as a derivative but was not designated as a hedging instrument against the Group's exposure in the WESM.

On March 25, 2020, the parties agreed to pre-terminate the contract and the Group recognized gain on pre-termination amounting to ₱37.24 million which is lodged under "Other income - net" in the consolidated statements of income (see Note 27). The pre-termination did not constitute any default of either party and did not give rise to any termination fee.

Prior to termination, the fair value of the derivative was determined using the market data approach, Monte Carlo simulation (MCS) valuation, which is categorized within Level 3 of the fair value hierarchy. Because of the complexities in the option agreement such as the optionality of the payoff and variability of strike price, the MCS methodology is deemed appropriate for the valuation. Management uses published BVAL reference rates by the Bankers Association of the Philippines (BAP) in interpolation of discount rate.

Related gains (losses) recognized in profit or loss in 2019 and 2018 (nil in 2020) are as follows:

	2019	2018
Realized (Note 27)	(₱398,032)	₱65,817
Unrealized (Note 27)	(245,444)	25,775



Significant inputs to the valuation are as follows:

	2019	2018
WESM prices per kilowatt hour (kWh)	₱3.27 to ₱3.93	₱2.63 to ₱3.63
Philippine Peso to US\$ exchange rate	₱49.77 to ₱54.34	₱45.92 to ₱54.35
Consumer price index	67.77	101.81
Coal price index	121.10	119.60
Basis of risk free rate as of December 31*	3.74%	6.94%

\*Based on Bloomberg Valuation Service (BVAL)

## 6. Receivables

This account consists of:

	2020	2019
Trade:		
Construction contracts	<b>₱7,536,115</b>	₱6,499,785
Real estate	<b>6,492,700</b>	3,233,500
Electricity sales	<b>3,612,309</b>	4,646,055
Coal mining	<b>1,481,887</b>	855,343
Nickel mining	<b>110,570</b>	116,907
Merchandising and others	<b>95,194</b>	105,437
	<b>19,328,775</b>	15,457,027
Receivables from related parties (Note 20)	<b>591,216</b>	493,464
Other receivables	<b>2,240,531</b>	2,003,520
	<b>22,160,522</b>	17,954,011
Less allowance for expected credit losses	<b>1,738,267</b>	1,694,488
	<b>₱20,422,255</b>	₱16,259,523

### Trade Receivables

#### *Construction contracts*

Receivables from construction contracts principally consist of receivables arising from third-party construction projects. These also include retention receivables on uncompleted contracts amounting to ₱3,965.11 million and ₱2,631.00 million as of December 31, 2020 and 2019, respectively.

Retention receivables pertain to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated.

#### *Real estate*

Real estate receivables consist of accounts collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2020, 2019 and 2018, annual interest rates on installment contracts receivable range from 9.00% to 19.00%. Interest on installment contracts receivable amounted to ₱313.00 million, ₱277.66 million and ₱253.29 million in 2020, 2019 and 2018, respectively (see Note 25).



The Group retains the assigned receivables in the “real estate receivables” account and records the proceeds from these sales as long-term debt (see Note 18). The carrying value of installment contracts receivable sold with recourse amounted to ₱55.65 million and ₱118.91 million as of December 31, 2020 and 2019, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained.

*Electricity sales*

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts, less discounts and rebates.

*Coal and nickel mining*

Receivable from mining pertains to receivables from the sale of coal and nickel ore both to domestic and international markets. These receivables are noninterest-bearing and generally have 30 to 45-day credit terms.

*Merchandising and others*

Receivables from merchandise sales and others arise from the sale of wires, services rendered and others to various local companies. These receivables are noninterest-bearing and generally have a 30 to 60-day credit terms.

Other Receivables

Other receivables include the Group’s receivables from condominium corporations, advances to brokers and receivable from sale of fly ashes. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.

*Allowance for expected credit losses*

Movements in the allowance for expected credit losses are as follows:

**2020**

	Trade Receivables			Total
	Electricity Sales	Coal Mining	Other Receivables	
At January 1	₱867,032	₱41,927	₱785,529	₱1,694,488
Provision (Note 24)	–	–	44,731	44,731
Reversal	–	–	(952)	(952)
At December 31	₱867,032	₱41,927	₱829,308	₱1,738,267

**2019**

	Trade Receivables			Total
	Electricity Sales	Coal Mining	Other Receivables	
At January 1	₱867,032	₱41,927	₱778,442	₱1,687,401
Provision (Note 24)	–	–	12,223	12,223
Reversal	–	–	(5,136)	(5,136)
At December 31	₱867,032	₱41,927	₱785,529	₱1,694,488



## 7. Contract assets

The accounts consist of:

	2020	2019
Contract assets	<b>₱14,515,874</b>	₱16,245,524
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>3,472,233</b>	2,872,770
	<b>17,988,107</b>	19,118,294
Less: Contract assets - noncurrent portion	<b>6,706,034</b>	5,104,621
Current portion	<b>₱11,282,073</b>	₱14,013,673

### Contract Assets

For real estate segment, contract assets are initially recognized for revenue earned from property under development rendered but not yet to be billed to customers. Upon billing of invoice, the amounts recognized as contract assets are reclassified as installment contracts receivable.

For construction segment, contract assets represent total costs incurred and estimated earnings recognized in excess of amounts billed.

Costs and estimated earnings in excess of billings on uncompleted contracts are as follows:

	2020	2019
Total costs incurred	<b>₱53,121,780</b>	₱39,586,922
Add estimated earnings recognized	<b>5,725,261</b>	5,154,372
	<b>58,847,041</b>	44,741,294
Less total billings (including unliquidated advances from contract owners of ₱5.82 billion in 2020 and ₱5.51 billion in 2019)	<b>61,722,246</b>	48,629,447
	<b>(₱2,875,205)</b>	(₱3,888,153)

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2020	2019
Contract assets (liabilities)		
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>₱3,472,233</b>	₱2,872,770
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 17)	<b>(6,347,438)</b>	(6,760,923)
	<b>(₱2,875,205)</b>	(₱3,888,153)





## 8. Inventories

This account consists of:

	2020	2019
At Cost:		
Real estate held for sale and development	<b>₱40,901,921</b>	₱37,598,020
Coal inventory	<b>2,033,843</b>	2,245,131
Equipment parts, materials in transit and supplies	<b>1,656,358</b>	1,274,102
Nickel ore	<b>268,352</b>	325,424
	<b>44,860,474</b>	41,442,677
At NRV:		
Equipment parts, materials in transit and supplies (Note 12)	<b>9,034,915</b>	8,223,776
	<b>₱53,895,389</b>	₱49,666,453

Real estate inventories recognized as cost of sales amounted to ₱11,582.20 million, ₱11,926.32 million and ₱13,183.92 million in 2020, 2019 and 2018, respectively (see Note 23). Costs of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs, and other costs attributable to bringing the real estate inventories to their intended condition. Borrowing costs capitalized in 2020, 2019 and 2018 amounted to ₱1,436.51 million, ₱1,186.17 million and ₱1,023.27 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2020, 2019 and 2018 are 5.01%, 5.59% and 5.76%, respectively.

There are no real estate held for sale and development used as collateral or pledged as security to secure liabilities. Summary of the movement in real estate held for sale and development is set out below:

	2020	2019
Balance at beginning of year	<b>₱37,598,020</b>	₱30,253,435
Construction/development cost incurred	<b>10,907,303</b>	11,625,296
Land acquired during the year	<b>3,213,209</b>	6,649,655
Borrowing costs capitalized	<b>1,436,506</b>	1,186,166
Cost of undeveloped land sold during the year	<b>(8,947)</b>	-
Recognized as cost of sales (Note 23)*	<b>(11,881,602)</b>	(12,116,532)
Transfers to property, plant and equipment (Note 12)	<b>(362,568)</b>	-
Balance at end of year	<b>₱40,901,921</b>	₱37,598,020

\*Includes depreciation expense amounted to ₱299.41 million and ₱190.21 million in 2020 and 2019, respectively.

The costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱8,973.40 million and ₱8,291.16 million as of December 31, 2020 and 2019, respectively.

Equipment parts, materials in transit and supplies also includes recovered parts and construction supplies that are still usable from dismantling of the coal washing plant in 2019 (see Note 12).



## 9. Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers and contractors	<b>₱3,305,927</b>	₱3,121,807
Creditable withholding taxes	<b>1,528,989</b>	1,308,464
Cost to obtain a contract - current portion (Notes 3 and 13)	<b>1,183,706</b>	798,668
Input VAT	<b>631,047</b>	841,232
Prepaid expenses	<b>347,398</b>	312,731
Refundable deposits (Notes 13 and 34)	<b>243,036</b>	356,828
Deposit in escrow fund (Note 34)	<b>229,207</b>	181,178
Prepaid taxes	<b>78,785</b>	15,278
Advances to officers and employees	<b>63,298</b>	25,307
Others	<b>291,578</b>	203,958
	<b>₱7,902,971</b>	₱7,165,451

### Advances to suppliers and contractors

Advances to suppliers and contractors under current assets are recouped upon rendering of services or delivery of asset within the Group's normal operating cycle. The balance, net of the related allowance, is recoverable in future periods (Note 3).

### Creditable withholding taxes

Creditable withholding taxes pertain to the amount withheld by the Group's customers from their income payments. These will be claimed as tax credit and will be used against future income tax payable.

### Costs to obtain a contract

Costs to obtain a contract with a customer pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units.

The balances below pertain to the costs to obtain contracts included in the other current and noncurrent assets:

	2020	2019
Balance at beginning of year	<b>₱3,421,818</b>	₱3,204,465
Additions	<b>617,382</b>	969,049
Amortization	<b>(903,879)</b>	(751,696)
Balance at end of year	<b>3,135,321</b>	3,421,818
Noncurrent portion (Note 13)	<b>1,951,615</b>	2,623,150
	<b>₱1,183,706</b>	₱798,668

The amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱963.49 million, ₱833.41 million and ₱1,119.93 million in 2020, 2019 and 2018, respectively, are presented under 'Cost of sales and services - real estate sales' account in the consolidated statements of income (see Note 23).



Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods (Note 3).

Prepaid expenses

Prepaid expenses consist mainly of prepayments for insurance and maintenance costs.

Refundable deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one (1) year.

Deposit in escrow fund

Deposit in escrow fund pertains to fund deposits for securing license to sell (LTS) of the Group's real estate projects.

Advances to officers and employees

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

Prepaid taxes

Prepaid taxes represent prepayment for taxes as well as local business and real property taxes.

Others

Others include prepayments on insurance and various types of advances and other charges which will be recovered within one (1) year.

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## 10. Investments in Associates and Joint Ventures

The details of the Group's investments in associates and joint ventures follow:

	2020	2019
<b>Acquisition cost</b>		
Balance at beginning of year	<b>₱1,004,391</b>	₱504,391
Additional investments	<b>56,500</b>	500,000
Acquisition of interest of JV partner in SRPGC	<b>(115,000)</b>	—
Balance at end of year	<b>945,891</b>	1,004,391
Accumulated impairment loss	<b>(6,798)</b>	(6,798)
	<b>939,093</b>	997,593
<b>Accumulated equity in net earnings</b>		
Balance at beginning of year	<b>14,280,056</b>	13,774,449
Equity in net earnings	<b>1,546,131</b>	1,802,385
Accumulated net losses of SRPGC	<b>6,115</b>	—
Dividends and others	<b>(62,034)</b>	(1,296,778)
Balance at end of year	<b>15,770,268</b>	14,280,056
<b>Share in other comprehensive loss</b>	<b>(118,800)</b>	(63,291)
	<b>₱16,590,561</b>	₱15,214,358



The details of the Group's equity in the net assets of its associates and joint ventures, which are all incorporated in the Philippines, and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2020	2019	2020	2019
<b>Associates:</b>				
Maynilad Water Holding Company, Inc. (MWHCI)	27.19	27.19	₱15,725,132	₱14,279,097
Subic Water and Sewerage Company, Inc. (Subic Water)	30.00	30.00	309,950	309,479
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
Celebrity Sports Plaza	4.62	4.62	17,563	17,563
			<b>16,095,705</b>	14,649,199
<b>Joint Ventures:</b>				
RLC DMCI Property Ventures, Inc. (RDPVI)	50.00	50.00	479,536	498,636
DMCI-First Balfour Joint Venture (DMFB)	51.00	51.00	15,320	15,320
St. Raphael Power Generation Corporation (SRPGC)*	100.00	50.00	—	51,203
			<b>494,856</b>	565,159
			<b>₱16,590,561</b>	₱15,214,358

\*In 2020, the Group acquired the 50% equity interest of its then joint venture partner (see Note 3).

There have been no outstanding capital commitments in 2020 and 2019.

The following table summarizes the Group's share in the significant financial information of the associates and joint ventures that are material to the Group:

	2020	
	MWHCI	Subic Water
<b>Statement of financial position</b>		
Current assets	₱18,794,635	₱441,872
Noncurrent assets	118,453,923	1,349,462
Current liabilities	(22,584,882)	(211,898)
Noncurrent liabilities	(49,830,623)	(144,064)
Noncontrolling-interests	(3,879,742)	—
Equity attributable to parent company	60,953,311	1,435,372
Proportion of the Group's ownership	27.19%	30%
Equity in net assets of associates	16,573,205	430,612
Less unrealized gains	(848,073)	(120,662)
Carrying amount of the investment	₱15,725,132	₱309,950
<b>Statement of income</b>		
Revenue and other income	₱23,329,172	₱736,075
Costs and expenses	17,332,662	614,506
Net income	5,996,510	121,569
Net income attributable to NCI	428,975	—
Net income attributable to parent company	₱5,567,535	₱121,569



	2019	
	MWHCI	Subic Water
<b>Statement of financial position</b>		
Current assets	₱16,174,661	₱363,799
Noncurrent assets	114,398,732	1,450,315
Current liabilities	(20,671,700)	(212,657)
Noncurrent liabilities	(50,789,176)	(173,311)
Noncontrolling interests	(3,472,690)	–
Equity attributable to parent company	55,639,827	1,428,146
Proportion of the Group's ownership	27.19%	30.00%
Equity in net assets of associates	15,128,469	428,444
Less unrealized gain	(849,372)	(118,965)
Carrying amount of the investment	₱14,279,097	₱309,479
<b>Statement of income</b>		
Revenue and other income	₱24,414,202	₱784,978
Costs and expenses	17,507,099	587,309
Net income	6,907,103	197,669
Net income attributable to NCI	493,873	–
Net income attributable to parent company	₱6,413,230	₱197,669

The Group's dividend income from MWHCI amounted to ₱1,260.59 million and ₱758.47 million in 2019 and 2018, respectively (nil in 2020), while dividend income from Subic Water amounted to ₱36.00 million, ₱25.50 million and ₱40.50 million in 2020, 2019 and 2018, respectively.

Equity in net earnings from MWHCI amounted to ₱1,513.81 million, ₱1,743.76 million and ₱1,766.82 million in 2020, 2019 and 2018, respectively, while equity in net earnings from Subic Water amounted to ₱36.47 million, ₱59.30 million and ₱59.26 million in 2020, 2019 and 2018, respectively.

The carrying amount of the investment in MWHCI is reduced by unrealized gains from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are bid out to various contractors and are awarded on an arms-length basis. Equity in net earnings from MWHCI are adjusted for the realization of these unrealized gains and losses.

#### MWHCI

MWHCI is a company incorporated in the Philippines. The primary contributor in the consolidated net income of MWHCI is its 92.85% owned subsidiary, MWSI. MWSI is involved in the operations of privatized system of waterworks and sewerage services, including the provision of allied and ancillary services. The Group's equity in net earnings of MWHCI represents its share in the consolidated net income attributable to MWHCI.

Rollforward of the carrying value of the investment in MWHCI follows:

	2020	2019
<b>Acquisition cost</b>	<b>₱390,428</b>	₱390,428
<b>Accumulated equity in net earnings</b>		
Balance at beginning of year	13,888,669	13,436,218
Equity in net earnings	1,513,813	1,743,757
Dividends received and other adjustments	(67,778)	(1,291,306)
Balance at end of year	15,334,704	13,888,669
	<b>₱15,725,132</b>	₱14,279,097



#### Subic Water

On January 22, 1997, the Group subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England).

On April 1, 2016, PDI disposed its 10% share in Subic Water. The remaining percentage of ownership in Subic Water after the sale is 30%.

#### SRPGC

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity. The Group, through SMPC, accounted its then 50% ownership interest in SRPGC as a joint venture.

On September 30, 2020, SRPGC made an equity call and SMPC and the joint venture partner paid additional ₱56.50 million each.

On November 9, 2020, the joint venture agreement between SMPC and its joint venture partner was terminated. Subsequently after termination, SRPGC became a wholly-owned subsidiary of SMPC upon acquisition by the latter of the 50% equity shareholdings from the joint venture partner for ₱115.0 million, which remained unpaid as of December 31, 2020. As of the same date, SRPGC has started the pre-construction work and the related capitalized costs amounting to ₱282.71 million are included as part of “Property, Plant and Equipment” in the consolidated statements of financial position (see Note 12). The acquisition of the 50% interest in SRPGC was accounted for as an asset acquisition (see Note 3).

#### RLC DMCI Property Ventures Inc. (RDPVI)

In October 2018, PDI and Robinsons Land Corporation (RLC) entered into a joint venture agreement to develop a condominium project. Each party will hold a 50% ownership interest in the joint venture. In March 2019, RDPVI, the joint venture, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Piñas City and to operate, manage, sell and/or lease the resulting condominium units and parking spaces therein.

The aggregate carrying amount of the Group’s individually immaterial investments in associates and joint ventures in 2020 and 2019 amounted to ₱555.48 million and ₱625.78 million, respectively.

The Group’s share in the other comprehensive loss of the associates and joint venture (e.g., remeasurement of retirement liability) is presented under equity section in the consolidated statements of financial position.



## 11. Investment Properties

The movements in this account follow:

	2020		
	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>			
Balances at beginning of year	₱209,498	₱41,616	₱251,114
Additions	5,500	–	5,500
Balances at end of year	214,998	41,616	256,614
<b>Accumulated Depreciation and Amortization</b>			
Balances at beginning of year	92,986	16,201	109,187
Depreciation and amortization (Note 23)	12,906	1,858	14,764
Balances at end of year	105,892	18,059	123,951
<b>Net Book Value</b>	<b>₱109,106</b>	<b>₱23,557</b>	<b>₱132,663</b>
	2019		
	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>			
Balances at beginning and end of year	₱209,498	₱41,616	₱251,114
<b>Accumulated Depreciation and Amortization</b>			
Balances at beginning of year	80,084	14,309	94,393
Depreciation and amortization (Note 23)	12,902	1,892	14,794
Balances at end of year	92,986	16,201	109,187
<b>Net Book Value</b>	<b>₱116,512</b>	<b>₱25,415</b>	<b>₱141,927</b>

The aggregate fair values of the investment properties as of December 31, 2020 and 2019 amounted to ₱196.57 million and ₱181.43 million, respectively.

The fair values of investment properties were determined using either the income approach using discounted cash flow (DCF) method or by the market data approach. These are both categorized within Level 3 of the fair value hierarchy. The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 1.71% to 2.50%, exceeds its carrying cost. The fair values of the investment properties which were arrived at using the market data approach require the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Management believes that the impact of COVID-19 on the fair value measurement of investment properties is short-term and temporary.



Rental income from investment properties (included under 'Other income - net') amounted to ₱54.88 million, ₱32.52 million and ₱124.77 million in 2020, 2019 and 2018, respectively (see Note 27). Direct operating expenses (included under 'Operating expenses' in the consolidated statements of income) arising from investment properties amounted to ₱14.76 million, ₱14.79 million and ₱14.83 million in 2020, 2019, and 2018, respectively (see Notes 23 and 24).

There are no investment properties as of December 31, 2020 and 2019 that are pledged as security against liabilities. The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase or construct or develop investment properties or for repairs, maintenance and enhancements.





## 12. Property, Plant and Equipment

Movements in this account follow:

	2020									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year	₱2,609,173	₱55,011,776	₱32,848,156	₱5,602,684	₱12,465,908	₱745,449	₱688,851	₱359,399	₱7,917,070	₱118,248,466
Additions	141,313	342,084	3,203,492	39,277	1,059,603	106,928	49,786	712	3,002,749	7,945,944
Transfers (Note 8)	376,162	8,381,973	–	–	13,871	5,017	–	1,144	(8,415,599)	362,568
Write-down and disposals	–	(427,342)	(64,610)	–	(1,652)	(17,215)	(36,777)	–	(571,427)	(1,119,023)
Adjustments (Note 19)	–	–	(267,884)	8,388	–	–	–	–	–	(259,496)
Balances at end of year	3,126,648	63,308,491	35,719,154	5,650,349	13,537,730	840,179	701,860	361,255	1,932,793	125,178,459
<b>Accumulated Depreciation, Depletion and Amortization</b>										
Balances at beginning of year	989,884	17,138,680	25,827,394	890,334	8,794,933	706,512	438,756	245,521	–	55,032,014
Depreciation, depletion and amortization (Notes 23 and 24)	88,106	3,568,525	3,301,239	235,783	1,158,680	57,175	89,158	9,885	–	8,508,551
Write-down and disposals	–	(268,001)	(64,610)	–	(1,652)	(17,134)	(34,506)	–	–	(385,903)
Balances at end of year	1,077,990	20,439,204	29,064,023	1,126,117	9,951,961	746,553	493,408	255,406	–	63,154,662
<b>Net Book Value</b>	<b>₱2,048,658</b>	<b>₱42,869,287</b>	<b>₱6,655,131</b>	<b>₱4,524,232</b>	<b>₱3,585,769</b>	<b>₱93,626</b>	<b>₱208,452</b>	<b>₱105,849</b>	<b>₱1,932,793</b>	<b>₱62,023,797</b>



2019

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱2,406,257	₱48,515,299	₱29,517,292	₱5,617,955	₱10,124,926	₱693,343	₱651,572	₱342,801	₱5,564,578	₱103,434,023
Additions	202,916	244,648	3,270,919	–	2,447,357	54,375	82,200	16,446	9,291,201	15,610,062
Transfers (Note 8)	–	6,712,533	43,454	–	–	–	–	–	(6,938,709)	(182,722)
Write-down and disposals	–	(460,704)	(67,231)	–	(106,375)	(2,269)	(44,921)	152	–	(681,348)
Adjustments (Note 19)	–	–	83,722	(15,271)	–	–	–	–	–	68,451
Balances at end of year	2,609,173	55,011,776	32,848,156	5,602,684	12,465,908	745,449	688,851	359,399	7,917,070	118,248,466
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	901,778	13,777,954	21,810,635	700,441	7,865,014	652,139	406,782	232,336	–	46,347,079
Depreciation, depletion and amortization (Notes 23 and 24)	88,106	3,816,918	4,075,454	188,869	1,033,802	56,314	65,169	13,185	–	9,337,817
Write-down and disposals	–	(456,192)	(58,695)	1,024	(103,883)	(1,941)	(33,195)	–	–	(652,882)
Balances at end of year	989,884	17,138,680	25,827,394	890,334	8,794,933	706,512	438,756	245,521	–	55,032,014
Net Book Value	₱1,619,289	₱37,873,096	₱7,020,762	₱4,712,350	₱3,670,975	₱38,937	₱250,095	₱113,878	₱7,917,070	₱63,216,452



The Group sold various equipment items at a net gain of ₱67.00 million and ₱37.27 million in 2020 and 2018, respectively and net loss of ₱14.85 million in 2019 (see Notes 21 and 27).

Transfer to property, plant and equipment in 2020 pertains to undeveloped land amounting to ₱362.57 million which will be used for the construction of batching plant (Note 8).

In 2019, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (nil in 2020 and 2018, see Note 24). In relation to the dismantling, the ₱182.72 million recovered parts and construction supplies that are still usable were transferred to “Equipment parts, materials in transit and supplies” (see Note 8).

‘Power Plant, Buildings and Building Improvements’ includes the ancillary gas turbine plant covered by the Ancillary Services and Procurement Agreement with the NGCP which was withdrawn in 2019 (see Note 35). Up to 2020, the Group has yet to secure a supply agreement for this plant. Accordingly, in 2020, the Group revisited the recoverable amount of the plant and recognized impairment loss amounting to ₱157.20 million (see Notes 3 and 27). The carrying value of this plant amounted to ₱1,073.94 million and ₱1,286.70 million as of December 31, 2020 and 2019.

#### *Construction-in-progress*

Construction-in-progress includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱282.71 million as of December 31, 2020 (nil as of December 31, 2019; see Notes 12 and 35). Reclassifications from “Construction in progress” amounting to ₱8,415.60 million and ₱6,938.71 million pertain to the regular rehabilitation and completion of additional coal-fired thermal power plants and bunker-fired genset and other completed improvements on existing facilities.

Interest expense incurred on long-term debts capitalized as part of ‘Construction in Progress’ amounted to ₱21.74 million and ₱85.23 million in 2020 and 2019, respectively.

#### *Coal mining properties*

Coal mining properties include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 19). Coal mining properties also include the stripping activity assets and exploration and evaluation assets for costs of materials and fuel used, cost of operating dump trucks, excavators and other equipment costs amount others.

As of December 31, 2020 and 2019, coal mining properties included in “Coal Mining Properties and Equipment” amounted to ₱5,160.28 million and ₱4,338.74 million, respectively.

#### *Nickel mining properties*

Nickel mining properties pertains to the Acoje project located in the Municipalities of Sta. Cruz and Candelaria, Province of Zambales (where the Group has an ongoing application on one of its mining properties, see Note 3) and the Berong project situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2020 and 2019, nickel mining properties included in “Nickel Mining Properties and Equipment” amounted to ₱4,341.65 million and ₱4,690.69 million, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, the Group created, established, and constituted a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC in favor of the Security Trustee, for the benefit of all secured parties. In 2019, the Group was released on the real estate and chattel mortgage due to the prepayment of the loan (see Note 18).



### 13. Exploration and Evaluation Assets and Other Noncurrent Assets

#### Exploration and evaluation assets

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group's mining tenements. Exploration and evaluation assets amounted to ₱229.06 million and ₱226.32 million as of December 31, 2020 and 2019, respectively. These costs pertain to exploration activities on various nickel projects mainly in Zambales and Palawan mining areas that were covered by related exploration permits granted to the nickel mining entities.

#### Other noncurrent assets

Other noncurrent assets consists of the following:

	2020	2019
Cost to obtain a contract - net of current portion (Notes 3 and 9)	<b>₱1,951,615</b>	₱2,623,150
Deferred input VAT	<b>1,135,078</b>	1,074,179
Advances to suppliers and contractors	<b>807,259</b>	1,784,794
Equity investments designated at FVOCI	<b>155,793</b>	147,877
Deposits and funds for future investment	<b>136,666</b>	136,666
Refundable deposits (Notes 9 and 34)	<b>92,708</b>	68,491
Software cost	<b>77,744</b>	73,113
Claims for refunds and tax credits - net	<b>13,475</b>	90,729
Others (Note 34)	<b>90,193</b>	73,498
	<b>₱4,460,531</b>	₱6,072,497

#### Deferred input VAT

This pertains to the unamortized input VAT incurred from acquisition of capital assets mostly coming from the completed coal-fired thermal power plant and gas turbine, acquisition of capital goods and services for power plant maintenance program and acquisition of construction equipment.

#### Advances to suppliers and contractors

Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of property, plant and equipment.

#### Equity investments designated at FVOCI

This account consists of the following:

	2020	2019
<b>Quoted securities</b>		
Cost	<b>₱50,747</b>	₱50,747
Cumulative unrealized gains recognized in OCI	<b>102,869</b>	94,953
	<b>153,616</b>	145,700
<b>Unquoted securities</b>		
Gross amount	<b>110,388</b>	110,388
Less allowance for probable loss	<b>108,211</b>	108,211
	<b>2,177</b>	2,177
	<b>₱155,793</b>	₱147,877



*Quoted securities*

The quoted securities include investments in golf and yacht club shares. Movements in the unrealized gains follow:

	2020	2019
Balance at beginning of year	₱94,953	₱77,290
Changes in fair values of equity investments designated at FVOCI	7,916	17,663
Balance at end of year	<b>₱102,869</b>	₱94,953

*Unquoted securities*

This account consists mainly of investments in various shares of stock in management services and leisure and recreation entities.

The aggregate cost of investments amounting to ₱108.21 million were fully provided with allowance for impairment as management assessed that investments on these shares of stock are not recoverable as of December 31, 2020 and 2019.

Deposits and funds for future investment

In 2012 and 2014, the Group entered into an agreement with a third party to purchase three holding companies (HoldCos) and three development companies (DevCos) with which the HoldCos have investments. The agreement sets out the intention of final ownership of the HoldCos and DevCos, where the Group will eventually own 73% of the HoldCos and 84% of the DevCos. The Group opened a bank account as required by the agreement and made available US\$2.80 million cash (bank account) from which payments of the shares will be drawn. Initial payments made for the assignment of 33% share in HoldCos and 40% share in DevCos amounted to US\$0.25 million and US\$0.75 million, respectively, which were drawn from the bank account.

The acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three HoldCos and three DevCos are resolved in their favor. As of December 31, 2020 and 2019, the conditions set forth under the agreement have not yet been satisfied.

Refundable deposits

Refundable deposits pertain to utilities and security deposits which are measured at cost and will be recouped against future billings. This also includes rental deposits which are noninterest-bearing and are refundable 60 days after the expiration of the lease period.

Software cost

Movements in software cost account follow:

	2020	2019
<b>Cost</b>		
Balance at beginning of year	₱472,543	₱422,642
Additions	56,785	49,901
Balance at end of year	<b>529,328</b>	472,543
<b>Accumulated Amortization</b>		
Balance at beginning of year	399,430	346,694
Amortization (Notes 23 and 24)	52,154	52,736
Balance at end of year	<b>451,584</b>	399,430
<b>Net Book Value</b>	<b>₱77,744</b>	₱73,113



Claims for refunds and tax credits - net

These pertain to claims for refund and issuance of tax credit certificates from Bureau of Internal Revenue (BIR). The balance as of December 31, 2020 and 2019 is presented net of previously recognized allowance for impairment losses amounting to ₱15.29 million.

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**14. Short-term Debt**

This account consists of the following:

	2020	2019
Bank loans	₱5,740,876	₱2,411,875
Acceptances and trust receipts payable	59,184	80,247
	<b>₱5,800,060</b>	<b>₱2,492,122</b>

*Bank loans*

The Group's bank loans consist of unsecured Peso-denominated short-term borrowings from local banks which bear annual interest ranging from 4.00% to 6.50% and 3.25% to 6.13% in 2020 and 2019, respectively, and are payable on monthly, quarterly and lump-sum bases on various maturity dates within the next 12 months after the reporting date.

During 2020 and 2019, the Group obtained various short-term loans from local banks primarily for working capital requirements.

*Acceptances and trust receipts payable*

Acceptances and trust receipts payable are used by the Group to facilitate payment for importations of materials, fixed assets and other assets. These are interest-bearing and with maturity of less than one (1) year.

Finance costs incurred on short-term borrowings and acceptances and trust receipts payable, net of capitalized borrowing cost, amounted to ₱406.56 million, ₱783.03 million and ₱298.77 million in 2020, 2019 and 2018, respectively (see Note 26).

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**15. Liabilities for Purchased Land**

Liabilities for purchase of land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of various parcels of land and residential condominium units. The terms of the deed of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes ; and (c) physical turnover of the acquired parcels of land to the Group.

The outstanding balance of liabilities for purchased land as of December 31, 2020 and 2019 follow:

	2020	2019
Current	₱849,024	₱673,025
Noncurrent	1,170,582	1,223,138
	<b>₱2,019,606</b>	<b>₱1,896,163</b>



Liabilities for purchased land were recorded at fair value at initial recognition. These are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 1.71% to 2.66% and 3.42% to 4.06% in 2020 and 2019, respectively, based on applicable rates for similar types of liabilities.

Accretion on unamortized discount on liabilities on purchased land in 2018 amounted to ₱2.36 million was recorded under “Finance costs” (nil in 2020 and 2019, see Note 26).

## 16. Accounts and Other Payables

This account consists of the following:

	2020	2019
Trade and other payables:		
Suppliers and subcontractors	<b>₱13,152,132</b>	₱13,353,090
Others	<b>1,264,327</b>	1,234,576
Accrued costs and expenses		
Project cost	<b>2,328,386</b>	2,698,127
Payable to DOE and local government		
Units (LGU, Note 30)	<b>1,034,079</b>	855,902
Interest	<b>407,264</b>	288,000
Salaries	<b>267,050</b>	255,657
Withholding and other taxes	<b>168,392</b>	174,265
Various operating expenses	<b>1,369,020</b>	1,013,269
Output VAT payable - net	<b>2,696,350</b>	2,349,601
Commission payable - current portion (Note 19)	<b>1,381,209</b>	1,624,865
Refundable deposits	<b>365,310</b>	409,893
Payable to related parties (Note 20)	<b>306,504</b>	254,466
Financial benefits payable	<b>73,752</b>	46,840
	<b>₱24,813,775</b>	₱24,558,551

### Trade and other payables

#### *Suppliers*

Payable to suppliers includes liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest-bearing and are normally settled on a 30 to 60-day credit terms.

#### *Subcontractors*

Payable to subcontractors arises when the Group receives progress billing from its subcontractors for the construction cost of a certain project and is recouped against monthly billings. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project. Payables to subcontractors are noninterest-bearing and are normally settled on 15 to 60-day credit terms.

#### *Other payables*

Other payables include retention payable on contract payments and payable to marketing agents and nickel mine right owners. Retention on contract payments is being withheld from the contractors as guaranty for any claims against them. These are settled and paid once the warranty period has expired. Payables to marketing agents and nickel mine right owners are noninterest-bearing and are normally settled within one (1) year.



Accrued costs and expenses

*Accrued project cost*

Accrued project cost pertains to direct materials, labor, overhead and subcontractor costs for work accomplished by the suppliers and subcontractors but were not yet billed to the Group.

*Payable to DOE and LGU*

Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract (see Note 30).

*Accrual of various operating expenses*

This include accruals for contracted services, utilities, supplies, advertising, and other administrative expenses.

Commission payable

Commission payable pertains to the amount payable to sales agents for each contract that they obtain for the sale of pre-completed real estate units. These are settled based on the collection from the contract with customers with various terms up to a maximum of 10 years. The noncurrent portion of commission payable is presented under "Other noncurrent liability" account in the consolidated statements of financial position (see Note 19).

Output VAT payable

Output VAT payable pertains to the VAT due on the sale of goods or services by the Group, net of input VAT.

Refundable deposits

Refundable deposits consist mainly of deposits which are refundable due to cancellation of real estate sales as well as deposits made by unit owners upon turnover of the unit which will be remitted to its utility provider.

Financial benefits payable

As mandated by R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by DOE, the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

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**17. Contract Liabilities and Other Customers' Advances and Deposits**

	<b>2020</b>	2019
Contract liabilities - real estate	<b>₱6,208,544</b>	₱6,385,129
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 7)	<b>6,347,438</b>	6,760,923
Other customers' advances and deposits	<b>4,117,644</b>	3,271,715
	<b>16,673,626</b>	16,417,767
Less noncurrent portion of		
Contract liabilities - real estate	<b>1,900,164</b>	2,789,396
Billings in excess of costs and estimated earnings on uncompleted contracts	<b>3,411,714</b>	3,259,338
Current portion	<b>₱11,361,748</b>	₱10,369,033





*Contract liabilities – real estate*

Contract liabilities represent the payments of buyers which do not qualify yet for revenue recognition as real estate sales and any excess of collections over the recognized revenue on sale of real estate inventories. The movement in contract liabilities is mainly due to reservation sales and advance payment of buyers less real estate sales recognized upon reaching the buyer's equity threshold and from increase in percentage of completion of projects.

The amount of revenue recognized from amounts included in contract liabilities at the beginning of the year amounted to ₱3,439.30 million, ₱2,851.54 million, and ₱2,444.87 million in 2020, 2019 and 2018, respectively.

*Billings in excess of costs and estimated earnings on uncompleted contracts*

This pertains to billings in excess of total costs incurred and estimated earnings recognized in the construction segment.

*Other customers' advances and deposits*

Other customers' advances and deposits consist mainly of collections from real estate customers for taxes and fees payable for the transfer of title to customer such as documentary stamp taxes, transfer taxes and notarial fees.

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**18. Long-term Debt**

Long-term debt pertains to the following obligations:

	2020	2019
Bank loans	<b>₱46,088,910</b>	₱44,413,604
Less noncurrent portion	<b>40,663,165</b>	32,974,892
Current portion	<b>₱5,425,745</b>	₱11,438,712

Details of the bank loans follow:

	Outstanding Balances		Maturity	Interest Rate	Payment Terms
	2020	2019			
<b>Loans from banks and other institutions</b>					
<b>Term loans and corporate notes</b>	<b>₱28,215,000</b>	₱25,566,668	Various maturities from 2020 to 2027	Interest rates based on applicable benchmark plus credit spread ranging from 60 to 75 basis points	Term loans: Payment shall be made on a quarterly basis  Corporate notes: Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance is payable at maturity

(Forward)



	Outstanding Balances		Maturity	Interest Rate	Payment Terms
	2020	2019			
<b>Peso-denominated loans</b>	<b>₱17,847,451</b>	₱18,700,443	Various maturities from 2020 to 2027	Fixed interest rates ranging from 4.00% to 5.13% and floating interest rates based on applicable benchmark plus credit spread ranging from 25 to 60 basis points	Amortized/bullet
<b>Liabilities on installment contracts receivable</b>	<b>55,653</b>	118,910	Various maturities	Interest at prevailing market rates	Payable in equal and continuous monthly payment not exceeding 120 days commencing 1 month from date of execution
<b>HomeSaver Bonds</b>	<b>198,793</b>	210,505	Various maturities from 2019 to 2023	4.75% to 5.25% p.a.	Tranche A, C, D, and F are payable in 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.
	<b>46,316,897</b>	44,596,526			
<b>Less: Unamortized debt issue cost</b>	<b>227,987</b>	182,922			
	<b>₱46,088,910</b>	₱44,413,604			

The movements in unamortized debt issue cost follow:

	2020	2019
Balance at beginning of year	<b>₱182,922</b>	₱100,212
Additions	<b>112,875</b>	132,750
Amortization (Note 26)	<b>(67,810)</b>	(50,040)
Balance at end of year	<b>₱227,987</b>	₱182,922

Interest expense on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱681.62 million, ₱637.64 million and ₱674.01 million in 2020, 2019 and 2018, respectively (see Note 26).

The schedule of repayments of loans based on existing terms are provided in Note 34.

Other relevant information on the Group's long-term borrowings are provided below:

- The loan agreements on long-term debt of certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2020 and 2019.



- As discussed in Note 7, the installment contracts receivable under the receivable purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱55.65 million and ₱118.91 million as of December 31, 2020 and 2019, respectively, and these represent net proceeds from sale of portion of PDI's installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates. The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers.
- Long-term debt of Beta Electromechanical are secured by a chattel mortgage on the transportation equipment purchased using the proceeds of these loans.
- Except for the above-mentioned loans, all long-term debt of the Group are clean and unsecured and are compliant with their respective loan covenants.

## 19. Other Noncurrent Liabilities

The details of this account consist of:

	2020	2019
Commission payable - noncurrent portion (Note 16)	<b>₱1,272,517</b>	₱1,304,305
Provision for decommissioning and site rehabilitation costs (Note 3)	<b>318,828</b>	553,149
Lease liabilities (Note 32)	<b>127,987</b>	218,217
Trade and other payables (Note 16)	<b>14,786</b>	38,080
	<b>₱1,734,118</b>	₱2,113,751

### *Provision for decommissioning and site rehabilitation costs*

The Group makes full provision for the future cost of rehabilitating the coal mine sites on a discounted basis on the development of the coal mines. These provisions were recognized based on the Group's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Provision for decommissioning and site rehabilitation costs also include cost of rehabilitation of the Group's power plants and nickel ore mine sites. Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 1.85% to 4.07% in 2020, 4.46% to 8.58% in 2019 and 7.07% to 7.27% in 2018. Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2020	2019
Coal	<b>₱254,525</b>	₱500,085
Nickel	<b>39,625</b>	30,345
On-grid power	<b>24,678</b>	22,719
	<b>₱318,828</b>	₱553,149



The rollforward analysis of the provision for decommissioning and site rehabilitation costs account follows:

	2020	2019
Balance at beginning of year	P553,149	P466,535
Effect of change in estimates (Note 12)	(259,496)	68,451
Actual usage	-	(14,545)
Accretion of interest (Note 26)	25,175	32,708
<b>Balance at end of year</b>	<b>P318,828</b>	<b>P553,149</b>

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to the Group's minesites amounted to (P259.50 million) and P68.45 million (recognized as adjustment to 'Coal mining properties and equipment' and 'Nickel mining properties and equipment' under property, plant and equipment account) in 2020 and 2019, respectively (see Note 12).

#### *Trade and other payables*

Noncurrent trade and other payables include noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within two (2) to three (3) years from the reporting date and retention contract payment that is being withheld from the contractors as guaranty for any claims which are expected to be settled a year after the turn-over of projects.

## 20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities. Transactions entered into by the Group with affiliates are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

The significant related party transactions entered into by the Group with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions follow:

		2020	
	Reference	Volume	Due from (Due to)
<b>Receivable from related parties</b> (Note 6)			
Construction contracts	(a)	P547,175	P293,457
Sale of marine vessels	(b)	349,070	102,390
Equipment rentals	(c)	2,021	-
Sale of materials and reimbursement of shared and operating expenses	(d)	244,992	195,369
			<b>P591,216</b>

(Forward)



2020			
	Reference	Volume	Due from (Due to)
<b>Payable to related parties (Note 16)</b>			
Shiploading, coal delivery and coal handling	(f)	₱646,661	(₱181,605)
Other general and administrative expense	(g)	51,653	(25,114)
Aviation services	(h)	14,452	(27,239)
Office and parking rental	(i)	62,633	(37,465)
Freight charges	(k)	7,750	(13,326)
Nickel delivery	(l)	152,178	(21,755)
			<b>(₱306,504)</b>
2019			
	Reference	Volume	Due from (Due to)
<b>Receivable from related parties (Note 6)</b>			
Construction contracts	(a)	₱1,076,420	₱405,639
Equipment rentals	(c)	25,953	28,907
Sale of materials and reimbursement of shared and operating expenses	(d)	38,083	58,918
			<b>₱493,464</b>
<b>Payable to related parties (Note 16)</b>			
Payable to affiliates	(e)	₱8,384	(₱11,433)
Shiploading, coal delivery and coal handling	(f)	207,050	(147,040)
Other general and administrative expense	(g)	106,806	(17,708)
Aviation services	(h)	250,337	(22,445)
Office and parking rental	(i)	76,341	(28,598)
Labor charges	(j)	-	(444)
Freight charges	(k)	11,000	(15,604)
Nickel delivery	(l)	-	(11,194)
			<b>(₱254,466)</b>

- (a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in “Receivables from related parties” amounted to ₱293.46 million and ₱405.64 million as of December 31, 2020 and 2019, respectively. In an addition, billings in excess of costs and estimated earning on uncompleted contracts from its affiliates amounted to ₱952.07 million and ₱680.74 million as of December 31, 2020 and 2019, respectively.
- (b) The Group sold a marine vessel to its affiliate with outstanding receivables amounted to ₱102.39 million as of December 31, 2020 (nil as of December 31, 2019).
- (c) The Group rents out its equipment to its affiliates for their construction projects.
- (d) The Group paid for the contracted services, material issuances, diesel, rental expenses and other supplies of its affiliates.
- (e) This mainly pertains to amount of rental collections made by the Group on behalf of the affiliates.
- (f) Certain affiliates had transactions with the Group for services rendered such as shiploading, coal delivery and coal handling.



- (g) A shareholder of the Group provides maintenance of the Group’s accounting system, Navision, which is used by some of the Group’s subsidiaries. Related expenses are presented as part of “Miscellaneous” under “Operating expenses” in consolidated statements of income. In addition, the Group has reimbursable expenses for security services, professional fees, among others.
- (h) An affiliate of the Group transports visitors and employees from point to point in relation to the Group’s ordinary course of business and vice versa and bills the Group for the utilization costs of the aircrafts. The related expenses are included in “Cost of sales and services”.
- (i) An affiliate had transactions with the Group for office and parking rental of units to which related expenses are presented as part of “Operating expenses” in the consolidated statements of income.
- (j) Outstanding payable to affiliate for labor charges incurred by the Group, which are initially paid by the affiliate in behalf of the Group, amounted to ₱0.44 million as of December 31, 2019 (nil as of December 31, 2020).
- (k) The Group entered into an agreement with its affiliate for the delivery of construction materials purchased by the Group.
- (l) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers.

*Terms and conditions of transactions with related parties*

Outstanding balances as of December 31, 2020 and 2019, are unsecured and noninterest-bearing, and are all due within one year, normally within 30-60 day credit term.

The Group has approval process and established limits when entering into material related party transactions. The Related Party Transaction Review Committee shall approve all material related party transactions before their commencement. Material related party transactions shall be identified taking into account the related party registry. Transactions amounting to 10% or more of the total consolidated assets of the Group that were entered into with an unrelated party that subsequently becomes a related party may be excluded from the limits and approval process requirement.

As of December 31, 2020 and 2019, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

Compensation of Key Management Personnel

Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2020	2019	2018
Short-term employee benefits	₱147,864	₱199,552	₱336,947
Post-employment benefits (Note 23)	1,709	14,605	39,134
	<b>₱149,573</b>	<b>₱214,157</b>	<b>₱376,081</b>

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group’s pension plan.



## 21. Equity

### Capital Stock

As of December 31, 2020 and 2019, the Parent Company's capital stock as of December 31, 2020 and 2019 consists of:

	Authorized Capital Stock	Outstanding
Common shares, ₱1 par value	19,900,000,000	13,277,470,000
Preferred shares, ₱1 par value	100,000,000	3,780
Less: Treasury shares		2,820
		960

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2020:

	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2018	13.28	696
Add/(Deduct) Movement	-	22
December 31, 2019	13.28	718
Add/(Deduct) Movement	-	(11)
December 31, 2020	13.28	707

### Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2020 and 2019 amounted to ₱2,286.05 million and ₱3,797.76 million, respectively.

Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

### *Dividend declaration*

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2020	2019	2018
March 5, 2020, ₱0.23 per share regular cash dividend to shareholders on record as of March 23, 2020, payable on or before April 3, 2020.	<b>₱3,053,818</b>	₱-	₱-
March 5, 2020, ₱0.25 per share special cash dividend to shareholders on record as of March 23, 2020, payable on or before April 3, 2020.	<b>3,319,368</b>	-	-

(Forward)



	2020	2019	2018
April 10, 2019, ₱0.28 per share regular cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	₱-	₱3,717,692	₱-
April 10, 2019, ₱0.20 per share special cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	-	2,655,494	-
November 19, 2018, ₱0.48 per share special cash dividend to shareholders on record as of December 5, 2018, payable on or before December 18, 2018.	-	-	6,373,186
March 8, 2018, ₱0.28 per share regular cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	-	-	3,717,692
March 8, 2018, ₱0.20 per share special cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	-	-	2,655,494
	<b>₱6,373,186</b>	<b>₱6,373,186</b>	<b>₱12,746,372</b>

On various dates in 2020, 2019 and 2018, partially-owned subsidiaries of the Group declared dividends amounting to ₱6,141.54 million, ₱5,637.89 million and ₱9,753.68 million, respectively, of which dividends to noncontrolling-interest amounted to ₱2,421.81 million, ₱2,390.25 million, and ₱4,010.62 million, respectively. The unpaid dividends to noncontrolling-interests as of December 31, 2020 amounted to ₱114.37 million (nil as of December 31, 2019, see Note 16).

The unappropriated retained earnings include undistributed net earnings amounting to ₱62,098.72 million and ₱61,100.13 million as of December 31, 2020 and 2019, respectively, representing accumulated equity in the net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method. These are not available for dividend declaration until declared by the subsidiaries, associates and the joint ventures representing accumulated equity.

#### Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gains on equity investments designated at FVOCI, as capital.

The Group is not subject to any externally imposed capital requirements.





## 22. Employee Benefits

### Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2020.

Certain entities within the Group are under the Multiemployer Retirement Plan (the Plan). The Group's retirement funds are administered by appointed trustee banks which are under the supervision of the respective Board of Trustees (BOT) of the plans. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund; and,
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

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

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) and pension income (included in "Other income" account) for the years ended December 31 (see Notes 24 and 27):

### *Pension Expense*

	2020	2019	2018
Current service cost	₱188,775	₱101,693	₱115,697
Net interest expense (income) on benefit obligation and plan assets	(29,670)	1,036	7,545
Effect of the asset limit	15,734	6,439	3,790
<b>Total pension expense</b>	<b>₱174,839</b>	<b>₱109,168</b>	<b>₱127,032</b>

### *Pension Income*

	2020	2019	2018
Current service cost	₱-	₱36,417	₱38,463
Net interest income on benefit obligation and plan assets	-	(126,937)	(95,242)
Effect of the asset limit	-	65,869	44,362
<b>Total pension income</b>	<b>₱-</b>	<b>(₱24,651)</b>	<b>(₱12,417)</b>



Movements in the fair value of plan assets of the Group follow:

	2020	2019
Balance at beginning of year	P2,348,323	P2,915,718
Interest income	124,256	226,179
Remeasurement losses	(156,378)	(840,688)
Benefits paid from plan assets	(50,870)	(40,597)
Contributions	162,511	87,711
Balance at end of year	P2,427,842	P2,348,323

Changes in the present value of the defined benefit obligation follow:

	2020	2019
Balances at beginning of year	P1,821,721	P1,357,784
Current service cost	188,775	138,110
Interest expense	94,586	100,278
Benefits paid - from plan assets	(50,870)	(40,597)
Benefits paid - direct payments	(13,348)	(11,717)
Remeasurement losses (gains) arising from:		
Financial assumptions	308,288	253,466
Demographic assumptions	45,668	(43,641)
Experience adjustments	(43,130)	68,038
Balances at end of year	P2,351,690	P1,821,721

Below is the net pension asset for those entities within the Group with net pension asset position:

	2020	2019
Fair value of plan assets	P1,676,956	P1,689,683
Present value of funded defined benefit obligations	(817,920)	(660,420)
	859,036	1,029,263
Effect on asset ceiling	(150,996)	(302,509)
Net pension asset	P708,040	P726,754

Movements in the net pension asset follow:

	2020	2019
Net pension asset at beginning of year	P726,754	P915,400
Remeasurements loss recognized in other comprehensive income	(1,815)	(206,579)
Net pension income (expense)	(16,899)	17,933
Net pension asset at end of year	P708,040	P726,754

Movements in the effect of asset ceiling follow:

	2020	2019
Effect of asset ceiling at beginning of year	P302,509	P892,791
Interest on the effect of asset ceiling	15,734	72,308
Changes in the effect of asset ceiling	(167,247)	(662,590)
Effect of asset ceiling at end of year	P150,996	P302,509



Below is the net pension liability for those entities within the Group with net pension liability position:

	2020	2019
Present value of funded defined benefit obligations	<b>(₱1,533,770)</b>	(₱1,161,301)
Fair value of plan assets	<b>750,886</b>	658,640
Net pension liability	<b>(₱782,884)</b>	(₱502,661)

Movements in the net pension liability follow:

	2020	2019
Net pension liability at beginning of year	<b>(₱502,661)</b>	(₱268,046)
Net pension income (expense)	<b>(157,940)</b>	103,686
Remeasurement loss recognized in other comprehensive income	<b>(239,571)</b>	(356,072)
Benefits paid - direct payment	<b>13,348</b>	7,289
Contributions	<b>103,940</b>	10,482
Net pension liability at end of year	<b>(₱782,884)</b>	(₱502,661)

Breakdown of remeasurements recognized in other comprehensive income in 2020 and 2019 follow:

	2020	2019
Remeasurement losses on plan assets	<b>(₱156,378)</b>	(₱840,688)
Remeasurement losses on defined benefit obligations	<b>(310,826)</b>	(277,863)
Changes in the effect of asset ceiling	<b>167,247</b>	662,590
Net remeasurement losses on pension plans	<b>(299,957)</b>	(455,961)
Income tax effect	<b>89,987</b>	136,788
Net remeasurement losses on pension plans - net of tax	<b>(₱209,970)</b>	(₱319,173)

The Group does not expect to contribute to the pension funds in 2021.

The major categories and corresponding fair values of plan assets and liabilities by class of the Group's Plan as at the end of each reporting period are as follows:

	2020	2019
Cash and cash equivalents		
Cash in banks	<b>₱20,887</b>	₱67,988
Time deposits	<b>135,965</b>	94,588
	<b>156,852</b>	162,576
Investments in stocks		
Common shares of domestic corporations		
Quoted	<b>962,344</b>	1,080,810
Unquoted	<b>110,093</b>	67,852
Preference shares	<b>4,006</b>	11,894
	<b>1,076,443</b>	1,160,556

(Forward)



	2020	2019
Investment in government securities		
Fixed rate treasury notes (FXTNs)	<b>₱665,248</b>	₱448,885
Retail treasury bonds (RTBs)	<b>86,873</b>	233,632
	<b>752,121</b>	682,517
Investment in other securities and debt instruments		
AAA rated debt securities	<b>436,656</b>	328,289
Not rated debt securities	-	8,896
	<b>436,656</b>	337,185
Other receivables	<b>7,596</b>	11,791
Accrued trust fees and other payables	<b>(633)</b>	(592)
Benefits payable	<b>(1,193)</b>	(5,710)
Fair value of plan assets	<b>₱2,427,842</b>	₱2,348,323

Trust fees paid in 2020, 2019 and 2018 amounted to ₱2.23 million, ₱1.78 million and ₱1.87 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).
- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE.
- *Investment in government securities* - includes investment in Philippine RTBs and FXTNs.
- *Investments in other securities and debt instruments* - include investment in long-term debt notes and retail bonds.
- *Other receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Accrued trust fees and other payables* - pertain mainly to charges of trust or in the management of the Plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2020	2019	2018
Discount rate	<b>3.72% to 4.14%</b>	4.95% to 7.97%	7.34% to 7.91%
Salary increase rate	<b>3.00% to 10.00%</b>	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2020	2019
Construction and others	<b>11 years</b>	11 years
Coal mining	<b>6 years</b>	5 years
Nickel mining	<b>11 years</b>	11 years



	<b>2020</b>	2019
Real estate development	<b>15 years</b>	14 years
Power - On grid	<b>12 years</b>	10 years
Power - Off grid	<b>13 years</b>	11 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the years ended December 31, 2020 and 2019.

*Sensitivity analysis on the actuarial assumptions*

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease)	<b>2020</b>	2019
Discount rates	+100 basis points	<b>(P256,762)</b>	(P181,439)
	-100 basis points	<b>303,369</b>	211,821
Salary increases	+1.00%	<b>293,774</b>	207,782
	-1.00%	<b>(253,159)</b>	(180,240)

*Asset-liability matching strategies*

Each year, an Asset-Liability Matching Strategy (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The retirement fund's expected benefit payments are determined through the latest actuarial reports.

*Funding arrangements*

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.



Shown below is the maturity analysis of the undiscounted benefit payments:

	2020	2019
Less than 1 year	₱571,487	₱565,327
More than 1 year to 5 years	450,868	425,520
More than 5 years to 10 years	936,966	853,608
	<b>₱1,959,321</b>	<b>₱1,844,455</b>

### 23. Costs of Sales and Services

Details of costs of sales and services follow:

	2020	2019	2018
<b>Cost of Sales</b>			
Cost of real estate held for sale and development (Note 8)	<b>₱11,582,195</b>	₱11,926,324	₱13,183,915
Fuel and lubricants	<b>5,582,492</b>	5,957,048	3,414,380
Depreciation and amortization (Notes 11, 12, 13 and 32)	<b>3,854,978</b>	4,242,780	3,347,696
Materials and supplies	<b>2,117,454</b>	5,407,241	3,672,345
Direct labor	<b>1,415,364</b>	1,426,917	973,100
Commission expense (Note 9)	<b>963,492</b>	833,405	1,119,930
Outside services	<b>960,917</b>	1,266,387	851,188
Production overhead	<b>752,461</b>	1,620,517	1,023,793
Hauling, shiploading and handling costs (Note 20)	<b>616,971</b>	390,335	18,594
Provision for decommissioning and site rehabilitation costs (Note 19)	—	—	436,523
Others	<b>30,320</b>	71,899	73,828
	<b>27,876,644</b>	33,142,853	28,115,292
<b>Cost of Services</b>			
Materials and supplies	<b>9,096,464</b>	9,275,096	9,093,678
Depreciation and amortization (Notes 11, 12, 13 and 32)	<b>3,696,117</b>	3,668,845	4,381,879
Direct labor	<b>3,587,095</b>	3,738,171	3,432,717
Outside services	<b>3,548,630</b>	3,278,855	2,301,411
Production overhead	<b>2,320,557</b>	2,119,996	1,105,418
Fuel and lubricants	<b>1,100,875</b>	1,482,606	1,452,632
Spot purchases of electricity	<b>434,638</b>	2,826,761	1,203,199
Hauling, shiploading and handling costs (Note 20)	<b>144,117</b>	288,458	278,321
Others	<b>121,262</b>	233,020	523,784
	<b>24,049,755</b>	26,911,808	23,773,039
	<b>₱51,926,399</b>	<b>₱60,054,661</b>	<b>₱51,888,331</b>

Cost of real estate sales presented in the consolidated statements of income includes cost of running hotel and property management operations amounting to ₱121.33 million, ₱227.04 million and ₱177.74 million for 2020, 2019 and 2018, respectively.

Related revenue from hotel and property management operations amounted to ₱224.24 million, ₱445.80 million and ₱339.96 million in 2020, 2019 and 2018, respectively.



Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2020	2019	2018
Included in:			
Cost of electricity sales	<b>₱3,531,613</b>	₱2,937,938	₱3,706,189
Cost of coal mining	<b>2,633,644</b>	3,804,839	3,028,172
Cost of construction contracts and others	<b>767,251</b>	730,907	675,690
Cost of nickel mining	<b>317,823</b>	247,733	97,580
Cost of real estate development	<b>300,764</b>	190,208	221,944
Operating expenses (Note 24)	<b>614,929</b>	1,290,458	1,702,225
	<b>₱8,166,024</b>	₱9,202,083	₱9,431,800
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 12)	<b>₱8,508,551</b>	₱9,337,817	₱10,260,534
Other noncurrent assets (Note 13)	<b>52,154</b>	52,736	48,110
Investment properties (Note 11)	<b>14,764</b>	14,794	14,826
Right-of-use assets (Note 32)	<b>29,378</b>	68,282	-
	<b>₱8,604,847</b>	₱9,473,629	₱10,323,470

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱438.82 million, ₱271.55 million and ₱891.67 million in 2020, 2019 and 2018, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2020	2019	2018
Presented under:			
Costs of sales and services	<b>₱5,002,459</b>	₱5,165,088	₱4,405,817
Operating expenses (Note 24)	<b>1,981,194</b>	1,966,441	1,905,353
	<b>₱6,983,653</b>	₱7,131,529	₱6,311,170

## 24. Operating Expenses

This account consists of:

	2020	2019	2018
Salaries, wages and employee benefits (Notes 22 and 23)	<b>₱1,981,194</b>	₱1,966,441	₱1,905,353
Government share (Note 30)	<b>1,813,594</b>	3,927,055	3,569,015
Taxes and licenses	<b>1,306,650</b>	1,411,869	1,270,078
Outside services	<b>827,176</b>	560,858	306,854
Depreciation and amortization (Notes 11, 12, 13 and 23)	<b>614,929</b>	1,290,458	1,702,225
Repairs and maintenance	<b>611,802</b>	726,923	844,949
Insurance	<b>271,480</b>	362,608	179,835
Rent (Notes 20 and 32)	<b>209,688</b>	179,788	230,045
Advertising and marketing	<b>194,499</b>	320,657	311,480
Supplies	<b>161,452</b>	108,574	100,621
Communication, light and water	<b>132,084</b>	153,876	166,778

(Forward)



	2020	2019	2018
Entertainment, amusement and recreation	<b>₱130,440</b>	₱141,566	₱151,683
Transportation and travel	<b>118,297</b>	150,442	152,507
Provision for expected credit losses, probable losses assets - net (Notes 6 and 9)	<b>60,121</b>	135,749	30,825
Association dues	<b>44,473</b>	56,457	72,928
Commission	<b>1,761</b>	6,389	2,182
Loss on write-down of property, plant and equipment (Notes 3 and 12)	-	83,536	-
Miscellaneous (Notes 10 and 20)	<b>434,048</b>	575,023	643,303
	<b>₱8,913,688</b>	₱12,158,269	₱11,640,661

In 2020, 2019 and 2018, the Group recorded accelerated depreciation for its power generation units amounting to ₱101.23 million, ₱549.95 million and ₱1,210.10 million, respectively, due to planned rehabilitation of the Group's 2x300MW coal-fired power plant in Calaca, Batangas.

## 25. Finance Income

Finance income is derived from the following sources:

	2020	2019	2018
Interest on:			
Installment contracts receivable (Note 6)	<b>₱313,001</b>	₱277,659	₱253,288
Short-term placements (Note 4)	<b>162,205</b>	330,972	360,666
Bank savings accounts (Note 4)	<b>27,846</b>	207,718	180,444
Others	-	180,188	-
	<b>₱503,052</b>	₱996,537	₱794,398

Others pertain to interest income related to claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) which was collected in 2019.

## 26. Finance Costs

The finance costs are incurred from the following:

	2020	2019	2018
Long-term debt (Note 18)	<b>₱681,615</b>	₱637,639	₱674,012
Short-term debt (Note 14)	<b>406,563</b>	783,027	298,773
Amortization of debt issuance cost (Note 18)	<b>67,810</b>	50,040	42,659
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation costs (Notes 15 and 19)	<b>25,175</b>	32,708	123,134
Lease liabilities (Note 32)	<b>9,909</b>	20,038	-
	<b>₱1,191,072</b>	₱1,523,452	₱1,138,578





## 27. Other Income (Charges) - Net

This account consists of:

	2020	2019	2018
Forfeitures and cancellation of real estate contracts	<b>₱524,904</b>	₱1,070,414	₱770,951
Sales of fly ash	<b>180,213</b>	166,197	189,762
Foreign exchange gains (losses)	<b>113,290</b>	(40,453)	(388,172)
Rental income (Note 11)	<b>75,040</b>	109,833	184,076
Gain (loss) on sale of property, plant and equipment - net (Note 12)	<b>₱67,003</b>	(₱14,847)	₱37,269
Reversal of allowance for doubtful accounts (Note 6)	<b>(952)</b>	5,136	-
Gain (loss) on financial asset at FVPL (Note 5)	-	(643,476)	91,592
(Forward)			
Recoveries from insurance claims and claims from third party settlement	-	668,393	287,766
Pension income (Note 22)	-	24,651	12,417
Gain on sale of undeveloped parcel of land	-	-	1,021,763
Others - net (Notes 5, 12 and 32)	<b>75,060</b>	72,186	51,555
	<b>₱1,034,558</b>	₱1,418,034	₱2,258,979

### *Gain (loss) on financial asset at FVPL*

This pertains to net gain or loss on financial assets at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized loss of ₱398.03 million in 2019 and realized gain of ₱65.82 million in 2018 (see Note 5).

### *Recoveries from insurance claims and claims from third party settlement*

Recoveries from insurance claims amounting to ₱668.39 million and ₱232.99 million in 2019 and 2018, respectively, pertain to the amount reimbursed by the insurer on insured equipment of SLPGC that were damaged in 2018. The amount recognized is net of related cost of repairs incurred.

### *Others – net*

Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees, gain on pre-termination of option contract and lease contract modification, and others, net of loss recognized for the impairment of gas turbine power plant.

## 28. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	2020	2019	2018
Current	<b>₱1,367,877</b>	₱1,962,046	₱2,733,108
Deferred	<b>(53,940)</b>	(311,189)	363,744
Final	<b>30,635</b>	108,052	108,387
	<b>₱1,344,572</b>	₱1,758,909	₱3,205,239



The components of net deferred tax assets as of December 31, 2020 and 2019 follow:

	2020	2019
Deferred tax assets on:		
Allowance for:		
Expected credit losses	₱505,562	₱516,978
Inventory obsolescence	21,580	21,580
Unrealized gross loss on construction contracts	235,226	337,296
NOLCO	192,788	194,128
Pension liabilities – net	₱133,531	₱73,355
Impairment	47,012	47,012
Unrealized foreign exchange loss	16,263	13,390
Provision for decommissioning and site rehabilitation	10,382	9,147
Accruals of expenses	5,590	5,491
Others	14,828	77,885
	<b>1,182,762</b>	<b>1,296,262</b>
Deferred tax liabilities on:		
Unrealized gross loss on construction contracts	(243,011)	(180,230)
Unrealized foreign exchange gain	(1,130)	–
Pension assets – net	–	(1,297)
	<b>(244,141)</b>	<b>(181,527)</b>
	<b>₱938,621</b>	<b>₱1,114,735</b>

The components of net deferred tax liabilities as of December 31, 2020 and 2019 follow:

	2020	2019
Deferred tax assets on:		
Pension liabilities - net	₱103,142	₱111,413
Unrealized gross profit on construction contracts	27,880	–
Allowance for expected credit losses	21,421	21,421
Others	1,200	38,592
	<b>153,643</b>	<b>171,426</b>
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(2,867,112)	(3,192,118)
Unamortized fair value on nickel mining rights acquired	(1,283,165)	(1,338,826)
Capitalized interest on real estate for sale and development deducted in advance	(463,841)	(380,804)
Deferred commission expense	(174,471)	(51,269)
Unrealized foreign exchange gain - net	(76,918)	(77,741)
Pension assets - net	(50,820)	(34,743)
Unrealized gross profit on construction contracts	(27,193)	(166,610)
Unamortized transaction cost on loans payable	(46,372)	(32,986)
Mine rehabilitation	(4,682)	(4,524)
Others	(111,125)	(103,293)
	<b>(5,105,699)</b>	<b>(5,382,914)</b>
	<b>(₱4,952,056)</b>	<b>(₱5,211,488)</b>



The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	2020	2019
Allowance for impairment losses	<b>₱437,889</b>	₱280,693
NOLCO	<b>192,434</b>	178,377
Allowance for probable losses	<b>52,957</b>	52,957
Pension liabilities - net	-	16,993
MCIT	<b>12,184</b>	3,498

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group did not recognize deferred tax assets on NOLCO and MCIT from the following periods:

Year Incurred	NOLCO	MCIT	Expiry Year
2020	₱14,476	₱11,235	2023
2019	19,983	221	2022
2018	157,975	728	2021
	<b>₱192,434</b>	<b>₱12,184</b>	

Rollforward analysis of the Group's NOLCO and MCIT follows:

	NOLCO		MCIT	
	2020	2019	2020	2019
Balances at beginning of year	<b>₱178,377</b>	₱2,104,911	<b>₱3,498</b>	₱3,499
Additions	<b>14,476</b>	19,983	<b>11,235</b>	221
Expirations and usage	<b>(419)</b>	(1,946,517)	<b>(2,549)</b>	(222)
Balances at end of year	<b>₱192,434</b>	₱178,377	<b>₱12,184</b>	₱3,498

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2020	2019
Statutory income tax rate	<b>30.00%</b>	30.00%
Adjustments for:		
Nondeductible expenses	<b>1.97</b>	0.90
Effect of OSD availment	<b>0.85</b>	(0.34)
NOLCO	<b>0.17</b>	0.12
Changes in unrecognized deferred tax assets	<b>(0.05)</b>	0.98
Excess costs of construction contracts	<b>(0.09)</b>	(0.10)
Interest income subjected to final tax at a lower rate - net	<b>(0.17)</b>	(0.29)
Nontaxable equity in net earnings of associates and jointly controlled entities	<b>(5.30)</b>	(3.26)
Income under income tax holiday	<b>(11.76)</b>	(19.40)
Impairment of goodwill	-	2.96
Others	<b>(0.26)</b>	(0.98)
Effective income tax rate	<b>15.36%</b>	10.59%



Registrations with Department of Energy and BOI

a. *Certain power generation companies - Registration with the BOI*

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled, among others, to ITH incentives covering 4 to 10 years. To be able to avail of the incentives, these companies are required to maintain a minimum equity level. As of December 31, 2020 and 2019, the Group have complied with the requirements.

In 2020 and 2019, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱322.57 million and ₱1,039.74 million, respectively.

b. *SMPC - Expanding Producer of Coal (Narra and Molave Minesite)*

On August 31, 2012 and February 24, 2016, BOI has granted SMPC Certificate of Registration (COR) as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2017-042), respectively.

As a registered entity, SMPC is entitled to the following incentives for the two CORs, among others:

- (a) ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- (b) Income qualified for ITH availment shall not exceed by more than 10%, the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱3,107.15 million, ₱2,313.56 million and ₱2,992.59 million in 2020, 2019 and 2018, respectively.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

In February 2021, the Bicameral Conference Committee of both the Senate and the Congress have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act", which seeks to reduce the corporate income tax rate and rationalize the current fiscal incentives by making them time-bound, targeted and performance-based. Once the approved bill is submitted to the Office of the President for approval, the President can either approve or veto the fully enrolled bill; or approve or veto only certain provisions of the bill. If the bill is approved or the 30-day time period for the Office of the President to veto the bill has lapsed, the bill will then be enacted as a law.

The key changes of the submitted CREATE bill for approval are as follows:

- Effective July 1, 2020, RCIT rate is decreased from 30% to 20% for corporations with total assets of ₱100.0 million or below and taxable income of ₱5.0 million and below. All other corporations not meeting the criteria will be subject to lowered RCIT rate of 25% from 30%;
- Effective July 1, 2020 and for a period of 3 years, MCIT rate will lowered from 2% to 1% of gross income; and
- Improperly accumulated earnings tax of 10% will be repealed.



The RCIT and MCIT applied in the preparation of the Group’s financial statements as at and for the year December 31, 2020 are based on the substantially enacted tax rates existing as of the balance sheet date which are 30% RCIT and 2% MCIT. Should the CREATE bill be subsequently enacted as a law prior to the filing deadline of the 2020 annual income tax return on April 15, 2021 and the retrospective effectivity beginning July 1, 2020 for both RCIT and MCIT are carried in the enacted bill, the excess accrued RCIT and MCIT as of the balance sheet date will be considered as reversal of income tax accrual in 2021.

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## 29. Earnings Per Share

The following table presents information necessary to calculate basic/diluted earnings per share on net income attributable to equity holders of the Parent Company (amounts in thousands, except basic/diluted earnings per share):

	2020	2019	2018
Net income attributable to equity holders of Parent Company	₱5,858,949	₱10,533,131	₱14,512,939
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470
<b>Basic/diluted earnings per share</b>	<b>₱0.44</b>	<b>₱0.79</b>	<b>₱1.09</b>

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2020, 2019 and 2018.

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## 30. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to SMPC which gives it the exclusive right to conduct exploration, development and coal mining operations on Semirara Island. In return for the mining rights granted to SMPC, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator’s fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by SMPC to feed its power plant in determining the amount due to DOE. SMPC’s provision for DOE’s share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱1,813.59 million, ₱3,927.06 million and ₱3,569.02 million in 2020, 2019 and 2018, respectively, included under “Operating expenses” in the consolidated statements of income (see Note 24). Payable to DOE and LGU amounting to ₱1,034.08 million and ₱855.90 million as of December 31, 2020 and 2019, respectively, are included under the “Accounts and other payables” account in the consolidated statements of financial position (see Note 16).

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## 31. Material Partly-Owned Subsidiary

The financial information of the Group’s subsidiaries with material noncontrolling-interest are provided below. These information are based on amounts in the consolidated financial statements of the subsidiary.



Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2020	2019
<b>Consolidated statements of financial position</b>		
Current assets	₱23,978,257	₱21,603,135
Noncurrent assets	47,167,468	50,605,989
<b>Total assets</b>	<b>71,145,725</b>	<b>72,209,124</b>
Current liabilities	16,521,155	13,994,698
Noncurrent liabilities	12,439,559	13,978,526
<b>Total liabilities</b>	<b>28,960,714</b>	<b>27,973,224</b>
<b>Equity</b>	<b>₱42,185,011</b>	<b>₱44,235,900</b>
<b>Consolidated statements of comprehensive income</b>		
Revenue	₱28,250,369	₱44,252,105
Cost of sales	19,699,417	26,647,159
Gross profit	8,550,952	17,604,946
Operating expenses	(4,554,062)	(7,364,921)
Other expenses - net	(577,542)	(856,360)
Income before income tax	3,419,348	9,383,665
Provision for (benefit from) income tax	132,598	(295,126)
Net income	3,286,750	9,678,791
Other comprehensive loss	(24,454)	(62,393)
<b>Total comprehensive income</b>	<b>₱3,262,296</b>	<b>₱9,616,398</b>
<b>Cash flow information</b>		
Operating	₱9,816,715	₱24,138,059
Investing	(4,176,124)	(12,375,335)
Financing	(4,044,738)	(7,247,824)
Effect of exchange rate changes on cash and cash equivalents	31,652	39,233
<b>Net increase in cash and cash equivalents</b>	<b>₱1,627,505</b>	<b>₱4,554,133</b>

The accumulated balances of material noncontrolling-interest of SMPC and subsidiaries as at December 31, 2020 and 2019 amounted to ₱18,656.91 million and ₱19,546.85 million, respectively. Dividends paid to noncontrolling interests amounted to ₱2,303.47 million in 2020 and 2019.

### 32. Leases

#### *The Group as a Lessee*

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore lease generally have lease terms between five (5) and 25 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of office spaces, warehouse and storage spaces which have lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.



Movements in the Group's right-of-use assets and lease liabilities follow:

Right of use assets

	Year ended December 31, 2020		
	Land	Office space	Total
<b>Cost</b>			
Balances at beginning of year	₱169,020	₱165,677	₱334,697
Additions	8,566	1,454	10,020
Balances at end of year	177,586	167,131	344,717
<b>Accumulated amortization</b>			
Balances at beginning of year	18,488	49,794	68,282
Amortization (Notes 23 and 24)	18,718	10,660	29,378
Balances at end of year	37,206	60,454	97,660
<b>Contract modification (Note 27)</b>	–	(63,963)	(63,963)
	<b>₱140,380</b>	<b>₱42,714</b>	<b>₱183,094</b>

	Year ended December 31, 2019		
	Land	Office space	Total
Effect of adoption of PFRS 16	₱169,020	₱161,326	₱330,346
Additions	–	4,351	4,351
Balances at end of year	169,020	165,677	334,697
Amortization (Notes 23 and 24)	18,488	49,794	68,282
	<b>₱150,532</b>	<b>₱115,883</b>	<b>₱266,415</b>

Lease liabilities

	2020	2019
Beginning balance	₱218,217	₱261,096
Additions	10,020	4,361
Payment	(43,872)	(67,268)
Accretion (Note 26)	9,909	20,028
Contract modification (Note 27)	(66,287)	–
	<b>₱127,987</b>	<b>₱218,217</b>

The following are the amounts recognized in consolidated statements of income in 2020 and 2019:

	2020	2019
Depreciation expense of right-of-use assets charged to:		
Cost of sales and services (Note 23)	₱7,268	₱23,296
Operating expenses (Note 24)	22,110	44,986
Expenses relating to short-term leases charged to operating expenses (Note 24)	209,688	179,788
Interest expense on lease liabilities (Note 26)	9,909	20,038
	<b>₱248,975</b>	<b>₱268,108</b>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).



In 2020, the Group entered into lease contract modification in its office space to revise the lease term to 12 months. Following PFRS 16, the Group derecognized the outstanding right-of use assets and lease liabilities, and recognized gain on lease contract modification presented under “Other income (charges) - net” in consolidated statements of income amounting to ₱2.32 million (see Note 27).

As of December 31, 2020 and 2019, future undiscounted minimum lease payments under operating lease are as follows:

	2020	2019
Within one year	<b>₱57,458</b>	₱91,300
After one year but not more than five years	<b>84,524</b>	193,425
More than five years	<b>48,469</b>	56,690
	<b>₱190,451</b>	₱341,415

*Operating Lease - As Lessor*

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 11). The lease agreements provide for a fixed monthly rental with an escalation ranging from 5.00% to 7.00% and 3.00% to 7.00% annually in 2020 and 2019, respectively. These are renewable under the terms and condition agreed with the lessees.

As of December 31, 2020 and 2019, future minimum lease receivables under the aforementioned operating lease are as follows:

	2020	2019
Within one year	<b>₱33,066</b>	₱31,860
After one year but not more than five years	<b>69,994</b>	83,772
More than five years	<b>16,470</b>	24,538
	<b>₱119,530</b>	₱140,170

### 33. Operating Segments

Business Segment Information

For management purposes, the Group is organized into seven (7) major business units that are largely organized and managed separately according to industry. Reporting operating segments are as follows:

- Construction and others - engaged in various construction projects and construction-related businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.
- Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.
- Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.
- Real estate - focused in mid-income residential development carried under the brand name DMCI Homes. It is also engaged in hotel services and property management.
- On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.





- Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.
- Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements. The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRSs.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group disaggregates its revenue information in the same manner as it reports its segment information. The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 5%, 7% and 10% of the Group's total revenue in 2020, 2019 and 2018, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

#### Business Segments

The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2020, 2019 and 2018 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2020, 2019 and 2018.



Year ended December 31, 2020									
	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱16,741,971	₱16,488,547	₱2,471,999	₱16,266,887	₱11,761,902	₱3,968,793	₱-	₱-	₱67,700,099
Equity in net earnings of associates and joint ventures	-	(307)	-	(3,846)	-	-	1,550,284	-	1,546,131
Other income (expense)	(3,677)	229,762	(30,036)	733,125	102,816	700	-	1,868	1,034,558
	16,738,294	16,718,002	2,441,963	16,996,166	11,864,718	3,969,493	1,550,284	1,868	70,280,788
Cost of sales and services (before depreciation and amortization)	14,935,397	9,646,668	610,882	12,789,063	3,966,053	2,427,241	-	-	44,375,304
Government share (Note 24)	-	1,813,594	-	-	-	-	-	-	1,813,594
General and administrative expense (before depreciation and amortization)	679,698	382,970	658,709	2,052,167	1,941,256	618,448	-	151,917	6,485,165
	15,615,095	11,843,232	1,269,591	14,841,230	5,907,309	3,045,689	-	151,917	52,674,063
EBITDA	1,123,199	4,874,770	1,172,372	2,154,936	5,957,409	923,804	1,550,284	(150,049)	17,606,725
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(20,271)	(336,852)	2,143	316,295	(705,016)	(16,124)	-	71,805	(688,020)
Depreciation and amortization (Notes 23 and 24)	(784,436)	(2,680,127)	(347,848)	(445,781)	(3,624,099)	(278,490)	-	(5,243)	(8,166,024)
Pretax income	318,492	1,857,791	826,667	2,025,450	1,628,294	629,190	1,550,284	(83,487)	8,752,681
Provision for income tax (Note 28)	172,827	60,008	245,260	654,276	104,702	92,324	-	15,175	1,344,572
Net income	₱145,665	₱1,797,783	₱581,407	₱1,371,174	₱1,523,592	₱536,866	₱1,550,284	(₱98,662)	₱7,408,109
Net income attributable to noncontrolling-interests	24,957	779,408	98,584	1,471	644,740	-	-	-	1,549,160
Net income attributable to equity holders of the Parent Company	₱120,708	₱1,018,375	₱482,823	₱1,369,703	₱878,852	₱536,866	₱1,550,284	(₱98,662)	₱5,858,949
Segment Assets									
Cash	₱1,466,101	₱5,662,912	₱1,092,649	₱4,766,267	₱2,421,678	₱159,462	₱-	₱3,349,381	₱18,918,450
Receivables and contract assets	11,504,253	1,562,046	131,152	21,907,872	2,065,604	1,236,647	-	2,788	38,410,362
Inventories	1,690,932	6,856,198	268,322	40,892,821	3,883,945	303,171	-	-	53,895,389
Investment in associates and joint venture	58,380	-	-	807,049	-	-	-	15,725,132	16,590,561
Fixed assets**	3,601,813	8,740,323	4,991,661	2,025,565	37,797,435	5,223,732	-	4,991	62,385,520
Others	4,369,833	939,465	619,978	5,458,362	1,912,838	836,267	-	56,514	14,193,257
	₱22,691,312	₱23,760,944	₱7,103,762	₱75,857,936	₱48,081,500	₱7,759,279	₱-	₱19,138,806	₱204,393,539
Segment Liabilities									
Contract liabilities	₱6,262,469	₱32,193	₱-	₱10,378,964	₱-	₱-	₱-	₱-	₱16,673,626
Short-term and long-term debt	877,825	5,853,255	-	28,314,873	14,020,817	2,822,200	-	-	51,888,970
Others	8,486,029	6,601,009	2,311,982	13,348,918	2,261,785	1,538,404	-	80,045	34,628,172
	₱15,626,323	₱12,486,457	₱2,311,982	₱52,042,755	₱16,282,602	₱4,360,604	₱-	₱80,045	₱103,190,768
Other disclosures									
Property, plant and equipment additions (Note 12)	₱739,140	₱3,179,867	₱113,250	₱453,883	₱2,589,369	₱869,332	₱-	₱1,103	₱7,945,944
Acquisition of land for future development (Note 8)	-	-	-	3,213,209	-	-	-	-	3,213,209
Transfer of undeveloped land (Notes 8 and 12)	-	-	-	362,568	-	-	-	-	362,568

\*Revenue from construction segment includes sales and service revenue from Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation assets



Year ended December 31, 2019									
	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱18,770,559	₱29,085,433	₱1,610,297	₱18,584,388	₱15,169,123	₱4,541,421	₱-	₱-	₱87,761,221
Equity in net earnings of associates and joint ventures	-	691	-	(1,364)	-	-	1,803,058	-	1,802,385
Other income (expense)	33,378	(14,929)	42,153	1,118,345	214,361	21,366	-	3,360	1,418,034
	18,803,937	29,071,195	1,652,450	19,701,369	15,383,484	4,562,787	1,803,058	3,360	90,981,640
Cost of sales and services (before depreciation and amortization)	15,852,434	13,855,809	432,747	13,000,136	5,961,492	2,917,280	-	-	52,019,898
Government share (Note 24)	-	3,927,055	-	-	-	-	-	-	3,927,055
General and administrative expense (before depreciation and amortization)	750,661	648,581	575,095	2,307,468	2,079,807	642,560	-	59,722	7,063,894
	16,603,095	18,431,445	1,007,842	15,307,604	8,041,299	3,559,840	-	59,722	63,010,847
EBITDA	2,200,842	10,639,750	644,608	4,393,765	7,342,185	1,002,947	1,803,058	(56,362)	27,970,793
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(36,656)	(511,128)	7,597	331,161	(543,594)	(26,105)	-	251,810	(526,915)
Impairment of goodwill	-	-	(1,637,430)	-	-	-	-	-	(1,637,430)
Depreciation and amortization (Notes 23 and 24)	(795,172)	(3,974,890)	(301,529)	(332,591)	(3,538,027)	(253,381)	-	(6,493)	(9,202,083)
Pretax income	1,369,014	6,153,732	(1,286,754)	4,392,335	3,260,564	723,461	1,803,058	188,955	16,604,365
Provision for income tax (Note 28)	384,914	(30,456)	100,874	1,363,867	(221,882)	112,278	-	49,314	1,758,909
Net income	₱984,100	₱6,184,188	(₱1,387,628)	₱3,028,468	₱3,482,446	₱611,183	₱1,803,058	₱139,641	₱14,845,456
Net income attributable to noncontrolling-interests	54,317	2,681,085	67,983	8,343	1,500,597	-	-	-	4,312,325
Net income attributable to equity holders of the Parent Company	₱929,783	₱3,503,103	(₱1,455,611)	₱3,020,125	₱1,981,849	₱611,183	₱1,803,058	₱139,641	₱10,533,131
Segment Assets									
Cash	₱3,392,025	₱3,243,914	₱865,148	₱5,897,157	₱3,213,170	₱46,963	₱-	₱4,939,446	₱21,597,823
Receivables and contract assets	9,710,153	1,281,338	49,645	20,192,449	2,654,612	1,483,069	-	6,551	35,377,817
Inventories	1,222,789	6,384,701	321,080	37,593,332	3,834,869	309,682	-	-	49,666,453
Investment in associates and joint venture	58,380	51,203	-	825,677	-	-	-	14,279,098	15,214,358
Fixed assets**	3,659,060	10,000,076	5,190,450	1,722,497	38,556,292	4,446,604	-	9,719	63,584,698
Others	4,052,613	1,632,117	583,995	5,433,339	2,681,923	908,722	-	53,143	15,345,852
	₱22,095,020	₱22,593,349	₱7,010,318	₱71,664,451	₱50,940,866	₱7,195,040	₱-	₱19,287,957	₱200,787,001
Segment Liabilities									
Contract liabilities	₱6,760,924	₱32,124	₱-	₱9,624,719	₱-	₱-	₱-	₱-	₱16,417,767
Short-term and long-term debt	218,562	4,900,000	-	25,786,129	13,697,035	2,304,000	-	-	46,905,726
Others	8,402,980	6,199,825	2,190,502	12,801,540	3,302,154	1,663,553	-	64,880	34,625,434
	₱15,382,466	₱11,131,949	₱2,190,502	₱48,212,388	₱16,999,189	₱3,967,553	₱-	₱64,880	₱97,948,927
Other disclosures									
Property, plant and equipment additions (Note 12)	₱1,999,822	₱3,380,166	₱92,428	₱722,283	₱8,413,577	₱999,141	₱-	₱2,645	₱15,610,062
Acquisition of land for future development (Note 8)	-	-	-	6,649,655	-	-	-	-	6,649,655

\*Revenue from construction segment includes sales and service revenue from Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation assets



Year ended December 31, 2018

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱15,011,271	₱23,185,658	₱1,211,751	₱20,572,250	₱18,782,906	₱4,079,024	₱-	₱-	₱82,842,860
Equity in net earnings of associates and joint ventures	-	(430)	-	-	-	-	1,826,087	-	1,825,657
Other income (expense)	9,685	(328,621)	31,771	1,964,492	555,540	22,182	-	3,930	2,258,979
	15,020,956	22,856,607	1,243,522	22,536,742	19,338,446	4,101,206	1,826,087	3,930	86,927,496
Cost of sales and services (before depreciation and amortization)	12,005,694	9,233,912	294,683	14,481,585	5,203,521	2,939,376	-	-	44,158,771
Government share (Note 24)	-	3,569,015	-	-	-	-	-	-	3,569,015
General and administrative expense (before depreciation and amortization)	633,521	727,021	509,665	2,263,714	1,822,599	335,980	-	76,906	6,369,406
	12,639,215	13,529,948	804,348	16,745,299	7,026,120	3,275,356	-	76,906	54,097,192
EBITDA	2,381,741	9,326,659	439,174	5,791,443	12,312,326	825,850	1,826,087	(72,976)	32,830,304
Other income (expenses)									
Finance income (cost) (Notes 25 and 26)	(4,124)	(361,787)	326	214,485	(452,138)	(33,508)	-	292,566	(344,180)
Depreciation and amortization (Notes 23 and 24)	(700,536)	(3,060,127)	(116,187)	(368,260)	(4,962,269)	(223,328)	-	(1,093)	(9,431,800)
Pretax income	1,677,081	5,904,745	323,313	5,637,668	6,897,919	569,014	1,826,087	218,497	23,054,324
Provision for income tax (Note 28)	404,678	19,906	128,397	1,762,763	724,427	104,468	-	60,600	3,205,239
Net income	₱1,272,403	₱5,884,839	₱194,916	₱3,874,905	₱6,173,492	₱464,546	₱1,826,087	₱157,897	₱19,849,085
Net income attributable to noncontrolling-interests	₱40,079	₱2,554,605	₱77,449	₱-	₱2,664,013	₱-	₱-	₱-	₱5,336,146
Net income attributable to equity holders of the Parent Company	₱1,232,324	₱3,330,234	₱117,467	₱3,874,905	₱3,509,479	₱464,546	₱1,826,087	₱157,897	₱14,512,939
Segment Assets									
Cash	₱1,881,020	₱863,765	₱605,546	₱6,158,935	₱1,039,043	₱308,805	₱-	₱4,624,850	₱15,481,964
Receivables and contract assets	6,770,091	2,433,171	164,572	17,627,209	4,885,401	1,306,806	-	10,110	33,197,360
Inventories	1,480,882	7,799,002	290,691	30,262,122	4,564,381	294,442	-	-	44,691,520
Investment in associates and joint venture	58,380	52,384	-	293,241	-	-	-	13,826,646	14,230,651
Fixed assets**	2,403,776	11,144,571	5,568,132	1,399,443	33,235,079	3,707,894	-	11,088	57,469,983
Others	3,392,404	2,426,216	2,297,993	5,004,160	3,635,478	501,136	-	75,850	17,333,237
	₱15,986,553	₱24,719,109	₱8,926,934	₱60,745,110	₱47,359,382	₱6,119,083	₱-	₱18,548,544	₱182,404,715
Segment Liabilities									
Contract liabilities	₱3,120,188	₱47,042	₱-	₱8,086,109	₱1,710,015	₱-	₱-	₱-	₱12,963,354
Short-term and long-term debt	175,756	7,906,388	-	18,771,488	12,583,200	2,084,500	-	-	41,521,332
Others	6,555,522	7,592,050	2,548,493	12,064,517	2,373,213	1,387,346	-	29,444	32,550,585
	₱9,851,466	₱15,545,480	₱2,548,493	₱38,922,114	₱16,666,428	₱3,471,846	₱-	₱29,444	₱87,035,271
Other disclosures									
Property, plant and equipment additions (Note 12)	₱1,068,059	₱4,636,119	₱55,857	₱463,926	₱4,367,137	₱1,446,366	₱-	₱1,753	₱12,039,217
Acquisition of land for future development (Note 8)	-	-	-	2,872,017	-	-	-	-	2,872,017

\*Revenue from construction segment includes sales and service revenue from Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation assets.



### 34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group also has various significant other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

#### a. Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2020 and 2019, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments.

	2020				Total
	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	
<b>Financial assets at amortized cost</b>					
Cash in banks and cash equivalents	₱18,896,749	₱-	₱-	₱-	₱18,896,749
Receivables - net					
Trade:					
General construction	7,339,232	196,883	-	-	7,536,115
Real estate	6,492,700	-	-	-	6,492,700
Electricity sales	2,745,277	-	-	-	2,745,277

(Forward)



	2020				
	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Coal mining	₱1,439,960	₱-	₱-	₱-	₱1,439,960
Nickel mining	110,570	-	-	-	110,570
Merchandising and others	95,194	-	-	-	95,194
Receivables from related parties	591,216	-	-	-	591,216
Other receivables	1,411,223	-	-	-	1,411,223
Other assets					
Refundable deposits	243,036	86,222	6,486	-	335,744
Deposit in escrow fund	229,207	-	-	-	229,207
Security deposits	-	-	2,886	-	2,886
	<b>39,594,364</b>	<b>283,105</b>	<b>9,372</b>	<b>-</b>	<b>39,886,841</b>
<b>Other Financial Liabilities</b>					
Short-term debt*	5,826,370	-	-	-	5,826,370
Accounts and other payables**	21,608,231	-	-	-	21,608,231
Liabilities for purchased land	1,833,515	19,303	60,985	105,803	2,019,606
Long-term debt*	11,430,839	10,877,318	11,451,269	19,761,308	53,520,734
Total undiscounted financial liabilities	<b>40,698,955</b>	<b>10,896,621</b>	<b>11,512,254</b>	<b>19,867,111</b>	<b>82,974,941</b>
Liquidity gap	<b>(₱1,104,591)</b>	<b>(₱10,613,516)</b>	<b>(₱11,502,882)</b>	<b>(₱19,867,111)</b>	<b>(₱43,088,100)</b>

\*Including future interest payment.

\*\*Excluding nonfinancial liabilities.

	2019				
	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Financial assets at amortized cost					
Cash in banks and cash equivalents	₱21,575,120	₱-	₱-	₱-	₱21,575,120
Receivables - net					
Trade:					
General construction	5,146,716	1,353,069	-	-	6,499,785
Real estate	3,233,500	-	-	-	3,233,500
Electricity sales	3,779,023	-	-	-	3,779,023
Coal mining	813,416	-	-	-	813,416
Nickel mining	116,907	-	-	-	116,907
Merchandising and others	105,437	-	-	-	105,437
Receivables from related parties	493,464	-	-	-	493,464
Other receivables	1,217,991	-	-	-	1,217,991
Other assets					
Refundable deposits	356,828	68,491	-	-	425,319
Deposit in escrow fund	181,178	-	-	-	181,178
Security deposits	-	2,875	-	-	2,875
Total undiscounted financial assets	<b>37,019,580</b>	<b>1,424,435</b>	<b>-</b>	<b>-</b>	<b>38,444,015</b>
Other Financial Liabilities					
Short-term debt*	2,699,114	-	-	-	2,699,114
Accounts and other payables**	21,501,506	158,962	71,720	-	21,732,188
Liabilities for purchased land	673,025	1,037,047	19,303	166,788	1,896,163
Long-term debt*	16,837,644	6,635,018	9,438,986	14,206,431	47,118,079
Total undiscounted financial liabilities	<b>41,711,289</b>	<b>7,831,027</b>	<b>9,530,009</b>	<b>14,373,219</b>	<b>73,445,544</b>
Liquidity gap	<b>(₱4,691,709)</b>	<b>(₱6,406,592)</b>	<b>(₱9,530,009)</b>	<b>(₱14,373,219)</b>	<b>(₱35,001,529)</b>

\*Including future interest payment.

\*\*Excluding nonfinancial liabilities



b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- WESM price risk - movement in WESM price for energy
- Interest rate risk – movement in market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2020 and 2019.

c. *Equity Price Risk*

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2020	2019	2020	2019
PSE	+8.06%	+21.01%	(P596)	(P2,388)
	-8.06%	-21.01%	596	2,388
Others	+8.46%	+13.56%	626	1,541
	-8.46%	-13.56%	(626)	(1,541)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 8.06% and 8.46% in 2020 and 21.01% and 13.56% in 2019, respectively.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.



The impact of sensitivity of equity prices on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

*d. Commodity Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

*Coal*

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	<b>2020</b>	2019
Domestic market	<b>24.96%</b>	21.46%
Export market	<b>75.04%</b>	78.54%
	<b>100%</b>	100.00%





The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2020 and 2019 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2020 and 2019.

Change in coal price	Effect on income before income tax	
	2020	2019
<i>Based on ending coal inventory</i>		
Increase by 22% in 2020 and 27% in 2019	<b>₱501,215,811</b>	₱302,989
Decrease by 22% in 2020 and 27% in 2019	<b>(501,215,811)</b>	(302,989)
<i>Based on coal sales volume</i>		
Increase by 22% in 2020 and 27% in 2019	<b>₱4,745,718,21</b>	₱3,422,916
Decrease by 22% in 2020 and 27% in 2019	<b>(4,745,718,21)</b>	(3,422,916)

e. *WESM Price Risk*

This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences discussed in Note 5.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.75 in 2019 (Nil in 2020), respectively, with all variables held constant of the Group's income before taxes (amounts in thousands).

	2020	2019
Increase by 2% in average WESM price	<b>₱-</b>	(₱1,069,563)
Decrease by 2% in average WESM price	-	219,000

f. *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	2020		
	Change in basis points	Effect on income before income tax	Effect on equity
Peso floating rate borrowings	+100 bps	<b>₱88,797</b>	<b>₱62,158</b>
	-100 bps	<b>(88,797)</b>	<b>(62,158)</b>



	2019		
	Change in basis points	Effect on income before income tax	Effect on equity
Peso floating rate borrowings	+100 bps	₱37,484	₱26,239
	-100 bps	(37,484)	(26,239)

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2020 and 2019. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

g. *Foreign Currency Risk*

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statements of income is computed based on the carrying value of the floating rate receivables as at December 31, 2020 and 2019.

The Group does not have any foreign currency hedging arrangements.

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Increase (decrease) in foreign currency rate		Effect on income before income tax (in PHP)	
	2020	2019	2020	2019
US Dollar <sup>1</sup>	+2.70%	+3.37%	(₱10,925)	(₱74,051)
	-2.70%	-3.37%	10,925	74,051
Japanese Yen <sup>2</sup>	+3.90%	+3.90%	1,021	6,870
	-3.90%	-3.90%	(1,021)	(6,870)
Singaporean Dollar <sup>3</sup>	+0.60%	+3.5%	(1)	9,976
	-0.60%	-3.5%	1	(9,976)
UK Pounds <sup>4</sup>	+3.51%	+6.47%	34	462
	-3.51%	-6.47%	(34)	(462)
E.M.U. Euro <sup>5</sup>	+0.99%	+0.76%	403	(462)
	-0.99%	-0.76%	(403)	462
Australian Dollar <sup>6</sup>	+2.59%	+12.82%	31,232	(53,738)
	-2.59%	-12.82%	(31,232)	53,738

1. The exchange rates used were ₱48.02 to \$1 and ₱50.64 to \$ for the year ended December 31, 2020 and 2019, respectively.

2. The exchange rates used were ₱0.46 to ¥1 and ₱0.46 to ¥1 for the year ended December 31, 2020 and 2019, respectively.

3. The exchange rates used were ₱36.12 to SGD 1 and ₱37.49 to SGD for the year ended December 31, 2020 and 2019, respectively.

4. The exchange rates used were ₱65.99 to £1 and ₱65.99 to £1 for the year ended December 31, 2020 and 2019, respectively.

5. The exchange rates used were ₱56.35 to €1 and ₱56.35 to €1 for the year ended December 31, 2020 and 2019, respectively.

6. The exchange rates used were ₱35.26 to AUD 1 and ₱35.26 to AUD 1 for the year ended December 31, 2020 and 2019, respectively.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine Peso equivalents as of December 31, 2020 and 2019 follows:

	2020						
	U.S. Dollar	Japanese Yen	Singaporean Dollar	UK Pounds	E.M.U Euro	Australian Dollar	Equivalent in PHP
<b>Financial assets</b>							
Cash and cash equivalents	\$25,951	¥56,829	\$-	£15	€202	\$-	₱1,285,371
Receivables	13,991	-	-	-	174	33,190	1,890,003
	<b>39,942</b>	<b>56,829</b>	<b>-</b>	<b>15</b>	<b>376</b>	<b>33,190</b>	<b>3,175,374</b>
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	(48,365)	(304)	(4)	-	(4)	-	(2,308,030)
	<b>(48,365)</b>	<b>(304)</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(2,308,030)</b>
	<b>(\$8,423)</b>	<b>¥56,525</b>	<b>(\$4)</b>	<b>£15</b>	<b>€372</b>	<b>\$33,190</b>	<b>₱867,344</b>
	2019						
	U.S. Dollar	Japanese Yen	Singaporean Dollar	UK Pounds	E.M.U Euro	Australian Dollar	Equivalent in PHP
<b>Financial assets</b>							
Cash and cash equivalents	\$55,216	¥37,306	-	£26	€164	\$-	₱2,824,458
Receivables	17,136	343,638	\$287	82	1,251	44,215	2,673,609
Advances	300	-	-	-	-	-	15,191
	<b>72,652</b>	<b>380,944</b>	<b>287</b>	<b>108</b>	<b>1,415</b>	<b>44,215</b>	<b>5,513,258</b>
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	(27,774)	(9)	(2)	-	(344)	-	(1,426,204)
Long-term loans	(1,449)	-	-	-	-	-	(73,521)
	<b>(29,223)</b>	<b>(9)</b>	<b>(2)</b>	<b>-</b>	<b>(344)</b>	<b>-</b>	<b>(1,499,725)</b>
	<b>\$43,429</b>	<b>¥380,935</b>	<b>\$285</b>	<b>£108</b>	<b>€1,071</b>	<b>\$44,215</b>	<b>₱4,013,533</b>

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2020 and 2019.

*h. Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the consolidated statements of financial position at December 31, 2020 and 2019 is the carrying amounts except for real estate receivables. The Group's exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group's policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department's policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group's financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of December 31, 2020 and 2019, the Group's exposure to bad debts is significant for the power on-grid segment and those with doubtful of collection had been provided with allowance as discussed in Note 6.



#### *Real estate contracts*

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

Impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 2. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

#### *Electricity sales*

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

#### *Mining*

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.



*Construction contracts*

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to take over the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects-in-progress and have priority in the settlement of contractor's receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor's lien accorded contractor in certain cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix and the credit quality of other financial assets is as follows:

	2020				
	Neither past due nor impaired			Past due or	Total
	Grade A	Grade B	Grade C	Individually Impaired	
Cash in bank and cash equivalents	₱18,896,749	₱-	₱-	₱-	₱18,896,749
Equity investment designated at FVOCI					
Quoted	-	153,616	-	-	153,616
Unquoted	-	2,177	-	108,211	110,388
Receivables					
Trade					
General construction	5,434,829	-	-	2,101,286	7,536,115
Real estate	749,622	-	-	5,743,078	6,492,700
Electricity sales	1,046,817	-	-	2,565,492	3,612,309
Coal mining	1,050,445	-	-	431,442	1,481,887
Nickel mining	110,570	-	-	-	110,570
Merchandising	95,194	-	-	-	95,194
Receivable from related parties	591,216	-	-	-	591,216
Other receivables	1,411,223	-	-	829,308	2,240,531
Refundable deposits	335,744	-	-	-	335,744
Deposit in escrow funds	229,207	-	-	-	229,207
Security deposits	2,886	-	-	-	2,886
	₱29,954,502	₱155,793	₱-	₱11,778,817	₱41,889,112

(Forward)



	2020				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Grade C		
Allowance for expected credit losses:					
Electricity sales	₱-	₱-	₱-	₱867,032	₱867,032
Coal mining	-	-	-	41,927	41,927
Other receivables	-	-	-	829,308	829,308
Total allowance	-	-	-	1,738,267	1,738,267
Net amount	₱29,954,502	₱155,793	₱-	₱10,040,550	₱40,150,845
	2019				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Grade C		
Cash in bank and cash equivalents	₱21,575,120	₱-	₱-	₱-	₱21,575,120
Equity investment designated at FVOCI					
Quoted	-	145,700	-	-	145,700
Unquoted	-	2,177	-	108,211	110,388
Receivables					
Trade					
General construction	3,133,120	-	-	3,366,665	6,499,785
Real estate	871,752	-	-	2,361,748	3,233,500
Electricity sales	2,377,145	-	313,547	1,955,363	4,646,055
Coal mining	659,880	-	-	195,463	855,343
Nickel mining	116,907	-	-	-	116,907
Merchandising	77,925	17,506	10,006	-	105,437
Receivable from related parties	493,464	-	-	-	493,464
Other receivables	1,217,991	-	-	785,529	2,003,520
Refundable deposits	425,319	-	-	-	425,319
Deposit in escrow funds	181,178	-	-	-	181,178
Security deposits	2,875	-	-	-	2,875
	31,132,676	165,383	323,553	8,772,979	40,394,591
Allowance for expected credit losses:					
Electricity sales	-	-	-	867,032	867,032
Coal mining	-	-	-	41,927	41,927
Other receivables	-	-	-	785,529	785,529
Total allowance	-	-	-	1,694,488	1,694,488
Net amount	₱31,132,676	₱165,383	₱323,553	₱7,078,491	₱38,700,103

*Cash and Cash Equivalents and deposits in escrow fund*

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top 10 banks in the Philippines in terms of resources and profitability. Deposit in escrow fund pertains to fund deposits for securing LTS of Group's real estate projects. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

*Equity investment designated at FVOCI*

The Group's Equity investment designated at FVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.



*Receivables*

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues or due to government actions or regulations. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Impairment is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Security and Refundable Deposits*

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

The tables below present the summary of the Group's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	2020			Total
	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	
Cash in bank and cash equivalents	₱18,896,749	₱-	₱-	₱18,896,749
Equity investment designated at FVOCI				
Quoted	153,616	-	-	153,616
Unquoted	2,177	-	108,211	110,388
Receivables				
Trade				
General construction	-	7,536,115	-	7,536,115
Real estate	-	6,492,700	-	6,492,700
Electricity sales	-	2,745,277	867,032	3,612,309
Coal mining	-	1,439,960	41,927	1,481,887
Nickel mining	-	110,570	-	110,570
Merchandising	-	95,194	-	95,194
Receivable from related parties	-	591,216	-	591,216
Other receivables		1,411,224	829,308	2,240,532

(Forward)



2020				
	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
Security deposits	P2,886	P-	P-	P2,886
Refundable deposits	335,744	-	-	335,744
Deposit in escrow funds	229,207	-	-	229,207
<b>Total</b>	<b>P19,620,379</b>	<b>P20,422,256</b>	<b>P1,846,478</b>	<b>P41,889,113</b>

2019				
	12-month ECL	Lifetime ECL Not credit impaired	Lifetime ECL Credit impaired	Total
Cash in bank and cash equivalents	P21,575,120	P-	P-	P21,575,120
Equity investment designated at FVOCI				
Quoted	145,700	-	-	145,700
Unquoted	2,177	-	108,211	110,388
Receivables				
Trade				
General construction	-	6,499,785	-	6,499,785
Real estate	-	3,233,500	-	3,233,500
Electricity sales	-	3,779,023	867,032	4,646,055
Coal mining	-	813,416	41,927	855,343
Nickel mining	-	116,907	-	116,907
Merchandising	-	105,437	-	105,437
Receivable from related parties	-	493,464	-	493,464
Other receivables		1,217,991	785,529	2,003,520
Security deposits	2,875	-	-	2,875
Refundable deposits	425,319	-	-	425,319
Deposit in escrow funds	181,178	-	-	181,178
<b>Total</b>	<b>P22,332,369</b>	<b>P16,259,523</b>	<b>P1,802,699</b>	<b>P40,394,591</b>

As of December 31, 2020 and 2019, the aging analysis of the Group's past due trade receivables per class follows:

2020							
	Past due but not impaired				Past due and impaired		Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days	-	
Receivables							
Trade							
Real estate	P2,816,904	P825,448	P624,714	P1,476,012	P-	P-	P5,743,078
Electricity sales	559,802	95,644	45,782	255,285	741,947	867,032	2,565,492
General construction	-	173,583	39,317	1,888,386	-	-	2,101,286
Coal mining	311,764	77,750	-	-	-	41,928	431,442
	<b>P3,688,470</b>	<b>P1,172,425</b>	<b>P709,813</b>	<b>P3,619,683</b>	<b>P741,947</b>	<b>P908,960</b>	<b>P10,841,298</b>





	2019						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
General construction	₱315,889	₱222,911	₱2,827,865	₱-	₱-	₱-	₱3,366,665
Real estate	1,480,480	15,930	18,977	846,361	-	-	2,361,748
Electricity sales	198,990	251,294	131,237	13,364	493,446	867,032	1,955,363
Coal mining	146,338	7,197	-	-	-	41,928	195,463
	₱2,141,697	₱497,332	₱2,978,079	₱859,725	₱493,446	₱908,960	₱7,879,239

The Group did not accrue any interest income on impaired financial assets.

#### Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2020 and 2019:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial assets at amortized cost</b>				
Cash and cash equivalents				
Cash in banks	₱9,601,156	₱9,601,156	₱6,894,723	₱6,894,723
Cash equivalents	9,295,593	9,295,593	14,680,397	14,680,397
Receivables - net				
Trade				
General construction	7,536,115	7,536,115	6,499,785	6,499,785
Real estate	6,492,700	6,492,700	3,233,500	3,233,500
Electricity sales	2,745,277	2,745,277	3,779,023	3,779,023
Coal mining	1,439,960	1,439,960	813,416	813,416
Nickel mining	110,570	110,570	116,907	116,907
Merchandising and others	95,194	95,194	105,437	105,437
Receivable from related parties	591,216	591,216	493,464	493,464
Other receivables	1,411,223	1,411,223	1,217,991	1,217,991
Refundable deposits	335,744	335,744	425,319	425,319
Deposit in escrow fund	229,207	229,207	181,178	181,178
Security deposits	2,886	2,886	2,875	2,875
	39,886,841	39,886,841	38,444,015	38,444,015
<b>Equity investment designated at FVOCI</b>				
Quoted securities	153,616	153,616	145,700	145,700
Unquoted securities	2,177	2,177	2,177	2,177
	155,793	155,793	147,877	147,877
	₱40,042,634	₱40,042,634	₱38,591,892	₱38,591,892
<b>Other Financial Liabilities</b>				
Accounts and other payables	₱24,813,775	₱24,813,775	₱24,558,551	₱24,558,551
Liabilities for purchased land	2,019,605	1,946,962	1,896,163	1,762,404
Short-term and long-term debt	51,888,970	54,221,693	46,905,726	50,118,367
	₱78,722,350	₱80,982,430	₱73,360,440	₱76,439,322

#### *Financial assets*

The fair values of cash and cash equivalents and receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.



*Financial liabilities*

The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

The discount rates used for long term debt range from 1.71% to 2.66% and 3.11% to 7.02% in 2020 and 2019. The discount rates used for liabilities for purchased land range from 1.12% to 2.78% in 2020 and 3.42% to 4.06% in 2019.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on Level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from Level 1 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2020 and 2019.

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**35. Contingencies and Commitments**

*a. Power Supply Agreement with MERALCO*

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO which took effect on December 26, 2011 and shall have a term of seven (7) years, extendable upon mutual agreement by the parties for another three (3) years. Based on this agreement, SCPC shall provide MERALCO with an initial contracted capacity of 210MW and shall be increased to 420MW upon commercial operation of the plant's Unit 1. Commercial operation of plant's Unit 1 started in June 2013.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, ERC issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of ₱4,785.12/Kw/year. On February 8, 2013, MERALCO filed its Supplemental Motion for Partial Reconsideration with Motion for Clarification (Supplemental Motion) to include the recovery of cost of diesel not as part of the variable O&M Fee.



On May 2, 2018, the ERC issued an Order of even date, requiring submission of documentary requirements to support its Motion for Partial Reconsideration and the Supplemental Motion. On May 23, 2018, SCPC submitted its Compliance with Motion for Early Resolution to the ERC. On May 29, 2018, SCPC received an Order from the ERC allowing recovery of the Cost of Diesel during Power Plant's Startup and Shutdown under Reimbursable Cost but deferred MERALCO's prayer to adjust the approved FOM of ₱4,785.12/kW-Year to ₱4,977.45/kW-Year. On July 17, 2018, further to ERC Order dated May 29, 2018, SCPC issued a Debit Memo to MERALCO and MERALCO RES in the amounts of ₱1,170.44 million and ₱407.46 million, respectively.

On August 20, 2018, SCPC received a copy of MERALCO's Motion for Clarification with Manifestation seeking to clarify the details of the approved components of the Fixed O&M Fee, including the amounts pertaining to diesel and bunker oil. MERALCO also sought to clarify that the ERC grant of the Power Plant's Startup and Shutdown under Reimbursable Cost refers to Component E of the Payment Structure discussed in Appendix E of the PSA to avert any erroneous/invalid billing from SCPC regarding Reimbursable Costs. On August 30, 2018 MERALCO filed with the ERC its Urgent Motion for Resolution of its earlier Motion for Clarification with Manifestation.

As of March 4, 2021, ERC has yet to resolve the pending motions filed by MERALCO.

*b. Power Supply Agreement with MERALCO RES*

On May 5, 2017, SCPC entered into a new power supply agreement with MPower, MERALCO's local retail electricity supply business segment which will take effect on June 26, 2019 with a term of 10 years, extendable upon mutual agreement for another four (4) years. On February 24, 2020, SCPC and MPower amended the agreement, shortening the term until October 25, 2021 and reducing the contract capacity of 170MW until the end of the term.

*c. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)*

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the ERC against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder.



The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of March 4, 2021, the Joint Motion to Dismiss has yet to be resolved.

*d. Temporary Restraining Order on MERALCO*

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including Philippine Electricity Market Corporation (PEMC), the operator of the WESM, as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Distribution Utilities (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.



During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 months from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

On December 14, 2017, SCPC received Meralco's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8 and 12, 2017, respectively. Likewise, SCPC received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

On July 30, 2018, SCPC filed its Consolidated Comment on MERALCO's and ERC's Motion for Reconsideration. On November 29, 2018, the CA directed SCPC to comment on the Motion for Leave to Intervene and to Admit Motion for Reconsideration in Intervention of the CA's decision filed by movant-intervenors PRHC Property Managers Inc. and the Philippine Stock Exchange Centre Condominium Corporation. On December 2018, SCPC instead submitted a Manifestation in lieu of a comment since the grounds relied upon by the movants are similar to the grounds to the other movants already addressed by SCPC in its Consolidated Comment and duly passed upon by the CA in its Resolution dated March 22, 2018.

As of March 4, 2021, the CA has yet to resolve ERC and MERALCO'S Motion for Reconsideration.

*e. Application for Approval on the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP)*

On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.



Both SLPGC and NGCP filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.

On May 21, 2019, SLPGC received the ERC Order dated May 20, 2019 granting interim relief in favor of SLPGC and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of the ancillary gas turbine.

On June 6, 2019, SLPGC filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019, praying for the recovery of the cost of Pmin capacity of ancillary gas turbine. On September 5, 2019, the ERC resolved to deny SLPGC's Motion for Partial Reconsideration with Manifestation for lack of merit.

On November 19, 2019, SLPGC and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of March 4, 2021, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by SLPGC and NGCP. While no supply agreement has been secured yet, the plant is being used by SLPGC for electricity generation and sale through WESM (see Note 12).

*f. LLA with PSALM*

SCPC entered into an LLA with PSALM for the lease of land in which its plant is situated, for a period of 25 years, renewable for another 25 years, with the mutual agreement of both parties.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease.

In the event that the lessor issues an OEN and SCPC buys the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US\$0.32 million (or ₱14.72 million), exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company (SMPC). On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of 'Property, plant and equipment. The 82,740 sqm lot was later assigned to and purchased by SLPGC.



On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of CTS between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM's Board approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets. On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On September 24, 2019, PSALM informed SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN. On December 3, 2020, PSALM replied addressing SCPC's clarifications.

As of March 4, 2021, SCPC is still evaluating its position on whether to proceed with the purchase taking into considerations the status of the lots and its current zonal valuations.

g. *DMCI Joint ventures and consortium agreements*

DMCI entered into the following joint venture and consortium agreements:

*2017*

- *Cebu Link Joint Venture (CLJV)*, unincorporated joint venture between Acciona Construccion S.A, First Balfour, Inc and DMCI and is engaged in Engineering, Procurement and Construction contract related to the concession for the Cebu-Cordova Link Expressway. Corresponding interest of DMCI in CLJV is at 15%.

*2018*

- *Taisei DMCI Joint Venture (TDJV)*, unincorporated joint venture between Taisei Corporation and DMCI and is engaged to construct the elevated structures, stations and depot of the North-South Commuter Railways Project (Malolos-Tutuban; the Project). Corresponding interest of DMCI in TDJV is at 49%.
- *VA Tech Wabag-DMCI Joint Venture*, unincorporated joint venture between VA Tech Wabag Limited and DMCI and is engaged in the rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2 Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement.

*2019*

- *Marubeni-DMCI Consortium*, consortium between Marubeni Corporation and DMCI and is engaged for the Procurement of Trackwork, Electrical and Mechanical Systems and Integration with Existing System for LRT 2 - East (Masinag) Extension Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI was allocated 29% of total contract price.



- *PBD Joint Venture (PBDJV)*, unincorporated joint venture between Prime Metro BMD Corporation and DMCI and is engaged to construct the Solaire Metro North. Corresponding interest of DMCI in PBDJV is at 50%.

2020

- *AA-DMCI Consortium*, consortium between Acciona Agua, S.A and DMCI and is engaged for the design and build of 150 MLD Laguna Lake Water Treatment Plant . The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI allocated is 60% of total contract price.

*h. Others*

The Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made in 2020, 2019 and 2018 for these lawsuits, claims and assessments.

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## 36. Other Matters

*a. Electric Power Industry Reform Act (EPIRA)*

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates, and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon.

The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Group (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.





In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that SMPC, its parent company, is a publicly listed company.

#### *WESM*

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a “gross pool, net settlement” electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, “Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market”. This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

#### *b. Clean Air Act*

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole that need to be complied within 44 months from the effectivity date, subject to the approval by DENR. The Group’s power plant uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group’s assessment of its existing power plant facilities, the Group believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.



*c. Contract for the Fly Ash of the Power Plant*

On April 30, 2012, SCPC and Pozzolanica Australia Pty, Ltd. (“Pozzolanica”) executed the Contract for the Purchase of Fly Ash of the Power Plant (the “Pozzolanica Contract”). The Pozzolanica contract is valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanica, as agreed, shall purchase 100 % percent of fly ashes produced or generated by the Power Plant of SCPC.

On February 24, 2015, SLPGC, owner of the 2x150 MW CFB Power Plant and Transpacific Resource Recovery Inc. executed a Contract for CFB fly ash which is valid until January 31, 2027.

*d. Nickel Sales Agreement*

BNC and ZDMC entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. BNC exported a total of 1.1 million wet metric tons (WMT), 1.0 million WMT and 0.6 million WMT in 2020, 2019 and 2018, respectively. ZDMC, on the other hand, exported a total of 0.5 million WMT and 0.2 million WMT in 2020 and 2019, respectively, upon lifting of suspension order in 2019.

*e. COVID-19 Outbreak*

The declaration of COVID-19 by the World Health Organization (WHO) as a pandemic and declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Group's business activities. However, there have been easing of the quarantine measures in key areas in the Philippines and the rollout of the national vaccination program is expected to further improve market activities.

The Group continues to implement measures to alleviate the effects and believes that its business would remain relevant despite the challenges posed by the COVID-19 pandemic.

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**37. Notes to Consolidated Statements of Cash Flows**

Supplemental disclosure of noncash investing activities follows:

	<b>2020</b>	2019	2018
Depreciation capitalized in Inventories and Mine properties (Note 23)	<b>₱438,822</b>	₱271,546	₱891,670
Transfer from Inventories to Property, plant and equipment (Notes 8 and 13)	<b>362,568</b>	83,536	–
Transfer from Property, plant and equipment to Inventories (Notes 8 and 13)	–	182,722	–



Changes in liabilities arising from financing activities

	2020			
	January 1, 2020	Cash flows	Others	December 31, 2020
Short-term debt	P2,492,122	P3,307,938	P-	P5,800,060
Long-term debt*	44,413,604	1,607,499	67,807	46,088,910
Dividends	116,661	(8,781,424)	8,794,997	130,234
Interest payable	407,264	(2,405,419)	(2,286,155)	288,000
Lease liabilities	218,217	(43,872)	(46,358)	127,987
Other noncurrent liabilities	5,875,750	(3,314,421)	(172,314)	2,389,015

*\*Includes current portion*

	2019			
	January 1, 2019	Cash flows	Others	December 31, 2019
Short-term debt	P7,015,276	(P4,523,154)	P-	P2,492,122
Long-term debt*	34,506,056	9,990,258	(82,710)	44,413,604
Dividends	116,661	(8,763,431)	8,763,431	116,661
Interest payable	469,946	(2,772,300)	2,709,618	407,264
Lease liabilities	261,096	(67,268)	(24,389)	218,217
Other noncurrent liabilities	2,503,786	2,651,082	452,836	5,875,750

*\*Includes current portion*

Other changes in liabilities above includes amortization of debt issuance cost, accretion of unamortized discount and effect of change in estimate on provision for decommissioning and site rehabilitation, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to noncontrolling-interests.



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
DMCI Holdings, Inc.  
3rd Floor, Dacon Building  
2281 Don Chino Roces Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 4, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-2 (Group A),

October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-098-2020,

November 27, 2020, valid until November 26, 2023

PTR No. 8534366, January 4, 2021, Makati City

March 4, 2021



## **INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
DMCI Holdings, Inc.  
3rd Floor, Dacon Building  
2281 Don Chino Roces Avenue  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 4, 2021. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2020 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres  
Partner  
CPA Certificate No. 97133  
SEC Accreditation No. 1196-AR-2 (Group A),  
October 18, 2018, valid until October 17, 2021  
Tax Identification No. 201-959-816  
BIR Accreditation No. 08-001998-098-2020,  
November 27, 2020, valid until November 26, 2023  
PTR No. 8534366, January 4, 2021, Makati City

March 4, 2021



**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

**CONSOLIDATED COMPANY FINANCIAL STATEMENTS**

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditor's Report

Consolidated Statements of Financial Position as of December 31, 2020 and 2019

Consolidated Statements of Comprehensive Income for the Years Ended  
December 31, 2020, 2019 and 2018

Consolidated Statements of Changes in Equity for the Years Ended  
December 31, 2020, 2019 and 2018

Consolidated Statements of Cash flows for the Years Ended  
December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors on Supplementary Schedules

- I. Schedules required by Annex 68-J
  - A. Financial Assets
  - B. Amounts Receivable from Directors, Officers, Employees,  
Related Parties and Principal Stockholders (Other than Related Parties)
  - C. Amounts Receivable from Related Parties which are Eliminated during  
the Consolidation of Financial Statements
  - D. Long-term Debt
  - E. Indebtedness to Related Parties
  - F. Guarantees of Securities of Other Issuers
  - G. Capital Stock
- II. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)
- III. Schedule of Financial Soundness Indicators (Annex 68-E)
- IV. Map of the relationship of the companies within the Group

**DMCI HOLDINGS, INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDENDS DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Unappropriated retained earnings, beginning		₱3,804,824,387
Adjustment to beginning unappropriated retained earnings:		
Treasury shares		7,068,577
<b>Unappropriated retained earnings, adjusted to available for dividend declaration, beginning</b>		<b>3,797,755,810</b>
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	4,861,478,496	
Less: Non actual/unrealized income net of tax		—
Equity in net income of associate/joint venture		—
Unrealized actuarial gain		—
Fair value adjustment (M2M gains)		—
Fair value adjustment of Investment Property resulting to gain		—
Adjustment due to deviation from PFRS/GAAP-gain		—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		—
Deferred tax asset that reduced the amount of income tax expense		—
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		—
Adjustment due to deviation from PFRS/GAAP-loss		—
Loss on fair value adjustment of investment property (after tax)		—
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)		—
Net income actually earned during the period		4,861,478,496
Add (Less):		
Dividend declarations during the period		(6,373,185,600)
Appropriations of retained earnings during the period		
Reversals of appropriations		
Effects of prior period adjustments		
Treasury shares		
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱2,286,048,706</b>

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON REVISED SRC RULE 68  
DECEMBER 31, 2020**

Philippine Securities and Exchange Commission (SEC) issued the amended Revised Securities Regulation Code Rule 68, which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by Revised SRC Rule 68, that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic consolidated financial statements.

Schedule A. Financial Assets

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the consolidated statements of financial position</b>	<b>Value based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
Gold and Club Shares*	11	₱138,394,317	₱138,394,317	—
Manila Electric Company	38,533	11,251,636	11,251,636	—
Mabuhay Vinyl Corp.	34,889	158,047	158,047	—
Others	1	5,989,000	5,989,000	—
	73,434	₱155,793,000	₱155,793,000	

*\*Includes shares of stocks from golf and country clubs memberships*



Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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*Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.*

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2020:

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
Semirara Mining and Power Corporation	Sem-Calaca Power Corporation	₱1,605,464,291	(₱1,605,464,291)
Fil-Euro Asia Nickel Corporation	Zambales Diversified Metals Corporation	863,368,781	(863,368,781)
DMCI Mining Corporation	Fil-Euro Asia Nickel Corporation	853,085,196	(853,085,196)
DMCI Holdings, Inc.	DMCI Mining Corporation	717,719,511	(717,719,511)
DMCI Holdings, Inc.	DMCI Project Developers, Inc.	700,000,000	(700,000,000)
DMCI Mining Corporation	Fil-Asian Strategic Resources & Properties Corporation	656,917,665	(656,917,665)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Diversified Metals Corporation	307,066,425	(307,066,425)
Semirara Mining and Power Corporation	Semirara Claystone, Inc.	222,567,613	(222,567,613)
Semirara Mining and Power Corporation	Southwest Luzon Power Generation Corporation	169,304,543	(169,304,543)
Riviera Land Corporation	DMCI Project Developers, Inc.	134,334,336	(134,334,336)
Beta Electric Corporation	D.M. Consunji, Inc.	115,767,699	(115,767,699)
Fil-Euro Asia Nickel Corporation	Zambales Chromite Mining Company Inc.	96,016,882	(96,016,882)
D.M. Consunji, Inc.	DMCI Project Developers, Inc.	94,105,428	(94,105,428)
D.M. Consunji, Inc.	Semirara Mining and Power Corporation	93,695,090	(93,695,090)
Fil-Asian Strategic Resources & Properties Corporation	Montemina Resources Corporation	85,662,222	(85,662,222)
Hampstead Gardens Corporation	DMCI Project Developers, Inc.	85,447,210	(85,447,210)
D.M. Consunji, Inc.	Sem-Calaca Power Corporation	81,625,288	(81,625,288)

<b>Entity with Receivable Balance</b>	<b>Name of Entity with Payable Balance</b>	<b>Due from related party</b>	<b>Due to related party</b>
DMCI Project Developers, Inc.	DMCI Homes Property Management Corporation	75,530,968	(75,530,968)
Southwest Luzon Power Generation Corporation	Sem-Calaca RES Corporation	66,899,479	(66,899,479)
Fil-Asian Strategic Resources & Properties Corporation	Montague Resources Philippines Corporation	42,004,257	(42,004,257)
Semirara Mining and Power Corporation	DMCI Masbate Power Corporation	38,709,058	(38,709,058)
D.M. Consunji, Inc.	DMCI Masbate Power Corporation	36,500,324	(36,500,324)
Zambales Diversified Metals Corporation	Zambales Chromite Mining Company Inc.	29,064,608	(29,064,608)
DMCI Project Developers, Inc.	DMCI-PDI Hotels, Inc.	26,020,496	(26,020,496)
Berong Nickel Corporation	Ulugan Nickel Corporation	23,346,386	(23,346,386)
DMCI Mining Corporation	Berong Nickel Corporation	21,555,792	(21,555,792)
DMCI Mining Corporation	Ulugan Nickel Corporation	19,068,056	(19,068,056)
Semirara Mining and Power Corporation	Southeast Luzon Power Generation Corporation	17,606,172	(17,606,172)
Fil-Euro Asia Nickel Corporation	Zamnorth Holdings Corporation	14,932,314	(14,932,314)
Semirara Mining and Power Corporation	St. Raphael Power Generation Corporation	10,468,829	(10,468,829)
DMCI Mining Corporation	TMM Management, Inc.	7,379,227	(7,379,227)
D.M. Consunji, Inc.	DMCI Power Corportion	5,147,557	(5,147,557)
Montemina Resources Corporation	Zamnorth Holdings Corporation	2,753,502	(2,753,502)
Zamnorth Holdings Corporation	Zambales Chromite Mining Company Inc.	2,738,271	(2,738,271)
Sem-Calaca Power Corporation	Southwest Luzon Power Generation Corporation	2,582,821	(2,582,821)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Chromite Mining Company Inc.	2,480,941	(2,480,941)
Fil-Asian Strategic Resources & Properties Corporation	ZDMC Holdings Corporation	2,475,582	(2,475,582)
Berong Nickel Corporation	TMM Management, Inc.	2,397,111	(2,397,111)
Montemina Resources Corporation	Zambales Chromite Mining Company Inc.	2,291,646	(2,291,646)
DMCI Mining Corporation	Zambales Chromite Mining Company Inc.	1,986,639	(1,986,639)
DMCI Mining Corporation	Zambales Diversified Metals Corporation	1,678,936	(1,678,936)
Sem-Calaca Power Corporation	St. Raphael Power Generation Corporation	1,042,628	(1,042,628)
D.M. Consunji, Inc.	Southwest Luzon Power Generation Corporation	914,858	(914,858)
D.M. Consunji, Inc.	DMCI Technical Training Center	830,535	(830,535)

<b>Entity with Receivable Balance</b>	<b>Name of Entity with Payable Balance</b>	<b>Due from related party</b>	<b>Due to related party</b>
D.M. Consunji, Inc.	Raco Haven Automation Philippines, Inc.	752,120	(752,120)
Berong Nickel Corporation	Ulugan Resouces Holdings, Inc.	730,763	(730,763)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Nickel Processing Corporation	711,502	(711,502)
DMCI Power Corportion	St. Raphael Power Generation Corporation	626,175	(626,175)
Semirara Mining and Power Corporation	Semirara Energy Utilities, Inc.	610,193	(610,193)
Fil-Asian Strategic Resources & Properties Corporation	Heraan Holdings, Inc.	551,678	(551,678)
Fil-Euro Asia Nickel Corporation	Zambales Nickel Processing Corporation	362,913	(362,913)
DMCI Mining Corporation	Ulugan Resouces Holdings, Inc.	358,492	(358,492)
D.M. Consunji, Inc.	DMCI Homes Property Management Corporation	276,409	(276,409)
Semirara Mining and Power Corporation	Sem-Calaca Industrial Park Developers, Inc.	238,320	(238,320)
DMCI Project Developers, Inc.	Zenith	236,658	(236,658)
Fil-Asian Strategic Resources & Properties Corporation	Mt. Lanat Metals Corporation	226,421	(226,421)
Fil-Asian Strategic Resources & Properties Corporation	Zamnorth Holdings Corporation	189,827	(189,827)
Montemina Resources Corporation	Zambales Nickel Processing Corporation	100,889	(100,889)
Zambales Chromite Mining Company Inc.	Montague Resources Philippines Corporation	86,069	(86,069)
Sem-Calaca Power Corporation	Sem-Calaca Industrial Park Developers, Inc.	83,606	(83,606)
Sem-Calaca Power Corporation	Southeast Luzon Power Generation Corporation	83,606	(83,606)
Fil-Asian Strategic Resources & Properties Corporation	Fil-Euro Asia Nickel Corporation	54,558	(54,558)
D.M. Consunji, Inc.	DMCI-PDI Hotels, Inc.	14,370	(14,370)
Berong Nickel Corporation	DMCI Mining Corporation	1,120	(1,120)
Zambales Diversified Metals Corporation	Heraan Holdings, Inc.	950	(950)
Zambales Diversified Metals Corporation	Zambales Nickel Processing Corporation	700	(700)
DMCI Homes Property Management Corporation	DMCI-PDI Hotels, Inc.	394	(394)

As of December 31, 2020, the balances above of due from and due to related parties are expected to be realized and settled within twelve months from the reporting date and are classified under current assets and liabilities. There were no amounts written off during the year.

Schedule D. Long-term Debt

Below is the schedule of long-term debt (net of unamortized debt issue cost) of the Group:

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Peso denominated loans	₱17,774,036,659	₱2,593,396,913	₱15,180,639,746
Term loan and corporate notes	28,060,427,388	2,616,374,733	25,444,052,655
Liabilities on Installment Contract			
Receivable	55,652,871	17,179,947	38,472,924
HomeSaver Bonds	198,793,240	198,793,240	-
	46,088,910,158	₱5,425,744,833	₱40,663,165,325

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
------------------------------	---------------------------------------	---------------------------------

**NOT APPLICABLE**

Schedule F. Guarantees of Securities of Other Issuers

<b>Name of issuing entity of securities guaranteed by the group for which this statements is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
--	--	--	---	----------------------------

**NOT APPLICABLE**

Schedule G. Capital Stock

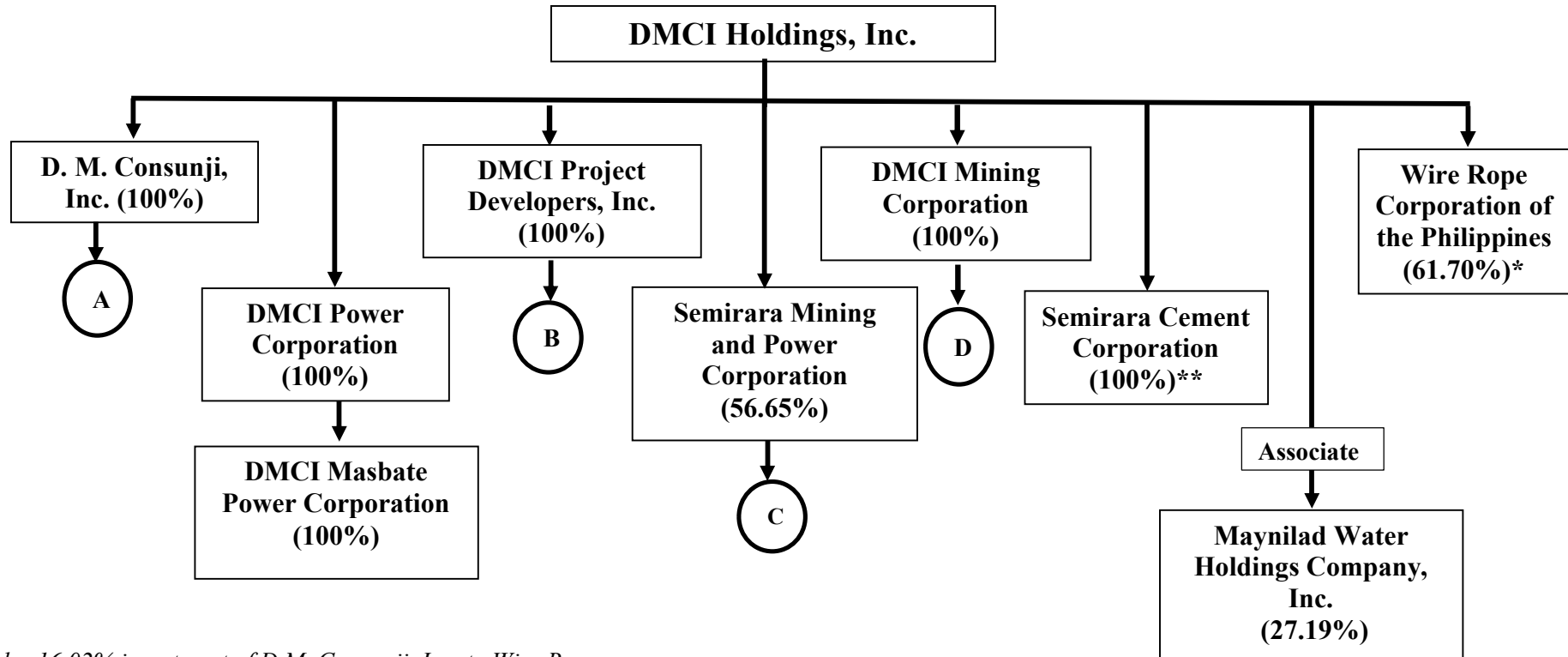
Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred stock - ₱1 par value cumulative and convertible	100,000,000	960	–	–	–	960
Common stock - ₱1 par value	19,900,000,000	13,277,470,000	–	9,083,741,300	591,956,664	3,601,772,036
	20,000,000,000	13,277,470,960	–	9,083,741,300	591,956,664	3,601,772,996

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current assets/Current liabilities	231%	218%
Acid test ratio	Quick assets/Current liabilities	81%	76%
Solvency ratio	Net income plus Depreciation / Total liabilities	15%	25%
Debt-to-equity ratio	Total interest-bearing debt/Total stockholders' equity	51%	46%
Net debt-to-equity ratio	Total interest-bearing debt less Cash and cash equivalents /Total stockholders' equity	33%	25%
Asset-to-equity ratio	Total assets/Total stockholders' equity	202%	195%
Interest coverage ratio	EBIT/Interest paid during the year	4x	6x
Return on equity	Net income attributable to equity holders/Average total stockholders' equity	7%	13%
Return on assets	Net income /Average total assets	4%	9%
Net profit margin	Net income /Revenue	11%	17%

**DMCI HOLDINGS, INC.****MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP***Group Structure*

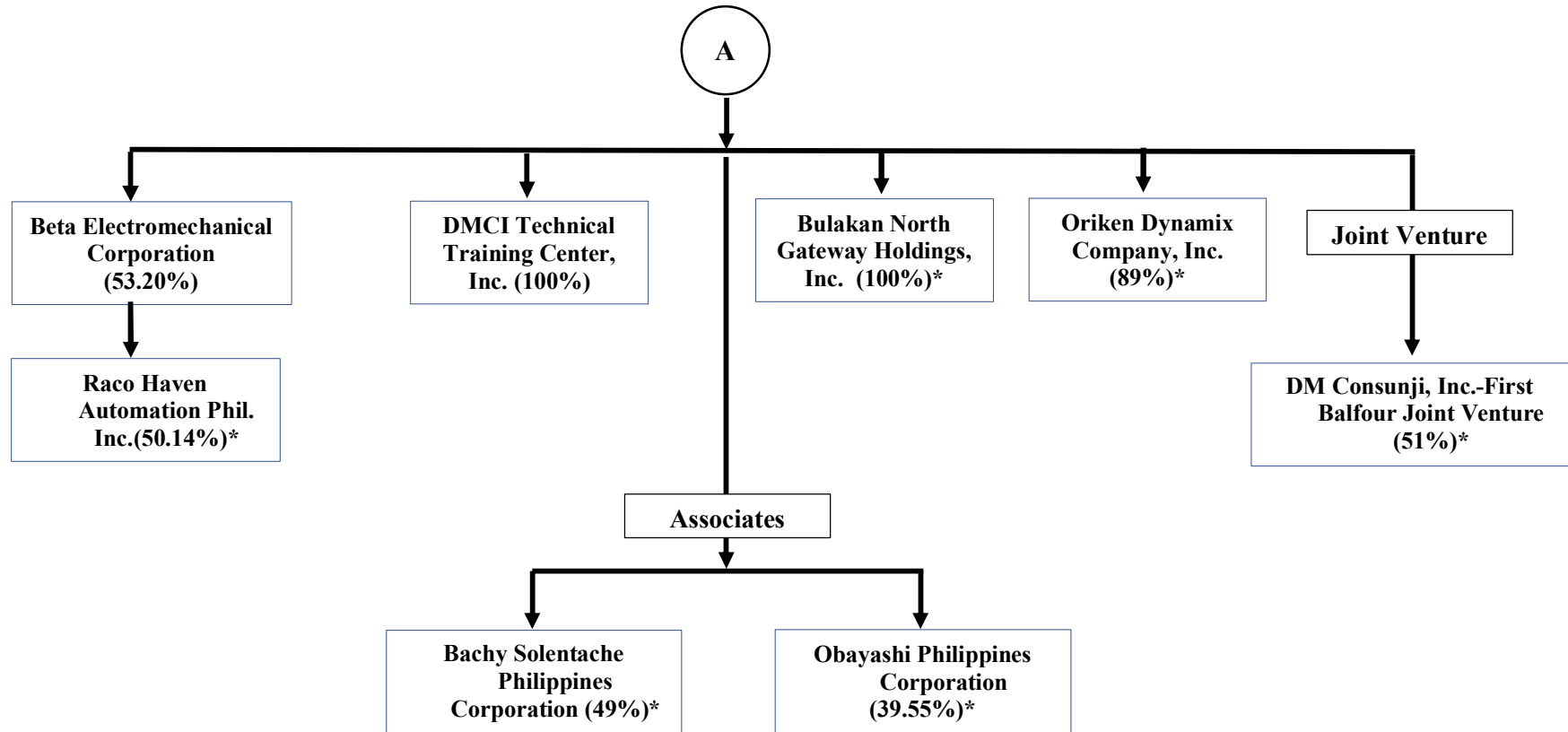
Below is a map showing the relationship between and among the Group as of December 31, 2020:



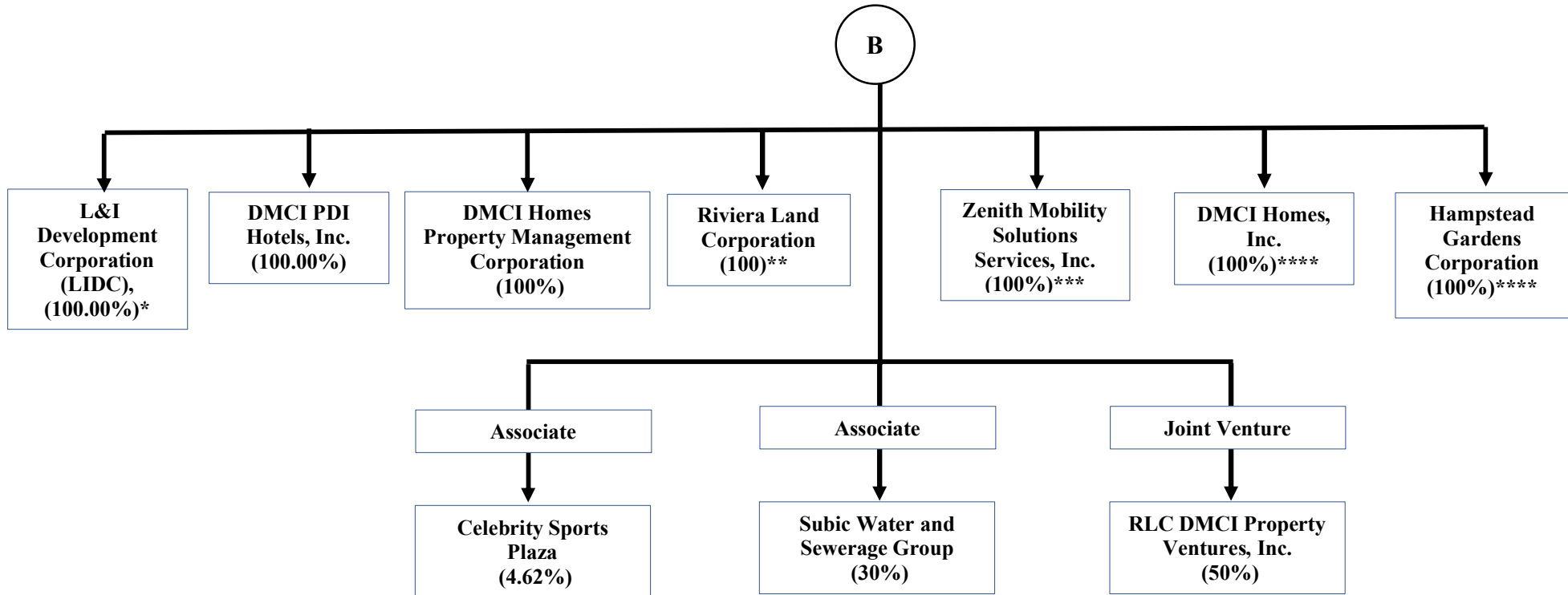
\* Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.

\*\*Non-operating entity





*\*Non-operating entities*

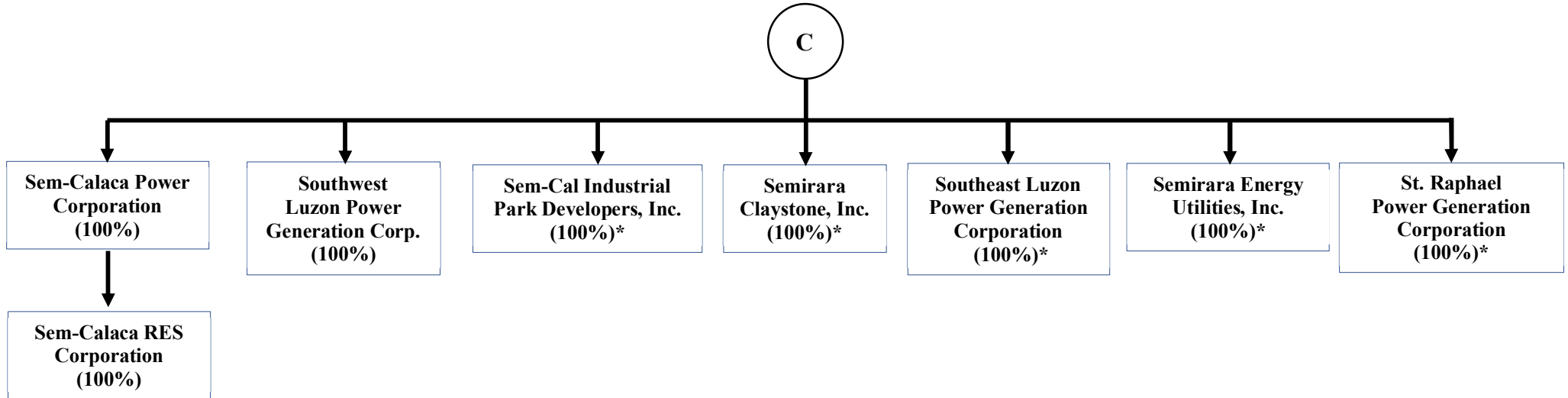


\* Acquired in 2020

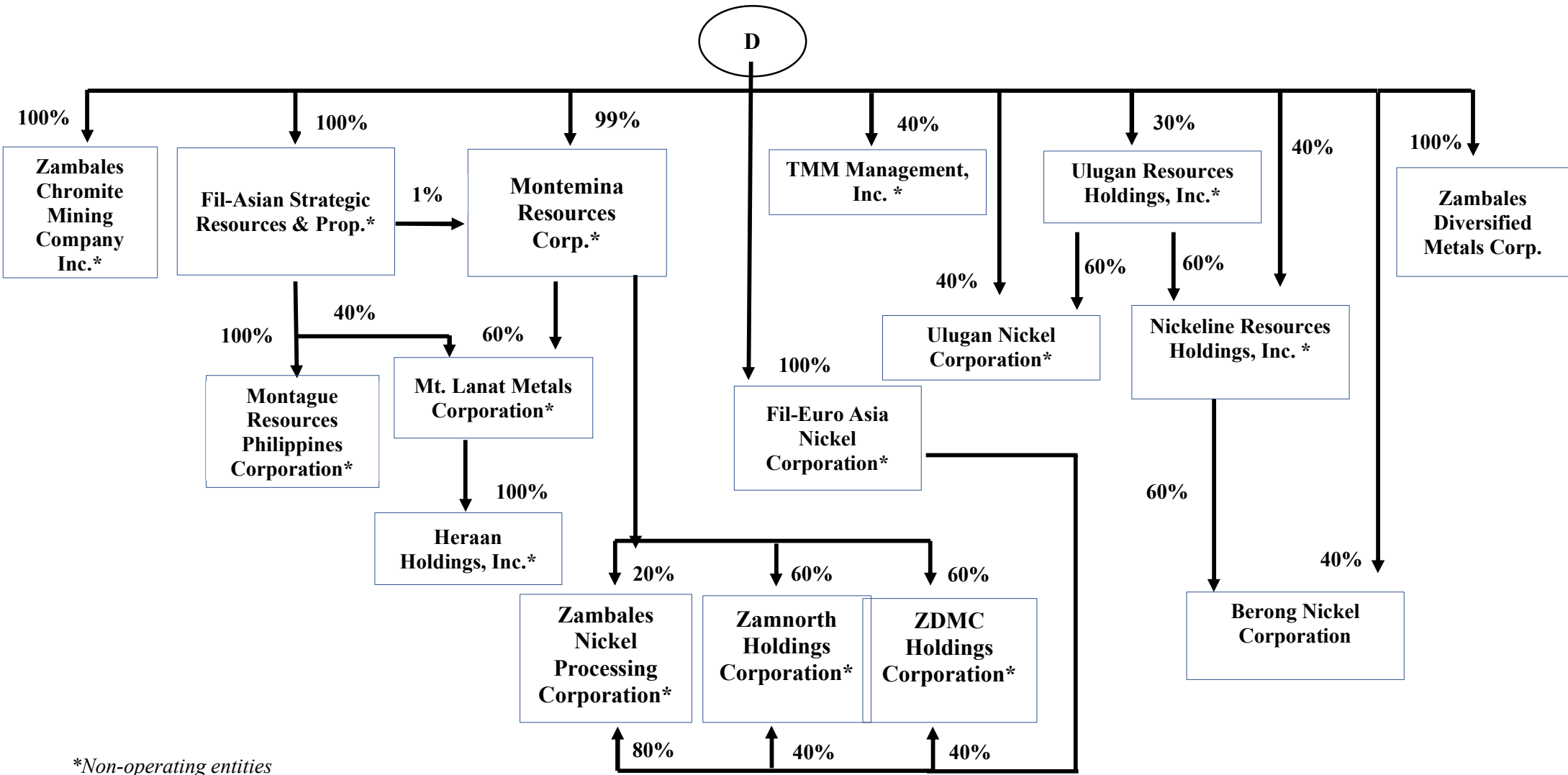
\*\* Includes the 34.12% interest of DMCI

\*\*\* Equity interest increased from 51% to 100% in 2020

\*\*\*\* Liquidating as of December 31, 2020



*\*Non-operating entities*



*\*Non-operating entities*

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**NAME OF CORPORATION: **DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)**CURRENT ADDRESS: **3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City**TEL. NO.: **8888-3000**

FAX NO.:

COMPANY TYPE: **Holding Company**

PSIC:

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>	<b>204,393,539</b>	<b>200,787,001</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	112,576,931	108,850,800
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	18,918,450	21,597,823
A.1.1.1 On hand	21,701	22,703
A.1.1.2 In domestic banks/entities	9,601,156	6,894,723
A.1.1.3 Short-term investments	9,295,593	14,680,397
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	20,422,255	16,259,523
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	20,422,255	16,259,523
A.1.2.1.1 Due from customers (trade)	19,328,775	15,457,027
A.1.2.1.2 Due from related parties	591,216	493,464
A.1.2.1.3 Others, specify	2,240,531	2,003,520
A.1.2.1.3.1 Other receivables	2,240,531	2,003,520
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(1,738,267)	(1,694,488)
A.1.2.2 Due from foreign entities, specify	-	-
A.1.2.2.1	-	-
A.1.2.2.2	-	-
A.1.2.2.3	-	-
A.1.2.2.4 Allowance for doubtful accounts (negative entry)	-	-
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5)	53,895,389	49,666,453
A.1.3.1 Real estate held for sale and development	40,901,921	37,598,020
A.1.3.2 Coal inventory	2,033,843	2,245,131
A.1.3.3 Equipment parts, materials & supplies in transit	10,691,273	9,497,878
A.1.3.4 Nickle Ore	268,352	325,424
A.1.3.5 Others, specify (A.1.3.5.1 + A.1.3.5.2)	-	-
A.1.3.5.1	-	-
A.1.3.5.2	-	-
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	155,793	147,877
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities:	-	-
A.1.4.1.1 National Government	-	-
A.1.4.1.2 Public Financial Institutions	-	-
A.1.4.1.3 Public Non-Financial Institutions	-	-
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions	-	-
A.1.4.2 Held to Maturity Investments - issued by domestic entities:	-	-
A.1.4.2.1 National Government	-	-
A.1.4.2.2 Public Financial Institutions	-	-
A.1.4.2.3 Public Non-Financial Institutions	-	-
A.1.4.2.4 Private Financial Institutions	-	-
A.1.4.2.5 Private Non-Financial Institutions	-	-

**NOTE:**

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )
A.1.4.3 Loans and Receivables - issued by domestic entities:	-	-
A.1.4.3.1 National Government	-	-
A.1.4.3.2 Public Financial Institutions	-	-
A.1.4.3.3 Public Non-Financial Institutions	-	-
A.1.4.3.4 Private Financial Institutions	-	-
A.1.4.3.5 Private Non-Financial Institutions	-	-
A.1.4.4 Available-for-sale financial assets - issued by domestic entities:	155,793	147,877
A.1.4.4.1 National Government	-	-
A.1.4.4.2 Public Financial Institutions	-	-
A.1.4.4.3 Public Non-Financial Institutions	153,616	145,700
A.1.4.4.4 Private Financial Institutions	-	-
A.1.4.4.5 Private Non-Financial Institutions	2,177	2,177
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	-	-
A.1.4.5.1 Financial Assets at Fair Value through Profit or Loss	-	-
A.1.4.5.2 Held-to-maturity Investments	-	-
A.1.4.5.3 Loans and Receivables	-	-
A.1.4.5.4 Available-for-sale Financial Assets	-	-
A.1.4.6 Allowance for decline in market value (negative entry)	-	-
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2)	19,185,044	21,179,124
A.1.5.1 Contract assets (including costs and estimated earnings in excess of billings on uncompleted contracts)	11,282,073	14,013,673
A.1.5.2 Other current assets	7,902,971	7,165,451
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8+ A.2.9)	62,023,797	63,216,452
A.2.1 Land and Land Improvements	3,126,648	2,609,173
A.2.2 Power Plant, Buildings and Building Improvements	63,308,491	55,011,776
A.2.3 Coal Mining Properties and Equipment	35,719,154	32,848,156
A.2.4 Construction Equipment, Machinery and Tools	13,537,730	12,465,908
A.2.5 Nickel Mining Properties and Equipment	5,650,349	5,602,684
A.2.6 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	3,836,087	9,710,769
A.2.5.1 Office Furniture, Fixtures and Equipment	840,179	745,449
A.2.5.2 Transportation Equipment	701,860	688,851
A.2.5.3 Leasehold Improvements	361,255	359,399
A.2.5.4 Construction in Progress	1,932,793	7,917,070
A.2.5.5 Others	-	-
A.2.7 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3)	-	-
A.2.6.1	-	-
A.2.6.2	-	-
A.2.6.3	-	-
A.2.8 Accumulated Depreciation (negative entry)	(63,154,662)	(55,032,014)
A.2.9 Impairment Loss or Reversal (if loss, negative entry)	-	-
A.3 Investments accounted for using the equity method (A.3.1)	16,590,561	15,214,358
A.3.1 Others, specify (A.3.1.1 + A.3.1.2 + A.3.1.3 + A.3.1.4)	16,590,561	15,214,358
A.3.1.1 Investment cost	945,891	1,004,391
A.3.1.2 Accumulated Equity in net earnings (losses)	15,770,268	14,280,056
A.3.1.3 Accumulated impairment loss (negative entry)	(6,798)	(6,798)
A.3.1.4 Share in other comprehensive income (loss)	(118,800)	(63,291)
A.4 Investment Property	132,663	141,927
A.5 Biological Assets	-	-
A.6 Intangible Assets (A.6.1 + A.6.2)	77,744	73,113
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	77,744	73,113
A.6.1.1 Software Cost	77,744	73,113
A.6.1.2 Others	-	-
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	-	-
A.6.2.1	-	-
A.6.2.2	-	-
A.7 Assets Classified as Held for Sale	-	-
A.8 Assets included in Disposal Groups Classified as Held for Sale	-	-

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE: Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	6,706,034	5,104,621
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	6,706,034	5,104,621
A.9.1.1 Contract assets	6,706,034	5,104,621
A.9.1.2	-	-
A.9.1.3	-	-
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	-	-
A.9.2.1	-	-
A.9.2.2	-	-
A.9.2.3	-	-
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4)	6,285,809	8,185,730
A.10.1 Deferred Tax Assets - net	938,621	1,114,735
A.10.2 Pension Assets	708,040	726,754
A.10.3 Others, specify (A.10.3.1 + A.10.3.2 + A.10.3.3 + A.10.3.4+A.10.3.5)	4,639,148	6,344,241
A.10.3.1 Exploration and evaluation asset	229,060	226,319
A.10.3.2 Right of use asset	183,094	266,415
A.10.3.3 Goodwill	-	-
A.10.3.4 Other Noncurrent Assets	4,226,994	5,851,507
A.10.3.5	-	-
A.10.4 Allowance for write-down of deferred charges/bad accounts (negative entry)	-	-
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</b>	<b>103,190,768</b>	<b>97,948,927</b>
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6)	48,576,085	49,874,263
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 )	24,813,775	24,558,551
B.1.1.1 Suppliers and Subcontractors	13,152,132	13,353,090
B.1.1.2 Other Trade Payables	1,264,327	1,234,576
B.1.1.3 Accruals, specify material items (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	5,574,191	5,285,220
B.1.1.3.1 Project costs	2,735,650	2,986,127
B.1.1.3.2 Payable to Department of Energy	1,034,079	855,902
B.1.1.3.3 Others	1,804,462	1,443,191
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4)	4,823,125	4,685,665
B.1.1.4.1 Output VAT Payable	2,696,350	2,349,601
B.1.1.4.2 Commission Payable	1,381,209	1,624,865
B.1.1.4.3 Payable to Related Parties	306,504	254,466
B.1.1.4.4 Others	439,062	456,733
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	-	-
B.1.2.1	-	-
B.1.2.2	-	-
B.1.2.3	-	-
B.1.3 Provisions	-	-
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 )	12,074,829	14,603,859
B.1.4.1 Short-term Debt	5,800,060	2,492,122
B.1.4.2 Current Portion of Long-term Debt	5,425,745	11,438,712
B.1.4.3 Current Portion of Liabilities for Purchased Land	849,024	673,025
B.1.5 Liabilities for Current Tax	325,733	342,820
B.1.6 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.6.1 + B.1.6.2 + B.1.6.3 )	11,361,748	10,369,033
B.1.6.1 Contract liabilities (including billings in excess of costs and estimated earnings on uncompleted contracts)	7,244,104	7,097,318
B.1.6.2 Other customers' advances and deposits	4,117,644	3,271,715
B.1.6.3 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.6.3.1 + B.1.6.3.2 + B.1.6.3.3)	-	-
B.1.6.3.1	-	-
B.1.6.3.2	-	-
B.1.6.3.3	-	-

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

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CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE: Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 1. Consolidated Balance Sheet**

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)	40,663,165	32,974,892
B.2.1 Domestic Public Financial Institutions	-	-
B.2.2 Domestic Public Non-Financial Institutions	-	-
B.2.3 Domestic Private Financial Institutions	40,663,165	32,974,892
B.2.4 Domestic Private Non-Financial Institutions	-	-
B.2.5 Foreign Financial Institutions	-	-
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)	-	-
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale	-	-
B.5 Other Liabilities (B.5.1 + B.5.2 + B.5.3 + B.5.4 )	13,951,518	15,099,772
B.5.1 Liabilities for Purchased Land - net of current portion	1,170,582	1,223,138
B.5.2 Contract Liabilities	1,900,164	2,789,396
B.5.3 Deferred Tax Liabilities	4,952,056	5,211,488
B.5.4 Others, specify (B.5.4.1 + B.5.4.2)	5,928,716	5,875,750
B.5.4.1 Pension	782,884	502,661
B.5.4.2 Other Noncurrent Liabilities	5,145,832	5,373,089
<b>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</b>	<b>101,202,771</b>	<b>102,838,074</b>
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)	20,000,000	20,000,000
C.1.1 Common shares <b>19,900,000,000 shares, P1.00 par value</b>	19,900,000	19,900,000
C.1.2 Preferred Shares <b>100,000,000 shares, P1.00 par value</b>	100,000	100,000
C.1.3 Others	-	-
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)	-	-
C.2.1 Common shares	-	-
C.2.2 Preferred Shares	-	-
C.2.3 Others	-	-
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)	13,277,474	13,277,474
C.3.1 Common shares <b>13,277,470,000 issued and outstanding</b>	13,277,470	13,277,470
C.3.2 Preferred Shares <b>3,780 issued shares, 960 shares outstanding</b>	4	4
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus	4,672,394	4,672,394
C.5 Non-controlling Interests	19,556,450	20,434,427
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4)	<b>(688,311)</b>	<b>(445,222)</b>
C.6.1 Premium on Acquisition of Non-controlling Interests	<b>(817,958)</b>	<b>(817,958)</b>
C.6.2 Remeasurements on Retirement Plans - net of tax	149,316	344,568
C.6.3 Net Accumulated Unrealized Gains on AFS Financial Assets	99,131	91,459
C.6.4 Other equity	<b>(118,800)</b>	<b>(63,291)</b>
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus	-	-
C.8 Retained Earnings (C.8.1 + C.8.2)	64,391,833	64,906,070
C.8.1 Appropriated	-	-
C.8.2 Unappropriated	64,391,833	64,906,070
C.9 Head / Home Office Account (for Foreign Branches only)	-	-
C.10 Cost of Preferred Stocks Held in Treasury <b>(negative entry)</b>	<b>(7,069)</b>	<b>(7,069)</b>
<b>TOTAL LIABILITIES AND EQUITY (B + C)</b>	<b>204,393,539</b>	<b>200,787,001</b>



**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 2. Consolidated Income Statement

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )	2018 ( in P'000 )
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)</b>	<b>70,783,840</b>	<b>91,978,177</b>	<b>87,721,895</b>
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	67,700,099	87,761,221	82,842,860
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	1,546,131	1,802,385	1,825,657
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	854,265	1,448,417	1,208,762
A.3.1 Forfeitures and cancellation of contracts	524,904	1,070,414	770,951
A.3.2 Rental income	75,040	109,833	184,076
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3)	254,321	268,170	253,735
A.3.3.1 Sale of fly ash	180,213	166,197	189,762
A.3.3.2 Others	74,108	101,973	63,973
A.3.3.3			-
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	683,345	966,154	1,844,616
A.4.1 Interest Income	503,052	996,537	794,398
A.4.2 Recoveries from insurance claims	-	668,393	287,766
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2)	67,003	(658,323)	1,150,624
A.4.3.1 Gain on sale of underdeveloped land	-	-	1,021,763
A.4.3.2 Gain on sale of property, plant and equipment - net	67,003	(14,847)	37,269
A.4.3.3 Gain on Financial Asset at Fair Value	-	(643,476)	91,592
A.4.4 Others, specify	113,290	(40,453)	(388,172)
A.4.4.1 Foreign exchange gain (loss)	113,290	(40,453)	(388,172)
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-	-
B.1.1 Direct Material Used	-	-	-
B.1.2 Direct Labor	-	-	-
B.1.3 Other Manufacturing Cost / Overhead	-	-	-
B.1.4 Goods in Process, Beginning	-	-	-
B.1.5 Goods in Process, End (negative entry)	-	-	-
B.2 Finished Goods, Beginning	-	-	-
B.3 Finished Goods, End (negative entry)	-	-	-
<b>C. COST OF SALES (C.1+ C.2 +C.3+ C.4+ C.5+ C.6 +C.7 +C.8 +C.9 +C.10 +C.11)</b>	<b>27,876,644</b>	<b>33,142,853</b>	<b>28,115,292</b>
C.1 Cost of real estate inventory	11,582,195	12,116,532	13,405,859
C.2 Fuel and lubricants	5,582,492	5,766,840	3,192,436
C.3 Materials and supplies	2,117,454	5,407,241	3,672,345
C.4 Depreciation and amortization	3,854,978	4,242,780	3,347,696
C.5 Direct labor	1,415,364	1,426,917	973,100
C.6 Commission	963,492	833,405	1,119,930
C.7 Outside services	960,917	1,266,387	851,188
C.8 Production overhead	752,461	1,620,517	1,023,793
C.9 Hauling, shiploading and handling costs	616,971	390,335	18,594
C.10 Provision for decommissioning and site rehabilitaton	-	-	436,523
C.11 Others	30,320	71,899	73,828
<b>D. COST OF SERVICES (D.1 + D.2 + D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)</b>	<b>24,049,755</b>	<b>26,911,808</b>	<b>23,773,039</b>
D.1 Materials and supplies	9,096,464	9,275,096	9,093,678
D.2 Depreciation and amortization	3,696,117	3,668,845	4,381,879
D.3 Direct labor	3,587,095	3,738,171	3,432,717
D.4 Outside services	3,548,630	3,278,855	2,301,411
D.5 Production overhead	2,320,557	2,119,996	1,105,418
D.6 Fuel and lubricants	1,100,875	1,482,606	1,452,632
D.7 Spot purchases of electricity	434,638	2,826,761	1,203,199
D.8 Hauling, shiploading and handling costs	144,117	288,458	278,321
D.9 Others	121,262	233,020	523,784
<b>E. GROSS PROFIT (A - B - C - D)</b>	<b>18,857,441</b>	<b>31,923,516</b>	<b>35,833,564</b>

*NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.*

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COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

**Table 2. Consolidated Income Statement**

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )	2018 ( in P'000 )
<b>F. OPERATING EXPENSES (F.1 + F.2 + F.3 + F.4)</b>	<b>8,913,688</b>	<b>12,158,269</b>	<b>11,640,661</b>
F.2 Salaries, wages and employee benefits	1,981,194	1,966,441	1,905,353
F.1 Government share	1,813,594	3,927,055	3,569,015
F.3 Depreciation and amortization	614,929	1,290,458	1,702,225
F.4 Other Expenses, specify (F.4.1 + F.4.2 + F.4.3 + F.4.4 + F.4.5 + F.4.6 + F.4.7 + F.4.8 + F.4.9 + F.4.10 + F.4.11 + F.4.12 + F.4.13 + F.4.14 + F.4.15)	4,503,971	4,974,315	4,464,068
F.4.1 Taxes and licenses	1,306,650	1,411,869	1,270,078
F.4.3 Outside services	827,176	560,858	306,854
F.4.2 Repairs and maintenance	611,802	726,923	844,949
F.4.4 Insurance	271,480	362,608	179,835
F.4.6 Rent	209,688	179,788	230,045
F.4.5 Advertising and marketing	194,499	320,657	311,480
F.4.7 Communication, light and water	132,084	153,876	166,778
F.4.9 Entertainment, amusement and recreation	130,440	141,566	151,683
F.4.8 Transportation and travel	118,297	150,442	152,507
F.4.11 Supplies	161,452	108,574	100,621
F.4.10 Allowance for expected credit losses and probable losses assets	60,121	135,749	30,825
F.4.13 Association dues	44,473	56,457	72,928
F.4.14 Commission	1,761	6,389	2,182
F.4.12 Loss on writedown of ppe and other noncurrent assets	-	83,536	-
F.4.15 Miscellaneous	434,048	575,023	643,303
<b>G. FINANCE COSTS</b>	<b>1,191,072</b>	<b>1,523,452</b>	<b>1,138,578</b>
<b>H. OTHER EXPENSES</b>			
H.1 Impairment of goodwill	-	1,637,430	-
<b>I. NET INCOME (LOSS) BEFORE TAX (E - F - G - H)</b>	<b>8,752,681</b>	<b>16,604,365</b>	<b>23,054,325</b>
<b>J. INCOME TAX EXPENSE (negative entry)</b>	<b>(1,344,572)</b>	<b>(1,758,909)</b>	<b>(3,205,239)</b>
<b>J. INCOME(LOSS) AFTER TAX</b>	<b>7,408,109</b>	<b>14,845,456</b>	<b>19,849,086</b>
<b>K. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</b>	-	-	-
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>1,549,160</b>	<b>4,312,325</b>	<b>5,336,146</b>
<b>M. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>5,858,949</b>	<b>10,533,131</b>	<b>14,512,940</b>
<b>N. EARNINGS (LOSS) PER SHARE</b>			
N.1 Basic	0.44	0.79	1.09
N.2 Diluted	0.44	0.79	1.09

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE: Holding Company PSIC: \_\_\_\_\_

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 3. Consolidated Cash Flow Statements

FINANCIAL DATA	2020 ( in P'000 )	2019 ( in P'000 )	2018 ( in P'000 )
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax	8,752,681	16,604,365	23,054,325
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>			
Depreciation, depletion and amortization	8,166,024	9,202,083	9,431,800
Amortization, specify			
Others, specify:			
Finance costs	1,191,072	1,523,452	1,138,578
Unrealized market loss (gain) on financial assets at FVPL	-	245,444	(25,775)
Loss on writedown of ppe and other noncurrent assets	157,196	83,536	-
Net movement in retirement asset	59,589	131,569	125,348
Equity in net earnings of associates and joint ventures	(1,546,131)	(1,802,385)	(1,825,657)
Finance income	(503,052)	(996,537)	(794,398)
Loss (Gain) on sale property, plant and equipment	(67,003)	14,847	(37,269)
Net unrealized foreign exchange loss (gain)	58,544	(236,020)	(155,266)
Impairment of goodwill	-	1,637,430	-
Gain on sale of undeveloped land	-	-	(1,021,770)
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables and contract assets	(3,103,847)	(1,947,484)	(3,585,049)
Inventories	(2,684,959)	(3,814,532)	(6,502,314)
Other current assets	(504,374)	2,316,342	(3,674,518)
Others, specify:			
Increase (Decrease) in:			
Accounts payable and accrued expenses	(242,589)	2,499,305	4,390,015
Others, specify: Contract liabilities and other customers' advances and deposits	3,515,197	1,905,090	729,951
Liabilities for purchased land	123,443	(105,980)	(218,002)
Others, specify:			
Interest received	506,747	996,176	785,503
Income taxes paid	(1,636,124)	(1,938,770)	(2,729,826)
Interest paid and capitalized as cost of inventory	(1,436,506)	(1,186,166)	(1,023,271)
<b>A. Net Cash Provided by Operating Activities (sum of above rows)</b>	<b>10,805,908</b>	<b>25,131,765</b>	<b>18,062,405</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property, plant and equipment	(7,543,412)	(15,183,170)	(13,044,069)
Investments in associates, jointly controlled entity and others	(56,500)	(500,000)	-
Exploration and evaluation asset	(8,241)	-	(784)
Available-for-sale financial assets	-	-	-
Proceeds from disposals of:			
Property and equipment	642,927	-	420,314
Undeveloped land	-	-	1,901,250
Investment properties	-	-	24,380
Available-for-sale financial assets	-	-	4,475
Others, specify: Dividends received	36,000	1,286,086	798,972
Decrease (Increase) in other noncurrent assets	1,567,484	(2,256,727)	1,196,265
Interest paid and capitalized as cost of property, plant and equipment	(21,742)	(85,228)	(44,707)
<b>B. Net Cash Provided by Investing Activities (sum of above rows)</b>	<b>(5,383,484)</b>	<b>(16,739,039)</b>	<b>(8,743,904)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Short-term debt	4,260,929	35,882,500	9,622,849
Long-term debt	13,558,760	23,564,500	1,223,488
Payments of:			
Short-term debt	(952,991)	(40,405,654)	(3,639,617)
Long-term debt	(11,951,261)	(13,574,242)	(5,100,886)
Dividends paid to equity holders of DMCI Holdings, Inc	(6,373,186)	(6,373,186)	(12,746,372)
Dividends paid to non-controlling interests	(2,307,438)	(2,390,245)	(4,010,623)
Interest	(968,913)	(1,586,134)	(987,757)
Lease liabilities	(43,872)	(67,268)	-
Others, specify (negative entry):			
Purchase of non-controlling interest	(3,230)	-	(251,607)
Redemption of preferred shares	-	-	(7,069)
Increase (Decrease) in Other noncurrent liabilities	(3,314,421)	2,651,082	(3,318,123)
<b>C. Net Cash Used in Financing Activities (sum of above rows)</b>	<b>(8,095,623)</b>	<b>(2,298,647)</b>	<b>(19,215,717)</b>
<b>D. Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(6,174)</b>	<b>21,780</b>	<b>55,406</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	<b>(2,679,373)</b>	<b>6,115,859</b>	<b>(9,841,810)</b>
<b>Cash and Cash Equivalents</b>			
Beginning of year	21,597,823	15,481,964	25,323,774
End of year	18,918,450	21,597,823	15,481,964

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

**SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES**

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
 CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
 TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_ PSIC: \_\_\_\_\_ PSIC: \_\_\_\_\_ PSIC: \_\_\_\_\_ #REF!  
 COMPANY TYPE : Holding Company

*If these are based on consolidated financial statements, please so indicate in the caption.*

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)											TOTAL	Attributable to Non-controlling Interests	TOTAL
	Capital Stock	Additional Paid-in Capital	Treasury Shares-Preferred	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gains (Loss) on equity investments (FVOCI)	Other Equity	TOTAL	Attributable to Non-controlling Interests			
<b>A. Balance, 2017</b>	13,277,474	4,672,394	-	58,979,558	-	(599,082)	708,374	35,699	(41,391)	77,033,026	17,244,144	94,277,170		
<b>B. Comprehensive Income</b>	-	-	-	14,512,939	-	-	(72,114)	40,989	-	14,481,814	5,336,146	19,817,960		
B.1 Net Income (Loss) for the Period	-	-	-	14,512,939	-	-	-	-	-	14,512,939	5,336,146	19,849,085		
B.2 Other Comprehensive income	-	-	-	-	-	-	(72,114)	40,989	-	(31,125)	-	(31,125)		
<b>C. Dividends (negative entry)</b>	-	-	-	(12,746,372)	-	-	-	-	-	(12,746,372)	(4,010,623)	(16,756,995)		
<b>D. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-		
M.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-		
M.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-		
<b>E. Others</b>	-	-	(7,069)	-	-	(218,876)	-	-	-	(225,945)	(32,731)	(258,676)		
T.1 Acquisition of Non-controlling interest	-	-	-	-	-	(218,876)	-	-	-	(218,876)	(32,731)	(251,607)		
T.2 Redemption of preferred shares	-	-	(7,069)	-	-	-	-	-	-	(7,069)	-	(7,069)		
<b>F. Balance, 2018</b>	13,277,474	4,672,394	(7,069)	60,746,125	-	(817,958)	636,260	76,688	(41,391)	78,542,523	18,536,936	97,079,459		
<b>G. Comprehensive Income</b>	-	-	-	10,533,131	-	-	(291,692)	14,771	(21,900)	10,234,310	4,287,736	14,522,046		
G.1 Net Income (Loss) for the Period	-	-	-	10,533,131	-	-	-	-	-	10,533,131	4,312,325	14,845,456		
G.2 Other Comprehensive income	-	-	-	-	-	-	(291,692)	14,771	(21,900)	(298,821)	(24,589)	(323,410)		
<b>I. Dividends (negative entry)</b>	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,390,245)	(8,763,431)		
<b>J. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-		
I.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-		
I.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-		
<b>K. Others</b>	-	-	-	-	-	-	-	-	-	-	-	-		
K.1 Acquisition of Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-		
K.2 Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-		
<b>L. Balance, 2019</b>	13,277,474	4,672,394	(7,069)	64,906,070	-	(817,958)	344,568	91,459	(63,291)	82,403,647	20,434,427	102,838,074		
<b>M. Comprehensive Income</b>	-	-	-	5,858,949	-	-	(195,252)	7,672	(55,509)	5,615,860	1,534,686	7,150,546		
N.1 Net Income (Loss) for the Period	-	-	-	5,858,949	-	-	-	-	-	5,858,949	1,549,160	7,408,109		
N.2 Other Comprehensive income (loss)	-	-	-	-	-	-	(195,252)	7,672	(55,509)	(243,089)	(14,474)	(257,563)		
<b>N. Dividends (negative entry)</b>	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,421,811)	(8,794,997)		
<b>O. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-		
P.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-		
P.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-		
<b>P. Others</b>	-	-	-	-	-	-	-	-	-	-	9,148	9,148		
P.1 Acquisition of Non-controlling interest	-	-	-	-	-	-	-	-	-	-	9,148	9,148		
<b>Q. Balance, 2020</b>	13,277,474	4,672,394	(7,069)	64,391,833	-	(817,958)	149,316	99,131	(118,800)	81,646,321	19,556,450	101,202,771		