

COVER SHEET

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SEC Registration Number

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

(Company's Full Name)

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P A S O N G T A M O E X T . M A K A T I C I T Y

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Last Wednesday of July)

1 2 3 1
Month Day
Fiscal Year

SEC Form 17-Q
Third Quarter Interim Report 2015
FORM TYPE

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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

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended September 30, 2015

2. SEC Identification No. AS095-002283 3. BIR Tax Identification No. 004-703-376

DMCI Holdings, Inc.

4. Exact name of issuer as specified in its charter

5. Philippines

6. (SEC Use Only)

Province, Country or other jurisdiction of
incorporation or organization

Industry Classification Code:

7. 3rd Floor, Dacon Building, 2281 Pasong Tamo Ext., Makati city1231

Address of principal office

Postal Code

8. Tel. (632) 888-3000

Fax (632) 816-7362

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	Php13,277,470,000.00	Php13,277,470,000.00
Preferred Shares	3,780.00	3,780.00
TOTAL	Php13,277,473,780.00	Php13,277,473,780.00

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:

Philippine Stock Exchange

Class "A" Shares
Preferred Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements for the quarter and period ended **September 30, 2015** are contained herein.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE QUARTER AND PERIOD ENDED SEPTEMBER 30, 2015.

September 30, 2015 vs September 30, 2014

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2015 and 2014:

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For 9-month period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P3,530	P2,223	P1,307	59%
DMCI HOMES	2,719	2,621	98	4%
MAYNILAD	1,712	1,366	346	25%
DMCI MINING	643	870	(227)	-26%
D.M. CONSUNJI, INC.	361	350	11	3%
DMCI POWER (SPUG)	305	188	117	62%
PARENT & OTHERS	62	(78)	140	180%
CORE NET INCOME	9,332	7,540	1,792	24%
ONE-TIME GAIN	530	-	530	100%
TOTAL NET INCOME	P9,862	P7,540	2,322	31%

The consolidated net income of DMCI Holdings, Inc. (the "Company") rose by 31% to P9.9 billion in the first nine-months of 2015, from P7.5 billion reported during the same period last year. The strong double-digit growth was fueled by the higher income contributions from its coal energy, real estate, off grid power, water distribution and construction businesses.

Excluding one-time gain on the sale of its stake in Private Infra Dev Corp. (PIDC) to Rapid Thoroughfares Inc. of San Miguel Corporation, the core net income of the Consunji-led holding firm grew 24 percent to P9.3 billion from P7.5 billion. PIDC is the concessionaire for the Tarlac-Pangasinan La Union Expressway.

Semirara Mining and Power Corporation (SMPC) contributed P3.5 billion to DMC's bottom line, a 59% increase from the P2.2 billion reported last year. This was due to the improved output and sales of its power generation segment.

Gross power generation of SMPC's Calaca power units surged 81% to 3,163 GWh from 1,748GWh while cost of power sales decreased 50% to P3.5 billion from P7 billion. With its power units operating reliably this year, SMPC was able to sustain its normal costs levels.

DMCI Homes reported a 4% upswing in net income following the recognition of higher revenues from completed high-rise projects in the first nine months of the year. Excluding the effect of a gain on sale of undeveloped lot last year, net income actually rose by 12% during the said period.

Higher billed volume and continued improvement in operational performance pushed net earnings contribution from Maynilad Water Services, Inc. (Maynilad) to grow 25%, to P1.7 billion from P1.4 billion.

The off-grid power business, lodged under DMCI Power, reported a 62% jump to P305 million from P188 million last year. Higher electricity sales in Oriental Mindoro, Masbate and Palawan accounted for the significant growth.

D.M. Consunji, Inc. contributed P361 million, an improvement of 3% year-on-year due mainly to improved margins from approved variation orders of completed works.

Meanwhile, DMCI Mining reported net income of P643 million, a 26% drop compared to last year's P870 million. The downswing was attributed to lower nickel prices, higher asset depreciation and depletion, and higher effective tax this year. However, its EBITDA climbed 34% year-on-year, due to more volume and higher ore grade shipments

Contribution from the Parent and other investments grew by 180% to P62 million during the same period.

SEMIRARA MINING AND POWER CORPORATION

Below is SMPC's management discussion and analysis of results of operations and financial condition for the period ending and as of September 30, 2015 as lifted from its third quarter financial report with the SEC and PSE.

I. PRODUCTION – COMPARATIVE REPORT Q3 YTD2015 vs Q3 YTD 2014

Coal

Coal mining operation was halted on July 17, after a portion of the northern edge of Panian mine gave way at past three o'clock in the morning. The Department of Energy (DOE) immediately issued a suspension order of the affected area of the mine, while the Department of Environment and Natural Resources (DENR) also issued a Cease and Desist Order of the company's Environmental Clearance Certificate (ECC). Both orders were lifted last 18 September and August 10, respectively after compliance by the company of additional safety requirements mandated by the DOE and after it was proven by the DENR that the accident did not inflict any damage to the environment.

The accident claimed the lives of nine mine personnel, while 5 dump trucks, 1 excavator and 1 wheel dozer were totally damaged. In compliance with the suspension order from the Department of Energy (DOE) issued on the day of the accident, the company voluntarily suspended all its mining operations including non-affected areas..

As a result of the two-month stop operations, total materials moved dropped 18% YoY at 63.61 million bank cubic meters (bcm) from 77.27 million bcm in the first three quarters of 2014. This volume is exclusive of the 6.7 million bcm of materials unloaded to comply with the recommendations made by the safety consultants, which was required by the DOE as additional safety measure.

Correspondingly, coal production dropped 21% YoY to 5.57 million metric tons (MTs) from 7.01 million MTs last year, with strip ratio registering at 10.70:1, slightly up by 4% from last year's 10.31:1.

Despite lower export sales, as local customers were given priority over the remaining inventory in Q3, coal sales volume only registered a slight drop of 1% YoY to 6.13 million MTs from 6.19 million MTs last year. Ending inventory in the current period was 86% lower YoY at 274 thousand MTs versus 1.97 million last year, again as a result of the suspension of mining operations most of Q3 this year.

The table below shows the comparative production data for Q3 YTD 2015 and Q3 YTD 2014.

	Q1	Q2	Q3	Q3 YTD 2015	Q1	Q2	Q3	Q3 YTD 2014	% Inc (Dec)
PRODUCTION									
Total Materials (bcm)	26,284	27,800	9,529	63,613	28,135	26,385	22,745	77,265	-18%
TPC Coal (MT)	2,325	2,134	1,113	5,572	2,353	2,513	2,145	7,011	-21%
Strip Ratio	10.59:1	12.31:1	7.85:1	10.70:1	11.24:1	9.79:1	9.89:1	10.31:1	4%
Net TPC (MT)	2,302	2,112	1,182	5,596	2,329	2,488	2,123	6,940	-19%
Saleable Coal (MTs)	2,282	2,092	1,167	5,541	2,311	2,467	2,101	6,879	-19%
CPP Feed	20	20	15	55	19	20	22	61	-11%
Beg. Inventory (MTs)	386	290	582	386	1,279	1,277	1,623	1,277	-70%
End Inventory (MTs)	290	582	274	274	1,277	1,623	1,966	1,966	-86%

Additional safety measures were implemented after the slide. A new Slope Stability Radar (SSR) was installed to help monitor the slopes in real time and cover a wider range, to augment the currently used Total Robotics Station in monitoring slope movements, among others. The SSR, which was already procured before the slide happened, is an improved technology of the Total Robotics Station, unfortunately however, the same was still in transit to mine site when the accident occurred .

Additional consultants were also engaged to augment safety procedures, particularly on geotechnical and hydrogeology.

Structural safety intervals in coordination with consultants were also enhanced.

Finally, new slope stability measures were implemented by revising some protocols applied during wet and dry seasons.

SCPC

Both power units were operating steadily during the first three quarters of the current year, hence gross generation increased 81% YoY at 3,163 GWh from 1,748 GWh last year. Last year, generation was low since the planned shutdown for maintenance and installation of the new Distribution Control System (DCS) of Unit 2 was prolonged to around 6 months.

Unit One

Gross generation of Unit 1 increased 16% YoY to 1,400 GWh from 1,209 GWh generation last year. Average capacity increased this year to 242 MW from 233 MW last year. High grade coal from Semirara improved the capacity of the plant in the first half of the year, however average capacity slightly dropped to 214 MW in Q3 due to slagging/fouling observed in the unit. Capacity factor is up at 71% as of the Q3 this year, as against 61% last year.

Availability of the plant increased 11% YoY to 88% this year from 79% last year. Unplanned outages significantly dropped by 68% YoY to 429 hours from 1,335 hours last year when the plant incurred more downtimes in April and June last year to repair tube leaks.

Unit Two

Gross generation of Unit 2 surged 227% YoY to 1,763 GWh from 539 GWh last year as availability and average capacity registered record high. This is in contrast to 2014, when the planned outage, mainly to give way for the installation of a new DCS (Distribution Control System) was prolonged. The commissioning was delayed and the plant only started to synchronize to the grid on 13 June as problems on the installation and fine tuning of the DCS were encountered. The unit only stabilized in Q3 2014, with dependable capacity reaching its rated capacity of 300 MW. Average capacity improved to 292 MW this year from 238 MW last year. Capacity factor also improved, registering at 89% this year from only 27% last year.

Availability of the plant increased to 92% in the current period from only 34% last year. Unplanned outages this year registered at 535 hours.

The table below shows the comparative production data for Q3 YTD 2015 and Q3 YTD 2014.

COMPARATIVE PLANT PERFORMANCE DATA									
AO Q3'15 VS AO Q3'14									
	Q1'15	Q2 '15	Q3 '15	AO Q3 '15	Q1'14	Q2 '14	Q3 '14	AO Q3 '14	% Inc (Dec)
Gross Generation, Gwh									
Unit 1	456	495	450	1,400	455	327	428	1,209	16%
Unit 2	558	656	549	1,763	33	77	428	539	227%
Total Plant	1,014	1,151	998	3,163	489	404	855	1,748	81%
% Availability									
Unit 1	77%	91%	96%	88%	89%	63%	85%	79%	11%
Unit 2	91%	100%	85%	92%	6%	20%	76%	34%	167%
Total Plant	84%	96%	90%	90%	48%	41%	81%	57%	59%
Capacity Factor									
Unit 1	70%	75%	68%	71%	70%	49%	65%	61%	16%
Unit 2	86%	99%	83%	89%	5%	12%	65%	27%	227%
Total Plant	78%	87%	75%	80%	38%	30%	65%	44%	81%

SLPGC

The 2 x 150 MW power plants started to commission this year. The first and second units were synchronized to the grid on 7 July and 16 August, respectively.

While on testing and commissioning, both units generated a total of 115 GWh. The first unit reached its maximum capacity of 150MW during the period, while the second unit only achieved 50% of its rated capacity.

II. MARKETING – COMPARATIVE REPORT Q3 YTD 2015 vs. Q3 YTD 2014

Coal

Coal sales recorded a minimal 1% decrease at 6.13 million MTs from 6.19 million MTs in the same period last year.

Market share of export sales dropped 35% to 2.15 million MTs. This is 42% lower than last year's sales of 3.72 million MTs. Domestic demand was significantly lower last year as Calaca Unit 2 was on protracted shutdown, hence more coal was available for export. Moreover, local deliveries were given priority over existing inventory as export shipment were put on hold while

the mining operations were suspended after the incident, in compliance with the directive issued by DOE.

On the contrary, local sales rose 61% YoY to 3.98 million MTs from 2.48 million MTs last year. The increase is mainly due to the 88% increase in sales to power plants to 2.88 million MTs from 1.53 million MTs last year. Deliveries to Calaca more than doubled at 1.95 million MTs from 949 thousand MTs last year. Other power plants also increased their off-take by 59% to 925 thousand MTs from 583 thousand MTs last year due to additional capacities and increase in the plants' usage ratio between Semirara coal and imported coal.

Similarly, sales to cement plants also increased 26% YoY to 802 thousand MTs from 639 thousand MTs last year due to higher demand for cement this year for infrastructure projects as well as increase in blend ratio of Semirara coal against imported coal.

Sales to other industrial plants meanwhile dropped 2% YoY to 298 thousand MTs from 305 thousand MTs last year. Off-take by brokers increased in Q2 this year.

Composite average FOB price per MT decreased 6% YoY to PHP2,089 from PHP2,219 last year as global coal prices continue to drop.

The table below shows the comparative sales volume data for Q3 YTD 2015 and Q3 YTD 2014.

CUSTOMER	Q1 '15	Q2 '15	Q3 '15	H1 '15	%	Q1 '14	Q2 '14	Q3 '14	H1 '14	%	Inc (Dec)
Power Plants											
Calaca	666	626	661	1,953	32%	334	238	377	949	15%	106%
Other PPs	313	307	306	925	15%	165	175	243	583	9%	59%
TOTAL PPs	980	932	966	2,878	47%	499	413		1,532	25%	88%
Other Industries											
Cement	278	246	278	802	13%	242	219	178	639	10%	26%
Others	93	114	91	298	5%	106	85	114	305	5%	-2%
Total Others	371	360	369	1,100	18%	348	304	292	944	15%	17%
TOTAL LOCAL	1,351	1,292	1,336	3,978	65%	847	716	292	2,476	40%	61%
EXPORT	1,054	534	562	2,150	35%	1,462	1,407	846	3,715	60%	-42%
GRAND TOTAL	2,404	1,826	1,898	6,128	100%	2,309	2,123	1,138	6,191	100%	-1%

SCPC

SCPC's sales increased 32% YoY to 3,035 GWh from 2,292 GWh last year as both power plants are fully operational this year. The lower energy generation last year is a result of the prolonged testing and commissioning of the DCS for Unit 2 and higher forced outage for Unit 1.

Of the total energy sold, 95% or 2,871 GWh were sold to bilateral contracts and the remaining 5% to the spot market.

MERALCO remained to be the single biggest customer, accounting for 86% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 4% and 9%, respectively.

Spot Market Sales is higher by 527% YoY at 164 GWh against 26 GWh last year.

Of the total energy sold, 99.5% was sourced from own generation, while only 0.5% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at de-rated capacities, in order to be able to supply committed capacity to some of its customers.

Average price for bilateral contracts dropped 9% YoY to PHP3.41/KWh from PHP3.75/KWh in 2014 3rd quarter. The contracts index Newcastle prices has been declining in the current semester against last year.

The table below shows the comparative marketing data for AO Q3 2015 and AO Q3 2014.

COMPARATIVE SALES VOLUME DATA									
<i>(in GWh)</i>									
CUSTOMER	Q1 '15	Q2 '15	Q3 '15	AO Q3 '15	Q1 '14	Q2 '14	Q3 '14	AO Q3 '14	% Inc (Dec)
Bilateral Contracts	902	1,031	937	2,871	413	886	966	2,265	27%
Spot Sales	80	65	20	164	11	-	15	26	527%
GRAND TOTAL	982	1,096	957	3,035	425	886	981	2,292	32%
Composite Ave Price	3.56	3.37	3.30	3.41	4.40	3.73	3.50	3.75	-9%

SLPGC

While on testing and commissioning, SLPGC sold the power generated by both plants to the spot market and to a customer who required replacement power while its plant was on maintenance shutdown, through a non-firm supply contract.

Total energy sold reached 107 GWh, of this volume, 23 GWh was sold to BCQ at an average price of PHP4.11/KWh, while 83 GWh was sold to spot at an average price of PHP2.13/KWh. Composite average price during the period was at PHP2.56/KWh.

The Company already secured supply contracts during the period with three customers totaling to 213 MWs. The contract terms range between two to five years.

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped 5% YoY to PHP19.53 billion from PHP20.56 billion in the first three quarters of 2014. Before elimination, Coal revenues decreased 7% YoY at PHP12.80 billion from PHP13.74 billion last year. The decrease is due to lower sales volume by 63 thousand MTs and decline in composite average price to PHP2,089 from PHP2,219 last year. Meanwhile, Sem-Calaca Revenues rose 24% YoY to PHP 10.35 billion from PHP8.60 billion last year. Increased generation from both running power units resulted to higher sales both to contracts and spot market. The pre-operating Southwest Luzon Power Generation Corp. (SLPGC), a wholly-owned subsidiary of the Company incorporated to expand its power capacity with the construction of 2 x 150 MW power plants, generated Revenues of PHP272.97 million from power produced and sold while on testing and commissioning.

Consolidated Cost of Sales dropped 34% YoY to PH9.03 billion from PHP13.70 billion last year. Depreciation dropped 23% YoY to PHP1.69 billion from PHP2.18 billion last year.

Before eliminations, coal Cost of Sales decreased 4% YoY to PHP7.48 billion from PHP7.80 billion last year, despite the 9% increase in strip ratio. This is primarily due to the slight decline in volume sold combined with lower shipping costs and drop in oil prices. Cost of coal sold per MT reduced by 3% YoY at PHP1,221 from PHP1,259 last year. Coal depreciation decreased 4% YoY to PHP894.11 million from PHP933.65 million last year.

SCPC's Cost of Sales before elimination decreased 32% YoY to PHP5.23 billion from PHP7.73 billion; and 50% YoY after elimination to PHP3.47 billion from PHP7.02 billion last year. The Company was exposed to higher cost of replacement power in 2014 when the plants used up the allowable downtime provided by the terms of its power supply contracts. Since both power units are operating reliably this year, costs are kept at their normal levels. Cost of Sales per Kwh is 49% lower YoY at PHP1.71 from PHP3.36 last year.

The resulting consolidated Gross Profit increased 49% YoY to PHP10.22 billion, with coal and power segments each contributing PHP3.34 billion and PHP6.88 billion, respectively. Last year's consolidated Gross Profit stood at PHP6.86 billion, PHP5.28 billion from coal and

PHP1.59 billion from power segment. Consolidated Gross profit margin rose to 53% from 33% last year.

Consolidated Operating Expenses (OPEX) slightly increased by 3% YoY to PHP2.82 billion from PHP2.76 billion. Net of eliminating entries, the coal segment's OPEX increased 3% YoY to PHP2.06 billion from PHP2.00 billion last year. This mainly accounts for provision for government royalties at PHP1.74 billion this year versus PHP1.71 billion last year. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, decreased by 5% YoY to PHP704.37 million from PHP738.02 million last year. SLPGC incurred PHP46.70 million OPEX, representing non-capitalizable expenses incurred during the period. Other pre-operating subsidiaries incurred combined OPEX of PHP3.01 million.

Consolidated Forex Losses stood at PHP195.01 million, 94% higher YoY from PHP100.37 million last year due to the weakening of peso at PHP46.74 from PHP44.72. The peso closed at USD1: PHP45.09, as against USD1: PHP44.875 as at end of Q3 2014. Coal recorded Forex losses of PHP225.07 million as against PHP78.72 million last year, mainly due to valuation of its USD denominated loans. SCPC meanwhile recorded gains this year of PHP 31.46 million versus losses of PHP21.58 million last year on its foreign currency denominated transactions. SLPGC also incurred FOREX losses of PHP1.40 million in the current period, as against PHP73 thousand last year.

Higher cash levels offset lower placement interest rates, resulting to 24% increase YoY on consolidated Finance Income to PHP36.05 million from PHP28.96 million last year. Coal and Power earned PHP12.86 million and PHP23.19 million Finance Income, respectively.

Consolidated Finance Costs dropped 10% YoY to PHP209.68 million from PHP231.99 million last year due to a slight rise in borrowing rates. Coal's interest-bearing loans rose 26% YoY to PHP6.47 billion from PHP5.59 billion last year, resulting to a 4% increase YoY in Finance Cost to PHP88.12 million from PHP85.5 million last year. Meanwhile, after servicing its long-term loan and paying off its short-term loans, SCPC's interest-bearing loans declined 62% YoY to PHP2.68 billion from PHP7.05 billion last year; its Finance Cost decreased 15% YoY to PHP119.78 million from PHP141.68 million as of end Q3 2014. The benchmark of SCPC's long-term loan is changed to PDST-R2 from PDST-F, while margin is increased from 100bps to 120bps. On the contrary, SLPGC's loans increased 14% YoY to PHP11.50 billion from PHP10.09 billion last year, but Finance Cost dropped 66% to PHP1.78 million from PHP5.26 million last year due to capitalization of interest expenses.

Consolidated Other Income increased 110% YoY to PHP256.71 million from PHP122.18 million last year. The coal segment's Other Income in the current period rose 174% at

PHP163.37 million from PHP59.67 million last year, this mainly accounted for insurance recoveries and gain on sale of miscellaneous assets. SCPC's Other Income likewise increased 43% YoY to PHP89.67 million from PHP62.51 million last year. Both power units are operating regularly this year, unlike last year, thus producing more fly ash that is marketed as cement additive. SLPGC also recorded other income of PHP253.4 million mainly representing incidental income generated while commissioning its power plants.

The resulting consolidated Net Income Before Tax (NIBT) almost doubled YoY to PHP7.55 billion from PHP3.92 billion last year.

Consolidated Provision for Income Tax surged to PHP1.34 billion from PHP5.62 million last year. This mainly represents SCPC provision for income tax of PHP1.33 billion after the lapse of its Income Tax Holiday (ITH) as a Board of Investments-registered company. Notably however, SCPC has Deferred Tax Assets to partially cover the tax liability in the current period. The parent company and SLPGC recorded final income taxes of PHP 1.99 million and PHP2.38 million, respectively.

The resulting consolidated Net Income After Tax (NIAT) increased 59% YoY to PHP6.21 billion from PHP3.91 billion last year. Net of eliminations, coal generated net income of PHP1.14 billion, while SCPC generated PHP4.86 billion. Pre-operating SLPGC recorded PHP213.04 million income after elimination, or P71.0 million before elimination, after generating sales while on commissioning; last year it recorded non-capitalizable project expense of PHP29.26 million. Before eliminations, coal and SCPC recorded NIAT of PHP3.09 billion and PHP3.10 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year, Earnings per Share (EPS) stood at PHP5.81, 59% more than same period last year's adjusted EPS of PHP3.66.

DMCI HOMES

Net income of wholly-owned subsidiary DMCI Project Developer's Inc. (PDI) rose by 4% to P2.7 billion, mainly due to the recognition of higher revenues from completed high-rise projects and an overall gross margin remaining at 48%. Revenues climbed by 9% to P11.1 billion due to completion of Sorrel Tower, La Verti Residences, Wisteria and Marsala buildings of Verawood and The Amaryllis. Excluding the effect of a gain on sale of undeveloped lot last year, net income rose by 12% in the first nine months of the year.

Unlike local industry practice of using percentage-of-completion accounting, the company adopts a more conservative approach to recognizing real estate revenues by realizing sales only when the unit is fully completed and at least 15% of contract price has been collected.

In spite of a more challenging market, sales and reservations for the period was sustained at P15.3 billion for the first three quarters. Sustained demand for residential condominium units in new and existing projects such as Ivorywood, Lumiere Residences, Sheridan Towers contributed to the sustained sales take up.

As of September 2015, the company has launched four projects with 2,394 residential units, with a total approximate value of P9.85 billion, which is higher by 3% compared to the previous year value of P9.53 billion, comprising 3 projects.

Capital expenditures went up 2% to P8.1 billion from P7.9 billion in 2014. Of the amount spent in 2015, 36% went to land acquisition, 60% went to development cost and 4% to equipment and other assets.

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), 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.

Operating efficiencies continued to improve in 2015, as Maynilad reported higher income from operations. From P7.65 billion, income from operations climbed 16% to P8.89 billion in 2015.

Billed volume grew 4.3% to 361 million cubic meters (MCM) compared to 346 MCM billed in 2014. With water supply growing at a marginal rate of 0.6%, average non-revenue water for the year-to-date improved to 31.78% from 34.15% in the same period last year.

Continued expansion into the southern areas of Muntinlupa, Las Piñas and Cavite brought connections up to a total of 1,247,204 billed services, a 6.1% growth from the same period last year.

As a result, Maynilad's water service revenue for the year rose by 4.8% from P10.79 billion in 2014 to P11.31 billion in 2015. Total revenues from operations, including other fees and

services such as sewer services, amounted to P14.11 billion, a 4.7% improvement from P13.48 billion last year.

Total cash operating expenses decreased 10.5% to P3.82 billion versus P4.27 billion last year primarily due to lower personnel costs driven by the one-time Special Opportunity Package (SOP) implemented last year to improve employee productivity, as well as savings on major expense items such as light and power, outside services, and repairs and maintenance costs.

Reported net income grew at a higher pace than revenues, improving by 21.7% to P7.07 billion from P5.81 billion in the prior year, due to lower interest expense.

After adjustments at the consortium company level, the Company's equity in net earnings reported a 25% increase from P1.37 billion last year to P1.71 billion this year.

Rate Rebasing Update

On 29th December 2014, Maynilad received a favorable award in its arbitration regarding its 2013-2017 water tariff. The new rate results in a 9.8% increase in the 2013 average basic water charge of P31.28 per cubic meter. However, to date, the MWSS has refused to abide by this legally binding arbitration award. Acting in accordance with the provisions of its concession, Maynilad has therefore notified the Republic of the Philippines ("Republic") that it is calling on the Republic's undertaking to compensate Maynilad for losses arising from delayed implementation of the new tariff. As this has also not been acted upon, on March 27, 2015 Maynilad served Notice of Arbitration against the Republic. The three-person panel that will hear in Singapore the binding Arbitration to settle Maynilad's ability to call on the Republic's undertaking is now complete. Hearings are expected to begin in 2016.

D.M. CONSUNJI, INC.

D.M Consunji, Inc. reported P361 million net income in the first nine months of 2015, an improvement of 3% year-on-year due mainly to improved margins from approved variation orders of completed works. Operating results for the first nine months were still affected by the delayed implementation of major public infrastructure projects due to right-of-way and utility relocation issues.

The company reported a total orderbook (balance of work) of P31.1 billion at the end of September 2015, from P18.5 billion at the close of 2014. Awarded projects and contract adjustments in first three quarters 2015 totaled P23.1 billion. This includes the civil works of LRT 2

East Extension (Masinag) and Sections 1 & 2 of the Skyway Stage 3. These projects are expected to boost the revenues of the company in the next few years.

Ongoing and new projects in the orderbook include among others, the NAIA Expressway of Vertex Tollways Dev. Inc. (a unit of San Miguel Holdings Corporation), The Skyway Stage 3 of Citra Central Expressway Corp. (a unit of San Miguel Corporation), the NAIA Terminal 1 Rehabilitation, The Runway of Travellers International Hotel Group, The Viridian, The Royalton and The Imperium of Ortigas & Company, The Areté of the Ateneo de Manila University, Phase 2 office expansion of TV5 Network Inc., Second unit of 135MW coal-fired power plant of South Luzon Thermal Energy Corp., 2x150MW coal-fired power units of Southwest Luzon Power Generation Corp. and the Paranaque Sewer Network of Maynilad.

DMCI POWER (SPUG)

An added growth area of the power segment is under DMCI Power Corporation, a wholly-owned subsidiary of DMCI Holdings, Inc. DMCI Power is focused on getting power supply contracts with the electric cooperatives situated in the off-grid areas.

As of September 30, 2015, the total installed rated capacity is 74.03MW. Out of the total, 24.4MW (12.4 MW bunker-fired and 12 MW diesel) is at Masbate, 34.08MW (diesel) in Palawan and a 4x3.89 MW bunker-fired plant which started commercial operations (February 2015) in Mindoro Oriental.

Due to increase in energy dispatch of the electric cooperatives to our plants and operation, sales volume reported in Masbate (63 GWh) and Palawan (58 GWh) rose by 7% and 66%, respectively, year-on-year. Average price/kwh in Masbate is P11.74/kwh and P9.45/kwh in Palawan. Seven months operations in Mindoro Oriental produced sales volume of 33 GWh at P10.22/kwh average price.

Consequently, the total off-grid generation revenue and net income went up by 22% and 62%, respectively. Revenue increased to P1.6 billion in the first nine months of 2015 compared to P1.3 billion in 2014. Meanwhile, net income went up to P305 million compared to last year's P188 million.

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 posted a net income of P643 million in the first three quarters of 2015, a drop of 24% from P870 million in 2014. The downswing was attributed to lower nickel prices, higher asset depreciation and depletion, and higher effective tax this year.

Despite a very challenging operating environment, namely, the effects of a weak and volatile global nickel ore price, the suspension order in Acoje which prompted the company to temporarily scale back its operations in the area, and the sea-swell encountered in Berong, the company was able to pull up its sales volume for the period to P1.43 million wet metric tons (WMT) from 1.16 million WMT last year.

Revenues amounted to P2.8 billion in 2015, up 17% from P2.4 billion in 2014 mainly due to more volume and higher ore grade shipments. Average ore grade in 2015 is 1.62% compared to 1.43% in 2014. Composite average price was P1,969 per WMT in 2015 compared to P2,106 per WMT in 2014.

The segment's total depletion, depreciation and amortization amounted to P360 million in 2015 compared to P138 million in 2014. Total operating cash cost per WMT (under cost of sales and operating expenses) amounted to P862/WMT compared to P1,085/WMT in 2014.

Explanation of movement in consolidated income statement accounts:

Cost of Sales and Services

Decreased by 16% despite higher sales volume in real estate, power and nickel businesses because cost of sales in 2014 included higher cost of replacement power.

Operating Expenses

Consolidated operating expenses increased by 5% primarily due to higher advertising and marketing cost and increased depreciation, depletion and amortization expense during the period.

Equity in Net Earnings

It increased by 37% mainly caused by higher profits of Maynilad.

Finance Income

Consolidated finance income increased by 21% mainly due to reporting of real estate installment financing income.

Finance Costs

Consolidated finance costs decreased by 22% due to higher borrowing cost capitalized in the real estate segment during the period.

Other Income-net

It decreased by 32% mainly due to gain on sale of undeveloped lot in 2014.

Provision for Income Tax

It increased by 141% because of income tax expense in Calaca power since its income tax holiday expired end of 2014. Higher income tax expense in real estate and nickel mining segments also contributed to the increase in consolidated provision for income tax mainly due to higher taxable profits during the period.

II. CONSOLIDATED FINANCIAL CONDITION

September 30, 2015 (Unaudited) vs December 31, 2014 (Audited)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P142 billion and P71 billion, respectively as of September 30, 2015. This is an improvement of 4% and 7%, respectively

Consolidated cash increased by 5% from P15.2 billion in December 31, 2014 to P16.1 billion in September 30, 2015 due mainly to cash flows from operations despite dividends payment of P6.4 billion at the parent level.

Available for sale financial assets increased by 6% from P68 million to P73 million due to mark-to-market gain recognized in equity.

Total receivables (current and non-current) increased by 8% from P15.8 billion to P17.2 billion mainly due to higher billed construction receivables, coal receivables and real estate receivables since completion of several projects were booked in 2015.

Consolidated inventories grew by 14% from P28.6 billion to P32.7 billion coming mainly from land acquisition and continuing work in progress in the real estate segment.

Other current assets decreased by 18% mainly due to realization of net input VAT and unapplied creditable taxes.

Investments slightly decreased by 1% mainly due to the sale of PIDC shares in spite of increased equity in net earnings in Maynilad.

Property plant & equipment slightly increased by 1% due to acquisitions in coal and power segments despite higher depreciation of power units, mine and construction equipment.

Investment properties increased by 29% mainly due to acquisition of property by the real estate segment during the period.

Other noncurrent assets grew by 4% mainly due to increases in deferred input VAT, refundable deposits, and other advances.

Accounts & other payables decreased by 12% mainly attributed to payments of normal trade transactions with suppliers and subcontractors in the nickel mining and coal segments.

Customers' advances and deposits decreased by 1% due to recoupment of security deposit in the construction segment.

Income tax payable increased by 354% due to nickel segment income tax due for the third quarter.

Liabilities for purchased land increased by 66% mainly due to the acquisition of land for real estate development.

Short-term debt decreased by 21% from P2.0 billion to P1.6 billion after servicing a portion of the borrowings of the coal segment.

Long term debt increased by 6% due mainly to drawdown for the 2x150MW power expansion.

Deferred tax liabilities increased by 16% mainly due to the excess of book over tax income in real estate sales.

Other noncurrent liabilities decreased by 58% due mainly to reclassification of noncurrent payables of the construction segment which will be due within 12 months.

Consolidated retained earnings increased by 9% primarily due to higher consolidated net income for the first nine months of 2015 reduced by dividends declared and paid.

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

III. KEY PERFORMANCE INDICATORS

The Company and its Subsidiaries (the "Group") has the following as its key performance indicators:

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

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	%
	2015	2014		
SEMIRARA MINING AND POWER	P19,525	P20,560	(P1,035)	-5%
DMCI HOMES	11,116	10,152	964	9%
D.M. CONSUNJI, INC.	10,336	11,213	(877)	-8%
DMCI MINING	2,798	2,384	414	17%
DMCI POWER (SPUG)	1,628	1,330	298	22%
PARENT & OTHERS	212	216	(4)	-2%
TOTAL	P45,615	P45,855	(P240)	-1%

The initial indicator of the Company's gross business results are seen in the movements in the different business segment revenues. As illustrated above the significant main drivers for revenue growth are the coal energy, off-grid power, nickel and real estate businesses (see Part I. Results of Operations – different segments for a detailed discussion per business).

**NET INCOME AFTER
NON-CONTROLLING INTERESTS**

<i>(in Php Millions)</i>	For the Period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P3,530	P2,223	P1,307	59%
DMCI HOMES	2,719	2,621	98	4%
MAYNILAD	1,712	1,366	346	25%
DMCI MINING	643	870	(227)	-26%
D.M. CONSUNJI, INC.	361	350	11	3%
DMCI POWER (SPUG)	305	188	117	62%
PARENT & OTHERS	62	(78)	140	180%
CORE NET INCOME	9,332	7,540	1,792	24%
ONE TIME GAIN	530	–	530	100%
TOTAL	P9,862	P7,540	P2,332	31%

The net income (after non-controlling interest) or bottom line results from operations of the Company have multiple drivers for growth from different business segments. For the period, coal energy, off-grid power, coal, construction, real estate, and water distribution posted strong growth in earnings (see Part I. Results of Operations – different segments for a detailed discussion per business).

EARNINGS PER SHARE

The Company's consolidated basic and diluted earnings per share (EPS) for the period was P0.74/share accounting for a 31% increase from the P0.57/share EPS last year mainly cause by increase in consolidated net income. The previous year figure is adjusted for the effect of the 400% stock dividend paid in 2014 to make it comparable. (see Part I. Results of Operations – different segments for a detailed discussion per business).

CURRENT RATIO

Liquidity is an essential character of any organization, and the Company, including the Group as a whole, should indicate acceptable levels of liquidity. The initial test of liquidity is the current ratio, which will display a company's ability to satisfy current obligations with current resources. Current ratio is arrived at by dividing the current assets over the current liabilities. The Company uses this test and compares it with industry balances to determine its ability to satisfy current obligations with respect to its competitors (see Part II. Financial Condition for a detailed discussion).

NET DEBT TO EQUITY RATIO

As a stockholder/investor, financial position and stability would be an important aspect. The Company tests its financial position through the net debt to equity ratio. This test indicates the Company's ownership of creditors vs. owners/investors. In addition, net debt to equity or debt to equity ratio maintenance is a requirement set by creditors as a standard for extending credit. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity (see Part II. Financial Condition for a detailed discussion).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	September 30, 2015	December 31, 2014
Current Ratio	200%	212%
Net Debt to Equity Ratio	32%	33%
Asset to Equity Ratio	200%	206%
	September 30, 2015 (Nine months)	September 30, 2014 (Nine months)
Return on Assets	9% 9%*	7%
Return on Parent Equity	17% 16%*	14%
Interest Coverage Ratio	16.2 times 15.6 times*	12.5 times
Gross Margin (%)	42%	31%
Net Profit Margin (%)	28% 27%*	21%

**Excluding one time gain on sale of P530 million*

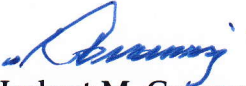
PART II--OTHER INFORMATION



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 May 14, 2015, the BOD of the Parent Company has declared cash dividends amounting P0.24 regular dividends and P0.24 special cash dividends in favor of the stockholders of record as of May 29, 2015. This was paid on June 10, 2015 with a total amount of P6,373 million.
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 therefore.
10. All necessary disclosures were made under SEC Form 17-C.

SIGNATURES

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

Issuer DMCI Holdings, Inc.

Signature and Title 
Herbert M. Consunji
Vice President & Chief Finance Officer

Signature and Title  
Aldric G. Borlaza **Brian T. Lim**
Senior Finance Officer Finance Officer

Signature and Title 
Ma. Luisa C. Austria
Accounting Officer

Date November 13, 2015

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
For the Period September 30, 2015 and December 31, 2014
(Amounts in Thousands)

	2015	2014 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	₱16,067,189	₱15,229,768
Financial assets at fair value through profit or loss	–	70,630
Available-for-sale financial assets	72,660	68,300
Receivables - net	14,525,508	13,025,326
Costs and estimated earnings in excess of billings on uncompleted contracts	2,841,821	2,067,517
Inventories	32,719,504	28,619,668
Other current assets	7,282,871	8,890,957
Total Current Assets	73,509,553	67,972,166
Noncurrent Assets		
Noncurrent receivables	2,635,167	2,826,041
Investments in associates, joint ventures and others	10,834,338	10,911,490
Investment properties	314,105	242,790
Property, plant and equipment	47,223,381	46,880,188
Exploration and evaluation asset	2,151,515	2,136,837
Goodwill	1,637,430	1,637,430
Deferred tax assets - net	195,235	724,453
Pension assets -net	1,167,771	1,178,058
Other noncurrent assets	2,760,327	2,647,452
Total Noncurrent Assets	68,919,269	69,184,739
	₱142,428,822	₱137,156,905

LIABILITIES AND EQUITY

Current Liabilities		
Short-term debt	₱1,598,717	₱2,027,207
Current portion of liabilities for purchased land	3,281,412	1,866,257
Accounts and other payables	15,055,459	17,275,917
Billings in excess of costs and estimated earnings on uncompleted contracts	3,138,151	2,553,814
Customers' advances and deposits	5,567,067	5,607,028
Current portion of long-term debt	7,763,192	2,576,608
Income tax payable	368,846	81,210
Total Current Liabilities	36,772,844	31,988,041

(Forward)

	2015	2014 (Audited)
Noncurrent Liabilities		
Long-term debt - net of current portion	₱29,689,737	₱32,822,191
Liabilities for purchased land - net of current portion	327,684	312,929
Deferred tax liabilities - net	3,497,720	3,015,945
Pension liabilities - net	89,182	97,364
Other noncurrent liabilities	976,140	2,327,977
Total Noncurrent Liabilities	34,580,463	38,576,406
Total Liabilities	71,353,307	70,564,447
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Retained earnings	40,736,938	37,248,367
Premium on acquisition of non-controlling interests	(161,033)	(161,033)
Remeasurements on retirement plans - net of tax	877,774	877,774
Net accumulated unrealized gains on AFS financial assets	13,295	13,057
Cumulative translation adjustment	245,196	260,252
Non-controlling interests	11,413,477	10,404,173
Total Equity	71,075,515	66,592,458
	₱142,428,822	₱137,156,905

DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****For the Period Ended September 30, 2015 and 2014 and Quarter Ended September 30, 2015 and 2014****(Amounts in Thousands, except for Earnings Per Share figures)**

	For the period		For the quarter	
	2015	2014	2015	2014
REVENUE				
Coal mining	₱8,899,739	₱11,958,899	₱2,374,158	₱2,907,767
Electricity sales	12,253,136	9,930,978	3,984,782	4,114,100
Real estate sales	11,115,994	10,151,802	4,124,151	3,668,306
Construction contracts	10,335,947	11,212,552	3,962,509	3,460,952
Nickel mining	2,797,543	2,383,500	631,560	2,171,311
Merchandise sales and others	212,326	216,980	69,893	65,407
	45,614,685	45,854,711	15,147,053	16,387,843
COSTS OF SALES AND SERVICES				
Coal mining	5,555,776	6,684,257	1,983,986	1,881,004
Electricity sales	4,641,086	8,029,457	1,372,874	2,918,154
Real estate sales	5,781,686	5,301,693	2,338,417	1,904,434
Construction contracts	9,486,861	10,519,962	3,688,431	3,659,589
Nickel mining	824,243	752,379	202,652	692,444
Merchandise sales and others	153,981	151,788	51,113	45,498
	26,443,633	31,439,536	9,637,473	11,101,123
GROSS PROFIT	19,171,052	14,415,175	5,509,580	5,286,720
OPERATING EXPENSES	5,937,289	5,638,902	1,739,038	1,796,577
	13,233,763	8,776,273	3,770,542	3,490,143
OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	1,766,289	1,288,381	582,085	209,680
Finance income	324,643	267,281	102,205	114,587
Finance costs	(413,608)	(527,581)	12,815	(133,374)
Gain on sale of investment	562,727	–	562,727	–
Other income - net	664,299	978,761	216,128	(8,816)
INCOME BEFORE INCOME TAX	16,138,113	10,783,115	5,246,502	3,672,220
PROVISION FOR INCOME TAX	3,310,334	1,372,570	1,234,806	557,765
NET INCOME	₱12,827,779	₱9,410,545	₱4,011,696	₱3,114,455
NET INCOME ATTRIBUTABLE TO				
Equity holders of the Parent				
Company	₱9,861,757	₱7,540,014	₱3,272,446	₱2,411,157
Non-controlling interests	2,966,022	1,870,531	739,250	703,298
	₱12,827,779	₱9,410,545	₱4,011,696	₱3,114,455
EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY				
HOLDERS OF THE PARENT				
COMPANY-BASIC AND				
DILUTED	₱0.74	₱0.57	₱0.25	₱0.18

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

For the Period Ended September 30, 2015 and 2014 and Quarter Ended

September 30, 2015 and 2014

(Amounts in Thousands)

	For the period		For the quarter	
	2015	2014	2015	2014
NET INCOME	₱12,827,779	₱9,410,545	₱4,011,696	₱3,114,455
OTHER COMPREHENSIVE INCOME (LOSS)				
Items to be reclassified subsequently to profit or loss				
Cumulative translation adjustment	(15,056)	–	(15,056)	–
Changes in fair values of AFS financial assets	460	–	460	–
	(14,596)	–	(14,596)	–
Items not to be reclassified to profit or loss in subsequent periods				
Remeasurement gains on retirement plans	–	–	–	–
Income tax effect	–	–	–	–
	–	–	–	–
OTHER COMPREHENSIVE INCOME	(14,596)	–	(14,596)	–
TOTAL COMPREHENSIVE INCOME	₱12,813,183	₱9,410,545	₱3,997,100	₱3,114,455
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of the Parent Company	₱9,846,939	₱7,540,014	₱3,257,628	₱2,411,157
Non-controlling interests	2,966,244	1,870,531	739,472	703,298
	₱12,813,183	₱9,410,545	₱3,997,100	₱3,114,455

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended September 30, 2015 and 2014
(Amounts in Thousands)

	September 30	
	2015	2014
TOTAL PAID-IN CAPITAL		
Preferred stock - ₱1 par value cumulative and convertible		
Authorized - 100,000,000 shares		
Issued and outstanding:		
Balance at beginning and end of period	₱4	₱4
Common stock - ₱1 par value		
Authorized - 19,900,000,000 shares as of September 2015 and 5,900,000,000 shares as of September 2014		
Issued and outstanding:		
Balance at beginning and end of period	13,277,470	2,655,494
Capital stock	13,277,474	2,655,498
Additional paid-in capital	4,672,394	4,765,317
	17,949,868	7,420,815
RETAINED EARNINGS		
Balance at beginning of the period	37,248,367	36,771,713
Net income attributable to equity holders of the Parent Company for the period	9,861,757	7,540,014
Dividends paid	(6,373,186)	(6,373,186)
	40,736,938	37,938,541
Distributable stock dividend	-	10,621,976
Premium on acquisition of non-controlling interest	(161,033)	(161,033)
Remeasurement gains (losses) on retirement plan	877,774	516,675
Net accumulated unrealized gains on AFS financial assets	13,295	6,829
Cumulative translation adjustment	245,196	(32,376)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
	59,662,038	56,311,428
Non-controlling interests	11,413,477	8,672,242
TOTAL EQUITY	₱71,075,515	₱64,983,670

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2015 and 2014
(Amounts in Thousands)

	September 30	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱16,138,113	₱10,783,115
Adjustments for:		
Equity in net losses (earnings) of affiliates, depreciation, depletion amortization and other non-cash items (net)	1,290,679	(1,992,065)
Finance cost	413,608	527,581
Finance income	(324,643)	(267,281)
Gain on sale of shares	(562,727)	–
Operating income before changes in working capital	16,955,030	9,051,350
Decrease (increase) in:		
Receivables	(1,463,711)	(4,675,609)
Cost and estimated earnings in excess of billings	(774,303)	659,379
Inventories	(3,491,309)	(5,379,069)
Other current assets	1,608,086	2,662,795
Increase (decrease) in:		
Accounts and other payables	(2,245,406)	982,493
Billings in excess of costs and estimated earnings	584,337	(411,861)
Customer advances and deposits	(39,961)	3,169,987
Liabilities for purchased land	1,429,910	1,899,019
Cash generated from operations	12,562,673	7,958,484
Interest received	324,643	267,281
Income taxes paid	(2,011,705)	(124,078)
Interest paid and capitalized as cost of inventory	(997,188)	(527,581)
Net cash provided by operating activities	9,878,423	7,574,106
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment	(3,429,970)	(9,263,502)
Investments in associates, joint ventures and others	(13,400)	–
Investment properties	(76,924)	(28,064)
Available for sale financial assets	(3,900)	–
Proceeds from disposals of:		
Property, plant and equipment	87,452	–
Investments in associates, joint ventures and others	68,835	–
Financial assets at fair value through profit or loss	70,000	–
Mining rights	–	(3,357,219)
Dividends received	542,022	252,280
Decrease (increase) in other noncurrent assets	(141,529)	583,691
Net cash used in investing activities	(2,897,414)	(11,812,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments (payments) of:		
Long-term debt	2,054,131	1,934,430
Short-term debt	(428,490)	2,380,704

(Forward)

DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Period Ended September 30, 2015 and 2014
(Amounts in Thousands)

	September 30	
	2015	2014
Payments of:		
Dividends paid to equity holders of DMCI Holdings, Inc.	(P6,373,186)	(P6,373,186)
Dividends paid to non-controlling interests	(1,959,389)	(1,867,320)
Increase (decrease) in other noncurrent liabilities	405,813	666,042
Net cash used in investing activities	(6,301,121)	(3,259,330)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	157,533	(81,435)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	837,421	(7,579,473)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,229,768	24,774,495
CASH AND CASH EQUIVALENTS AT END OF YEAR	P16,067,189	P17,195,022

DMCI HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 is the holding company of the DMCI Group (collectively referred to herein as the Group), which is primarily engaged in general construction, mining, power generation, infrastructure, real estate development, water concession and manufacturing.

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 November 12, 2015.

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 available-for-sale (AFS) financial assets and financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Group's presentation currency is the Philippine Peso (₱). All amounts are rounded to the nearest thousand (₱000), unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

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

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
- 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. 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 in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not wholly owned by the Group and are presented separately in consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. 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.

A change in the ownership interest of a subsidiary, without a 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
- Derecognizes the carrying amount of any NCI
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines, except for ENK, Plc, an entity incorporated in London, United Kingdom):

	September 30, 2015			December 31, 2014		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI)	100.00	–	100.00	100.00	–	100.00
Beta Electric Corporation (Beta Electric) ¹	–	51.77	51.77	–	51.77	51.77
Raco Haven Automation Philippines, Inc. (Raco) ¹	–	50.14	50.14	–	50.14	50.14
<u>Manufacturing and others:</u>						
Oriken Dynamix Company, Inc. (Oriken) ¹	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining</u>						
Semirara Mining and Power Corporation (SMPC)	56.32	–	56.32	56.32	–	56.32
<u>Power</u>						
Sem-Calaca Power Corporation (SCPC) ³	–	56.32	56.32	–	56.32	56.32
Southwest Luzon Power Generation Corporation (SLPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
Sem-Calaca Res Corporation (SCRC) ^{3*}	–	56.32	56.32	–	56.32	56.32
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{3*}	–	56.32	56.32	–	56.32	56.32
Semirara Energy Utilities, Inc. (SEUI) ^{3*}	–	56.32	56.32	–	56.32	56.32
St. Raphael Power Generation Corporation (SRPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
SEM-Balayan Power Generation Corporation (SBPGC) ^{3*}	–	56.32	56.32	–	56.32	56.32
Semirara Claystone, Inc. (SCI) ^{3*}	–	56.32	56.32	–	56.32	56.32
DMCI Power Corporation (DPC)	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	–	100.00	100.00	–	100.00	100.00
DMCI Palawan Power Corporation (DMCI Palawan) ⁴	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>						
DMCI Mining Corporation (DMC)	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) ⁵	–	74.80	74.80	–	74.80	74.80
Ulugan Resources Holdings, Inc. (URHI) ⁵	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Company Inc. (ZCMC) ⁵	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) ⁵	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	–	100.00	100.00	–	100.00	100.00
ENK Plc. (ENK)	100.00	–	100.00	100.00	–	100.00
European Nickel Iberia SL (EN Iberia) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Spain SL (EN Spain) ⁶	–	100.00	100.00	–	100.00	100.00
Rusina Mining Ltd. (Rusina) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Holland BV (EN Holland) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel Philland BV (EN Philland) ⁶	–	100.00	100.00	–	100.00	100.00
European Nickel PLC - Regional Operating Headquarters (EN ROHQ) ⁶	–	100.00	100.00	–	100.00	100.00
Enickel Berhold, Inc. (EBI) ⁶	–	100.00	100.00	–	100.00	100.00
Enickel Holdings, Inc. (EHI) ^{6*}	–	100.00	100.00	–	100.00	100.00

(Forward)

	September 30, 2015			December 31, 2014		
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest
Fil-Euro Asia Nickel Corporation (FEANC) ⁶	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁶	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁶	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁶	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁶	–	100.00	100.00	–	100.00	100.00
Real Estate Development:						
DMCI Project Developers, Inc. (PDI)	100.00	–	100.00	100.00	–	100.00
Hampstead Gardens Corporation (Hampstead) ²	–	100.00	100.00	–	100.00	100.00
Riviera Land Corporation (Riviera) ²	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	–	100.00	100.00	–	100.00	100.00
Marketing Arm:						
DMCI Homes, Inc. (DMCI Homes) ²	–	100.00	100.00	–	100.00	100.00
Manufacturing:						
Semirara Cement Corporation (SemCem) *	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	45.68	16.02	61.70	45.68	16.02	61.70

* Have not yet started commercial operations as of December 31, 2014

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ Semirara's subsidiaries

⁴ DPC's subsidiaries

⁵ DMC's subsidiaries

⁶ ENK's subsidiaries

General Construction

DMCI

DMCI was incorporated in the Philippines on December 24, 1954 primarily to engage in and carry on the trade and business of engineering, general building and contracting.

Subscription to PDI's increase in authorized capital stock

On October 30, 2009, the PDI BOD and stockholders approved the increase in the PDI's authorized capital stock from ₱3.00 billion, divided into 3,000,000,000 common shares with a par value of ₱1.00 per share, to ₱5.00 billion, divided into 5,000,000,000 common shares with a par value of ₱1.00 per share.

On December 30, 2010, the Securities and Exchange Commission (SEC) approved PDI's application for increase in authorized capital stock. Of the said increase in the authorized capital stock of 2 billion common shares at ₱1.00 par value per share, 538,132,578 common shares have been subscribed by the DMCI and the Parent Company, each subscribing 504,862,578 shares and 33,270,000 shares, respectively in exchange of real estate properties.

On September 24, 2012, PDI filed a petition for the substitution of subscription payment to the increase of capital stock from real estate properties to cash. DMCI paid the subscription in October 2012. On January 9, 2014, the SEC granted the petition.

Declaration of Investment in PDI as Property Dividends to the Parent Company

In October 2011, DMCI declared majority of its investment in PDI as property dividends to the Parent Company with equivalent value of ₱949.59 million representing 30.57% share in PDI.

On December 5, 2011, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱949.59 million payable in 949,594,750 shares of stocks in PDI with same par value. As a result, PDI became 88.87% owned by the Parent Company.

On April 7, 2014, DMCI declared its remaining investment in PDI as property dividends to the Parent Company with equivalent value of ₱504.86 million representing 11.13% share in PDI.

On September 9, 2014, the SEC approved DMCI's application to declare its investment in PDI as property dividend to the Parent Company. The property dividend amounted to ₱504.86 million payable in 504,862,578 shares of stocks in PDI with same par value. As a result, PDI became a directly wholly owned subsidiary of the Parent Company.

Revocation of Investees' SEC Licenses

In 2013, DMCI has retired its various investments in subsidiaries and associates. DMCI received the notice from the SEC approving the revocation of the investees' SEC licenses. Entities whose SEC licenses are revoked include:

- DMCI-Laing Construction, Inc.
- OHKI-DMCI Corporation
- DMCI International, Inc
- Eco Process & Equipment Philippines, Inc.

Due to the revocation, DMCI derecognized the investees' respective net assets in the books with remaining total carrying value of ₱16.75 million in 2013.

Mining

SMPC

SMPC was incorporated and domiciled in the Philippines on February 26, 1980 primarily to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "The Coal Development Act of 1976", and any amendments thereto.

On August 18, 2014, the SEC approved the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation". This change was sought to reflect the forward integration of the SMPC's business as a coal supplier or producer to power generation through its wholly-owned subsidiaries.

DMC

DMC was incorporated and domiciled in the Republic of the Philippines on May 29, 2007 primarily to carry on the business of mining, developing, exploiting, extracting, milling, concentrating, preparing for market, manufacturing, buying, shipping and transporting, all kinds of ores, metals and minerals. It involves surface mining and direct shipping of nickel laterite ore and is conducted through simple benching operation using excavators and trucks in Sta. Cruz and Candelaria, Zambales.

On March 31, 2013, the BOD of DMC approved the acceptance of ₱1.80 billion advances from the Parent Company as deposit for future additional issuances of DMC's capital stock.

On September 24, 2013, the BOD approved the increase in the authorized capital stock of DMC from ₱0.50 billion divided into 0.50 billion shares with a par value of ₱1.00 per share to ₱5.00 billion divided into 5.00 billion shares with a par value of ₱1.00 per share.

On November 19, 2013, the Parent Company and DMC executed a Deed of Assignment of Advances wherein the BOD of DMC approved and agreed for the conversion of the advances

made by the Parent Company into equity for the additional subscription to 1.80 billion shares of DMC.

On December 19, 2013, the SEC approved DMC's application for increase in its authorized capital stock. Accordingly, the advances were converted to equity and 1.80 billion shares were issued as of December 31, 2013.

Berong Nickel Corporation (BNC)

BNC was registered with the SEC on September 27, 2004, for the purpose of exploring, developing and mining the Berong Mineral Properties located in Barangay Berong, Quezon, province of Palawan. BNC shall have the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the Mineral Properties, inclusive of Direct Shipping Project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines. On October 28, 2014, the stockholders approved the amendment of BNC's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Ulugan Resources Holdings, Inc. (URHI)

URHI was registered with the SEC on June 23, 2005 for the purpose of generally dealing in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.

On October 28, 2014, the stockholders approved the amendment of URHI's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Ulugan Nickel Corporation (UNC)

UNC was registered with the SEC on June 23, 2005 for the purpose of exploring, developing and mining Ulugan Mineral Properties and the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed, or found within the mineral properties, inclusive of direct shipping project, under the MPSA with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

On October 28, 2014, the stockholders approved the amendment of UNC's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

Nickeline Resources Holdings, Inc. (NRHI)

NRHI was registered with the SEC on August 15, 2005 primarily to subscribe for, receive, purchase or otherwise acquire, obtain an interest in, own, hold, pledge, hypothecate, mortgage, assign, deposit, create trusts with respect to, deal in, exchange, sell and otherwise dispose of, alone or insyndicates or otherwise in conjunction with others, and generally deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.

On October 28, 2014, the stockholders approved the amendment of NRHI's Articles of Incorporation changing its principal office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.

TMM Management Inc. (TMM)

TMM was registered with the SEC on September 28, 2004, primarily to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities, to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises, and to undertake, carry on or participate in the promotion, organization, management, liquidation or reorganization of operations, partnerships and other entities, except the management of funds, securities, portfolios and other similar assets of the managed entity.

On October 28, 2014, the stockholders approved the amendment of the TMM's Articles of Incorporation to change its office address to 3rd Floor, DMCI Homes Corporate Center, 1321 Apolinario Street, Brgy. Bangkal, Makati City.
ENK Plc. (ENK)

ENK

ENK (an entity incorporated in London, United Kingdom) was previously treated as a joint venture investment between the Parent Company and D&A Income Ltd. The Parent Company owns 60% of ENK as of December 31, 2013. ENK Plc has the following 100% owned foreign and local subsidiaries:

The foreign subsidiaries include: (a) European Nickel Iberia SL; (b) European Nickel Spain SL; (c) Rusina Mining Ltd.; (d) European Nickel Holland BV; and (e) European Nickel Philland BV.

The local subsidiaries include: (a) European Nickel PLC-Regional Operating Headquarters; (b) Enickel Holdings, Inc.; (c) Enickel Berhold, Inc.; (d) Heraan Holdings, Inc.; (e) Asian Nickel Research and Technology Corporation; (f) Zambales Nickel Processing Corporation; (g) Zamnorth Holdings Corporation; (h) ZDMC Holdings Corporation; (i) Fil-Euro Asia Nickel Corporation (FEANC); (g) Fil-Asian Strategic Resources & Properties Corporation (FASRPC); (h) Montemina Resources Corporation (MRC); (i) Montague Resources Philippines Corporation (MRPC); (j) Mt. Lanat Metals Corporation (MLMC); (k) Zambales Chromite Mining Company, Inc. (ZCMC) ; and (l) Zambales Diversified Metals Corp. (ZMDC).

On March 25, 2014, the Parent Company purchased from D&A Income Ltd. the remaining 40% interest in ENK and its subsidiaries for approximately ₱3.12 billion, making these subsidiaries. The business combination was completed on April 3, 2014 when the directors representing D&A resigned and the positions were occupied by the representatives of the Parent Company. Goodwill recognized from the business combination amounted to of ₱1,637.43 million.

Below are the nature of operations of the newly acquired subsidiaries:

Foreign Subsidiaries:

The following entities were acquired in 2014 and were organized primarily to participate in, to cooperate with or manage finance other enterprises and to have an interest, in whatever way, in other enterprises, as well as guarantee the debts of third parties:

- (a) European Nickel Iberia SL
- (b) European Nickel Spain SL
- (c) Rusina Mining Ltd.
- (d) European Nickel Holland BV (Netherlands)
- (e) European Nickel Philland BV (Netherlands)

Local Subsidiaries:

- (a) European Nickel PLC-ROHQ (EN ROHQ)

The EN ROHQ was establish to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management;

logistic services; research and development services and product development; technical support and maintenance; data processing and communication; and business development, solely for its own affiliates, subsidiaries or branches in the Philippines and other foreign markets as declared in its registration with the SEC. The SEC registration does not allow the ROHQ to directly or indirectly engage in the sale and distribution of goods and services of its mother company, branches, affiliates, subsidiaries or any other company.

(b) Enickel Holdings, Inc. (EHI)

EHI was incorporated in the Philippines and registered with the SEC on April 28, 2008 in accordance with the Corporation Code of the Philippines and the Foreign Investment Act of 1991, as amended. Its primary purpose is to operate as a domestic market enterprise which produces goods for sale, or renders services or otherwise engages in any business in the Philippines. As at December 31, 2014, EHI has not yet started commercial operations.

(c) Enickel Berhold, Inc. (EBI)

EBI was registered with the SEC on October 14, 2008 in accordance with the Corporation Code of the Philippines and the Foreign Investments Act of 1991, primarily to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of properties of every kind and description, except land, including shares of stock, membership certificates, bonds, debentures, notes, evidences of indebtedness, and other securities of obligations of any domestic or foreign corporations, for whatever lawful purposes.

(d) Heraan Holdings, Inc. (HHI)

HHI was registered with the SEC on February 27, 2008 to invest in, purchase, or otherwise acquire and own, hold, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, membership certificates, bonds, debentures, notes, evidences of indebtedness, and other securities, provided, that the corporation shall not engage in the business of a stock broker or dealer in securities.

(e) Asian Nickel Research and Technology Corporation (ANRTC)

ANRTC was incorporated and registered with the SEC on October 9, 2007 to operate a research laboratory and nickel and cobalt enrichment demonstration facility, to engage in the processing, milling, crushing, refining, smelting, concentrating, amalgamating, and beneficiating mineral resources, and the products or by-products thereof and to buy, sell at wholesale, and exchanging mineral resources and the products or by-products thereof, without engaging in mining.

(f) Zambales Nickel Processing Corporation (ZNPC)

ZNPC was incorporated in the Philippines and registered with the SEC on October 21, 2009 primarily to own, hold, sell, exchange, lease, mortgage or otherwise dispose of, deal in, and operate plants for processing, reducing, concentrating, smelting, converting, refining, preparing for market, or otherwise treating metals, minerals and mined products to be used in the production of nickel and cobalt products, and any and all ingredients, products and by-products of any thereof, and to produce, manufacture, process, refine, treat, sell, use, deal in, distribute, market and otherwise turn to account nickel and cobalt products and all ingredients, products and by-products of any thereof.

(g) Zamnorth Holdings Corporation (ZHC)

ZHC was incorporated in the Philippines and registered with the SEC on June 19, 2009 and started commercial operations on July 1, 2009. ZHC is primarily engaged in acquiring and disposing investments and exercise in respect thereof all the rights, powers and privileges of ownership. ZHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(h) ZDMC Holdings Corporation (ZDMCHC)

ZDMCHC was incorporated and registered with the SEC on August 28, 2006. ZDMCHC is primarily engaged in acquiring and disposing investment and exercise in respect thereof all the rights, powers and privileges of ownership. ZDMCHC is also engaged in acquiring real properties and obtaining contracts, franchises and licenses from the government, corporation or person as may deemed conducive to the objects of the corporation.

(i) Fil-Euro Asia Nickel Corporation (FEANC)

FEANC was incorporated in the Philippines and registered with the SEC on November 7, 2008 and started operations immediately thereafter. FEANC is primarily engaged in exploring for and evaluation of mining resources. FEANC also renders financial assistance to individuals, partnerships, corporations and associations engaged in mining and to local mineral or exploration enterprises.

(j) Fil-Asian Strategic Resources & Properties Corporation (FASRPC)

FASRPC was incorporated and registered in the SEC on May 15, 2006 with the primary purpose of engaging in mining activities including the acquisition, exploration and evaluation of opportunities in gold, base metals, other minerals and diatomaceous earth.

(k) Montemina Resources Corporation (MRC)

MRC was incorporated in the Philippines and registered with the SEC on August 11, 2008 and started operations immediately thereafter. MRC is primarily engaged in exploring for and evaluation of mining resources in the Philippines. MRC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(l) Montague Resources Phil. Corp (MRPC)

MRPC was incorporated in the Philippines and registered with the SEC on April 9, 2002. Its primary purpose is to carry out the business of operating mines, and of prospecting, exploration and of mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling and exchanging ores and mineral resources and to enter into contracts with local mineral tenement owners, mineral exploration enterprises and mining enterprises in connection with the mining activities.

(j) Mt. Lanat Metals Corp.(MLMC)

MLMC was incorporated in the Philippines and registered with the SEC on November 4, 2008 and started operations immediately thereafter. MLMC is primarily engaged in exploring for and evaluation of mining resources here in the Philippines. MLMC also renders application of mineral production sharing agreements or financial assistance to individuals, partnerships, corporations and associations engaged in mining and to give financial assistance to local mineral or exploration enterprises.

(k) Zambales Chromite Mining Company, Inc. (ZCMC)

ZCMC was incorporated and registered in the Philippines with the Philippine Securities and Exchange Commission (SEC) on May 21, 1935 with its corporate life renewed in 1985. The Company is primarily engaged in exploring for and evaluation of mining resources in the Philippines.

(l) Zambales Diversified Metals Corp.(ZMDC)

ZMDC was incorporated and registered with the SEC on September 14, 2007. ZMDC is primarily engaged in rendering exploration work for the purpose of determining and evaluating the existence of mineral resources, development potential, extent, quality and quantity and the feasibility of mining them for profit or of applying for exploration permit, mineral processing permit, mineral production sharing agreements, and financial or technical assistance agreement, to individuals,

partnerships, associations and corporations engaged in mining; or, in any manner, to engage in the acquisition, conveyance, storage, marketing, processing, refining and distribution of minerals; to give financial assistance to local mining enterprises or corporations; to extend financial assistance to local mineral exploration enterprises and mineral tenement owners through contracts without engaging in financing activity as defined in Republic Act No. 5980; and to acquire an interest in or shares of stocks of mining companies, to lease, option, locate or otherwise deal in mines, mining claims, and other property except lands to the extent allowed by law; to enter into contracts with local mineral tenement owners, mineral exploration enterprises, mining and mineral processing enterprises in connection with the above activities; and to provide technical and/or financial assistance for the large-scale exploration, development and utilization of minerals, petroleum and other mineral oils under Mineral Production Sharing Agreements (MPSA) or Financial or Technical Assistance Agreements with the government of the Philippines; and to carry on, either solely or in co-venture with others, mining, milling, concentrating, converting, smelting, treating, refining, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in all kinds of ores, metals, minerals, hydrocarbons, acids and, chemicals, and in the products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.

After acquisition, the following re-organization was implemented in various dates in 2014:

- a) 100% of ZCMC was transferred from ZNHC and FEANC to DMC
- b) 100% of ZDMC was transferred from ZDMCHC and FEANC to DMC
- c) 100% of FEANC was transferred from Rusina to DMC

On August 18, 2014, ANRTC was sold to third parties resulting to a gain of ₱55.55 million which is presented net of the loss on sale of investments under Operating expenses in the consolidated statements of income (Note 25).

Real estate development

PDI

PDI made additional investments to DPMC amounting ₱24.98 million in 2014. The transaction has no effect on the ownership of the Group.

Power

DPC

DPC was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on October 16, 2006 to engage in acquiring, designing, constructing, investing in and operating electric power plants, and engaging in the business of a Generation Company in accordance with Republic Act (RA) No. 9136 otherwise known as the Electric Power Industry Reform Act (EPIRA) of 2001.

On December 17, 2013, the Parent Company and DPC entered into a Subscription Agreement for the subscription of the latter's new shares. As of the date of signing the Agreement, the authorized capital stock of DPC amounts to ₱1,000.00 million, divided into 1,000.00 million shares, with a par value of ₱1.00 per share, out of which ₱300.00 million consisting of 300.00 million shares have been previously issued to the subscriber. Subject to the terms and conditions provided in the Agreement, the Parent Company subscribed to 700.00 million new shares from the unissued portion of DPC's existing authorized capital stock, at the subscription price of ₱1.00 per share, or a total of subscription price for all the new shares of ₱700.00 million.

Upon signing of the Agreement in 2013, ₱150.00 million has been paid in the subscription price. The balance of ₱550.00 million was paid by the Parent Company in 2014.

DMCI Masbate

DMCI Masbate was incorporated and domiciled in the Republic of the Philippines. It was registered with the SEC on November 13, 2007 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Masbate and engage in the business of a generation company in accordance with RA No. 9136 otherwise known as the EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

DMCI Palawan

DMCI Palawan Power Corporation, a wholly-owned subsidiary of DPC, was incorporated and domiciled in the Republic of the Philippines. It was registered with the Securities and Exchange Commission (SEC) on September 12, 2012 primarily to acquire, design, develop, construct, invest in and operate power generating plants in the province of Palawan and engage in the business of a generation company in accordance with RA No. 9136, otherwise known as EPIRA and its implementing rules and regulations, and to design, develop, assemble and operate other power related facilities, appliances and devices.

SCPC

SCPC, a wholly-owned subsidiary of SMPC, was registered with Philippine Securities and Exchange Commission (SEC) on November 19, 2009. It was primarily engaged to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others.

SLPGC

On August 31, 2011, SLPGC, a wholly-owned subsidiary of Semirara, was incorporated to operate electric power plants and to engage in business of a Generation Company.

SCRC

SCRC is a stock corporation registered with SEC on September 14, 2009, primarily to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by its affiliates or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Prior to 2013, the Parent Company owns 100% of common shares of SCRC. However, on March 15, 2013, the Parent Company assigned all of its 1.25 million shares in SCRC to SCPC at ₱1.00 par value or in the total amount of ₱1.25 million, making it as a wholly owned subsidiary of SCPC.

On September 25, 2013, SCPC subscribed to additional 6.75 million SCRC shares bringing the total investment in SCRC to ₱8.00 million as of December 31, 2013. The related shares were issued as of December 31, 2013. The Parent Company has 56.32% indirect ownership interest in SCPC and thus, an effective ownership interest of the same in SCRC.

SIPDI

On April 24, 2011, SIPDI was incorporated to acquire, develop, construct, invest in, operate and maintain an economic zone capable of providing infrastructures and other support facilities for export manufacturing enterprises, information technology enterprises, tourism economic zone enterprises, medical tourism economic zone enterprises, retirement economic zone enterprises and/or agro-industrial enterprises, inclusive of the required facilities and utilities, such as light and power system, water supply and distribution system, sewerage and drainage system, pollution control devices, communication facilities, paved road network, and administration building as well as amenities required by professionals and workers involved in such enterprises, in accordance with R.A. No. 7916, as amended by R.A. No. 8748, otherwise known as the Special Economic Zone Act of 1995.

SEUI

On February 18, 2013, SEUI was incorporated to perform Qualified Third Party (QTP) functions pursuant to Section 59 of Republic Act 9136, otherwise known as the EPIRA and its Implementing Rules & Regulations”. DOE-Circular No. 2004-06-006 of the Department of Energy defines QTP as an alternative service provider authorized to serve remote and unviable areas pursuant to Section 59 of the EPIRA Law. The new company intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

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, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity; to sell electricity to any person or entity through electricity markets, by trading, or by contract; to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SBPGC

On September 9, 2013, SBPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SBPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

Manufacturing

SCI

On November 29, 2012, SCI was incorporated to engage in, conduct, and carry on the business of manufacturing, buying, selling, distributing, marketing at wholesale and retail insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description including pottery earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay; to enter into all contracts for export, import, purchase requisition, sale at wholesale or retail and other disposition for its own account as principal or in representative capacity as manufacturer’s representative, merchandise broker, indenter, commission merchant, factors or agents, upon consignment of all goods, wares, merchandise or products natural or artificial. In 2012, Semirara provided equity funding to SCI amounting ₱2.50 million.

DMCI Training

DMCI Training was registered with SEC on August 15, 2006. The primary purpose of the company is to establish, promote, and operate training centers and or institutions in the field of science, technology, vocational and other apprenticeable trades and occupations in which qualified and deserving persons regardless of gender may be thought, developed and trained in a well-rounded theoretical and practical method.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended December 31, 2014, except for adoption of new Standards and Interpretations enumerated below.

Effective January 1, 2015

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition
 - A performance target must be met while the counterparty is rendering service
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
 - A performance condition may be a market or non-market condition
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying

amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- *PAS 24, Related Party Disclosures – Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the Group. They include:

- *PFRS 3, Business Combinations – Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- *PFRS 13, Fair Value Measurement – Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable).
- *PAS 40, Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Standards issued but not yet effective

- *PFRS 9, Financial Instruments – Classification and Measurement (2010 version)*
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on

the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Philippine Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

In compliance with SEC Memorandum Circular No.3, series of 2012, the Company has conducted a study on the impact of an early adoption of PFRS 9. After a careful consideration of the results on the impact evaluation, the Company has decided not to early adopt PFRS 9 for its quarterly financial reporting. Therefore, these financial statements do not reflect the impact of the said standard.

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval by BOA.

Effective January 1, 2016

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

will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- *PAS 27, Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group is currently assessing the impact of adopting this standard.

- *PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are effective from annual periods beginning on or after 1 January 2016.

- *PFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- *PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

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

- **PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal***
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- **PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts***
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- **PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements***
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- **PAS 19, *Employee Benefits – regional market issue regarding discount rate***
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- **PAS 34, *Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’***
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- **PFRS 9, *Financial Instruments – Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)**
PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the

hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC

- IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS financial assets, and loans and receivables. The Group classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The Group's financial instruments are classified as AFS financial assets, financial assets at FVPL, loans and receivables and other financial liabilities.

Fair Value Measurement

The Group measures financial instruments 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 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 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.

Day 1 Difference

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

Financial Assets and Financial Liabilities at FVPL

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets or financial liabilities held for trading are recorded in the consolidated statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in “Other income - net” account in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's financial asset at FVPL pertains to investment in quoted equity securities (Note 5). The Group does not have any financial liability at FVPL.

Loans and Receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as financial assets at FVPL or AFS financial assets. These are included in current assets if maturity is within 12 months from the reporting date; otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position captions "Cash and cash equivalents", "Receivables", "Noncurrent receivables" and refundable and security deposits included under "Other noncurrent assets".

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR) and transaction costs. The amortization is included in "Finance income" in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized under "Other expenses" in the consolidated statement of income.

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified or designated as at FVPL, HTM or loans and receivables. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the consolidated statement of comprehensive income and are reported as "Net accumulated unrealized gains (losses) on AFS financial assets" in equity. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the EIR. Dividends earned on investments are recognized in the consolidated statement of income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized under "Other expenses" in the consolidated statement of income.

AFS financial assets are classified as current asset if verified to be realized within 12 months from reporting date.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair values of unquoted equity instruments, then instruments are carried at cost less any allowance for impairment losses.

The Group's AFS financial assets pertain to quoted and unquoted equity securities.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost

using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in the consolidated statement of income.

Other financial liabilities relate to the consolidated statement of financial position captions, “Accounts and other payables”, “Liabilities for purchased land”, “Payable to related parties”, “Short-term and Long-term debt” and “Other noncurrent liabilities”.

Gains and losses are recognized under the “Other income” and “Other expense” accounts in the consolidated statement of income when the liabilities are derecognized or impaired, as well as through the amortization process.

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.

Customers’ Advances and Deposits

Customers’ advances and deposits represent payment from buyers which have not yet reached the minimum required percentage for recording real estate transactions. When the level of required payment is reached and the revenue recognition criteria is met, sales are recognized and these deposits and downpayments will be applied against the related receivables.

Impairment of Financial Assets

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

Loans and Receivables

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets’ original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is

charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

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

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed annually by the Group to reduce any differences between loss estimates and actual loss experience.

Financial Assets Carried at Cost

If there is an objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS Financial Assets

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

In case of equity investments classified as AFS financial assets, impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income under "Other expenses" account. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of Financial Assets and Liabilities

Financial Asset

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset and either has assumed

an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liability

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such 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.

Inventories

Real Estate Held for Sale and Development

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realizable value (NRV).

Cost includes:

- Land cost
- Amounts paid to contractors for construction
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs of sale.

Real estate inventories consist of housing units for sale and development and condominium units for sale.

Housing units for sale and development are carried at the lower of cost or NRV. Cost includes the acquisition costs of the land plus the costs incurred for the construction, development and improvement of the real estate projects. 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.

Condominium units for sale are also carried at the lower of cost or NRV. Costs include costs incurred for development, improvement and construction of condominium units.

Valuation allowance is provided for housing units for sale and development, condominium units for sale and development and undeveloped land when the NRV of the properties are less than their carrying amounts.

Coal Inventory

The cost of coal inventory 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 component of total minesite cost, all other costs are charged to production cost.

Nickel Ore and Chromites Inventory

The cost of extracted nickel ore and chromites includes all direct materials, labor, fuel, outside services and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of nickel ore produced. Except for shiploading cost, which is a component of total cost of sales, all other production related costs are charged to production cost.

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 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 statements 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.

Investments in Associates, Joint Ventures and Others

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.

A 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 its associate and joint venture are accounted for using the equity method.

Under the equity method, the investments in an associate or a 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 nor individually tested for impairment.

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 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 a joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the 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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of income.

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 companies in 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 is calculated on a straight-line basis using the following estimated useful lives (EUL) from the time of acquisition of the investment properties:

	<u>Years</u>
Buildings and building improvements	5-25
Condominium units	25

The assets' residual value, useful life and depreciation and amortization methods 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 properties.

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 Asset

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 comprehensive 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 asset' to 'Mine 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 asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Deferred Mine Exploration Costs

Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred.

Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to mine and mining properties under "Property and equipment". Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

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 mine 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.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. 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 outlined 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 accurately 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 comprehensive 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 'Mine properties' 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, 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 cost. 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.

Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

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	5-17
Power plant, buildings and building improvements	5-25
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Conventional and continuous mining properties and equipment	2-13
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.

Mine and 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”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Deferred mine exploration costs”, which were transferred to property 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 mine and mining properties is depleted using unit-of-production method based on the estimated economically recoverable mining reserves of the mine concerned and are written-off if the property is abandoned.

Mining reserves are estimates of the amount of ore/coal that can be economically and legally extracted from mining properties. The Group estimates its mining reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore/coal body, and requires 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 ore/coal body. Changes in the reserve estimates may impact upon the carrying value of property, plant and equipment, provision for decommissioning and site rehabilitation, recognition of deferred tax assets, and depreciation charges.

Intangible Assets

Intangible assets, software costs, acquired separately are capitalized at cost and these 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 3 to 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.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investments in associates and jointly controlled entities and intangible assets.

Property, Plant and Equipment, Investment Properties and Intangible Assets

The Group assesses at each reporting date whether there is an indication that an asset 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.

For investments in associates and jointly controlled entities, 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 fair value and the carrying value 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 is 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.

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 and associates are available for dividend declaration when these are declared as dividends by the subsidiaries as approved by their respective Board of Directors.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of common shares held in treasury.

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.

Redeemed shares represent own equity instruments which are reacquired and are subsequently retired by the Group. No gain or loss is recognized in the consolidated statement of income upon retirement of the own equity instruments. When the assets are retired, the capital stock account is reduced by its par value and the excess of cost over par value is debited to additional paid-in capital recognized when the shares were issued and to retained earnings for the remaining balance.

Business Combinations and Goodwill

PFRS 3 provides that 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 twelve 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.

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 expensed and included in operating expenses. When the Group acquires a business, it assesses the financial assets and 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 PAS 39 either in consolidated statement of income or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this 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 cost 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.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Mining

Sale of Coal

Revenue from mining is recognized upon acceptance of the goods delivered upon which the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar, respectively.

Cost of coal includes expenses, which include directly related to the production and sale of coal such as cost of fuel and lubricants, materials and supplies, depreciation and depletion and other related costs, are recognized when incurred.

Sale of Ore

Sale of Beneficiated Nickel Ore / Nickeliferous Laterite Ore

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with the loading of the ores onto the buyer vessel.

Construction Contracts

Revenue from construction contracts is recognized using the percentage-of-completion method of accounting and is measured principally on the basis of the estimated in proportion to costs incurred to date over the total budget for the construction (Cost-to-cost method). Contracts to manage, supervise, or coordinate the construction activity of others and those contracts wherein the materials and services are supplied by contract owners are recognized only to the extent of the contracted fee revenue. Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

Contract costs include all direct materials and labor costs and those indirect costs related to

contract performance. Expected losses on contracts are recognized immediately when it is probable that the total 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" 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" represents billings in excess of total costs incurred and estimated earnings recognized. Contract retentions are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Electricity Sales

Revenue from sale of electricity is derived from its primary function of providing and selling electricity to customers of its generated and purchased electricity. Revenue derived from the generation and/or supply of electricity is recognized based on the actual delivery of electricity as agreed upon between parties.

Cost of energy includes expenses directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of energy also includes electricity purchased from the spot market and the related market fees. It is recognized as expense when the Group receives the electricity and simultaneously sells to its customers.

Real Estate Sales

Real estate sales are generally accounted for under the full accrual method. Under this method, the gain on sale is recognized when: (a) the collectibility of the sales price is reasonably assured; (b) the earnings process is virtually complete; and (c) the seller does not have a substantial continuing involvement with the subject properties. The collectibility of the sales price is considered reasonably assured when: (a) the buyers have actually confirmed their acceptance of the related loan applications after the same have been delivered to and approved by either the banks or other financing institutions for externally-financed accounts; or (b) the full down payment comprising a substantial portion of the contract price is received and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

If the above criteria is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

Cancellation of real estate sales

Income from cancellation of real estate sales is recognized once the sale has been cancelled and the related refundable portions of paid amortizations have been paid to the buyer. This is included in the "Other income" account under the statement of comprehensive income. Such 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.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of subdivision land and condominium units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works, as determined by the Company's in-house technical staff.

Merchandise Sales

Revenue from merchandise sales is recognized upon delivery of the goods to and acceptance by the buyer and when the risks and rewards are passed on to the buyers.

Sales and services

Revenue from room rentals, food and beverage sales and other departments are recognized when the related sales and services are rendered.

Dividend Income

Revenue 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

Revenue is recognized as interest accrues using the effective interest method.

Operating Expenses

Operating expenses are expenses that arise in the course of the ordinary 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.

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 finance costs is suspended if there are prolonged periods when development activity is interrupted. Interest is 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.

The functional currency of the ENK Plc. is United States Dollar. As at reporting date, the assets and liabilities of foreign subsidiaries are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustment" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Commission Expense

The Group recognizes commission expense when services are rendered by the broker. The commission expense is recognized upon receipt of down payment from the buyer comprising a substantial portion of the contract price and the capacity to pay and credit worthiness of buyers have been reasonably established for sales under the deferred cash payment arrangement.

Pension Cost

The Group has a noncontributory defined benefit 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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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).

Group as a Lessee

Finance leases that transfer substantially all the benefits incidental to ownership of the leased item to the Group are capitalized at the commencement of the lease at fair value of the leased property or if lower, the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the leased liability so as to achieve a constant rate of interest in the remaining balance of the liability. Finance charge are recognized in finance costs in

the consolidated statements of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the earnings will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight basis over the lease term.

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.

Income Taxes

Current Income Tax

Current income 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

Basic earnings per share (EPS) is computed by dividing the net income for the year attributable to common shareholders (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 common shareholders 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.

Provisions

General

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 dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

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 statements of comprehensive 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 auditors' 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.

3. Equity

Capital Stock

As of September 30, 2015 and December 31, 2014, the Parent Company's capital stock consists of:

	2014	
	Shares	Amount
Preferred stock - ₱1 par value cumulative and convertible		
Authorized:	100,000	₱100,000
Issued and outstanding:		
Balance at beginning and end of year	4	4
Common stock - ₱1 par value		
Authorized:	19,900,000	₱19,900,000
Issued and outstanding:		
Balance at beginning of year	2,655,494	2,655,494
Stock dividend declared	10,621,976	10,621,976
	13,277,470	₱13,277,470
	2013	
	Shares	Amount
Preferred stock - ₱1 par value cumulative and convertible		
Authorized - 1,000,000,000 shares	100,000	₱100,000
Issued and outstanding		
Balance at beginning and end of year	4	4
Common stock - ₱1 par value		
Authorized	5,900,000	₱5,900,000
Issued and outstanding		
Balance at beginning and end of year	2,655,494	₱2,655,494

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. In 2011, the Parent Company retired 600 preferred shares. The difference between the redemption price amounting ₱0.60 million was charged against the additional paid-in capital account. Aside from the issued and outstanding 3,780 preferred shares, all the preferred shares were essentially redeemed, retired, cancelled and paid.

On December 18, 1995, the Parent Company launched its Initial Public Offering where a total of 1.13 billion common shares were offered at an offering price of ₱9.12 per share.

Additional paid in capital account as of September 30, 2015 and December 31, 2014 amounted to ₱4.67 billion.

Increase in Authorized Capital Stock

On May 15, 2014, the BOD approved the increase in the authorized capital stock of the Parent Company from ₱6,000.00 million divided into 5,900.00 million common shares and 100.00 million preferred shares, both with a par value of ₱1.00 per share, to ₱20,000.00 million, divided into 19,900.00 million common shares and 100.00 million preferred shares, both with a par value of ₱1.00 per share, by way of stock dividend declaration.

Retained Earnings

On May 15, 2014, the BOD approved the declaration of 400% stock dividends amounting to 10,621.98 million, divided into 10,621.98 million common shares at the par value of ₱1.00 per share, or four (4) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Corporation. It was approved and ratified by the stockholders at the annual meeting on August 5, 2014. On September 18, 2014, the Securities and Exchange Commission approved the Parent Company's application for increase in authorized capital stock by way of stock dividend declaration. The record date was set on October 17, 2014 and payment date on November 7, 2014. The stock transaction cost paid in 2014 amounted to ₱92,922.75 million which is netted against the 'Additional Paid-in Capital' in the consolidated statements of financial position.

On May 15, 2014, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱1.20 per common share or a total of ₱3,186.59 million and (2) *special cash dividends* of ₱1.20 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of December 31, 2013, in favor of the common stockholders of record as of May 30, 2014, and was paid on June 13, 2014.

On May 14, 2015, the BOD approved the declaration of (1) *regular cash dividends* in the amount of ₱0.24 per common share or a total of ₱3,186.59 million; and (2) *special cash dividends* of ₱0.24 per common share or a total of ₱3,186.59 million, or a grand total of ₱6,373.19 million out of the unrestricted retained earnings of the Parent Company as of December 31, 2014, in favor of the common stockholders of record as of May 29, 2015, and was paid on June 10, 2015.

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 stockholders' equity as capital. Equity, which the Group considers as capital, pertains to the equity attributable to equity holders of the Group less unrealized gain or loss on AFS financial assets. The Group is not subject to any externally imposed capital requirements.

4. Business Segments

The following tables present the net income of the specific business segments for the period ended September 30, 2015 and 2014:

Segment Revenues

(in PHP Millions)	For the period		Variance	%
	2015	2014		
Semirara Mining and Power Corporation	₱19,525	₱20,560	(₱1,035)	-5%
DMCI Homes	11,116	10,152	964	9%
D.M. Consunji, Inc.	10,336	11,213	(877)	-8%
DMCI Mining	2,798	2,384	414	17%
DMCI Power (SPUG)	1,628	1,330	298	22%
Parent and others	212	216	(4)	-2%
	₱45,615	₱45,855	(₱240)	1%

Net income after non-controlling interests

(in PHP Millions)	For the period		Variance	%
	2015	2014		
Semirara Mining and Power Corporation	₱3,530	₱2,223	₱1,307	59%
DMCI Homes	2,719	2,621	98	4%
Maynilad	1,712	1,366	346	25%
DMCI Mining	643	870	(227)	-26%
D.M. Consunji, Inc.	361	350	11	3%
DMCI Power (SPUG)	305	188	117	62%
Parent and others	62	(78)	140	180%
Core net income	9,332	7,540	1,792	24%
One time gain on sale of PIDC, net of tax	530	–	530	100%
	₱9,862	₱7,540	₱2,322	31%

5. Operating Expenses

The following tables present the consolidated operating expenses for the period ended September 30, 2015 and 2014:

	2015	2014
Government share	₱1,740,310	₱1,712,680
Salaries, wages and employee benefits	772,334	716,903
Outside services	497,718	565,221
Taxes and licenses	470,594	527,302
Commission	468,951	464,034
Depreciation, depletion and amortization	461,291	292,418
Advertising and marketing	505,772	238,143
Repairs and maintenance	202,798	194,162
Communication, light and water	116,426	92,250
Rent	95,093	28,627
Insurance	84,767	56,016
Transportation and travel	64,984	61,060
Association dues	60,055	79,471

(Forward)

	2015	2014
Supplies	₱59,104	₱129,902
Entertainment, amusement and recreation	56,306	50,049
Excise taxes	55,808	48,340
Royalties	28,333	26,887
Environment and community development	24,585	10,060
Miscellaneous expense	172,060	345,377
	₱5,937,289	₱5,638,902

6. Summarized Financial Information of Interests in Related Entities

Financial information as of and for the period ended September 30, 2015 and December 31, 2014 on the Group's subsidiary with material non-controlling interest (NCI) follows:

<u>Semirara Mining and Power Corporation and Subsidiaries</u>		
	September 30, 2015	December 31, 2014
Statements of Financial Position		
Current assets	₱13,549,761	₱12,772,628
Noncurrent assets	39,922,881	39,128,748
Current liabilities	10,267,827	12,138,202
Noncurrent liabilities	18,564,602	17,056,963
Equity	24,640,213	22,706,211
	September 30, 2015	September 30, 2014
Statements of Comprehensive Income		
Revenue	₱19,252,323	₱20,559,633
Net income	6,209,032	3,911,081
Other comprehensive income	—	—
Total comprehensive income	6,209,032	3,911,081

Financial information as of and for the period ended September 30, 2015 and December 31, 2014 on the Group's material interest in associate follows:

<u>Maynilad Water Holdings Company, Inc. and Subsidiaries</u>		
	September 30, 2015	December 31, 2014
Statements of Financial Position		
Current assets	₱13,619,946	₱11,865,004
Noncurrent assets	76,170,552	72,414,883
Current liabilities	14,635,561	13,420,021
Noncurrent liabilities	32,977,377	33,465,197
Equity	39,924,906	37,394,669
	September 30, 2015	September 30, 2014
Statements of Comprehensive Income		
Revenue	₱14,242,840	₱13,572,602
Net income	6,296,260	5,026,406
Other comprehensive income	—	4,309
Total comprehensive income	6,296,260	5,030,715

Investment in Maynilad Water Holdings Company, Inc. (MWHCI) is accounted for using the equity method. For the period ended September 30, 2015 and 2014, the Company received dividends from DMWCI amounting to ₱505.73 million and ₱252.28 million, respectively. Equity in net earnings in the nine months ended amounted to ₱1.71 billion in 2015 and ₱1.37 billion in 2014.

Financial information as of and for the period ended September 30, 2015 and December 31, 2014 on the Group's immaterial interest in associate follows:

Subic Water and Sewerage Company, Inc.

Investment in Subic Water is accounted for using the equity method. The carrying amount of the investment in associate amounted to ₱295 million and ₱261 million as of September 30, 2015 and December 31, 2014, respectively. The unaudited share in net earnings amounted to ₱54 million and ₱51 million for the period ended September 30, 2015 and 2014, respectively.

Private Infra Dev Corporation (PIDC)

On December 19, 2014, the Parent Company as well as its wholly-owned subsidiary, DMCI, have agreed to sell their respective shares in PIDC to Rapid Thoroughfares, Inc., subject to compliance with certain conditions and obtaining certain consents, including, among others, the consent of the Toll Regulatory Board and the Department of Public Works and Highways, pursuant to the Toll Concession Agreement dated August 28, 2008. PIDC is the concessionaire of the Tarlac-Pangasinan-La Union Expressway (TPLEX). The consideration for the sale of shares amounts to ₱1,757.65 million for the Parent Company and ₱69.84 million for DMCI, which totals to ₱1,827.49 million or ₱1,219.40 price per share. In 2014, the Parent Company accordingly received the deposit of the conditional sale amounting to ₱1,757.65 million and recorded the same as 'Deposit received from future sale of investment' in the consolidated statements of financial position. In September 2015, after obtaining consent from the Toll Regulatory Board and the Department of Public Works and Highways, the Group recognized a gain on sale of its investment in PIDC amounting to ₱562.73 million.

The Group does not have any material interests in joint ventures as of September 30, 2015 and December 31, 2014.

7. Earnings Per Share

The following table presents information necessary to calculate basic and diluted earnings per share on net income attributable to equity holders of the Parent Company (in thousands except basic earnings per share):

Basic/diluted earnings per share

	For the period (2015)	For the period (2014)	For 3 rd Quarter (2015)	For 3 rd Quarter (2014)
Net income attributable to equity holders of Parent Company	₱9,861,757	₱7,540,014	₱3,272,446	₱2,411,157
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470	13,277,470
Basic and diluted earnings per share	₱0.74	₱0.57	₱0.25	₱0.18

A four for one stock dividend for common shares was issued on November 7, 2014.

8. Related Party 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. Related parties may be individuals or corporate entities.

Transactions entered into by the Group with related parties are at arm's length and have terms similar to the transactions entered into with third parties. In the regular course of business, the Group's significant transactions with related parties include the following:

- a. Comprehensive surety, corporate and letters of guarantee issued by the Group for various credit facilities granted to and for full performance of certain obligations by certain related parties.
- b. Certain assets of the Group, associates and other related parties were placed under accommodation mortgages to secure the indebtedness of the Group, its associates and other related parties.
- c. Engineering and construction works of the water business is contracted to the construction segment of the Group. These projects are bid out to various contractors and are awarded on arms length transactions. The interrelated contracts amounted to ₱3,253.3 million and ₱988.37 million as of September 30, 2015 and 2014 respectively, where ₱281.99 million and ₱216.64 million were booked for the period ended September 30, 2015 and 2014, respectively.
- d. Services rendered by DMC-CERI, an affiliate under common stockholder, relating to coal operations. These services are for the confirmatory drilling for coal reserve evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

9. Financial Instruments and Financial Risk

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such fair value:

Financial assets

The fair values of cash and short-term receivables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of real estate receivable are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms of maturity.

AFS quoted equity securities and financial assets at FVPL - Fair values are based on quoted prices published in markets.

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.

Security deposits other than those pertaining to operating leases and unquoted AFS financial assets - In the absence of a reliable basis of determining fair values due to the unpredictable nature of

future cash flows and the lack of suitable methods in arriving at a reliable fair value, these security deposits are carried at cost less impairment allowance, if any.

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.

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 has various 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.

The sensitivity analyses have been prepared on the following bases:

- a. Interest rate risk - market interest rate on unsecured bank loans
- b. Equity price risk - movements in equity indices
- c. Commodity price risk - movements in one-year historical coal prices
- d. 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 September 30, 2015.

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 tax to a reasonably possible change in interest rates on September 30, 2015 and 2014, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in thousands)	<u>Effect on income before income tax</u>	
	<u>September 30,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
+100	(206,114)	(192,214)
-100	206,114	192,214

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments.

The effect on equity as a result of a change in fair value of quoted equity instruments held as AFS investments as of September 30, 2015 due to a reasonably possible change in equity indices, with all other variables held constant, will have an increase on equity by ₱0.86 million if PSE composite index will increase by 20.83% and ₱5.43 million if other equity securities will increase by 9.72%. An equal change in the opposite direction would have decreased equity by the same amount. The Group does not have any equity instruments held as financial asset at FVPL as of September 30, 2015.

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 (i.e., domestic vs local). 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, forex).

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):

	September 30, 2015	December 31, 2014
Domestic market	69.42%	30.26%
Export market	35.08%	69.74%

The following table shows the effect on income tax should the change in the prices of coal occur based on the inventory of the Group as of September 30 2015 and December 31, 2014 with all

other variables held constant. The change in coal prices is based on 1-year historical price movements in 2015 and 2014.

Change in coal price	Effect on income before income tax	
	2015	2014
<i>Based on ending coal inventory</i>		
Increase by 29% in 2015 and 25% in 2014	₱162,064	₱316,566
Decrease by 29% in 2015 and 25% in 2014	(162,064)	(316,566)
<i>Based on coal sales volume</i>		
Increase by 29% in 2015 and 25% in 2014	3,630,656	8,008,030
Decrease by 29% in 2015 and 25% in 2014	(3,630,656)	(8,008,030)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group does not have any foreign currency hedging arrangements.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows (amounts in thousands):

	September 30, 2015					Equivalent in PHP
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	AUD	
Financial assets						
Cash and cash equivalents	\$68,853	₱2,368	£262	€235	\$240	₱3,141,682
Receivables	1,568	—	—	—	—	70,101
	70,421	2,368	262	235	240	3,211,783
Financial liabilities						
Accounts payable and accrued expenses	(14,704)	—	—	—	—	(657,288)
Short-term loans	(21,919)	—	—	—	—	(1,024,487)
Long-term loans	(116,570)	—	—	—	—	(5,448,494)
	(153,193)	—	—	—	—	(7,130,269)
	(\$82,772)	₱2,368	£262	€235	\$240	(₱3,918,486)

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity (amounts in thousands) as of September 30, 2015:

	Exchange rate		
	movement	Effect on profit	Effect on equity
In Peso per US Dollar			
Increase	₱2	(₱165,543)	(₱115,880)
Decrease	(2)	165,543	115,880
In Peso per Japanese Yen			
Increase	2	4,736	3,315
Decrease	(2)	(4,736)	(3,315)
In Peso per UK Pound			
Increase	2	523	366
Decrease	(2)	(523)	(366)

(Forward)

	Exchange rate movement	Effect on profit	Effect on equity
In Peso per Euro			
Increase	₱2	₱479	₱336
Decrease	(2)	(479)	(336)
In Peso per Australian Dollar			
Increase	2	469	328
Decrease	(2)	(469)	(328)

The movement in sensitivity analysis is derived from current observations on fluctuations in foreign currency exchange rates.

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 statement of financial position at September 30, 2015 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 and mining receivables from export sales. As of September 30, 2015, the Group's exposure to bad debts is not significant.

Real estate contracts

Credit risk is managed primarily through credit reviews and an analysis of receivables on a continuous basis. The Group also undertakes supplemental credit review procedures for certain installment payment structures. The Group's stringent customer requirements and policies in place contributes to lower customer default. Customer payments are facilitated through various collection modes including the use of postdated checks. The credit risk for real estate receivable is also mitigated as the Group has the right to cancel the sales contract and takes possession of the subject house without need for any court action in case of default in payments by the buyer. This risk is further mitigated because the corresponding title to the subdivision units sold under this arrangement is transferred to the buyers only upon full payment of the contract price.

Electricity sales

The Group earns substantially all of its revenue from the Wholesale Electricity Spot Market (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 not regulated but is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the Energy Regulatory Commission (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 takeover 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.

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.

As of September 30, 2015, the aging analysis of the Group's receivables presented per class follows:

	September 30, 2015						Impaired assets	Total
	Neither past nor impaired	Past due but not impaired						
		<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables								
Trade								
Real estate	P6,993,970	P59,127	P1,788	P44,062	P9,425	P308,785	P-	P7,417,157
General								
construction	-	-	242,788	1,440,390	-	1,717,359	-	3,400,537
Electricity sales	2,099,382	94,620	10,011	6,884	771,037	71,126	482,609	3,535,669
Coal mining	513,193	292,583	49,245	-	100,140	-	29,743	984,904
Nickel mining	12,992	-	-	-	-	-	70,933	83,925
Merchandising and others	28,868	13,796	5,674	5,741	6,857	10,001	2,921	73,858
Receivables from related parties	1,187,261	-	-	-	-	-	-	1,187,261
Other receivables	1,057,137	1,459	-	-	-	4,974	-	1,063,570
	P11,892,803	P461,585	P309,506	P1,497,077	P887,459	P2,112,245	P586,206	P17,746,881

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 through continuous production and sale of coal and power generation. 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.

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair values of real estate receivables and long-term debt are based on level 3 inputs while that of available for sale financial assets and financial assets through profit or loss are from level 1 inputs.

Installment contracts receivable

The fair values of installment contracts receivable is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables.

Available for sale financial assets and Financial asset at FVPL

The fair values are based on quoted market prices.

As at September 30, 2015, the Group's AFS financial assets amounting to ₱72.66 million are carried at fair value based on Level 1. There were no transfers among levels 1, 2 and 3 during the interim period. Cumulative net unrealized gain on AFS reported in equity amounted to ₱13.30 million as of September 30, 2015. The Group does not have any equity instruments held as financial asset at FVPL as of September 30, 2015.

Long-term debt

The carrying values approximated the fair values because of recent and regular repricing of interest rates based on current market conditions. As of September 30, 2015 and December 31, 2014, interest rates ranges from 3% to 5%.