

COVER SHEET

ASO95002283
SEC Registration Number

DMCI HOLDINGS, INC.

(Company's Full Name)

3RD FLR. DACON BLDG. 2281

PASONGTAMO EXT. MAKATI CITY

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Third Tuesday of May)

1 2
Month

3 1
Day

SEC Form 17-A
FORM TYPE

0 5
Month

1 6
Day

Fiscal Year

Annual Meeting

N.A.

Secondary License Type, If Applicable

C F D

Dept Requiring this Doc

Amended Articles Number / Section

Total Amount of Borrowings

Total No. of Stockholders

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-A, AS AMENDED

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

1. For the fiscal year ended December 31, 2016
2. SEC Identification Number AS095-002283 3. BIR Tax Identification No. 004-703-376
4. Exact name of issuer as specified in its charter DMCI Holdings, Inc.
5. Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. 3rd Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City 1231
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	13,277,470,000	Php13,277,470,000.00
Preferred Shares	3,780	3,780.00
TOTAL	13,277,473,780	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:

12. Check whether the issuer:

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

Yes [X]

No []

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

Yes [X]

No []

13. **Php 41,804,008,506**

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

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

14. Not applicable

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

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Audited Financial Statements as of December 31, 2016 (Part II C)

(b) Exhibits and Schedules (Part V)

DMCI HOLDINGS, INC.
ANNUAL REPORT ENDING DECEMBER 31, 2016

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B. SPECIAL FORMS FOR FINANCIAL STATEMENTS (SFFS)

- a. Treasurer's Certification on SFFS with Compact Disc (CD)
- b. Consolidated Balance Sheets
- c. Consolidated Income Statements
- d. Consolidated Cash Flow Statements
- e. Statement of Changes in Equity

C. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

- a. Independent Auditors' Report
- b. Consolidated Statements of Financial Position
- c. Consolidated Statements of Income
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- a. Schedules required by Annex 68-E
- b. Schedule of all of the effective standards and interpretations (Part 1, 4J)
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- d. Map of the relationships of the companies within the group (Part 1, 4H)
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PART I - BUSINESS AND GENERAL INFORMATION

A. BUSINESS DESCRIPTION

DMCI Holdings, Inc. (the “*Company*”) was incorporated on March 8, 1995 as a holding company to consolidate all construction business, construction component companies and related interests of the Consunji Family. It was listed on the Philippine Stock Exchange on December 18, 1995.

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

D. M. Consunji, Inc. (DMCI), a wholly owned subsidiary, is engaged in general construction services. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI) is currently one of the leading engineering and construction firms in the country. It operates in four key construction segments: building, energy, infrastructure, and utilities. Over the years, its pioneering methodologies and expertise have allowed it to complete close to a thousand projects of varying scale and complexity in the Philippines and abroad. From high-rise, commercial and residential buildings, institutional facilities to heavy civil works, elevated and at grade roads, bridges, power plants, industrial plants, water and sewer facilities, DMCI is a major contributor in changing the domestic infrastructure landscape to improve the lives of millions of Filipinos.

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

Semirara Mining and Power Corporation (SMPC), was established in 1980 and is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. In 1997, the Company purchased 40% interest in SMPC. Currently, SMPC is 56% owned by the Company. It is the largest coal producer in the Philippines which accounts for more than 90% of the country’s total coal production, and the only power generation company in the country that owns and mines its own fuel source (coal).

DMCI Power Corporation (DPC) is a wholly-owned subsidiary of the Company incorporated in 2006 and is engaged in the business of a generation company which designs, constructs, invest in, and operate power plants. DPC provides off-grid power to missionary areas through long-term power supply agreements with local electric cooperatives. It currently operates and maintains bunker-fired power plants and diesel generating sets in parts of Masbate, Oriental Mindoro, Palawan and Sultan Kudarat.

DMCI Mining Corporation (DMC) incorporated in 2007 to engage in ore and mineral mining and exploration. It has two nickel mining assets, namely Berong Nickel Corp (BNC) and Zambales Diversified Metals Corp (ZDMC). The former operates in Berong, Long Point, Moorsom and Ulugan,

all in the province of Palawan, while the latter is located in Acoje, Zambales. Both mining companies use open pit technique to extract nickel, chromite and iron laterite.

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

(1)(b) Any bankruptcy, receivership or similar proceeding - **None**

(1)(c) Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business. – **None**

(2) Business of Issuer

(a) Description of Registrant

- i. Principal products or services and their markets. – **The Company is a publicly-listed firm with subsidiaries or affiliates engaged in the businesses of construction, real estate, coal mining, nickel mining, power generation, and water distribution. Its revenues and net income are being generated and consolidated from its subsidiaries.**
- ii. Percentage of sales or revenues and net income contributed by foreign sales – **Except for coal and nickel segments, revenues of the Group were primarily derived from sales within the Philippines. Foreign sales from coal segment accounted for 59%, 36% and 60% of gross coal sales in 2016, 2015 and 2014, respectively. For nickel segment, 100% are export sales.**
- iii. Distribution methods of the products or services – **This is not applicable to the Company being a holding company. For the operating companies, the following are the distribution methods of products and services: DMCI pursue construction projects both from government and private investors. DMCI closely works with the project owners, concerned government agencies, qualified subcontractors and service providers in delivering quality service. Meanwhile, PDI has its own in-house sales team and external brokers in marketing its residential products to its customers. Marketing policy of SMPC is to sell directly to ultimate consumers for local sales on FOB basis. Export sales are distributed through coal traders, also on FOB basis. For nickel mining, DMC sells directly to the customers with assistance of an external marketing consultant for price negotiations. All nickel sales are on FOB basis. The Company's power segments have power supply agreements to private distribution utilities, various cooperatives and other customers. Meanwhile,**

Water is distributed through Maynilad's network of pipelines, pumping stations and mini-boosters.

- iv. Status of any publicly-announced new product or service (e.g. whether in the planning stage, whether prototypes exist), the degree to which product design has progressed or whether further engineering is necessary. Indicate if completion of development of the product would require a material amount of the resources of the registrant, and the estimated amount - **None**
- v. **Competition.** – Among the publicly listed companies, DMCI Holdings, Inc. is the only holding company which has construction for its primary investment, its construction business is primarily conducted by wholly-owned subsidiary, D.M. Consunji, Inc. (DMCI), which has, for its competitors, numerous construction contracting companies, both local and foreign, currently operating in the country. It has been an acknowledged trend that the state of construction industry depends mainly on prevailing economic conditions. Thus, the currently strong economic growth explains the continued expansion in the construction industry. To optimize its resources and profitability, DMCI has been focusing on selected markets where construction demand has remained relatively strong, particularly, in more complex building structures and civil works. This is where the company believes it can compete effectively given its strong construction capabilities, equipment and manpower complement, and track record. The Company's coal mining is the largest coal producer in the country. Competition is insignificant as far as domestic coal mine is concerned. The real estate business, on the other hand, is targeted for the middle-income families. As far as local sales in concerned, DMCI Homes is well-positioned to capture the end-user market with much lower price for the same market with that of its competitor.
- vi. **Sources and availability of raw materials and the names of principal suppliers;** If the registrant is or is expected to be dependent upon one or a limited number of suppliers for essential raw materials, energy or other items, describe. Describe any major existing supply contracts. – **Not applicable to DMCI Holdings, Inc. For DMCI, it has its own pool of equipment and construction materials supplies. For SMPC, the Semirara Island has known coal resource of 570 million metric tons representing 50% of the country's known coal reserve. Meanwhile, DMC has an estimated nickel resource of 46 million metric tons currently on its operating mining assets in Zambales and Palawan. It has other MPSA area in Zambales and mining properties in Palawan.**
- vii. Disclose how dependent the business is upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the registrant and its subsidiaries taken as a whole. Identify any

customers that account for, or based upon existing orders will account for, twenty percent (20%) or more of the registrant's sales; Describe any major existing sales contracts – **DMCI Holdings has successfully diversified into various business segments and market base. For SMPC, export and local sales registered at 59% and 41% in terms of volume and value, respectively, in 2016. Meanwhile, its power segment has total contracted energy of 645MW in 2016, 520MW of which is contracted to Meralco. Other subsidiaries have various customers in terms of location, profile and target market such that the loss of a few customers would not have a material adverse effect on DMCI Holdings and its subsidiaries taken as a whole.**

- viii. Transactions with and/or dependence on related parties – **Aside from inter-company transactions within the group of companies, the Company has no known transactions with and/or dependence on related parties.**

- ix. Summarize the principal terms and expiration dates of all patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements held; Indicate the extent to which the registrant's operations depend, or are expected to depend, on the foregoing and what steps are undertaken to secure these rights – **Not applicable to DMCI Holdings, Inc. For DMCI, it is and remains a triple-A ("AAA") licensed contractor, given by the Philippine Construction Accreditation Board (PCAB), in consideration of certain minimum requirements such as: (1) financial capacity; (2) equipment capacity; (3) experience of firm; and (4) experience of technical personnel. Meanwhile, PDI is recognized as a Quadruple A ("AAAA") contractor by PCAB on January 2017. The Quadruple A license is currently the highest given to firms that satisfy the institution's requirements and allows the AAAA builder-developer to qualify to be invited to foreign bids. For SMPC, royalty agreements are: (1) Royalty Agreement with the Department of Energy (DOE) – 3% royalty based on FOB Sales at minimum or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax); (2) Royalty Agreement with land claimants – P0.50/MT for untitled land and P1.00/MT for titled land.**

- x. Need for any government approval of principal products or services. If government approval is necessary and the registrant has not yet received that approval, discuss the status of the approval within the government approval process – **None at the moment.**

- xi. Effect of existing or probable governmental regulations on the business – **Not applicable to DMCI Holdings, Inc. The operating subsidiaries and affiliate comply with all existing and applicable government regulations and secure all government approvals for its registered activities. For DMCI and PDI , it is**

required under Philippine laws to secure construction permits and environmental clearances from appropriate government agencies prior to actually undertaking each project. For, SMPC and DMC, it is required under Philippine laws to secure mining and exploration permits, as well as environmental clearances from appropriate government agencies for its continuing operations. The power businesses under SMPC and DPC, on the other hand, is required to comply with the provisions of the Electric Power Industry Reform Act (EPIRA) that was passed in June 2001. For Maynilad, any tariff rate adjustments require the approval of the Metropolitan Waterworks and Sewerage System (MWSS) and regulatory office.

- xii. Indicate the amount spent on research and development activities, and its percentage to revenues during each of the last three fiscal years.
Research and development activities of DMCI Holdings, Inc. and its subsidiaries are done on a per project basis. DMCI Holdings, Inc. and its subsidiaries do not allocate fixed percentages or specific amounts as the costs of research and development varies depending on the nature of the project.
- xiii. Costs and effects of compliance with environmental laws – **Not directly applicable to DMCI Holdings, Inc., but only to its operating subsidiaries. Costs vary depending on the size and nature of a construction project for the construction and real estate businesses . To avoid fines and/or temporary cessation of operations in the coal and nickel mining businesses, SMPC and DMC must comply with the terms of the Environmental Compliance Certificate (ECC). Meanwhile, the power businesses are required to be compliant with certain environmental laws such as the Clean Air Act (RA 9275). For Maynilad, wastewater facilities are required to be maintained in compliance with environmental standards set primarily by the Department of Environment and Natural Resources (DENR) regarding effluent quality. DMCI Holdings, Inc. and its subsidiaries has made continuous efforts to meet and exceed all statutory and regulatory standards.**
- xiv. Total Number of Employees - **The total number of employees of the Company is twelve (12). The Company does not anticipate hiring additional employees for the ensuing year except when due to contingencies resulting in separation, resignation, termination of services of existing employees.**

Executive	5
Officers	3
Rank and File	<u>4</u>
Total	12

No employees are subject to either collective bargaining agreement (CBA), strike or union in both the Parent and its subsidiaries. There are no supplemental benefits or incentive arrangements between the employees and the Company.

- xv. Discuss the major risk/s involved in each of the businesses of the company and subsidiaries. Include a disclosure of the procedures being undertaken to identify, assess and manage such risks. –

Our Enterprise Risk Management Policy provides the framework for managing risks across our Company, while striving to create more value for our stakeholders.

The risk management process starts from the Board, through the Risk Oversight Committee, which oversees and monitors the adoption of our risk management policies and procedures.

The Committee oversees and works with our Chief Risk Officer, General Counsel, Chief Compliance Officer and other senior management in ensuring that risk management responsibilities are effectively carried out.

Our subsidiaries, through their business units and divisions, employ a pragmatic approach to risk management seeking to deliver our trademark operating efficiency while ensuring adherence to regulatory, contractual, health, safety and quality standards and managing risks from planning to day-to-day operations.

The following are the key risks management areas of DMCI Holdings, Inc. and its subsidiaries:

1. Portfolio Management

Financial stability of the holding company

The financial stability of the holding company, including its dividend commitment to shareholders, depends on the ability of its subsidiaries and affiliates to pay dividends to the holding company. As a holding company, it is our primary responsibility to deliver value to our shareholders by ensuring the financial stability of the company. We continue to maintain a strong balance sheet that will provide support for growth and cushion for economic uncertainties. Our cash flows are dependent on the ability of our subsidiaries and affiliate to pay dividends. These are used to pay dividends to our shareholders and to fund new investments.

The senior management of the holding company participates in the strategic planning process of the subsidiaries and affiliates to align their strategic goals and actions with the holding company, to unlock synergies within the Group

and to ensure that their capital allocation decisions will allow the holding company to deliver on its dividend commitment.

Entering into new or allied investments

We recognize that identifying and pursuing strategic business opportunities as they arise is critical for the creation of long term value for the holding company. A gating process is established wherein all new business opportunities are evaluated based on highly selective criteria identified by the Board and senior management. This is conducted to minimize the time and resources of evaluating potential investments that may not be pursued eventually.

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

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

2. Compliance and Reputation Risks

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

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

3. Key People Movement and Talent Management

The DMCI group strives to motivate and provide employees with growth opportunities and just reward. It provides formal lectures, on-the-job trainings, mentoring and feedback on a continuous basis to facilitate their development. A Management Development Program was also established to further hone the skills of junior and mid-level managers.

At the subsidiary level, succession planning programs are undertaken to identify future leaders and potential successors for critical positions. Qualified successors are chosen based on relevant experience, education and critical understanding of the business. Successors must also fit the strategic needs of the company and have a strong sense of integrity, leadership and passion for the business.

4. Financial Risk Management in the Holding Company and Operating Subsidiaries

As part of its financial discipline, the holding company has no debt since all of its funding requirements are taken from the dividends paid by the subsidiaries. In case of new investments, the Board decides on the financing – debt and/or equity – by taking into account the attractiveness and the capital requirement of the target business and the overall financial position of the Company. The operating subsidiaries raise the necessary debt financing for their own operations and capital expenditures.

The financial risks encountered across the businesses are liquidity risk, market price risk, interest rate risk, foreign currency risk and credit risk, all of which are reviewed and monitored on a regular basis by the Board of each company.

Liquidity risk

Each subsidiary manages its liquidity profile in order to service its maturing debts, pay dividends and finance its capital requirements. Cash flows are forecasted and regularly monitored to ensure that appropriate cash levels are maintained to finance operations.

Interest rate risk

Exposure to changes in interest rates primarily relates to long term debt obligations of the Company. Management considers interest rate forecasts and ensures that debt financing matches the relevant cash flows of the project to be funded. Interest rate exposure is also managed by using a mix of fixed and variable rate debt. Prepayment and refinancing options are considered whenever favorable market conditions exist during the term of the loan.

Foreign currency risk

Foreign currency risk exists as certain transactions entered into by the Company are denominated in a currency other than the functional currency. The Company manages this risk by matching receipts and payments in the same currency.

Market price risk

The Company is exposed to fluctuations in market prices in its coal and nickel businesses. To mitigate the risk on changes in coal prices, the Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. The Company also sets 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. Market price risk in nickel is managed as the Company ensures to maintain optimal level of operating cost as well as production volume. The Company also adopts selective mining on nickel grades which are saleable under prevailing market conditions.

Credit risk

Credit risk management involves dealing only with recognized, creditworthy third parties. Credit risk in real estate business are managed through credit reviews and an analysis of receivables on a continuous basis. The Company's power business earns substantially all of its revenue from bilateral contracts and WESM and from various electric companies who are committed to pay for the energy generated by the power plant facilities. Risk on collection are mitigated by the mining business as export sales are covered by sight letters of credit issued by foreign banks subject to the Company's approval, hence, mitigating the risk on collection. The credit risk for construction receivables is mitigated as the Company 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.

B. PROPERTIES

(B) Give the location and describe the condition of the principal properties (such as real estate, plant and equipment, mines, patents, etc.) that the registrant and its subsidiaries own. If the registrant does not have complete ownership of the property, for example, others also own the property or there is a mortgage or lien on the property, describe the limitations on ownership. Indicate also what properties it leases, the amount of lease payments, expiration dates and the terms of renewal options. Indicate what properties the registrant intends to acquire in the next twelve (12) months, the cost of such acquisitions, the mode of acquisition (i.e. by purchase, lease or otherwise) and the sources of financing it expects to use. - ***All properties are owned by the Company and its subsidiaries unless otherwise indicated as follows:***

SEMIRARA MINING AND POWER CORPORATION

Property. - The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of PhP5.77 million for 2016. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices:	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2x7.5MW	1	MS4 Building	1
Coal Power Plant 1x15MW	1	MS5 Building	1
Coal Silo	4	MS7 Building	1
Core House	1	Oxygen/Acetylene Building	2
CRO Office	1	Molave Pit Office	1
Diesel/Bunker Power Plant	1	Molave Pitshop	1
Drilling shop	1	Narra Pit Office	1
Genset Shed at CPP	1	Product Office	1
HRD Office & Library	1	RMO Office	1
Lime Plant	1	Sandblasting and Painting	1
Magazine Building	3	Shipping Mayflower Office	1
Main Workshop	1	Shipping Shipyard Office	1
Warehouse Main & Auxiliary Building	1	MWS Tire Shop	
b. Housing:	Units		Units
Altar Boys Quarter	1	Lebak Housing	154
Group Staff House	2	Molave Housing (Laborer's Unit)	916
Individual Staff House	3	Pinatubo Housing	51
Kalamansig Housing	82	Staff House at Tabunan	2
Laborer's Clusters 1-7	58	Waffle Crete Building	2
Poccan Housing	100	IS Extension Housing	42
Tabunan Staff House	3		
c. Others:	Units		Units
Commuter Terminal	1	Messhall at Waffle crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at Mayflower	1	Multi-purpose Gym	3
Gantry at MWS	1	Multi-purpose Hall at Bunlao	1
Grotto	1	Evacuation/Covered Court at Bunlao	1
Hangar	4	Multi-purpose Hall at Phase 1	1
Material Recovery Facility	1	Evacuation/Covered Court Pinatubo	1
Messhall 1	1	Multi-purpose Hall at Phase 4	1
Messhall at Cluter 5	1	ONB ATM Machine Building	1
Messhall at Cluter 7	1	Oval at Pinagpala Area	1
Semirara Plaza	1	Indoor Swimming Pool at Pinagpala	1
5K Slipway	1	Pall Water Filtration Plant	1
SMC Infirmary	1	Pottery Building	1
Smart Site Tower	1	Pump house & landscaping	1
Tabunan Hatchery & Laboratory	1	Semirara Airstrip	1
Messhall at Tabunan	1	7.0 LM Wind Breaker	1

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances except some mining equipment used as collateral for the Company's loans. The Company also invested in mining

and other equipment worth PhP2.611 billion, PhP1.816 billion, and PhP1.090 billion, for 2016, 2015 and 2014, respectively.

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

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

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

D.M. CONSUNJI INC.

CONSTRUCTION EQUIPT & TOOLS	AIR EQUIPMENT COMPACTION EQUIPMENT CONCRETING EQUIPMENT EARTHMOVING EQUIPMENT EXCAVATION EQUIPMENT HAULING EQUIPMENT LIFTING EQUIPMENT METAL FORMWORKS PILE DRIVING EQUIPMENT POWER GENERATING EQUIPMENT PUMPING EQUIPMENT SHOP EQUIPMENT SPECIAL SUPPORT EQUIPMENT TOOLS & OTHER INSTRUMENTS
TRANSPO. EQUIPT.	SERVICE CAR

	SERVICE PICK-UP OTHER VEHICLES
OFFICE FURN., FIXTURES & EQUIPT.	OFFICE FURNITURE & FIXTURES OFFICE EQUIPMENT COMPUTER EQUIPMENT COMMUNICATION EQUIPMENT
OTHERS	LAND LAND IMPROVEMENTS LEASEHOLD IMPROVEMENTS BUILDING BUILDING IMPROVEMENTS PLANTS COMPUTER SOFTWARE CLEARING - ASSET ACQUISITION OTHER MISCELLANEOUS EQUIPMENT ASSET UNDER CONSTRUCTIONS MARINE EQUIPMENT KITCHEN EQUIPMENT

There are no construction equipment under mortgage, lien or encumbrance. DMCI plans to sell the excess construction equipment

DMCI POWER CORP.

Location	TYPE	No of Units Installed		Rated Capacity	Total Capacity	Total Per Province
Mobo, Masbate	Bunker-Fired Thermal Power Plant	2	x	6.20	12.40	26.86
	Diesel Generator	2	x	2.00	4.00	
	Diesel Generator	2	x	1.00	2.00	
Cataingan, Masbate	Diesel Generator	3	x	1.00	3.00	
	Diesel Generator	1	x	1.23	1.23	
Aroroy, Masbate	Diesel Generator	1	x	2.00	2.00	
	Diesel Generator	1	x	1.00	1.00	
	Diesel Generator	1	x	1.23	1.23	

Irawan, Palawan	Diesel Generator	5	x	1.25	6.25	
	Diesel Generator	17	x	1.21	20.57	
	Diesel Generator	1	x			

				2.00	2.00	
Aborlan, Palawan	Diesel Generator	2	x	1.21	2.42	
Roxas, Palawan	Diesel Generator	3	x	1.21	3.63	
	Diesel Generator	1	x	2.00	2.00	
Quezon, Palawan	Diesel Generator	1	x	1.21	1.21	38.08
Irawan, Palawan from San Jose, Occ Min	Diesel Generator	4	x	1.21	4.84	4.84
Calapan, Oriental Mindoro	Bunker-Fired Power Generator	4	x	3.889	15.56	15.56

There are no power generation equipment under lease, mortgage, lien or encumbrance.

DMCI PROJECT DEVELOPERS, INC.

Classification	Property Description	Location
EQUIPMENT	Office equipment Communication equipment Furniture and fixtures Transportation equipment Machinery & other construction equipment Software Mock-up assets	Various
LAND	Residential	Various locations in Metro Manila

There are no equipment or property under lease, mortgage, lien or encumbrance.

DMCI MINING CORPORATION

As of December 31, 2016, DMCI Mining has no recorded Machinery & Equipment. They were all sold to Berong Nickel Corp. & Zambales Diversified Metals Corp, the operating companies of DMCI Mining Corp.

C. LEGAL PROCEEDINGS

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

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

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

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

Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out from records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated

February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

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

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

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

(4) Agham Party List, represented by its President, Angelo B. Palmones v. DMCI Holdings, Inc., et al., C.A. GR SP No. 00027, Court of Appeals, Manila, 9th Division. - This involves a Petition heard before the Court of Appeals (CA) for the issuance of a Writ of Kalikasan, whereby Agham Party List ("Agham") alleged that DMCI Holdings Inc. (as owner of the

Zambales port and owner of DMCI Mining Corporation) and DMCI Mining Corp. (collectively known as "DMCI") violated environmental laws in the construction and/or operation of their port in Zambales. However, DENR and other regulatory agencies strictly monitored the development and operation of the port, and confirmed that the Company had not violated any environmental and regulatory laws.

Thus, CA dismissed Agham's petition for lack of merit. Agham elevated the case by way of an appeal before the Supreme Court. This case remains pending to date.

D. Submission of Matters to a Vote of Security Holders

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

PART II – OPERATIONAL AND FINANCIAL INFORMATION

A. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

(1) Market Information

(a) Identify the principal market or markets where the registrant's common equity is traded. If there is no public trading market, so state - ***Both common and preferred shares of DMCI Holdings, Inc. are traded on the Philippine Stock Exchange.***

(i) If the principal market for the registrant's common equity is a Stock Exchange in the Philippines or a foreign Exchange, state the name of that Exchange and give the high and low sales prices for each quarter within the last two fiscal years and any subsequent interim period for which financial statements are required by SRC Rule 68. – ***See table below***

Common Share Prices

		High	Low
2015	First Quarter	16.06	14.66
	Second Quarter	15.84	12.80
	Third Quarter	14.00	10.40
	Fourth Quarter	14.06	12.10
2016	First Quarter	13.90	10.62
	Second Quarter	13.40	11.56

	Third Quarter	13.20	11.36
	Fourth Quarter	14.00	12.08
2017	First Quarter	13.58	11.44

Preferred Share Prices

		High	Low
2015	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2016	First Quarter	0	0
	Second Quarter	0	0
	Third Quarter	0	0
	Fourth Quarter	0	0
2017	First Quarter	0	0

(b) If the information called for by paragraph (A) of this Part is being presented in a registration statement filed pursuant to Section 12 or in an annual report filed pursuant to Section 17 or in an information statement filed pursuant to Section 17.1(b) or in a proxy statement filed pursuant to Section 20 of the Code, respectively, the document shall also include price information as of the latest practicable trading date, and, in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction. – **Price information for common shares as of the latest practicable trading date: As of April 10, 2017: HIGH – 12.22 LOW – 12.06 CLOSE – 12.10 VOLUME – 15,415,100 shares**

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

(2) Holders

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

Number of Shareholders: As of February 28, 2017 the Company had a total of 710 shareholders of which 696 were holders of common shares 14 were holders of preferred shares.

Common Shares: 13,277,470,000 - Of the total outstanding common shares, 1,911,504,484 common shares representing 14.40% of the outstanding common shares are owned by foreign shareholders.

Title of Class	Name	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation	Filipino	6,838,807,440	51.50%
Common	DFC Holdings, Inc.	Filipino	2,380,442,010	17.93%
Common	Philippine Central Depository, Inc. (PCD)	Foreigner	1,901,327,634	14.32%
Common	Philippine Central Depository, Inc. (PCD)	Filipino	1,708,420,701	12.87%

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of December 31, 2016 as contained in Exhibit (2) is herein incorporated by reference.

(3) Dividends

(a) Discuss any cash dividends declared on each class of its common equity by the registrant for the two most recent fiscal years and any subsequent interim period for which financial statements are required to be presented by SRC Rule 68. – **See below:**

1. On May 14, 2015, the Company declared a regular cash dividends of P0.24 per common share and a special cash dividends of P0.24 per common share to the shareholders of record of May 29, 2015.
2. On May 11, 2016, 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 27, 2016. This is due to be paid on June 10, 2016 with a total amount of P6,373 million.
3. On April 5, 2017, 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 April 21, 2017 and payable on May 5, 2017 with a total amount of P6,373 million.

(b) Describe any restrictions that limit the ability to pay dividends on common equity or that are likely to do so in the future. – **There are no contractual or other restrictions on the Company’s ability to pay dividends. However, the ability of the Company to pay dividends will depend upon the amount of distributions, if any, received from the Company’s operating subsidiaries and affiliates and the availability of unrestricted retained earnings.**

(4) Recent Sales of Unregistered Securities – NONE

A. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2016

Full Year 2016 vs Full Year 2015

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company’s businesses for 2016 and 2015:

NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Year		Variance	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P6,906	P4,813	P2,093	43%
DMCI HOMES	1,923	3,587	(1,664)	-46%
MAYNILAD	1,865	2,312	(447)	-19%
D.M. CONSUNJI, INC.	938	628	310	49%
DMCI POWER (SPUG)	424	382	42	11%
DMCI MINING	(65)	501	(566)	-113%
PARENT & OTHERS	83	82	1	1%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAINS	12,074	12,305	(231)	-2%
ONE-TIME INVESTMENT GAINS	111	530	(419)	-79%
TOTAL NET INCOME	P12,185	P12,835	(P650)	-5%

DMCI Holdings, Inc. recorded a flat core net income growth in 2016 at P12.1 billion from P12.3 billion the previous year despite the challenges in its real estate, nickel and water businesses. The sustained profitability is mainly driven by the record year performance of Semirara, the strong rebound of its construction business and the steady growth in its off-grid power business.

The Company posted a 13% improvement in consolidated revenues from P57.2 billion in 2015 to P64.9 billion in 2016 and an 8% growth in consolidated core EBITDA from P23.7 billion to P25.6 billion driven by the strong performance of its coal, power and construction segments.

Semirara Mining and Power Corporation (SMPC) contributed a record high level of P6.9 billion to DMCI Holdings' bottom line, a 43% increase from the P4.8 billion reported last year due to higher coal sales and the commercial operations of the 2x150MW power plant under Southwest Luzon Power and Generation Corporation (SLPGC).

DMCI Homes recognized a 46% drop in net income to P1.9 billion due to the deferred recognition of revenues from its completed high-rise projects, which normally take three to four years to complete.

Contrary to local industry practice, the mid-range property developer realizes sales earnings only when the unit is fully completed and at least 15% of the contract price has been collected.

Meanwhile, despite the improvement in operational performance, net income contributions from affiliate Maynilad dropped 19% from P2.3 billion to P1.9 billion, following the expiration of its income tax holiday in December 2015.

Construction-arm D.M. Consunji, Inc. made a strong comeback in 2016, earning P938 million or 49% more than P628 million the previous year. The combination of higher revenues and improved margins accounted for the strong performance of the construction segment.

Off-grid supplier DMCI Power Corporation continued to churn steady growth, posting an 11% increase from P382 million to P424 million. Higher electricity sales in Masbate and Palawan, coupled with the full-year operations of its Oriental Mindoro power plant accounted for the growth.

The suspensions of DMCI Mining's nickel assets combined with receding nickel prices led to the decline in its profitability. From a full year net income of P501 million in 2015, it posted a full year net loss of P65 million in 2016.

Meanwhile, DMCI Holdings and other investments contributed P83 million in 2016, 1% increase from previous year contribution.

Including the one-time investment gains, the consolidated net income of DMCI Holdings slipped 5% from P12.8 billion in 2015 to P12.2 billion in 2016. Subsidiary DMCI Project Developers Inc. (DMCI Homes) was left with a 30% interest after divesting its 10% stake in Subic Water and Sewerage Company (Subic Water) in March this year which resulted to a one-time investment gain of P111 million. Meanwhile, the one-time investment gain of P530 million in 2015 pertains to the sale of the 25% share in Private Infra Dev Corporation (PIDC), the project proponent and operator of the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX).

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 December 31, 2016 as lifted from its Definitive Information Statement submitted to SEC and PSE.

PRODUCTION – COMPARATIVE REPORT 2015 vs 2016

Coal

On 12 February 2016, the Department of Environment and Natural Resource (DENR) approved the Company's request to amend our Environmental Clearance Certificate (ECC) allowing us to increase our mining capacity from 8 million tons to 12 million tons. Two months after, on 29 April 2016, DENR issued another amendment further increasing maximum capacity to 16 million tons per annum.

With the amendment of the ECC, the Company embarked on a capacity expansion program by investment in additional CAPEX. Weather conditions were also favorable throughout the year. As a result, total materials moved increased by 42% YoY to 125.43 million bank cubic meters (bcm), inclusive of the 46.97 million bcm pre-stripping at Molave mine from 22 million last year.

Clean coal production consequently increased by 33% YoY to 11.91 million metric tons (tons) from 7.98 million tons in 2015. In addition, 1.15 million tons of low-grade coal were produced in 2015 and 900 thousand tons in 2016.

The aggregate strip ratio slightly increased to 9.08 compared to 9.02:1 last year. However, the strip ratio in Panian significantly dropped to 3.94:1 as it was already closed in September.

To prepare for anticipated increase in coal production, the Company is constructing an additional transfer line and shiploading system.

Meanwhile, the Board of Investments (BOI) approved the registration of a new mine, Molave mine on 24 February 2016. Like the Narra Mine, as a BOI-registered project, revenues from Molave mine production will be entitled to full or 100% income tax holiday (ITH). Molave contains higher quality coal which can be sold to local plants that are designed to use coal fuel higher than our average 5,300 kcal coal.

In 2016, improvement of shipyard facilities was completed, such that there are already three shiploaders that can simultaneously operate. One of these shiploaders can accommodate 70,000 ton Panamax vessels used in our export sales. Apart from improving loading efficiency, we are able to save around \$2 barging cost of mid-stream loading in order to load up a Panamax vessel.

Coal sales volume registered a new record high this year, increasing by 52% YoY to 12.8 million tons from 8.4 million tons last year. Clean coal ending inventory closed at 893 thousand tons, 7% higher than same period last year's ending inventory of 829 thousand tons.

The table below shows the comparative production data for 2015 and 2016.

<i>(in millions except strip ratio)</i>	ACTUAL					ACTUAL					VARIANCE	
	Q1	Q2	Q3	Q4	2016	Q1	Q2	Q3	Q4	2015	vs 2015	
PRODUCTION												
Total Materials (BCM)	30.8	36.5	23.8	34.3	125.4	26.3	27.8	9.5	25.0	88.6	36.8	42%
Pre-Stripping (BCM)	-	28.1	18.9		47.0				22.0	22.0	25.0	0%
Prod'n Stripping (BCM)	30.8	8.5	4.9	34.3	78.5	26.3	27.8	9.5	3.0	66.6	11.8	18%
Clean Coal (MT)	3.4	2.0	2.8	3.6	11.9	2.3	2.2	1.1	2.4	8.0	3.9	49%
Strip Ratio (W:C)	8.3	3.5	1.0	8.7	5.9	10.6	12.0	8.3	0.5	7.6	(1.8)	-23%
Saleable Coal (MT)	3.4	2.0	2.8	3.6	11.9	2.3	2.1	1.0	2.6	8.0	3.9	49%
Unwashed Coal (MT)	0.3	0.2	0.1	0.3	0.9	0.4	0.3	0.2	0.3	1.1	(0.2)	-22%

Beg. Inventory (MT)	0.8	1.8	0.4	0.8	0.8	0.4	0.3	0.6	0.3	0.4	0.4	115%
End Inventory (MT)	1.8	0.4	0.4	0.9	0.9	0.3	0.6	0.3	0.8	0.8	0.1	8%

SCPC

The originally scheduled 31-day maintenance shutdown for Unit 2 from November 20, 2015 to Dec 20, 2016 has extended until mid April 2016. As a result, total gross generation is down by 27% YoY to 2,909 GWhr from 3,959 GWhr last year. Consequently, capacity factor also dropped by 27%.

Total plants' availability fell by 15% YoY to 13,047 hours from 15,314 hours.

Unit One

Unit 1 generated 1,339 GWh as of Q4 this year, 26% lower than last year's generation of 1,819 GWh. Average capacity dropped by 23% to 176 MW from 228 MW last year. Last year's capacity was higher due to the high grade coal production in Panian last year. Capacity factor dropped YoY to 51% from Q4 2015's 69%.

The Unit's operating hours decreased insignificantly this year to 7,616 hours compared to last year's 7,971 hours.

Unit Two

Gross generation of Unit 2 dropped by 27% YoY to 1,570 GWh from 2,140 GWh last year.

The unit did not generate any power in Q1 2016 while on maintenance shutdown. The maintenance shutdown which started on 20 November 2015 was originally scheduled for one month. However, it lasted until 13 April 2016.

Average Capacity dropped by 1% YoY to 289MW from 291 MW last year. Notably however, capacity stabilized to 300MW after the shutdown. Capacity factor also dropped to 60% from 81% last year.

Unit 2's availability likewise dropped to 62% YoY in the current period from 84% last year. Unplanned outages this year registered at 3,353 hours, 398% more than last year's 673 hours.

The table below shows the comparative production data for 2015 and 2016.

COMPARATIVE PLANT PERFORMANCE DATA											
AO Q4'15 VS AO Q4'16											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	AO Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	AO Q4 '16	Q1 '15
Gross Generation, Gwh											
Unit 1	456	495	450	419	1,819	344	359	303	334	1,339	-26%
Unit 2	558	656	549	376	2,140	-	535	470	565	1,570	-27%
Total Plant	1,014	1,151	998	795	3,959	344	894	773	899	2,909	-27%
% Availability											
Unit 1	77%	91%	96%	100%	91%	84%	92%	84%	87%	87%	-5%
Unit 2	91%	100%	85%	60%	84%	0%	82%	76%	89%	62%	-26%

COMPARATIVE PLANT PERFORMANCE DATA											
AO Q4'15 VS AO Q4'16											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	AO Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	AO Q4 '16	Q1 '15
Total Plant	84%	96%	90%	80%	87%	42%	87%	80%	88%	74%	-15%
Capacity Factor											
Unit 1	70%	75%	68%	64%	69%	53%	54%	46%	51%	51%	-27%
Unit 2	86%	99%	83%	57%	81%	0%	81%	71%	86%	60%	-27%
Total Plant	78%	87%	75%	61%	75%	26%	67%	58%	69%	55%	-27%

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Unlike last year when the 2 x 150 MW plants only started generating in Q3, both power units were generating energy more reliably starting February 2016. Official declaration of commercial operations was on 26 August 2016 for both units, with a Provisional Authority to operate at 140 MW per plant.

Unit Three

Unit 3 generated 711 GWh as of Q4 this year. Average capacity is 119 MW, with a capacity factor of 54%. The unit operated for 5,974 hours this year.

Unit Four

Gross generation of Unit 4 is 672 GWh. Average Capacity is 117 MW, while capacity factor is at 51%

Unit's operating hours this year is 5,723 hours.

The table below shows the comparative production data for 2015 and 2016.

COMPARATIVE PLANT PERFORMANCE DATA											
Q4 '15 vs Q4 '16											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Tot Yr '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Tot Yr '16	% Inc (Dec)
Gross Generation, GWh											
Unit 3	-	-	107	52	160	65	250	255	141	711	345%
Unit 4	-	-	8	43	51	152	287	111	122	672	1207%
Total Plant	-	-	115	96	211	217	537	366	263	1,383	555%
% Availability											
Unit 3	0%	0%	46%	21%	15%	34%	88%	90%	61%	70%	360%
Unit 4	0%	0%	7%	19%	2%	55%	97%	49%	59%	67%	2903%
Total Plant	0%	0%	26%	20%	9%	45%	93%	69%	60%	69%	686%
Capacity Factor											
Unit 3	0%	0%	32%	16%	11%	20%	76%	77%	43%	58%	429%
Unit 4	0%	0%	2%	13%	1%	46%	87%	34%	37%	56%	6641%
Total Plant	0%	0%	17%	15%	6%	33%	81%	55%	40%	57%	870%

MARKETING – COMPARATIVE REPORT 2015 vs. 2016

Coal

Coal sales volume breached the record this year, increasing by 52% YoY at 12.82 million tons from 8.43 million tons last year.

Export sales accounted for 59% of total coal sales volume this year at 7.55 million tons, increasing by 143% from last year's 3.11 million tons. Increase in coal production allowed the Company to service more demand from export markets.

Meanwhile, local sales slightly dropped by 1% YoY to 5.27 million tons from 5.32 million tons last year. This figure is inclusive of low-grade coal of 955 thousand tons and 1.95 million tons in 2015 and 2016, respectively. Deliveries to power customers increased by 8% with increased orders from other plants not owned by the Company.

On the other hand, sales to cement plants dropped by 31% YoY to 710 thousand tons from 1.03 million tons last year because some plants opted to buy lower-priced imported coal, especially in the first three quarters of the current year.

Sales to other industrial plants also decreased by 18% YoY to 298 thousand tons from 362 thousand tons last year.

Some cement plants and customers with small boilers are now using alternative fuel, thus explaining the drop in off-take of cement and other industrial plants.

Composite average FOB price per ton dropped by 3% YoY to PHP1,885 from PHP1,943 in 2015. Although global coal prices moved up starting September, prior to that, prices were depressed. In addition, deliveries of lower price low-grade coal to own power units this year, more than doubled. Average price of low-grade coal is PHP867/ton vs regular coal's average price of PHP1,974/ton.

The table below shows the comparative sales volume data for 2015 and 2016.

Customer	Q1	Q2	Q3	Q4	2016	%	Q1	Q2	Q3	Q4	2015	%	% change
Calaca	705	767	617	474	2,563	20%	666	626	661	743	2,696	32%	-5%
GBPs	122	278	168	393	960	7%	202	208	166	200	775	9%	24%
Others PPs	186	147	182	218	733	6%	111	99	139	112	462	5%	59%
Power Plants	1,012	1,192	967	1,085	4,256	33%	980	932	966	1,055	3,933	47%	8%
Cement	147	161	174	228	710	6%	278	246	278	224	1,027	12%	-31%
Others Plants	69	76	63	90	298	2%	93	114	91	65	362	4%	-18%
Local	1,228	1,428	1,204	1,404	5,264	41%	1,351	1,292	1,336	1,344	5,323	63%	-1%
Export	1,674	2,246	1,818	1,813	7,550	59%	1,054	534	562	956	3,105	37%	143%
Total	2,902	3,674	3,022	3,217	12,814	100%	2,404	4,230	1,898	2,300	8,428	100%	52%

POWER

SCPC

SCPC's Energy sales dropped by 12% YoY to 3,322 GWh from 3,754 GWh last year. Composite average price per Kwh also decreased by 3% YoY at PHP3.31 from PHP3.41 last year due to lower spot sales during the year. Moreover, Newcastle index, which is the benchmark for fuel pass-through, was down in the first half of the year. Last year, higher composite average price was driven by high volume of spot sales with higher price than bilateral contracts.

Average price for bilateral contracts dropped by 1% YoY to PHP3.29/KWh from PHP3.33/KWh last year due to lower Newcastle prices which are the contracts' index.

On the other hand, spot sales' average price is 11% lower YoY at PHP4.48/KWh from PHP5.05/KWh.

Of the total energy sold, 99% or 3,276 GWh were sold to bilateral contracts, while the remaining 1% were sold to the spot market.

MERALCO remained to be the single biggest customer, accounting for 92% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 1% of total sales, respectively. Trans-Asia bilateral contracting 45MW has ended March 25, 2016

Spot Market Sales dropped by 73% YoY to 46 GWh, as against 173 GWh last year.

Of the total energy sold, 82% was sourced from own generation, while 18% 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 a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for 2016 and 2015.

COMPARATIVE SALES VOLUME DATA											
<i>(in GWh)</i>											
CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	AO Q4 '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	AO Q4 '16	% Inc (Dec)
Bilateral Contracts	902	1,031	937	710	3,581	422	954	978	922	3,276	-9%
Spot Sales	80	65	20	8	173	2	12	4	29	46	-73%
GRAND TOTAL	982	1,096	957	719	3,754	424	966	982	950	3,322	-12%
Composite Ave Price	3.56	3.37	3.30	3.40	3.41	3.90	2.97	3.16	3.53	3.31	-3%

SLPGC

SLPGC has a total contracted capacity of 202 MW. In Q1, two contracts totaling to 102 MW are already effective, while the remaining 100MW became effective in Q2. Most of the plants' generated energy or 1,281 GWh served SLPGC's contracts, while 197 GWh were sold to spot. Composite average price for the period is PHP4.42/KWh.

Bilateral contracts account for 81% or 1,186GWhr of energy sold, while 6% or 95GWhr is sold to SCPC as replacement power, while spot market took up 13% or 197GWhr.

Mpower accounts for 34% of the total energy sales of the bilateral contracts; VECO and GN Power comprised 24% and 23% of total sales, respectively.

Of the total energy sold, 79% was sourced from own generation, while 21% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for 2015 and 2016.

COMPARATIVE SALES VOLUME DATA											
<i>(in GWh)</i>											
CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	Tot Yr '15	Q1 '16	Q2 '16	Q3 '16	Q4 '16	Tot Yr '16	% Inc (Dec)
Bilateral Contracts	-	-	23	92	115	208	413	346	313	1,281	1011%
Spot Sales	-	-	83	10	94	41	94	31	31	197	111%
GRAND TOTAL	-	-	107	102	209	250	507	377	344	1,478	608%
Composite Ave Price			2.56	4.51	3.51	4.22	4.13	4.45	4.97	4.42	26%

FINANCE

Sales and Profitability

Revenues

Before Eliminations

	2015	2016	Variance	Remarks
Coal	16,373	24,157	48%	Increased sales volume by 52%
SCPC	12,797	10,984	-14%	14% decrease in energy sales; 3% decrease in price/KWh
SLPGC	101	5,747	5564%	510% increase in energy sales; 46% increase in price/KWh

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	11,782	20,079	70%	Increase in sales volume sold to external customer by 79%
SCPC	12,797	10,758	-16%	12% decrease in energy sales; 3% decrease in price/KWh
SLPGC	101	5,747	5564%	510% increase in energy sales; 46% increase in price/KWh
Total	24,680	36,584	48%	increased coal & SLPGC revenues offset drop in SCPC revenues

Before Eliminations

	2015	2016	Variance	Remarks
Coal	8,633	13,018	51%	Higher volume sold; Despite the recognition of one time provision for Panian mine rehabilitation; higher strip ratio of the new mines in Q4; mine development costs and slope stability costs are no longer capitalized after commercial operations of Narra and Molave the cost per MT still improve by 4%
SCPC	6,347	7,437	17%	Inclusive of replacement power of PHP3.38/kwh after the plants consumed allowable downtime.
SLPGC	67	2,462	3568%	Already in commercial operations, hence cost is already under cost of sales

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	6,388	11,013	72%	Higher volume sold; booking of additional expense for mine development; higher strip ration of the new mines in Q4. Additional provision for Panian mine final rehab and slope stability costs are no longer capitalized after commercial operations of Narra and Molave.
SCPC	4,133	5,508	33%	Inclusive of replacement power of PHP3.38/kwh after the plants consumed allowable downtime.
SLPGC	21	2,179	10335%	Already in commercial operations, hence cost is already under cost of sales
Total	10,542	18,701	77%	Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year

Consolidated Gross Profit

	2015	2016	Variance	Remarks
Coal	5,394	9,066	68%	Increase due to higher volume sold despite lower coal profitability due to lower average selling price
SCPC	8,664	5,475	-37%	SCPC and SLPGC contributed PHP8.66 billion and PHP108.96 million, respectively, this year.
SLPGC	81	3,342	4048%	
Total	14,138	17,883	26%	Lower cost offset decrease in revenues
<i>Gross Profit Margin</i>	57%	49%	-15%	

Consolidated OPEX

	2015	2016	Variance	Remarks
Coal	2,336	3,225	38%	Higher revenue generation translated to higher government royalties from Php1.8 B in 2015 to Php2.7 B in 2016
SCPC	1,975	1,480	-25%	Mainly comprised of management fees and taxes and licenses; increase due to full provision for allowance for the questioned PEMC receivables on electricity sold on spot last November and December 2013 amounting to P896.14 million
SLPGC	72	294	306%	Non-capitalizable expenses
Others	5	1	-90%	OPEX of pre-operating subsidiaries
Total	4,389	4,999	14%	Increase is mainly driven by coal business' growth in OPEX

Consolidated Finance Income

	2015	2016	Variance	Remarks
Coal	23	41	82%	Higher cash levels in 2016
SCPC	17	11	-31%	Less placements, lower rates
SLPGC	18	31	69%	Interest for undisbursed loan proceeds
Others	0	0	-4%	Interest of placed cash of pre-operating subsidiaries
Total	58	83	45%	Higher cash levels offset lower placement interest rates

Consolidated Finance Costs

	2015	2016	Variance	Remarks
Coal	130	228	76%	Interest rates are higher in 2016 vs 2015
SCPC	147	90	-39%	PHP1.73 billion from PHP2.30 billion in 2015. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	1	280	21331%	Since SLPGC is already on commercial operations in 2016, interest expense is no longer capitalized, unlike in 2015.
Total	278	599	115%	Higher interest expense of coal and recognition of interest expense of SLPGC offset drop in finance cost of SCPC

Consolidated FOREX Gains / (Losses)

	2015	2016	Variance	Remarks
Coal	(328)	(347)	6%	Result of the valuation of USD denominated loans and foreign currency denominated transactions.
SCPC	30	(52)	-272%	Loss on foreign currency denominated transactions.
SLPGC	(3)	(4)	48%	Loss on foreign currency denominated transactions.
Total	(300)	(403)	34%	Weaker PHP vs USD in 2016

Consolidated Other Income

	2015	2016	Variance	Remarks
Coal	248	169	-32%	Higher other income in 2015 due to booking of one-time insurance recoveries and gain from asset disposal totaling PHP136.55million.
SCPC	125	123	-2%	Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive.
SLPGC	67	645	861%	Power sold during plant commissioning.
Others		2		Other income of pre-operating subsidiary
Total	441	938	113%	Higher SLPGC other income due to better performance of plants while on commissioning in 2016 vs 2015

Consolidated NIBT

	2015	2016	Variance	Remarks
Coal	2,871	5,476	91%	Higher coal sales pushed profitability up in 2016
SCPC	6,713	3,537	-47%	More downtimes resulted to less energy generation, thus decreased profitability in 2016
SLPGC	90	3,890	4245%	Better plant performance in 2016 translated to improved profits during the year.
Others	(5)	2	-135%	Net expenses of pre-operating subsidiaries
Total	9,669	12,904	33%	Higher coal and SLPGS profitability offset drop in SCPC earnings

Consolidated Income Tax Provision

	2015	2016	Variance	Remarks
Coal	(38)	58	-254%	Minimal coal tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to recognition of deferred tax liabilities
SCPC	1,217	640	-47%	Drop in SCPC's tax provision is a result of drop in profitability in 2016.
SLPGC	4	165	4424%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to income taxes paid on BCQ sales from Spot Purchases
Total	1,182	863	-27%	Coal and SLPGC still has ITH, while only SCPC is in tax position. The decline is due to SCPC's lower provisioning in 2016.

NIAT

Before Eliminations (Core Income)

	2015	2016	Variance	Remarks
Coal	5,255	7,495	43%	Growth in income is due to higher coal sales volume.
SCPC	3,282	1,418	-57%	More plant downtimes translated to lower revenues and lower profitability in 2016. Average price/KWh is also slightly lower, while cost of sales/KWh is 32% higher.
SLPGC	40	3,218	7871%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH

After Eliminations (Consolidated)

	2015	2016	Variance	Remarks
Coal	2,909	5,417	86%	Growth in income is due to higher coal sales volume. Revenues from coal sold to own power units is eliminated.
SCPC	5,497	3,347	-39%	More plant downtimes translated to lower revenues and lower profitability in 2016.
SLPGC	86	3,275	3713%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH
Others	(5)	2	-142%	Net expenses of pre-operating subsidiaries
Total	8,487	12,041	42%	Higher coal and SLPGC profitability offsets drop in SCPC earnings
EPS	7.94	11.28	42%	2016 outstanding shares is net of 3.46 million shares held in treasury.

Other Comprehensive Income/Loss is related to remeasurement gain/(losses) on pension plan, net of income tax effect in the amount of P7.11 million gain and P17.04 million loss in 2016 and 2015, respectively. Total Comprehensive Income resulted to P12.05 billion for 2016 from P8.69 billion in 2015.

DMCI HOMES

DMCI Project Developer's Inc. (PDI) reported P2 billion in net income during the year. Excluding a one-time investment gain of P111 million from the sale of its 10% stake in Subic Water, the company contributed P1.9 billion in net earnings, a 46% drop from the previous year. Although it registered record-high sales and reservations during the year, its deferred recording of accounting revenues pulled down its overall profitability. Recognized accounting revenues fell from P13.7 billion to P10.4 billion in 2016, a 24% drop due to fewer completed units this year.

Unlike local industry practice of using percentage-of-completion accounting, the company adopts a more conservative approach of recognizing real estate revenues by realizing sales only when the unit is fully completed and at least 15% of contract price has been collected. Major revenue source includes Zinnia Towers, The Birchwood and One Castilla Place which accounts for 46% of recognized revenues.

Sales and reservations increased by 65% from P18.8 billion in 2015 to P31.2 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects. Top selling projects during the year include Brixton Place, Lumiere Residences and Oak Harbor Residences, a luxury waterfront property in Bay City Paranaque.

In 2016, the company has launched seven projects with a total estimated sales value of P38.1 billion more than 200% increase compared to only five projects in 2015 with a sales value of P11.4 billion. These projects include Alea Residences in Bacoor City; Brixton Place in Pasig City; Verdon Parc in Davao City; Calathea Place in Paranaque City; and The Celandine, Infina Towers in Quezon City and Oak Harbor Residences in Bay City Paranaque.

Cost of real estate sales declined nearly 20 percent from P6.8 billion to P5.5 billion due to the decrease in revenue. Meanwhile, operating expenses grew 14 percent from P2.4 billion to P2.8 billion as a result of increase in taxes and licenses, marketing and selling and salaries and wages.

Capex disbursements dropped by 21% to P7.8 billion from P9.9 billion in 2015. Of the amount spent in 2016, 92% went to development cost and the rest to land acquisition.

MAYNILAD

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

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

Operating efficiencies continued to improve in 2016, as Maynilad reported higher earnings before interest, taxes and depreciation (EBITDA). From P13.69 billion, EBITDA climbed 4.2% to P14.27 billion the current year.

During the year, billed volume grew 3.5%, from 481.53 million cubic meters (mcm) to 498.60 mcm which is faster than the 1.9% increase in water supply. Average non-revenue water for the year improved to 29.93% compared to 31.01% last year.

Continued expansion into the southern areas of the concession, namely in Muntinlupa, Las Piñas and Cavite, brought connections up to a total of 1,312,223 billed services, a 3.7% growth from last year.

As a result, Maynilad's water service revenue for the year rose by 6.3% from P15.16 billion in 2015 to P16.12 billion in 2016. The increase in revenues was primarily driven by the 3.5% increase in billed volume, coupled with 2.3% increase in average effective tariff. Total revenues from operations, including other fees and services such as sewer services, amounted to P20.03 billion, a 5.8% increase from P18.92 billion last year.

With total operating expenses increasing faster than revenues, income from operations grew at a marginal rate of 0.3% to P11.82 billion from P11.79 billion last year. Higher personnel cost, water treatment chemicals, outside services, and repairs and maintenance costs mainly contributed to the increase in operating expenses during the current year. Reported net income, on the other hand, declined by 28.8% to P6.78 billion due to the expiry of the company's income tax holiday (ITH) in December 2015 which resulted to an income tax expense of P3.23 billion during the year.

After adjustments at the consortium company level, the Company's equity in net earnings reported a 19% decrease from P2.31 billion last year to P1.87 billion this year due to expiry of income tax holiday. The decline was moderated by the re-measurement of the deferred tax liability recorded in the consortium level as a result of Maynilad selecting the more beneficial optional standard deduction (OSD) in computing its income taxes as opposed to the more traditional itemized deduction. As a result of this deferred tax adjustment, the positive impact on DMCI's equity in net earnings amounted to P174.0 million.

Rate Rebasing Update

Under Maynilad's concession agreement with the Philippine Government, Maynilad may request tariff rate adjustments based on movements in the Philippine consumer price index, foreign exchange currency differentials, a rate rebasing process scheduled to be conducted every five years (Rate Rebasing) and certain extraordinary events. Any rate adjustment requires approval by Metropolitan Water Sewerage System (MWSS) and the Regulatory Office (RO). Any tariff adjustments that are not granted, in a timely manner, in full or at all, could have a material adverse effect on Maynilad's results of operations and financial condition.

For the Fourth Rate Rebasing Period, after a two-year delay in Maynilad's water tariff for the rate rebasing for the period from 2013 to 2017, Maynilad received a favorable award in its arbitration proceedings on December 29, 2014 (Final Award). The new rate should result in a 9.8% increase in the 2013 average basic water charge of P31.28 per cubic meter, inclusive of the P1.00 Currency Exchange Rate Adjustment (CERA) which the MWSS has incorporated into the basic charge. However, the MWSS refused to implement the Final Award notwithstanding Maynilad's repeated written demands for implementation.

On February 20, 2015, Maynilad wrote a letter to the Philippine Government, through the Department of Finance (DOF), to call on the undertaking which the Republic of the Philippines (Republic) issued in favor of Maynilad on July 31, 1997 and March 17, 2010. The undertaking provides, among other things, that the Republic shall indemnify Maynilad in respect of any loss that is occasioned by a delay caused by the Republic

or any government-owned agency in implementing any increase in the Standard Rates beyond the date for its implementation in accordance with the Concession Agreement.

Following the inaction of the Philippine Government represented by the DOF in response to Maynilad's request to compel MWSS to implement the Final Award, Maynilad wrote again a letter to the Republic on March 9, 2015, through the DOF, to reiterate its demand against the undertaking. The letters dated February 20 and March 9, 2015 are collectively referred to as the "Demand Letters." Maynilad demanded that it be paid, immediately and without further delay, the P3.4 billion in revenue losses that it had sustained as a direct result of the MWSS' and the RO's refusal to implement its correct Rebasing Adjustment from January 1, 2013 (the commencement of the 4th Rate Rebasing Period) to February 28, 2015.

On March 27, 2015, Maynilad served a Notice of Arbitration and Statement of Claim upon the Republic, through the DOF. Maynilad gave notice and demanded that the Republic's failure or refusal to pay the amounts required under the Demand Letters be, pursuant to the terms of the undertaking, referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore in accordance with the 1976 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules. The arbitration panel was constituted in 2015.

On February 17, 2016, Maynilad wrote again a letter to the Republic, through the DOF, to reiterate its demand against the Undertaking and to update its claim in the amount of P5.6 billion. On March 31, 2016, Maynilad filed its Amended Statement of Claim. On April 28, 2016, the Republic, through the DOF, filed its Statement of Defense. Hearings on the arbitration will begin in December 2016 with expected resolution by second quarter of 2017.

On 25 July 2015, Maynilad filed a Petition for Confirmation and Execution of the Final Award with the Regional Trial Court of Quezon City. As of 25 July 2016, the parties have completed the presentation of their respective evidence. Hearings on the arbitration completed in December 2016 and Maynilad imminently expect resolution in their favor.

D.M. CONSUNJI, INC.

DMCI's earnings for full year 2016 amounted to P938 million, 49% up from P628 million due to higher revenues and improved margins. Despite the challenges of right-of-way and utility relocation issues, construction revenues from external customers improved by 4% to P13.8 billion while EBITDA rose by 17% mainly coming from its infrastructure and building projects. Meanwhile, total construction costs (under cost of services and operating expenses) grew at a slower pace of 2% reaching P12.5 billion in 2016 from P12.3 billion in 2015 due to better cost control on its construction projects.

The Company reported a total order book (balance of work) of P20.1 billion at the end of December 2016, from P29.2 billion at the close of 2015. This balance of work excludes a portion of the Skyway Stage 3 Section 2, which is undergoing revision in design due to right of way acquisition issues. Major infrastructure projects (47%) coupled with a considerable volume of building projects (42%) dominated the orderbook as of end of year.

In 2016, the Company completed the following major construction projects among others; the Advance Works of the Metro Manila Skyway Stage 3 Project, NAIA Expressway - At Grade Works, NAIA IPT3

Apron Rehabilitation, 1x135MW (Unit 2) South Luzon Thermal Energy Corporation Power Plant, 2x150MW Southwest Luzon Power Generation Corporation Power Plant, TV5 Sheridan Phase 2 Project and La Farge Norzagaray Cement Grinding Plant.

Awarded projects in 2016 totaled P8.2 billion which includes City Gate, a mixed-use development of Ayala Land in the Makati Central Business District, a 50ML water reservoir with Maynilad in Quezon City, a 2X23MW gas turbine plant of Southwest Luzon Power Generation Corp. in Batangas, One Griffinstone Building in Ayala Alabang, NCCC Mall of NCCC Group of Companies in Buhangin, Davao City, Six Senses Resort Phase 2, a high-end residential condominium of Federal Land, Inc. in Pasay City, and the design and construction of stations of LRT Line 2 East (Masinag) Extension.

Meanwhile, major ongoing 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 (S1 and S2) of Citra Central Expressway Corp. (a unit of San Miguel Corporation), civil works on LRT Line 2 East Masinag Viaduct, 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, and the Paranaque Sewer Network of Maynilad. In 2016, major sections of the NAIA Expressway were opened for public use which improved the traffic flow in the congested areas going to the airport terminals.

DMCI POWER (SPUG)

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

As of December 31, 2016, the total installed rated capacity is 96.84MW. Out of the total, 29.61MW (12.40MW bunker-fired and 17.21MW diesel) is in Masbate, 47.98MW (diesel) in Palawan, a 4x3.89 (15.56) MW bunker-fired plant in Oriental Mindoro and a 3x1.23 (3.69) MW diesel-fired in Sultan Kudarat. On June 2015, Sultan Kudarat Electric Cooperative (SUKELCO) and DPC entered into an Electric Supply Agreement (ESA) covering a three-year period starting on the commercial operation date of January 2016. Meanwhile, a 2x4.95MW bunker-fired plant in Aborlan, Palawan has started commercial operations last December 2016.

Due to increase in energy dispatch of the electric cooperatives to our plants and full year operation in Oriental Mindoro, sales volume reported in Masbate (94.91 GWh), Palawan (91.27 GWh), Mindoro (51.76 GWh) and Sultan Kudarat (1.67 GWh) totaled 239.61 GWh, an increase of 14% from a total of 210.05 GWh last year.

Consequently, the total off-grid generation revenue and net income went up by 6% and 11%, respectively. Revenue increased to P2.30 billion in 2016 compared to P2.17 billion in 2015. Meanwhile, net income went up to P424 million compared to last year's P382 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.

The suspensions, coupled with receding nickel prices and sluggish demand for lower-grade nickel led to the decline in net income contributions of DMCI Mining Corporation. From a net income of P501 million in 2015, the company reported a net loss of P65 million in 2016.

Revenues amounted to P1.57 billion during the year compared to P3.14 billion last year as a result of fewer nickel ore shipments and depressed nickel ore prices. Total ore shipments dropped by 35% year-on-year from 1.65 million wet metric tons (WMT) last year to 1.08 million WMT this year. The ore shipments mostly came from Berong (1.03 million WMT) at a composite average price of P1,489 per WMT versus P1,910 in 2015, a 22% decline in average price. Average ore grade is 1.63% in 2016 compared to 1.61% in 2015. The segment's total depletion, depreciation and amortization amounted to P307 million in 2016 compared to P437 million in 2015 as a result of lower production using output method depletion. Total company cash cost per WMT (under cost of sales and operating expenses) amounted to P1,085 per WMT in 2016 compared to P961 per WMT in 2015.

DMCI Mining Corporation is currently dealing with the Order of Suspension issued against its operating company in Palawan, Berong Nickel Corporation (BNC), and the Closure Order issued against Zambales Diversified Metals Corporation (ZDMC), its operating company in Zambales. DMCI Mining has already filed for a motion for reconsideration with the DENR for Suspension Order and Closure Order against BNC and ZDMC

Explanation of movement in consolidated income statement accounts:

Revenues

Consolidated revenues increased by 13% to P64.9 billion during the year compared to P57.2 billion last year due to the strong performance from coal, power and construction businesses.

Favorable weather conditions and expanded mining capacity allowed Semirara to produce 11.9 million metric tons (MMT) of clean coal in 2016, a 33 percent jump from the nearly 8 MMT the previous year. Likewise, its coal sales increased by 52% from 8.4 MMT to 12.8MMT in 2016. Coupled with the commercial operations of its 2x150MW power plant (SLPGC), Semirara recorded a 48% growth in revenue from P24.7 billion to P36.6 billion in 2016. Construction revenues posted a 4% improvement in revenue from P13.2 billion to P13.8 billion in 2016 primarily coming from its infrastructure and building projects. Meanwhile, revenue from off-grid power business, DMCI Power, has increased by 6% to P2.3 billion in 2016 due to higher energy sales during the year.

Cost of Sales and Services

Consolidated cost of sales and services grew faster than revenues from P31.8 billion in the previous year to P38.4 billion during the year accounting for a 21% increase year-on-year due mainly to additional provisioning for site rehabilitation of Panian mine, replacement power due to prolonged shutdown of Sem-Calaca Unit 2 and the commercial operations of SLPGC.

Gross Profit

Gross profit grew by 4% to P26.5 billion from P25.4 billion last year. During the year, the Company's coal, power and construction businesses posted higher gross profit that were offset by lower contribution from the real estate and nickel mining businesses.

Higher coal production and sales pushed Semirara's gross profit up despite lower average selling price due to softer coal prices during the first half of the year and delivery of more lower-priced low-grade coal. SLPGC (2x150MW) contributed to Semirara's profitability upon the start of its commercial operations during the year, offsetting the drop in SCPC (2x300MW) due to Unit 2 shutdown in the first quarter of 2016. Meanwhile, gross profit from the construction segment has increased by 36% driven by higher revenue contribution from its infrastructure and building projects and better cost control across its projects. The gross profit of the off-grid power business has also increased by 21% due mainly to higher electricity sales in Masbate and Palawan coupled with the full year operation of its 15.6MW bunker-fired plant in Oriental Mindoro. On the other hand, the real estate segment recognized a 29% drop in its gross profit during the year due mainly to the deferred recognition of revenues from high rise projects. Meanwhile, gross profit from DMCI Mining has decreased by 53% from last year due to lower nickel sales volume brought by the suspension of its Zambales and Palawan mines coupled with receding nickel prices in 2016.

Operating Expenses

Higher coal revenue generated during the year resulted to the 48% increase in government royalties from P1.8 billion to P2.6 billion in 2016.

Excluding government share, operating expenses slightly grew by 3% to P7 billion in 2016 due mainly to the increase in taxes and licenses paid by the real estate, coal and on-grid power businesses.

Equity in Net Earnings

Equity in net earnings of associates dropped by 19% from P2.4 billion in 2015 to P1.9 billion in 2016 due mainly to lower income of Maynilad following the expiration of its income tax holiday in December 2015.

Finance Income

Consolidated finance income decreased by 5% mainly due to lesser in-house financing in real estate business as buyers have shifted more to bank financing.

Finance Costs

Consolidated finance cost grew by 75% during the year due mainly to the cessation of borrowing cost capitalization upon the commercial operations of SLPGC (2x150 MW) and lesser capital expenditures in the real estate business which resulted to lower capitalization and more expense recognition.

Gain on Sale of Investments

This pertains to the sale of the 10% interest in Subic Water and 25% interest in PIDC in 2016 and 2015, respectively. As of the end of 2016, the Group's remaining interest in Subic Water is 30%.

Other Income-net

Other income grew 75% to P1.8 billion in 2016 due mainly to commission income of SLPGC recognized during the first half of the year and higher income from cancellation of real estate sales.

Provision for Income Tax

Lower taxable profits from the real estate, on-grid power (units 1 and 2) and nickel mining businesses resulted to the drop in consolidated provision for income tax by 37% during the year. New power plant, SLPGC, is entitled for income tax holiday for a period of 4 years from the start of commercial operations.

II. CONSOLIDATED FINANCIAL CONDITION

December 31, 2016 (Audited) vs December 31, 2015 (Audited)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P158 billion and P83 billion, respectively as of December 31, 2016. This is an improvement of 6% and 11%, respectively

Consolidated cash and cash equivalents slightly dropped by 2% from P19.2 billion in December 31, 2015 to P18.7 billion in December 31, 2016. Cash generated from operations (P20.1 billion) improved by 42% year on year. However, cash investments for capital expenditures mainly for coal and power segments (P8.7 billion), loan repayments (P3.7 billion net of availments) and dividend payments (P8.2 billion) causes the slight decrease in the consolidated cash balance of the Group.

Total receivables (current and non-current) increased by 11% from P16 billion to P17.7 billion mainly attributed to higher coal and power sales during December 2016.

Consolidated inventories grew by 11% from P34.4 billion to P38.2 billion coming mainly from continuing work in progress in the real estate segment.

Other current assets slightly decreased by 2% to P6.9 billion mainly due to input VAT claims during the year of the on-grid power segment.

Investments in associates and joint ventures increased by 11% to P12.8 billion mainly due to equity in net earnings from Maynilad.

Property plant and equipment amounted to P55.8 billion as of end of 2016, 13% up from last year ending balance attributed to additional capital expenditures for power plant expansion and acquisition of equipment of the coal and power segments. This also includes P5 billion capitalized development costs that were previously recorded as exploration and evaluation asset and were transferred to PPE in 2016 upon its commercial operations.

Investment properties decreased by 28% mainly due to reclassification to real estate inventories upon change in use of the property.

Exploration and evaluation asset dropped by 93% to P0.2 billion from P3.2 billion last year due to reclassification of capitalized development costs.

Deferred tax assets decreased by 24% mainly due to the realization of previous year tax benefit of the construction segment.

Other noncurrent assets grew by 18% mainly due to additional deferred input VAT from the on-grid power segment.

Accounts and other payables increased by 17% to P18.1 billion mainly attributed to normal trade transactions with suppliers and subcontractor and higher government share in the coal segment.

Customers' advances and deposits rose by 45% due to payments received from real estate customers, the corresponding revenue of which has yet to be recognized under full completion method of accounting.

Payments of income taxes due coupled with lower taxable profits from real estate, on-grid power (Units 1 and 2) and nickel mining segments resulted to the drop in income tax payable by 20% from last year's balance.

Liabilities for purchased land shrank by 49% to P1.5 billion in 2016 mainly due to payments made by the real estate segment to sellers of land.

From P3.7 billion, short-term debt dropped by 29% to P2.6 billion in 2016 due to debt repayments by the coal segment.

Long-term debt fell by 8% to P34.3 billion attributed to repayments made by the on-grid power, real estate and construction segments during the year.

Deferred tax liabilities increased by 18% mainly due to the excess of accounting over taxable income in real estate sales.

Other noncurrent liabilities grew 6% to P2.8 billion in 2016 attributed mainly to additional provision for mine rehabilitation of the coal segment.

After generating a net income of P12.2 billion and payment of cash dividends of P6.4 billion, consolidated retained earnings stood at P49.5 billion, 13% up from P43.7 billion balance last year.

Non-controlling interest increased by 28% as a result of the non-controlling interest share in the consolidated net income of the listed subsidiary SMPC.

III. KEY RESULT INDICATORS

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

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

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P36,585	P24,680	P11,905	48%
D.M. CONSUNJI, INC.	13,817	13,249	568	4%
DMCI HOMES	10,370	13,677	(3,307)	-24%
DMCI POWER (SPUG)	2,302	2,169	133	6%
DMCI MINING	1,573	3,139	(1,566)	-50%
PARENT & OTHERS	252	290	(38)	-13%
TOTAL	P64,899	P57,204	P7,695	13%

The initial indicator of the Company's gross business results is seen in the movements of the different business segment revenues. As reported above, consolidated revenues grew by 13% year-on-year. The significant improvements in the coal, power and construction revenues were offset by the drop in the real estate and nickel mining revenues.

NET INCOME AFTER NON-CONTROLLING INTERESTS

<i>(in Php Millions)</i>	For the Year		Variance	
	2016	2015	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P6,906	P4,813	P2,093	43%
DMCI HOMES	1,923	3,587	(1,664)	-46%
MAYNILAD	1,865	2,312	(447)	-19%
D.M. CONSUNJI, INC.	938	628	310	49%
DMCI POWER (SPUG)	424	382	42	11%
DMCI MINING	(65)	501	(566)	-113%
PARENT & OTHERS	83	82	1	1%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAINS	12,074	12,305	(231)	-2%
ONE-TIME INVESTMENT GAINS	111	530	(419)	-79%
TOTAL NET INCOME	P12,185	P12,835	(P650)	-5%

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 year ended, the Company reported a 5% dip in consolidated net income due to reduced profitability from the real estate, nickel mining and water businesses.

EARNINGS PER SHARE

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

The Company's consolidated basic and diluted EPS was P0.92/share, 5% down from P0.97/share EPS last year which reflects the drop in consolidated net income of the Company.

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.

As of December 31, 2016, current assets stood at P81.2 billion while current liabilities amounted P35.8 billion accounting for a current ratio of 2.27x or an improvement of 23% from last year.

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. Net debt to equity ratio is computed by dividing the interest-bearing loans net of cash and cash equivalents over total equity.

Total borrowings stood at P36.9 billion from P40.8 billion last year, which resulted to a net debt to equity ratio of 22%, an improvement of 7% from last year.

FINANCIAL SOUNDNESS RATIOS

	December 31, 2016	December 31, 2015
Current Ratio	227%	185%
Net Debt to Equity Ratio	22%	29%
Asset to Equity Ratio	190%	199%
Return on Assets	12.1% 12.0%*	12.2% 11.9%*
Return on Parent Equity	18.7% 18.6%*	21.6% 20.7%*
Interest Coverage Ratio	11.4 times 11.4 times*	11.4 times 11.1 times*
Gross Margin (%)	40.9%	44.4%
Net Profit Margin (%)	27.0% 26.8%*	29.6% 28.7%*

* Excluding one-time investment gains pertaining to sale of 10% interest in Subic Water and sale of 25% interest in PIDC in 2016 and 2015, respectively

amounts in PHP millions

BALANCE SHEET	31-Dec-16	31-Dec-15	% change	Reason/Explanation
ASSETS				
Cash and cash equivalents	P18,738	P19,151	-2%	Consolidated cash and cash equivalents slightly dropped by 2% from P19.2 billion in December 31, 2015 to P18.7 billion in December 31, 2016. Cash generated from operations (P20.1 billion) improved by 42% year on year. However, cash outflows for capital expenditures mainly for coal and power segments (P8.6 billion), loan repayments (P3.7 billion net of availments) and dividend payments (P8.2 billion) caused the decrease in the consolidated cash balance of the Group.
Receivables (current and non-current)	17,713	16,000	11%	Total receivables (current and non-current) increased by 11% from P16 billion to P17.7 billion mainly attributed to higher coal and power sales during December 2016.
Inventories	38,235	34,408	11%	Consolidated inventories grew by 11% from P34.4 billion to P38.2 billion coming mainly from continuing work in progress in the real estate segment.
Other current assets	6,895	7,030	-2%	Other current assets slightly decreased by 2% to P6.9 billion mainly due to realization of net input VAT in the on-grid power segment.
Investments in associates and joint ventures	12,761	11,458	11%	Investments in associates and joint ventures increased by 11% to P12.8 billion mainly due to equity in net earnings from Maynilad.
Property, plant and equipment - net	55,752	49,440	13%	Property plant and equipment amounted to P55.8 billion as of end of 2016, 13% up from last year ending balance attributed to additional capital expenditures for power plant expansion and acquisition of equipment of the coal and power segments. This also includes P5 billion capitalized development costs that were previously recorded as exploration and evaluation asset and

BALANCE SHEET	31-Dec-16	31-Dec-15	% change	Reason/Explanation
				were transferred to PPE in 2016 upon its commercial operations.
Investment properties	209	289	-28%	Investment properties decreased by 28% mainly due to sale of undeveloped land during the year.
Exploration and evaluation asset	225	3,238	-93%	Exploration and evaluation asset dropped by 93% to P0.2 billion from P3.2 billion last year due to reclassification of capitalized development costs.
Deferred tax assets	416	544	-24%	Deferred tax assets decreased by 24% mainly due to the realization of previous year tax benefit of the construction segment.
Other noncurrent assets	2,721	2,312	18%	Other noncurrent assets grew by 18% mainly due to additional deferred input VAT from on-grid power segment.
LIABILITIES AND EQUITY				
Accounts and other payables	18,079	15,394	17%	Accounts and other payables increased by 17% to P18.1 billion mainly attributed to normal trade transactions with suppliers and subcontractor and higher government share in the coal segment.
Customers' advances and deposits	8,280	5,692	45%	Customers' advances and deposits rose by 45% due to payments received from real estate customers, the corresponding revenue of which has yet to be recognized under full completion method of accounting.
Income tax payable	359	448	-20%	Payments of income taxes due coupled with lower taxable profits from real estate, on-grid power (Units 1 and 2) and nickel mining segments resulted to the drop in income tax payable by 20% from last year's balance.
Liabilities for purchased land	1,530	3,017	-49%	Liabilities for purchased land shrank by 49% to P1.5 billion in 2016 mainly due to payments made by the real estate segment to sellers of land.

BALANCE SHEET	31-Dec-16	31-Dec-15	% change	Reason/Explanation
Short-term debt	2,621	3,707	-29%	From P3.7 billion, short-term debt dropped by 29% to P2.6 billion in 2016 due to debt repayments by the coal segment.
Long-term debt	34,264	37,056	-8%	Long-term debt fell by 8% to P34.3 billion attributed to repayments made by the on-grid power, real estate and construction segments during the year.
Deferred tax liabilities	4,272	3,629	18%	Deferred tax liabilities increased by 18% mainly due to the excess of accounting over taxable income in real estate sales.
Other noncurrent liabilities	2,752	2,600	6%	Other noncurrent liabilities grew 6% to P2.8 billion in 2016 attributed mainly to additional provision for mine rehabilitation of the coal segment.
Retained earnings	49,522	43,710	13%	After generating a net income of P12.2 billion and payment of cash dividends of P6.4 billion, consolidated retained earnings stood at P49.5 billion, 13% up from P43.7 billion balance last year.
Non-controlling interest	15,749	12,270	28%	Non-controlling interest increased by 28% as a result of the non-controlling interest share in the consolidated net income of the listed subsidiary SMPC.

INCOME STATEMENT	2016	2015	% change	Reason/Explanation
REVENUE	P64,899	P57,204	13%	<p>Consolidated revenues increased by 13% to P64.9 billion during the year compared to P57.2 billion last year due to the strong performance from coal, power and construction businesses.</p> <p>Favorable weather conditions and expanded mining capacity allowed Semirara to produce 11.9 million metric tons (MMT) of clean coal in 2016, a 33 percent jump from the nearly 8 MMT the previous year. Likewise, its coal sales increased by 52% from 8.4 MMT to 12.8MMT in 2016. Coupled with the commercial operations of its 2x150MW power plant (SLPGC), Semirara recorded a 48% growth in revenue from P24.7 billion to P36.6 billion in 2016. Construction revenues posted a 4% improvement in revenue from P13.2 billion to P13.8 billion in 2016 primarily coming from its infrastructure and building projects. Meanwhile, revenue from off-grid power business, DMCI Power, has increased by 6% to P2.3 billion in 2016 due to higher energy sales during the year.</p>
COSTS OF SALES AND SERVICES	38,371	31,804	21%	<p>Consolidated cost of sales and services grew faster than revenues from P31.8 billion in the previous year to P38.4 billion during the year accounting for a 21% increase year-on-year due mainly to additional provisioning for site rehabilitation of Panian mine, replacement power due to prolonged shutdown of Sem-Calaca Unit 2 and the commercial operations of SLPGC.</p>

INCOME STATEMENT	2016	2015	% change	Reason/Explanation
GROSS PROFIT	26,528	25,400	4%	<p>Gross profit grew by 4% to P26.5 billion from P25.4 billion last year. During the year, the Company's coal, power and construction businesses posted higher gross profit that were offset by lower contribution from the real estate and nickel mining businesses.</p> <p>Higher coal production and sales pushed Semirara's gross profit up despite lower average selling price due to softer coal prices during the first half of the year and delivery of more lower-priced low-grade coal. SLPGC (2x150MW) contributed to Semirara's profitability upon the start of its commercial operations during the year, offsetting the drop in SCPC (2x300MW) due to Unit 2 shutdown in the first quarter of 2016. Meanwhile, gross profit from the construction segment has increased by 36% driven by higher revenue contribution from its infrastructure and building projects and better cost control across its projects. The gross profit of the off-grid power business has also increased by 21% due mainly to higher electricity sales in Masbate and Palawan coupled with the full year operation of its 15.6MW bunker-fired plant in Oriental Mindoro. On the other hand, the real estate segment recognized a 29% drop in its gross profit during the year due mainly to the deferred recognition of revenues from high rise projects. Meanwhile, gross profit from DMCI Mining has decreased by 53% from last year due to lower nickel sales volume brought by the suspension of its Zambales and Palawan mines coupled with receding nickel prices in 2016.</p>

INCOME STATEMENT	2016	2015	% change	Reason/Explanation
OPERATING EXPENSES	9,617	8,547	13%	Higher coal revenue generated during the year resulted to the 48% increase in government royalties from P1.8 billion to P2.6 billion in 2016. Excluding government share, operating expenses slightly grew by 3% to P7 billion in 2016 due mainly to the increase in taxes and licenses paid by the real estate, coal and on-grid power businesses.
GAIN ON SALE OF INVESTMENTS	131	563	-80%	This pertains to the sale of the 10% interest in Subic Water and 25% interest in PIDC, gross of tax, in 2016 and 2015, respectively. As of the end 2016, the Group's remaining interest in Subic Water is 30%.
EQUITY IN NET EARNINGS OF ASSOCIATES	1,926	2,376	-19%	Equity in net earnings of associates dropped by 19% from P2.4 billion in 2015 to P1.9 billion in 2016 due mainly to lower income of Maynilad following the expiration of its income tax holiday in December 2015.
FINANCE INCOME	446	468	-5%	Consolidated finance income decreased by 5% mainly due to lesser in-house financing in real estate business as buyers have shifted more to bank financing.
FINANCE COSTS	955	546	75%	Consolidated finance cost grew by 75% during the year due mainly to the cessation of borrowing cost capitalization upon the commercial operations of SLPGC (2x150 MW) and lesser capital expenditures in the real estate business which resulted to lower capitalization and more expense recognition.
OTHER INCOME - NET	1,752	1,002	75%	Other income grew 75% to P1.8 billion in 2016 due mainly to commission income of SLPGC recognized during the first half of the year and higher income from cancellation of real estate sales.

INCOME STATEMENT	2016	2015	% change	Reason/Explanation
PROVISION FOR INCOME TAX	2,278	3,605	-37%	Lower taxable profits from the real estate, on-grid power (units 1 and 2) and nickel mining businesses resulted to the drop in consolidated provision for income tax by 37% during the year. New power plant, SLPGC, is entitled for income tax holiday for a period of 4 years from the start of commercial operations.

INCOME STATEMENT	2015	2014	% change	Reason/Explanation
REVENUE	P57,204	P56,561	1%	Consolidated revenue slightly increased by 1% to P57.2 billion during the year compared to P56.6 billion last year. The Company's nickel mining, construction, real estate and power businesses posted higher revenues during the year as compared to last year. The growth was mainly due to higher volume and completion of projects during the year.
COSTS OF SALES AND SERVICES	31,804	37,998	16%	It decreased by 16% despite higher sales volume mainly due to coal and on grid power businesses. Lower strip ratio, decline in volume sold combined with lower shipping costs and drop in oil prices dragged down the cost of coal sales by 36% while higher cost of replacement power in 2014 brought the on grid power cost of sales down by 49% this year.
GROSS PROFIT	25,400	18,563	37%	Gross profit grew by 37% due to strong operating performance of all business units. The biggest portion of the growth in gross profit came from Semirara. With its power units operating reliably this year, it was able to increase the output and sales as well as keeping its costs at normal levels. Meanwhile, gross profit from the construction segment has increased by 46% from last year figure which was mainly due to improved margins of completed projects

INCOME STATEMENT	2015	2014	% change	Reason/Explanation
				in 2015. The real estate segment was also able to deliver robust growth as seen in the increase of its gross profit by 15% which is attributed to the recognition of sales from completed high-rise projects. Higher sales volume and streamlined operating costs resulted to the increased gross profit margin of the nickel segment. Gross profit of the off-grid power business has increased by 103% due mainly to higher electricity sales in Oriental Mindoro, Masbate and Palawan.
OPERATING EXPENSES	8,547	8,090	6%	Consolidated operating expenses increased by 6% primarily due to provisions on long outstanding power receivables in 2015. Without the provision in 2015, operating expenses is down by 5% attributed mainly to streamlined expenses and decreased government share in coal segment.
GAIN ON SALE OF INVESTMENTS	563	-	100%	This is the one time gain recognized on the sale of shares in Private Infra Dev Corporation.
EQUITY IN NET EARNINGS OF ASSOCIATES	2,376	2,016	18%	It increased by 18% mainly caused by higher profits of Maynilad.
FINANCE INCOME	468	438	7%	Consolidated finance income increased by 7% mainly due to reporting of real estate installment financing income.
FINANCE COSTS	546	467	17%	Consolidated finance costs increased by 17% mainly attributable to additional corporate notes issuance of the real estate segment.
OTHER INCOME - NET	1,002	1,517	34%	It decreased by 34% mainly due to lesser forfeitures of real estate contracts during the year and recognition of a gain on sale of undeveloped lot in 2014.

INCOME STATEMENT	2015	2014	% change	Reason/Explanation
PROVISION FOR INCOME TAX	3,605	1,088	231%	It increased by 231% because of corporate income tax in Sem-Calaca power since its income tax holiday expired end of 2014. Higher income tax expense in nickel mining, real estate and construction segments also contributed to the increase in consolidated provision for income tax mainly due to higher taxable profits during the period.

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 11, 2016, 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 27, 2016. This was paid on June 10, 2016 with a total amount of P6,373 million.
4. On April 5, 2017, 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 April 21, 2017 and payable on May 5, 2017 with a total amount of P6,373 million.
5. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
6. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
7. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period
8. Except for interest payments on loans, which the Company can fully service, the only significant commitment that would have a material impact on liquidity are construction guarantees. These are usually required from contractors in case of any damage / destruction to a completed project.
9. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity. – None
10. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.
11. All necessary disclosures were made under SEC Form 17-C.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION FOR THE YEAR ENDED DECEMBER 31, 2015.

Full Year 2015 vs Full Year 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 the Year		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P4,813	P4,067	P746	18%
DMCI HOMES	3,587	3,241	346	11%
MAYNILAD	2,312	1,968	344	17%
D.M. CONSUNJI, INC.	628	464	164	35%
DMCI MINING	501	362	139	38%
DMCI POWER (SPUG)	382	243	139	57%
PARENT & OTHERS	82	(89)	171	192%
CORE NET INCOME	12,305	10,256	2,049	20%
ONE TIME GAIN	530	519	11	2%
TOTAL	P12,835	P10,775	P2,060	19%

The consolidated net income of DMCI Holdings, Inc. (the "Company") rose by 19% to P12.8 billion in 2015, from P10.8 billion reported in 2014. The strong double-digit growth was driven by the robust performance of all business units.

Excluding the P530 million 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 Company grew 20% to P12.3 billion from P10.3 billion. PIDC is the concessionaire for the Tarlac-Pangasinan-La Union Expressway.

Due to the strong operating performance of all business segments, consolidated core EBITDA improved 30% percent to P23.7 billion from P18.2 billion the previous year.

Semirara Mining and Power Corporation (SMPC) contributed P4.8 billion to DMC's bottom line, an 18% increase from the P4.1 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 39% to 3,959 GWh from 2,840 GWh while cost of power sales decreased 52% year-on-year to P4.1 billion from P8.7 billion. With its power units operating reliably this year, SMPC was able to keep its costs at normal levels.

DMCI Homes continued to deliver robust growth due to recognition of sales from completed high-rise projects. Its net income contribution improved by 11% from P3.2 billion to P3.6 billion. Excluding the effect of a gain on sale of undeveloped lot in 2014, net income actually rose by 18% compared to last year.

Continued improvement in operational performance and a 4% increase in billed volume in 2015 pushed net earnings contribution of affiliate Maynilad to grow 17%, to P2.3 billion from P2.0 billion.

Construction-arm D.M. Consunji, Inc. contributed P628 million, a 35% jump from the P464 million reported in 2014 due mainly to improved margins realized from completed projects in 2015.

Net income contributions from DMCI Mining expanded 38% to P501 million, compared to P362 million in 2014. Higher sales volume and streamlined operating costs helped mitigate the impact of declining nickel ore prices on the company's bottom line.

Meanwhile, off-grid power business, lodged under DMCI Power, reported a 57% higher net earnings from P243 million to P382 million. Higher electricity sales in Oriental Mindoro, Masbate and Palawan accounted for the significant growth.

SEMIRARA MINING AND POWER CORPORATION

Full Years 2015-2014

Below is SMPC's management discussion and analysis of the financial results for the period ended December 31, 2015 as lifted from its 17A report with the SEC and PSE.

I. PRODUCTION – COMPARATIVE REPORT 2015 vs 2014

Coal

Coal production dropped 1% YoY to 7.98 million metric tons (MTs) from 8.08 million MTs in 2014, with strip ratio registering at 10.39:1, improved by 15% from last year's 12.26:1.

The company voluntarily suspended its operation immediately following a slide in the northern edge of Panian mine on 17 July before the receipt of the Department of Energy (DOE) suspension order later in the day. The Department of Environment and Natural Resources (DENR), on the other hand, issued a Cease and Desist Order on 21 July. Nine of the company's personnel perished, while five dump trucks, one excavator and one wheel dozer were damaged in the accident. The suspension

orders were lifted after thorough investigation showed that the Company has complied with the strengthened mining safety protocols recommended by the DOE and experts. DENR lifted its suspension on 10 August, while DOE rescinded their suspension order on 18 September.

Due to the temporary halt in operations, total materials moved decreased 14% YoY to 88.62 million bank cubic meters (bcm) from 103.30 million bcm in 2014. This volume is inclusive of 6.7 million bcm of materials unloaded as additional safety measure in compliance with the new pit slope safety parameters recommended by DOE and the safety consultants engaged by the Company after the slide.

Safety equipment and personnel were augmented to intensify mine safety efforts. Two units of Slope Stability Radar (SSR) systems were acquired to complement the existing Robotic Total Station for real time, 24-hour slope movement monitoring. The SSR is a state-of-the-art technology for monitoring mine walls and general slopes and is now a generally-accepted tool for high-risk slope management.

Mine safety protocol was also revised and improved with the hiring of a full time geotechnical consultant and additional safety personnel. Safety training hours during the year constituted 70% or 26,898 out of the 38,576 training hours.

Coal sales volume dropped by 5% YoY at 8.43 million MTs from 8.89 million MTs in 2014. Lower sales resulted to higher ending inventory at 829 thousand MTs, 115% higher than last year's 386 thousand MTs.

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

COMPARATIVE PRODUCTION DATA											
<i>(in '000, except Strip Ratio)</i>											
	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	% Inc (Dec)
Total Materials (bcm)	26,284	27,800	9,529	25,005	88,618	28,135	26,385	22,745	26,032	103,297	-14%
Gross Product Coal (MT)	2,325	2,134	1,113	2,408	7,979	2,353	2,513	2,145	950	7,981	0%
Strip Ratio	10.59:1	12.31:1	7.85:1	9.67:1	10.39:1	10.89:1	9.20:1	9.09:1	24.80:1	12.28:1	-15%
Net TPC (MT)	2,302	2,112	1,182	2,384	7,980	2,329	2,488	2,123	1,144	8,084	-1%
Beg. Inventory (MTs)	386	317	634	748	386	1,277	1,279	1,623	1,966	1,277	-70%
End Inventory (MTs)	317	634	748	829	829	1,279	1,623	1,966	386	386	115%

SCPC

Both power units were operating reliably in 2015, registering record high gross generation which increased 39% YoY at 3,959 GWh from 2,840 GWh last year. The significantly lower generation in 2014 was due to the prolonged shut down for maintenance and installation of the new Distribution Control System (DCS) of Unit 2 last year which lasted to around six months.

Unit One

Gross generation of Unit 1 increased 7% YoY to 1,819 GWh from 1,698 GWh generation last year. Average capacity decreased this year to 228 MW from 230 MW in 2014. High grade coal from

Semirara improved the capacity of the plant in the first half of the year, however average capacity slightly dropped to 202 MW in second half of the year due to the slugging/fouling observed in the unit. Capacity factor is also up at 69% as of the end of current year, as against 65% last year.

Availability of the plant increased 8% YoY to 91% this year from 84% in 2014. 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 for tube leaks repairs.

Unit Two

Gross generation of Unit 2 surged 87% YoY to 2,140 GWh from 1,141 GWh last year as availability and average capacity registered record high. Conversely, generation in 2014 was low as the planned outage, mainly to give way for the installation of a new Distribution Control System (DCS) was prolonged. The commissioning of the plant was delayed and it 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 the second half of the year, with dependable capacity reaching its rated capacity of 300 MW. Average capacity improved to 291 MW this year from 259 MW last year. Capacity factor also improved, registering at 81% this year from only 43% in 2014.

Availability of the plant increased to 84% in the current period from only 50% last year. Unplanned outages this year registered at 673 hours.

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

COMPARATIVE PLANT PERFORMANCE DATA											
CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	% Inc (Dec)
Gross Generation, GWh											
Unit 1	456	495	450	419	1,819	455	327	428	489	1,698	7%
Unit 2	558	656	549	376	2,140	33	77	428	603	1,141	87%
Total Plant	1,014	1,151	998	795	3,959	489	404	855	1,092	2,840	39%
% Availability											
Unit 1	77%	91%	96%	100%	91%	89%	63%	85%	100%	84%	8%
Unit 2	91%	100%	85%	60%	84%	6%	20%	76%	98%	50%	67%
Total Plant	84%	96%	90%	80%	87%	48%	41%	81%	99%	67%	30%
Capacity Factor											
Unit 1	70%	75%	68%	64%	69%	70%	49%	65%	75%	65%	7%
Unit 2	86%	99%	83%	57%	81%	5%	12%	65%	92%	43%	87%
Total Plant	78%	87%	75%	61%	75%	38%	30%	65%	83%	54%	39%

SLPGC

The 2 x 150 MW power plants started testing and commissioning in 2015. 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 211 GWh. Although, the two units reached their maximum capacity of 150MW in September and December, respectively, this was not sustained, thus both units are still on commissioning and have not been officially declared commercial operations and achieved TOC (Turn-over Certificate) or final acceptance.

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

Coal

Coal sales declined 5% YoY to 8.43 million MTs from 8.89 million MTs in 2014.

Sales to local customers increased 46% YoY to 5.32 million MTs from 3.64 million MTs in 2014, while export sales dropped by 41% YoY to 3.11 million MTs from 5.25 million MTs last year.

Power plant sales took up the biggest market share this year of 47% at 3.93 million MTs, up by 68% YoY from only 2.34 million MTs of coal sold to power plants in 2014. Deliveries to Calaca surged by 78% YoY to 2.70 million MTs from 1.51 million MTs last year as power Units 1 and 2 are operating with minimal downtime in the current period as compared to the previous year. Sales to other power plants likewise increased significantly by 50% YoY to 1.24 million MTs from 825 thousand MTs last year. The growth mainly came from additional capacities and increase in the plants' usage ratio between Semirara coal and imported coal.

Cement companies also increased their volume by 17% YoY to 1.03 million MTs from 875.04 thousand 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. Cement industry's market share rose from 10% last year to 12% of total sales this year.

On the contrary sales to other industrial plants decreased by 16% YoY to 362 thousand MTs from 432 thousand MTs last year with lesser off-take by some customers.

Market share of export sales dropped to 37% from 59% last year. 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.

Composite average FOB price per MT decreased 9% YoY to PHP1,943 from PHP2,127 last year as global coal prices continue to drop.

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

CUSTOMER	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	%	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	%	% Inc (Dec)
Power Plants													
Calaca	666	628	661	743	2,696	32%	334	238	377	562	1,510	17%	78%
Other PPs	313	307	306	312	1,237	15%	165	175	243	242	825	9%	50%
TOTAL PPs	980	932	966	1,055	3,933	47%	499	413	620	804	2,336	26%	68%
Other Industries													
Cement	278	246	278	224	1,027	12%	242	219	178	236	875	10%	17%
Others	93	114	91	65	362	4%	106	85	114	127	432	5%	-16%
Total Others	371	360	369	289	1,389	16%	348	304	292	363	1,307	15%	6%
TOTAL LOCAL	1,351	1,292	1,336	1,344	5,323	63%	847	716	912	1,167	3,643	41%	46%
EXPORT	1,054	534	562	956	3,105	37%	1,462	1,407	846	1,531	5,246	59%	-41%
GRAND TOTAL	2,404	1,826	1,898	2,300	8,428	100%	2,309	2,124	1,758	2,698	8,889	100%	-5%

POWER

SCPC's sales increased 11% YoY to 3,754 GWh from 3,383 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 3,581 GWh were sold to bilateral contracts and the remaining 5% to the spot market.

MERALCO remained to be the single biggest customer, accounting for 82% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 5% and 8%, respectively.

Spot Market Sales is higher by 226% YoY at 173 GWh against 53 GWh last year.

Of the total energy sold, 99.4% was sourced from own generation, while only 0.6% 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 6% YoY to PHP3.33/KWh in the current year from PHP3.55/KWh last year. The contracts index Newcastle prices has been declining in the current semester against last year.

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

COMPARATIVE PLANT PERFORMANCE DATA (in GWh ; PHP)											
CUSTOMER	Q1 '14	Q2 '14	Q3 '14	Q4 '14	FY '14	Q1 '15	Q2 '15	Q3 '15	Q4 '15	FY '15	% Inc (Dec)
Bilateral Contracts	902	1,031	937	710	3,581	413	886	966	1,065	3,330	8%
Spot Sales	80	65	20	8	173	11	-	15	27	53	226%
Grand Total	982	1,096	957	719	3,754	425	886	981	1,091	3,383	11%
Composite Ave. Price	3.56	3.37	3.30	3.40	3.41	4.40	3.73	3.50	3.40	3.64	-6%

SLPGC

While on testing and commissioning, SLPGC sold the power generated by both plants to the spot market. As the two units were expected to be commercially available by second half of 2015, power supply contracts were already negotiated to put them in place just in time for its commercial operation. The delay of the commissioning prompted the company to serve a replacement power contract out of the generated power while still on commissioning, through a non-firm supply contract.

Total energy sold recorded at 209 GWh at an average composite price of PHP3.51/KWh.

The Company already secured supply contracts during the period with three customers totaling to 222 MWs. The contract terms range between two to five years.

III. FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, dropped 14% YoY at PHP24.68 billion in 2015 from PHP28.59 billion in the previous year. Before eliminations, Coal Revenues decreased 28% YoY at PHP16.37 billion from PHP18.91 billion last year. The decrease is due to lower sales volume by 5% and decline in composite average price to PHP1,943 from PHP2,127 last year. On the contrary, higher energy sales pushed SCPC Revenues up by 5% YoY at PHP 12.80 billion from PHP12.31 billion despite lower average price per KWh at PHP3.41 against PHP3.64/KWh last year. 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 PHP110.09 million this year while on testing and commissioning.

Consolidated Cost of Sales dropped 44% YoY to PH10.54 billion from PHP18.93 billion last year. Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year.

Before eliminations, coal Cost of Sales decreased 29% YoY to PHP8.63 billion from PHP12.23 billion last year. This is due to lower strip ratio, the decline in volume sold combined with lower shipping costs and drop in oil prices. Cost of coal sold per MT reduced by 29% YoY at PHP1,062 from PHP1,376 last year. Coal depreciation decreased 39% YoY to PHP702.59 million from PHP1,154.69 million last year.

SCPC's Cost of Sales before elimination decreased 32% YoY to PHP6.35 billion from PHP9.35 billion; and 52% YoY after elimination to PHP4.13 billion from PHP8.70 billion last year. The Company was exposed to higher cost of replacement power in 2014 and incurred net loss of PHP2.1 billion from replacement power, when the plants used up the allowable downtime provided by the terms of the 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 38% lower YoY at PHP1.69 from PHP2.75 last year. SCPC's depreciation increased 10% YoY at PHP1.02 billion from PHP0.93 billion last year.

The resulting consolidated Gross Profit increased 47% YoY to PHP14.14 billion, with coal, SCPC and SLPGC each contributing PHP5.39 billion, PHP8.66 billion and PHP108.96 million, respectively. Last year's consolidated Gross Profit stood at PHP9.66 billion, PHP5.28 billion from coal and PHP1.59 billion from SCPC. Consolidated Gross profit margin rose to 57% from 34% last year.

Consolidated Operating Expenses (OPEX) increased by 36% YoY to PHP4.39 billion from PHP3.22 billion. Net of eliminating entries, the coal segment's OPEX increased 3% YoY to PHP2.32 billion from PHP2.27 billion last year. This mainly accounts for the tax assessment for year 2010 and 2011 totalling to PHP81.70. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, increased by 113% YoY to PHP1.98 billion from PHP926.36 million last year mainly due to full provision for allowance for the questioned PEMC receivables on electricity sold on spot last November and December 2013 amounting to P896.14 million. SLPGC incurred PHP91.37 million in OPEX, 132% up from 2014 OPEX of PHP39.33 million, representing non-capitalizable expenses recorded during each respective period. Other pre-operating subsidiaries incurred combined OPEX of PHP4.56 million.

Consolidated Forex Losses stood at PHP300.06 million, almost five times higher YoY from PHP52.14 million last year due to unrealized valuation losses. The peso is weaker this year, closing at USD1: PHP47.06, as against USD1: PHP44.72 as at end of 2014. Coal recorded Forex losses of PHP327.98 million as against PHP61.85 million last year as a result of the valuation of its USD denominated loans and foreign currence denominated transactions. SCPC meanwhile recorded gains this year of PHP 30.47 million versus losses of PHP14.45 million last year on its foreign currency denominated transactions. SLPGC also incurred FOREX losses of PHP2.55 million in the current period, as against gains of PHP24.15 million last year.

Higher cash levels offset lower placement interest rates, resulting to 39% increase YoY on consolidated Finance Income to PHP57.56 million from PHP41.45 million last year. Coal, SCPC and SLPGC earned PHP22.52 million, PHP16.56 million and PHP18.18 million Finance Income, respectively.

Consolidated Finance Costs dropped 14% YoY to PHP278.19 million from PHP323.23 million last year due to continuous repayment of loans. The Company only started accumulating loans again in the second half of 2015.

Coal's interest-bearing loans rose 20% YoY to PHP6.21 billion from PHP5.15 billion last year, resulting to a 8% increase YoY in Finance Cost to PHP129.65 million from PHP119.94 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 PHP2.30 billion from PHP3.82 billion last year; its Finance Cost decreased 26% YoY to PHP147.23 million from PHP197.73 million last. 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 114% YoY to PHP440.68 million from PHP205.49 million last year. The coal segment's Other Income in the current period rose 170% to PHP248.34 million from PHP92.01 million last year; this mainly accounted for insurance recoveries and gain on sale of miscellaneous assets. SCPC's Other Income likewise increased 10% YoY to PHP125.19 million from PHP113.48 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 PHP58.33 million representing power sold during plant commissioning.

The resulting consolidated Net Income Before Tax (NIBT) increased 53% YoY to PHP9.67 billion from PHP6.31 billion in 2014.

Consolidated Provision for Income Tax surged to PHP1.18 billion from net deferred tax of PHP552.87 million last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is now in a tax position. As a result, coal's tax provision remained minimal at PHP37.78 million, while SCPC recognized tax exposure of PHP1.22 billion in 2015. Notably however, SCPC has Deferred Tax Assets as at end 2014 amounting to PHP635.64 million to partially cover the tax liability in the current period. SLPGC recorded final income tax of PHP3.64 million.

The resulting consolidated Net Income After Tax (NIAT) increased 24% YoY to PHP8.47 billion from PHP6.85 billion last year. Net of eliminations, coal generated net income of PHP2.91 billion, while SCPC generated PHP5.50 billion. Pre-operating SLPGC recorded PHP85.89 million income after generating sales while on commissioning; last year it recorded non-capitalizable project expensed of PHP29.26 million. Before eliminations, coal and SCPC recorded NIAT of PHP6.75 billion and PHP3.32 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year, Earnings per Share (EPS) stood at PHP7.94, 23% more than same period last year's adjusted EPS of PHP6.42.

DMCI HOMES

Net income of wholly-owned subsidiary DMCI Project Developer's Inc. (PDI) rose by 11% to P3.6 billion. The strong revenues from completed high-rise projects coupled with stable gross margins pushed net earnings higher compared last year. Excluding the effect of a gain on sale of undeveloped lot last year, net income rose by 18% in 2015.

Revenues climbed **9.5%** to P13.7 billion due to completion of Sorrel Tower, La Verti Residences, Verawood Residences, The Amaryllis and One Castilla Place.

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 reported at P18.8 billion, a dip of 1% from last year. 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.

Capital expenditures went down by 19% to P9.9 billion from P12.2 billion in 2014. Of the amount spent in 2015, 32% went to land acquisition, 68% went to development cost.

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 10.95 billion, income from operations climbed 8% to P11.85 billion in 2015.

Consolidated revenues from water and sewer services for the full year 2015 grew 4.3% to P18.7 billion from P17.94 billion last year. The increase in revenues was primarily driven by the 4.3% increase in billed volume, coupled with 0.1% increase in average effective tariff. Meanwhile, Consolidated revenues from operations amounted to P19.1 billion, a 4% increase from P18.36 billion last year.

Consolidated cash operating expenses decreased 3.0% to P5.18 billion versus P5.34 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 and repairs and maintenance costs.

Amortization of intangible assets increased 12.9% to P2.04 billion from P1.8 billion in the prior year, in line with the company's continuing capital expenditure program.

Reported consolidated net income grew at an even higher pace of 15.7% to P9.55 billion from P8.26 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 17% increase from P1.9 billion last year to P2.3 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. In the fourth quarter of 2015, the Arbitration Tribunal was constituted. Hearings are expected to begin in 2016.

D.M. CONSUNJI, INC.

D.M Consunji, Inc. reported P628 million net income in 2015, an improvement of 35% due mainly to higher percentage-of-completion revenue from ongoing projects and better margins realized from completed projects. Despite the challenges of right-of-way and utility relocation issues, construction revenues from external customers improved by 12% to P13.2 billion mainly coming from infrastructure projects. Meanwhile, total construction costs (under cost of services and operating expenses) grew at a slower pace of 9% reaching P12.3 billion in 2015 from P11.3 billion in 2014. The recognized cost in 2014 was adversely affected by the cost overruns in its engineering, procurement and construction (EPC) contract for a power plant.

The company reported a total orderbook (balance of work) of P29.2 billion at the end of December 2015, from P18.5 billion at the close of 2014. Awarded projects and contract adjustments in 2015 totaled P24.4 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 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 December 31, 2015, the total installed rated capacity is 78.04MW. Out of the total, 24.4MW (12.4 MW bunker-fired and 12 MW diesel) is at Masbate, 38.08MW (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 (86 GWh) and Palawan (78 GWh) rose by 8% and 47%, respectively, year-on-year. Average price/kwh in Masbate is P11.52/kwh and P9.27/kwh in Palawan. Ten months operations in Mindoro Oriental produced sales volume of 46 GWh at P9.89/kwh average price.

Consequently, the total off-grid generation revenue and net income went up by 19% and 57%, respectively. Revenue increased to P2.2 billion in 2015 compared to P1.8 billion in 2014. Meanwhile, net income went up to P382 million compared to last year's P243 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.

Despite a weak and volatile global nickel ore price, DMCI Mining was able to generate a net income of P501 million in 2015, an upsurge of 38% from P362 million in 2014. The increase was attributed to higher sales volume and streamlined operating costs. In addition, the Company's EBITDA has climbed 102% year-on-year to P1.6 billion.

On a full year comparative basis, revenues amounted to P3.1 billion in 2015, up 21% from P2.6 billion in 2014 mainly due to more volume and higher ore grade shipments. Sales volume in 2015 reached 1.65 million wet metric tons (WMT) compared to 1.21 million WMT last year. Average ore grade in 2015 is 1.63% compared to 1.43% in 2014. Despite the higher average ore grade, composite average price was P1,894 per WMT in 2015 compared to P2,142 per WMT in 2014, indicative of the nickel commodity market conditions for the year.

The segment's total depletion, depreciation and amortization amounted to P436 million in 2015 compared to P512 million in 2014. Total operating cash cost per WMT (under cost of sales and operating expenses) decreased by 37% to P961/WMT compared to P1,508/WMT in 2014.

Explanation of movement in consolidated income statement accounts:

Revenue

Consolidated revenue slightly increased by 1% to P57.2 billion during the year compared to P56.6 billion last year. The increase came from the Company's power, real estate, construction and nickel mining businesses.

Cost of Sales and Services

It decreased by 16% despite higher sales volume in almost all business segments mainly due to higher cost of replacement power in 2014.

Operating Expenses

Consolidated operating expenses increased by 6% primarily due to provisions on long outstanding power receivables in 2015.

Equity in Net Earnings

It increased by 18% mainly caused by higher profits of Maynilad.

Finance Income

Consolidated finance income increased by 7% mainly due to reporting of real estate installment financing income.

Finance Costs

Consolidated finance costs increased by 17% mainly attributable to additional corporate notes issuances of the real estate segment.

Other Income-net

It decreased by 34% mainly due to lesser forfeitures of real estate contracts during the year and recognition of a gain on sale of undeveloped lot in 2014.

Provision for Income Tax

It increased by 231% because of income tax expense in Sem-Calaca power since its income tax holiday expired end of 2014. Higher income tax expense in nickel mining, real estate and construction 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

December 31, 2015 (Audited) vs December 31, 2014 (Audited)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P149 billion and P75 billion, respectively as of December 31, 2015. This is an improvement of 8% and 12%, respectively

Consolidated cash expanded by 26% from P15.2 billion in December 31, 2014 to P19.2 billion in December 31, 2015 due mainly to higher operating income for the year and issuances of corporate notes of the real estate segment. This is despite payment of dividends and higher income taxes in 2015.

Available for sale financial assets increased by 13% from P68 million to P77 million due to mark-to-market gain recognized in equity.

Total receivables (current and non-current) slightly increased by 1% from P15.9 billion to P16 billion mainly attributed to higher billed construction receivables. This was driven by higher accomplishments from ongoing projects during the year as compared to last year.

Consolidated inventories grew by 20% from P28.6 billion to P34.4 billion coming mainly from land acquisition and continuing work in progress in the real estate segment.

Other current assets decreased by 21% mainly due to recoupment of advances from suppliers and subcontractors and the realization of net input VAT and creditable taxes of the construction and nickel mining segments.

Investments in associates and joint ventures slightly increased by 5% despite the sale of shares in Private Infra Dev Corporation (PIDC). The increase is attributable to higher equity in net earnings in Maynilad.

Property plant & equipment reached P49.4 billion, up 5% mainly due to equipment and parts acquisitions in coal and power segments.

Investment properties increased by 19% mainly due to acquisition of property by the real estate segment during the period.

Exploration and evaluation asset rose by 52% to P3.2 billion from P2.1 billion last year. This accounted for the exploratory drilling and pre-stripping activities in Narra mine (previously Bobog mine).

Other noncurrent assets decreased by 13% which is due to the reclassification of the investment in sinking fund of Sem Calaca to current asset. Such sinking fund was reclassified because of the planned prepayment of loan to which the account is attached.

Accounts & other payables decreased by 11% mainly attributed to payments of normal trade transactions with suppliers and subcontractors in the construction and coal segments.

Customers' advances and deposits slightly increased by 2% due to payments received from real estate customers, the corresponding revenue of which has yet to be realized under full completion method of accounting.

Income tax payable increased by 452% due to higher taxable income of the nickel mining segment during the year as compared to last year. Also, Sem-Calaca power has started to pay income taxes during the year since its income tax holiday expired end of 2014.

Liabilities for purchased land increased by 38% mainly due to the acquisition of land for real estate development.

The increase in short-term debt by 83% from P2 billion to P3.7 billion mainly pertains to working capital loans of the coal segment.

Long term debt grew by 5% from P35.4 billion to P37.1 billion attributed to additional corporate notes issuances of the real estate segment.

Deferred tax liabilities increased by 20% mainly due to the excess of book over tax income in real estate sales.

Other noncurrent liabilities increased by 12% mainly due to advances from contract owners which are not due to be settled within twelve months after the end of the reporting period. The increase in mine rehabilitation contingency of the coal segment due to intensified and expanded rehabilitation plan also contributed to the increase in other noncurrent liabilities.

After generating a net income of P12.8 billion and payment of cash dividends of P6.4 billion, consolidated retained earnings increased by 17% from P37.2 billion in 2014 to P43.7 billion in 2015.

Non-controlling interest increased by 18% as a result of the non-controlling share in the consolidated net income of Semirara, net of its share in the dividends declared during the period.

III. KEY PERFORMANCE INDICATORS

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

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

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Period		Variance	
	2015	2014	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P24,680	P28,585	(P3,905)	-14%
DMCI HOMES	13,677	12,494	1,183	9%
D.M. CONSUNJI, INC.	13,249	11,853	1,395	12%
DMCI MINING	3,139	1,516	1,623	107%
DMCI POWER (SPUG)	2,169	1,828	341	19%
PARENT & OTHERS	290	285	5	2%
TOTAL	P57,204	P56,561	P642	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 Company's nickel mining, construction, real estate and off grid power businesses posted higher revenues during the year as compared to last year. Revenue from Semirara was down mainly due to lower sales volume and decline in composite average price of its coal business. (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	P4,813	P4,067	P746	18%
DMCI HOMES	3,587	3,241	346	11%
MAYNILAD	2,312	1,968	344	17%
D.M. CONSUNJI, INC.	628	464	164	35%
DMCI MINING	501	362	139	38%
DMCI POWER (SPUG)	382	243	139	57%
PARENT & OTHERS	82	(89)	171	192%
CORE NET INCOME	12,305	10,256	2,049	20%
ONE TIME GAIN	530	519	11	2%
TOTAL	P12,835	P10,775	P2,060	19%

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 year ended, all of the Company's business segments have posted strong growth in earnings despite a challenging business environment faced during the year. (See Part I. Results of Operations – different segments for a detailed discussion per business).

EARNINGS PER SHARE

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

The Company's consolidated basic and diluted EPS for the year was P0.97/share accounting for a 20% increase from the P0.81/share EPS last year attributed to strong growth of all the business segments in 2015. (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

Consolidated cash and cash equivalents amounted to P19.2 billion, resulting in a current ratio of 185% for 2015. (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

Total borrowings stood at P40.8 billion from P37.4 billion last year, which resulted to a net debt to equity ratio of 29%. (See Part II. Financial Condition for a detailed discussion).

OTHER RELEVANT FINANCIAL SOUNDNESS RATIOS

	December 31, 2015	December 31, 2014
Current Ratio	185%	212%
Net Debt to Equity Ratio	29%	33%
Asset to Equity Ratio	199%	206%
Return on Assets	12.2% 11.9%*	10.9% 10.5%**
Return on Parent Equity	21.6% 20.7%*	20.1% 19.1%**
Interest Coverage Ratio	11.4 times 11.1 times*	9.0 times 8.7 times**
Gross Margin (%)	44.4%	32.8%
Net Profit Margin (%)	29.6% 28.7%*	24.4% 23.5%**

* Excluding one time gain of P530 million pertaining to sale of PIDC share

** Excluding one time gain of P519 million pertaining to acquisition of nickel mining entities

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.

C. FINANCIAL STATEMENTS

The Financial Statements incorporated herein by reference to the attached audited financial statements.

D. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The principal accountants and external auditors of the Company and its subsidiaries is the accounting firm Sycip, Gorres, Velayo and Co. (SGV & Co.). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), the Board of Directors of the Company, upon recommendation of its Audit Committee, approved the engagement of the services of SGV & Co. as external auditor and Ms. Cyril Jasmin B. Valencia as the Partner-in-Charge starting 2013 audit period or less than five years following the regulatory policy of audit partner rotation every five years.

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

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

I. External Audit Fees and Services

- a. Audit and Audit Related Fees – The Company and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

Type of Service	2016	2015
Audit and Audit related Fees	16,904,122	16,346,828
Non-audit	450,000	436,000

- b. Changes In And Disagreements With Accountants On Accounting And Financial Disclosure - **There has been no change or disagreements with certifying accountants.**
- c. The Company's Audit Committee reviews and discusses with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external

auditor's written communications to the Committee and to management. It also reviews the external auditor's audit plans that increase the credibility and objectivity of the Company's financial reports and public disclosure.

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

PART III - CONTROL AND COMPENSATION INFORMATION

A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

Name	Position	Age	Citizenship
Isidro A. Consunji	Chairman of the Board President/Chief Executive Officer	68	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	87	Filipino
Herbert M. Consunji	Vice President & Chief Finance Officer/Director/Compliance Officer	64	Filipino
Ma. Edwina C. Laperal	Treasurer	55	Filipino
Cristina C. Gotianun	Assistant Treasurer	62	Filipino
Jorge A. Consunji	Director	64	Filipino
Victor A. Consunji	Director	65	Filipino
Antonio Jose U. Periquet	Director (Independent)	55	Filipino
Honorio O. Reyes-Lao	Director (Independent)	72	Filipino
Victor S. Limlingan	Managing Director	73	Filipino
Noel A. Laman	Corporate Secretary	76	Filipino
Pilar P. Gutierrez	Asst. Corporate Secretary	40	Filipino
Brian T. Lim	Vice President & Senior Finance Officer	31	Filipino
Cherubim O. Mojica	Vice President & Corporate Communications Head	39	Filipino
Tara Ann C. Reyes	Investor Relations Officer	39	Filipino

REGULAR DIRECTORS

Isidro A. Consunji – is 68 years old; has served the Corporation as a regular director for twenty one (21) years since March 1995; is a regular Director of the following: (Listed) Semirara Mining and Power Corp. and Atlas Consolidated Mining and Development Corp.; (Non-listed) D. M. Consunji, Inc., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Calaca Res Corp., Sem-Cal Industrial Park Developers, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corp. and Crown Equities, Inc., Wire Rope Corporation of the Philippines. Education. Bachelor of Science in Engineering (University of the Philippines), Master of Business Economics (Center for Research and Communication), Master of Business Management (Asian Institute of Management), Advanced Management (IESE School, Barcelona, Spain). Civic Affiliations. Philippine Overseas Construction Board, Chairman, Construction Industry Authority of the Philippines, Board Member, Philippine Constructors Association, Past President, Philippine Chamber of Coal Mines, Past President, Asian Institute of Management Alumni Association, Member, UP Alumni Engineers, Member, UP Aces Alumni Association, Member.

Cesar A. Buenaventura – is 87 years old; has served the Corporation as a regular director for twenty one (21) years since March 1995; is a regular Director of the following: (Listed) Semirara Mining and Power Corp., iPeople Inc., Petroenergy Resources Corp., Concepcion Industrial Corp; (Non-listed) D.M. Consunji, Inc., Pilipinas Shell Petroleum Corp., Mitsubishi-Hitachi Phils, Inc. Education. Bachelor of Science in Civil Engineering (University of the Philippines), Masters Degree in Civil Engineering, Major in Structures (Lehigh University, Bethlehem, Pennsylvania). Civic Affiliations. Pilipinas Shell Foundation, Founding Member, Makati Business Club, Board of Trustee University of the Philippines, Former Board of Regents, Asian Institute of Management, Former Board of Trustee, Benigno Aquino Foundation, Past President, Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

Herbert M. Consunji – is 64 years old; has served the Corporation as a regular director for twenty one (21) years since March 1995; is a regular Director of the following: (Listed) Semirara Mining and Power Corporation; (Non-listed) D.M. Consunji, Inc., Subic Water and Sewerage Company, Inc., DMCI Mining Corp., Sem-Calaca Res Corporation, DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Cal Industrial Park Developers, Inc. Education. Top Management Program, Asian Institute of Management; Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Certified Public Accountant (CPA). Civic Affiliations. Philippine Institute of Certified Public Accountants, Member.

Jorge A. Consunji – is 65 years old; has served the Corporation as a regular director for twenty one (21) years since March 1995; is a regular Director of the following: (Listed) Semirara Mining and Power Corp.; (Non-listed) D.M. Consunji Inc., DMCI Project Developers, Inc., DMCI Mining Corp.,

DMCI Power Corp., DMCI Masbate Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., DMCI Concepcion Power Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corporation, Wire Rope Corporation of the Phils., Private Infra Dev Corp., Manila Herbal Corporation, Sirawai Plywood & Lumber Co., M&S Company, Inc. Education. Bachelor of Science in Industrial Engineering (De La Salle University); Attended the Advanced Management Program Seminar at the University of Asia and the Pacific and Top Management Program at the Asian Institute of Management. Civic Affiliations. Construction Industry Authority of the Phils, Board Member, Asean Constructors Federation, Former Chairman, Phil. Constructors Association, Past President/Chairman, Phil. Contractors Accreditation Board, Former Chairman, Association of Carriers & Equipment Lessors, Past President.

Victor A. Consunji - is 66 years old; has served the Corporation as a regular director for twenty one (21) years since March 1995; is a regular Director of the following: (Listed) Semirara Mining and Power Corp.; (Non-listed) DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem Calaca Res Corporation, Sem-Cal Industrial Park Development Corp., St. Raphael Power Generation Corp., Semirara Eneergy Utilities Inc., Semirara Claystone, Inc., Sem-Balayan Power Generation Corp., Dacon Corp., DMCI Masbate Corp., DMCI Mining Corp. , D.M. Consunji Inc. , DFC Holdings, Inc., M&S Company, Inc., Sodaco Agricultural Corporation, Ecoland Properties Development Corporation., DMC Urban Properties Development Inc., Sirawai Plywood & Lumber Corp., Royal Star Aviation, Inc., Zanorte Palm-Rubber Plantation, Inc. Education. AB Political Science (Ateneo de Manila and Ateneo de Davao); Chevalier College, Australia (secondary); San Beda College, Manila (elementary).

Ma. Edwina C. Laperal - is 55 years old; has served the Corporation as a regular director from March 1995 to July 2006 (11years and 4 months) and from July 2008 to present (7 years and 9 months); is a regular Director of the following: (Listed) Semirara Mining and Power Corporation; (Non-listed) D.M. Consunji, Inc., DMCI Project Developers, Inc., Dacon Corporation, DMCI Urban Property Developers, Inc, Sem-Calaca Power Corp., DFC Holdings, Inc. Education. BS Architecture (University of the Philippines), Masters in Business Administration (University of the Philippines). Civic Affiliations. UP College of Architecture Alumni Foundation Inc., Member; United Architects of the Philippines, Member; Guild of Real Estate Entrepreneurs And Professionals (GREENPRO) formerly Society of Industrial-Residential-Commercial Realty Organizations, Member; Institute of Corporate Directors, Fellow.

Luz Consuelo A. Consunji – is 63 years old; a regular director of the following: (Non-listed) South Davao Development Corp., Dacon Corp. and Zanorte Palm-Rubber Plantation, Inc.; Education. Bachelor’s Degree in Commerce, Major in Management (Assumption College), Master’s in Business Economics (University of Asia and the Pacific). Civic Affiliations. Mary Mother of the Poor Foundation, Treasurer (May 2012-July 2014), Missionaries of Mary Mother of the Poor, Treasurer (May 2012 – present).

INDEPENDENT DIRECTORS

Honorio O. Reyes-Lao - is 72 years old; has served the Corporation as an Independent Director for six (6) years and eight (8) months since July 2009; is director of Philippine Business Bank (Listed); Non-Listed (Past Positions) Gold Venture Lease and Management Services Inc. (2008-2009), First Sovereign Asset Management Corporation (2004-2006, CBC Forex Corporation (1998-2002) , CBC Insurance Brokers, Inc. (1998-2004), CBC Properties and Computers Center, Inc. (1993-2006); Education. Bachelor of Arts, Major in Economics (De La Salle University), Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Masters Degree in Business Management (Asian Institute of Management); Civic Affiliations. Institute of Corporate Directors, Fellow, Rotary Club of Makati West, Member/Treasurer, Makati Chamber of Commerce and Industries, Past President.

Antonio Jose U. Periquet - is 55 years old; has served the Corporation as an Independent Director for five (5) years and 7 months since August 2010; he is director of the following: (Listed) ABS-CBN Corporation, ABS-CBN Holdings Corp., Ayala Corporation , Bank of the Philippine Islands , Max's Group of Companies, Philippine Seven Corporation, Inc.; (Non-listed) Albizia ASEAN Tenggara Fund, Campden Hill Group, Inc., Campden Hill Advisors, Inc., Pacific Main Holdings, Lyceum of the Philippines University, The Straits Wine Company, Inc., BPI Asset Management and Trust Corporation, BPI Capital Corporation, BPI Family Savings Bank, Inc.; Education. MBA, Darden Graduate School of Business Administration, University of Virginia, USA (1990); Master of Science (Econ), Oxford University, UK (1988); Bachelor of Arts (Econ), Ateneo de Manila University (1982); Civic Affiliations. Global Advisory Council, Darden Graduate School of Business Administration, University of Virginia, Member; Finance and Budget Committee of the Board, Ateneo de Manila University, Member; Finance Committee, Philippine Jesuit Provincial, Member.

KEY OFFICERS

Noel A. Laman is 76 years old; has served the Corporation as Corporate Secretary for twenty one (21) years since March 1995; he holds the following positions: (Non-listed) Castillo Laman Tan Pantaleon & San Jose Law Offices, Founder/Senior Partner; DCL Group of Companies, Treasurer; Boehringer Ingelheim (Phils.), Inc., Non-executive Director; Merck, Inc, Non-executive Director. Education. Bachelor of Science, Jurisprudence (University of the Philippines); Bachelor of Laws (University of the Philippines); Master of Laws (University of Michigan Law School); Civic Affiliations. Integrated Bar of the Philippines, Past Secretary, Treasurer, Vice President, Makati Chapter; Rotary Club Makati West, Past President; Intellectual Property Association of the Philippines (IPAP), Past President; Asian Patent Attorneys Association (APAA), Past Council Member; Firm Representative to the German Philippine Chamber of Commerce, Inc., Member.

Ma. Pilar P. Gutierrez is 40 years old; has served the Corporation as Assistant Corporate Secretary for six (6) years since July 2010; she holds the following positions: (Listed) National Reinsurance Corporation of the Philippines, Assistant Corporate Secretary; (Non-listed) Castillo Laman Tan Pantaleon & San Jose Law Firm, Partner; Pricon Microelectronics, Inc., Corporate Secretary; Test Solution Services, Inc., Corporate Secretary; Manpower Resources of Asia, Inc., Corporate Secretary; Sealanes Marine Services, Inc., Corporate Secretary; Software AG Philippines, Inc., Corporate Secretary; Oncho Philippines, Inc., Corporate Secretary; Mercury Battery Industries, Inc., Corporate Secretary; Philippine Advanced Processing Technology, Inc., Corporate Secretary; Rentokil Initial Philippines, Inc., Corporate Secretary; Jacobs Projects Philippines, Inc., Corporate Secretary; Successfactors Philippines, Inc., Corporate Secretary; D.M. Consunji, Inc., Asst. Corporate Secretary; DMCI Project Developers, Inc., Asst. Corporate Secretary; Dacon Insurance Brokers, Inc., Asst. Corporate Secretary; Wire Rope Corporation of the Philippines, Asst. Corporate Secretary; Honeywell CEASA (Subic Bay) Company, Inc., Asst. Corporate Secretary; IMS Health Philippines, Inc., Asst. Corporate Secretary; SingTel Philippines, Inc., Asst. Corporate Secretary; Koyo Manufacturing Philippines Corporation, Asst. Corporate Secretary. Education. Bachelor of Laws, University of the Philippines; Bachelor of Science in Management, Major in Legal Management (B.S.L.M.), Ateneo de Manila University.

Victor S. Limlingan is 73 years old; has served the Corporation as Managing Director for seven (7) years since February 2009; he holds the following positions: (Non-Listed) DMCI Project Developers, Inc., Non-executive Director; D.M. Consunji, Inc., Non-executive Director; Berong Nickel Corporation, Non-executive Director; Regina Capital Development Corporation, Chairman; Cristina Travel Corporation, Chairman; Vita Development Corporation, Chairman; Guagua National Colleges, Chairman. Past Positions. DMCI Holdings, Inc., Independent Director (2006-2009); Asian Institute of Management, Professor (1973-2008); Civil Aeronautics Board, Member (1992-1997); Asian Development Bank, Deputy to the Philippine Executive Director (1986-1990); Education. Bachelor of Arts, Major in Engineering, Ateneo De Manila University; Master in Business Management, Ateneo De Manila University; Doctor of Business Administration, Harvard University. Civic Affiliations. Management Association of the Philippines, Member.

Ma. Cristina C. Gotianun is 62 years old; has served the Corporation as Assistant Treasurer for twenty one (21) years; she is a regular director the following positions: (Listed) Semirara Mining and Power Corporation; (Non-listed) Dacon Corporation, D.M. Consunji, Inc., DMCI Power Corporation, Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sirawan Food Corporation, Sem-Cal Industrial Park Development Corp., St. Raphael Power Generation Corp., Semirara-Energy Utilities, Inc., Semirara Claystone, Inc., Sem Calaca Res Corp. Education. Bachelor of Science in Business Economics (University of the Philippines), Major in Spanish - Instituto de Cultura Hispanica, Madrid, Spain; Special Studies in Top Management Program, AIM ACCEED; and Strategic Business Economics Program, University of Asia & the Pacific. Civic Affiliations. Institute of Corporate Directors, Fellow.

Brian T. Lim was appointed Vice President & Senior Finance Officer of the Company last November 2016. He served as Finance Officer from August 15, 2012 to November 2016. He used to work with

Sycip, Gorres, Velayo & Co. (SGV) for five years as assurance director/audit manager. He is a Certified Public Accountant, First Placer (2007). Civic Affiliations. Member, Financial Executives Institute of the Philippines; Member, Philippines Institute of Certified Public Accountants (PICPA).

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

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

(2) Identify Significant Employees –

- (a) The following are the significant employees of the Registrant who are not executive officers but who are expected by Registrant to make a significant contribution to the business:

Significant Employees	Position held in Registrant	Age
Tara Ann C. Reyes	Investor Relations Officer	39

- (b) Brief descriptions of the business experience of the above significant employees of the Registrant:

Tara Ann C. Reyes joined the Company in January 2013 as Investor Relations Officer. She trained under the Financial Planning and Forecasting department at Metro Pacific Investment Corp. for eight (8) months.

Term of office. Ms. Reyes has served as Investor Relations Officers for four (4) years since 2013.

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

<u>Name</u>	<u>Relationship</u>
David M. Consunji	Father of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Cristina C. Gotianun. Ma. Edwina C. Laperal, and Luz Consuelo A. Consunji
Herbert M. Consunji	Nephew of David M. Consunji and cousin of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji, Cristina C. Gotinanun, Ma. Edwina C. Laperal and Luz Consuelo A. Consunji

(4) Involvement in Certain Legal Proceedings -

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

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

- xvi. Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses - **NONE**
- xvii. Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities - **NONE**
- xviii. Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated – **NONE**

B. EXECUTIVE COMPENSATION

ANNUAL COMPENSATION

Name	Principal Position	Salary	Bonus	Per Diem Allowance**	Other annual compensation
Isidro A. Consunji	Chairman of the Board of Directors/President				
Herbert M. Consunji	Executive Vice President & Chief Financial Officer				
Ma. Edwina C. Laperal ¹	Treasurer				
Ma. Cristina C. Gotianun ²	Asst. Treasurer				
Victor S. Limlingan	Managing Director				
	YEARS				
	2014	P 5,086,924.00		P 270,000.00	
	2015	P 8,239,699.30		P 190,000.00	
	2016	P 8,239,699.30		P 1,170,000.00	
	2017*	P 8,239,699.30		P 1,170,000.00	
	TOTAL:	P 29,806,021.90		P 2,800,000.00	
	YEARS				
All other directors and executive officers as a group unnamed	2014	P 6,499,831.24		P 290,000.00	
	2015	P 5,275,301.00		P 450,000.00	
	2016	P 2,820,953.00		P 4,560,000.00	
	2017*	P 2,820,953.00		P 4,560,000.00	
	TOTAL:	P 17,417,038.24		P 9,860,000.00	

**Approximate figures*

*** In 2015, each director received Php10,000 for every regular meeting of the Board. The per diem was increased to Php 80,000.00 for every regular meeting of the Board and Php40,000 for every board committee meeting effective March 31, 2016.*

There is no contract covering their employment with the Corporation and they hold office by virtue of their election to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing except for benefits for which they may be entitled under the Corporation's retirement plan.

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

² The Assistant Treasurer does not receive any compensation as Assistant Treasurer of the Corporation.

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

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

a. Beneficial Ownership of Directors of the Corporation as of February 28, 2017.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Isidro A. Consunji	65,000 Direct	Filipino	0.0005%
Common	Cesar A. Buenaventura	900,000 Direct	Filipino	0.0068%
Common	Ma. Edwina C. Laperal	3,315,000 Direct	Filipino	0.0050%
Common	Victor A. Consunji	5,000 Direct	Filipino	0.0000%
Common	Jorge A. Consunji	5,000 Direct	Filipino	0.0000%
Common	Herbert M. Consunji	23,000 Direct	Filipino	0.0002%
Common	Luz Consuelo A. Consunji	1,000 Direct	Filipino	0.0000%
Common	Antonio Jose U. Periquet	125,000 Direct	Filipino	0.0009%
Common	Honorio O. Reyes-Lao	175,000 Direct	Filipino	0.0013%
Aggregate Ownership		4,614,000		0.0347%

b. Owners owning 5% or more of the voting stocks of the Corporation as of February 28, 2017.

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Beneficial Ownership	Percent of Class
Common	Dacon Corporation (Fil) c/o Isidro A. Consunji 2281 Pasong Tamo Ext. Makati City	6,838,807,440	51.5069%
Common	DFC Holdings, Inc. (Fil) c/o Cristina C. Gotianun 2281 Pasong Tamo Ext. Makati City	2,380,442,010	17.9284%
Common	PCD Nominee Corp. (For)	1,901,327,634	14.3200%

G/F Makati Stock
Exchange Bldg., 6767
Ayala Avenue, Makati City

Common	PCD Nominee Corp. (Fil) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	1,708,420,701	12.8700%
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Below is the list of the individual beneficial owners under PCD account who holds more than 5% of the voting securities of Registrant.-

Title of Class	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held	Percent of Class
Common	Deutsche Bank Manila Clients 26/F Ayala Tower One Ayala Avenue Makati City	Foreign	761,591,940	5.74%

c. Changes in Control – NONE

d. Certain Relationships and Related Transactions

AUDITED FINANCIAL STATEMENTS 2016

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. These are settled in cash, unless

otherwise specified. In the regular course of business, the Group's significant transactions with related parties include the following:

2016			
	Reference	Due from (Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	P40,867	P11,072
Receivable from affiliates	(b)	53,898	-
Equipment rentals	(c)	17,374	17,374
Payroll processing	(d)	15,893	539
Transfer of materials and reimbursement of shared and operating expenses	(e)	2,582	2,582
		P130,614	
<i>Payable to related parties</i>			
Payable to affiliates	(f)	(P26,003)	P6,905
Mine exploration, coal handling and hauling services	(g)	(847,609)	2,034,138
Labor charges	(o)	(42,331)	-
Equipment rental expenses	(h)	(32,479)	10,277
Other general and administrative expense	(i)	(12,895)	6,005
Aviation services	(j)	(12,725)	-
Office and parking rental	(k)	(2,477)	8,486
Arrastre and Cargo Services	(l)	(1,666)	1,906
Nickel Delivery	(n)	(844)	844
Construction contracts	(a)	(342)	876
Purchases of office supplies and refreshments	(m)	(2)	-
		(P979,373)	
2015			
	Reference	Due from(Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	P29,795	P21,512
Receivable from affiliates	(b)	57,217	-
Equipment rentals	(c)	15,168	15,168
Payroll processing	(d)	15,243	2,274
Transfer of materials and reimbursement of shared and operating expenses	(e)	26,219	27,172
		P143,642	
<i>Payable to related parties</i>			
Payable to affiliates	(f)	(P32,742)	P31,039
Mine exploration, coal handling and hauling services	(g)	(98,331)	370,325
Equipment rental expenses	(h)	(55,539)	55,539
Other general and administrative expense	(i)	(6,891)	5,104
Aviation services	(j)	(12,725)	247
Office and parking rental	(k)	(9,926)	7,991
Arrastre and Cargo Services	(l)	(774)	774
Purchases of office supplies and refreshments	(m)	(700)	700
		(P217,628)	
(Forward)			
<i>Others</i>			
Construction contracts	(a)	(P1,218)	P1,218
Nickel Delivery	(n)	(3,140)	164
Labor charges	(o)	(2,628)	-
		(P6,986)	

- (a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in "Receivables from related parties" amounted to P40.87 million and P29.80 million as of December 31, 2016 and 2015, respectively.

In addition, receivables of the Group from its affiliate amounting to ₱0.34 million and ₱1.22 million is lodged in “Costs and estimated earnings in excess of estimates and billings on uncompleted contracts” in 2016 and 2015, respectively.

- (b) The Group has outstanding receivable from its affiliates amounting to ₱53.90 million and ₱57.22 million as of December 31, 2016 and 2015, respectively. This mainly pertains to the sale of a previous investment in 2014.
- (c) The Group rents out its equipment to its affiliates for their construction projects. Outstanding receivables from equipment rentals amounted to ₱17.37 million and ₱15.17 million as of December 31, 2016 and 2015, respectively.
- (d) The Group processes the payroll of its affiliates and charges Electronic Data Processing (EDP) expenses. Total outstanding EDP charges to the related parties under common control amounted to ₱15.89 million and ₱15.24 million as of December 31, 2016 and 2015, respectively.
- (e) The Group paid for the contracted services, material issuances, rental expenses and other supplies of its affiliates. The outstanding balance from its affiliates included under “Receivable from related parties” amounted to ₱2.58 million and ₱26.22 million as of December 31, 2016 and 2015, respectively.
- (f) The Group has outstanding payable to affiliates amounting to ₱26.00 million and ₱32.74 million as at December 31, 2016 and 2015, respectively. This mainly pertains to receivables collected by the Group in behalf of the affiliate.
- (g) An affiliate had transactions with the Group for services rendered relating to the Group’s coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

The affiliate also provides to the Group marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. The outstanding payable of the Group amounted to ₱847.61 million and ₱98.33 million as of December 31, 2016 and 2015, respectively.

- (h) The Group rents from its affiliate construction equipment for use in the Group’s construction projects. The outstanding payable lodged under “Payable to related parties” amounted to ₱32.48 million and ₱55.54 million as of December 31, 2016 and 2015, respectively.

- (i) A shareholder of the Group, provided maintenance of the Group's accounting system, Navision, which is used by some of the Group's subsidiaries to which related expenses are included under "Others" of "Operating expenses". Outstanding payable of the Group recorded under "Payable to related parties" amounted to ₱12.90 million and ₱6.89 million as of December 31, 2016 and 2015, respectively.
- (j) An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in "Cost of sales and services". The outstanding balance to the affiliate amounted to ₱12.73 million as of December 31 2016 and 2015.
- (k) An affiliate had transactions with the Group for rental of parking space to which related expenses are included in operating expenses under "Operating expenses" in the consolidated statements of income (see Notes 25 and 37). Outstanding payable amounted to ₱2.48 million and ₱9.93 million as at December 31, 2016 and 2015, respectively.
- (l) In 2016 and 2015, an affiliate had transactions with the Group for shipsiding services. The outstanding balance to the affiliate amounting to ₱1.67 million and ₱0.77 million is lodged under "Payable to related parties" in the consolidated statements of financial position as of December 31, 2016 and 2015, respectively.
- (m) In 2016 and 2015, the Group engaged its affiliates to supply various raw materials, office supplies and refreshments. The outstanding balance to its affiliates amounting to nil and ₱0.70 million for aforementioned transactions is lodged in the "Payable to related parties" as of December 31, 2016 and 2015, respectively.
- (n) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers. The Group has outstanding payable to the affiliate amounting to ₱0.84 million and ₱3.14 million as of December 2016 and 2015, respectively.
- (o) Payable to affiliate pertains to labor charges incurred by the Group, which are initially paid by the affiliate in behalf of the Group. The outstanding payable to the affiliate is recorded in "Other accounts payable" amounted to ₱42.33 million and ₱2.63 million as of December 2016 and 2015, respectively.

Terms and conditions of transactions with related parties

Outstanding balances as of December 31, 2016 and 2015, are unsecured and interest free, are all due within one year with normal credit terms of the trade or business. As of December 31, 2016 and 2015, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

PART IV - DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

1. The Company has adopted the Manual on Corporate Governance and complied therewith the leading practices and principles on good corporate governance.
2. The Independent Directors of the Company have submitted their Certificate of Qualifications as required by Securities and Exchange Commission in the promotion of meaningful compliance with Section 38 of the Securities Regulation Code (SRC);
3. The Corporation has adapted the following policies to adhere with the best practices of Corporate Governance – Dividend Policy, Insider Trading Policy, Related Party Transactions Policy, Conflict of Interest, Whistle Blower Policy, Health, Safety and General Welfare Policy, Board Diversity Policy, Executive Succession Policy, and Creditors’ Rights Policy. Likewise, the Board developed its Charter in accordance with the Corporation Code, Manual on Corporate Governance and other applicable laws. The Board also created additional committee, the Corporate Governance Committee, to provide adequate support in fulfilling the Board’s oversight function in relation to compliance and good governance best practices.
4. The Board approved the following: Vision, Mission, Corporate Strategy and Corporate Values. The Board, likewise, amended the following policies: Manual on Corporate Governance, Code of Business Conduct and Ethics, Related Party Transactions Policy, Community Interaction Policy, Environmentally Friendly Value Chain Policy, Supplier and Contractor Policy, and Conflict of Interest Policy.
5. The Corporation has set up all committees set forth under the Manual of Corporate Governance to strictly adhere with the rules governing the Manual.
6. The Corporation has developed a corporate website (www.dmciholdings.com) wherein corporate information and updates, disclosures, and financial information are being uploaded for investors’ and shareholders’ information.
7. There are no major deviations from the adopted Manual on Corporate Governance

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

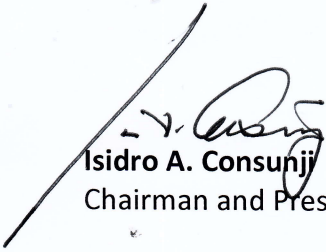
(a) Exhibits - See accompanying index to exhibits

(b) Reports on SEC Form 17-C - The list of the reports from the preceding period December 31, 2016 is herein incorporated by reference.

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on APR 11 2017.

By:


Isidro A. Consunji
Chairman and President


Herbert M. Consunji
Executive Vice President & Chief Finance Officer

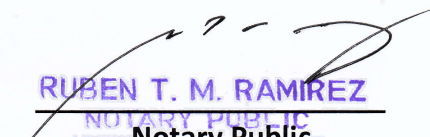

Brian T. Lim
Vice President & Senior Finance Officer


Atty. Noel A. Laman
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 11 2017 day of _____ 2017 affiants exhibiting to me his/their Passport details, as follows:

NAMES	Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji	EC4977907	08-11-15	DFA Manila
Herbert M. Consunji	EC1759533	07-30-14	DFA Manila
Brian T. Lim	EC3191991	01-15-15	DFA Manila
Atty. Noel A. Laman	EC1231940	05-27-14	DFA Manila

Doc. No. 407
Page No. 87
Book No. 549
Series of 2017


RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL APR 27 2017
Notary Public
2734 M. AURORA ST., MAKATI CITY
APPT. NO. M-23 (2016-2017)
IBP NO. 1052369/CY-2017/11-22-16
ROLL NO. 28947/MCLE-NO. 00083/24/6-19-12
PTR NO. MKT. 5909552/1-3-17 MAKATI CITY

PART V – EXHIBITS AND SCHEDULES

INDEX TO EXHIBITS FORM 17-A

Number	Particulars
1	List of the Top 20 shareholders of the Company
2	List of reports filed under SEC Form 17-C

**LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2016**

	NAME	No. Of Shares	PERCENTAGE
1.	DACON CORPORATION	6,838,807,440	51.507%
2.	DFC HOLDINGS, INC.	2,380,442,010	17.915%
3.	PCD NOMINEE CORPORATION (FOREIGN)	1,943,743,533	14.640%
4.	PCD NOMINEE CORPORATION (FILIPINO)	1,665,571,202	12.544%
5.	DMCI RETIREMENT PLAN	99,900,000	0.752%
6.	BERIT HOLDINGS CORPORATION	99,791,687	0.751%
7.	FERNWOOD INVESTMENT, INC.	75,856,020	0.571%
8.	GUADALUPE HOLDINGS CORPORATION	54,588,045	0.411%
9.	DOUBLE SPRING INVESTMENTS CORPORATION	20,331,005	0.153%
10.	AUGUSTA HOLDINGS, INC.	19,039,670	0.143%
11.	DMCI RETIREMENT FUND	13,000,000	0.098%
12.	JOSEFA CONSUNJI REYES	5,753,000	0.043%
13.	MA. EDWINA/MIGUEL DAVID C. LAPERAL	2,750,000	0.021%
14.	YNTALCO REALTY DEVT. CORPORATION	2,500,000	0.019%
15.	BENIGNO DELA VEGA	2,050,000	0.015%
16.	WINDERMERE HOLDINGS, INC.	1,905,715	0.014%
17.	AO ZHENG	1,840,000	0.014%
18.	XIUFEN LI	1,830,000	0.014%
19.	MAKATI SUPERMARKET CORP.	1,727,500	0.013%
20.	ENRIQUE G. FILAMOR	1,570,000	0.012%
	TOTAL	13,232,354,727	99.660%

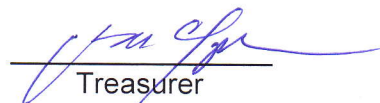
**Summary of Submittals of SEC Form 17-C
For the Year 2016**

Date	Nature of Report
January 4, 2016	Redemption of Preferred Shares for the month of December 2015
January 7, 2016	Resignation of Key Officer
February 2, 2016	Redemption of Preferred Shares for the month of January 2016
February 3, 2016	Changes in Shareholdings of a Director
March 1, 2016	Redemption of Preferred Shares for the month of February 2016
March 10, 2016	Amendments to Corporate Governance Manual and Policies
March 21, 2016	SEC approval on Second Tranche of Home Saver Bonds
March 23, 2016	DMCI Project Developers, Inc. sold 10% interest in Subic Water
March 28, 2016	Notice of Media Briefing
March 31, 2016	Board Meeting Results
April 1, 2016	Redemption of Preferred Shares for the month of March 2016
April 1, 2016	Press Release: DMCI Holdings core income rise 20%
April 2, 2016	SCPC lights up community with solar power
April 3, 2016	Press Release: DMCIHI 2016 Capex
April 4, 2016	Press Release: DMCI invests in cutting edge steel plant
April 6, 2016	Press Release: DMCI Power deploys two satellite plants to Masbate
April 8, 2016	Press Release: DMCI Mining trains women, IP operators
April 12, 2016	Attendance in Corporate Governance Seminar
April 15, 2016	Notice of Analysts Briefing
May 2, 2016	Redemption of Preferred Shares for the month of April 2016
May 5, 2016	Notice of Media Briefing
May 11, 2016	Board Meeting Results
May 11, 2016	DMCIHI Q1 Profit Flat
May 11, 2016	Declaration of Cash Dividends (regular & special)
May 16, 2016	Press Release: DMCI signs P2.9B new projects in Q1
May 23, 2016	Notice of Annual Stockholders' Meeting
June 2, 2016	Redemption of Preferred Shares for the month of May 2016
July 1, 2016	Redemption of Preferred Shares for the month of June 2016
July 27, 2016	Annual Stockholders' Meeting Results
July 27, 2016	Changes in Shareholdings of a Director

July 27, 2016	Results of the Organizational Meeting
August 1, 2016	Changes in Shareholdings of a Director
August 2, 2016	Redemption of Preferred Shares for the month of July 2016
August 2, 2016	Certification of Independent Directors
August 5, 2016	Notice of Media Briefing
August 5, 2016	Notice of Analysts Briefing
August 10, 2016	Board Meeting Results
August 10, 2016	Press Release: DMCI Holdings H1 net income dips 5 percent
August 12, 2016	Press Release: DMCI Homes sales up 25% in H1
August 14, 2016	Press Release: DMCI signs P4.4B new projects
August 15, 2016	Press Release: DMCI Mining shipments slip 25% in H1
August 16, 2016	Press Release: DMCI Power builds new Palawan plant
August 31, 2016	Amended Manual on Corporate Governance and Board Charter
September 1, 2016	Redemption of Preferred Shares for the month of August 2016
September 16, 2016	Amendments to By-Laws
October 3, 2016	Redemption of Preferred Shares for the month of September 2016
November 3, 2016	Redemption of Preferred Shares for the month of October 2016
November 7, 2016	Notice of Media Briefing
November 7, 2016	Notice of Analysts Briefing
November 10, 2016	Board Meeting Results
November 10, 2016	Press Release: DMCIHI books P9.2B net income
November 13, 2016	Press Release: DMCI Homes Q3 sales jumps 35%
November 14, 2016	Press Release: DMCI Power to build P900M Palawan facility
November 17, 2016	Press Release: DMCI Mining workforce down 62%
November 17, 2016	Press Release: DMCI gears for big ticket Ph Infra
November 24, 2016	Joint Venture Agreement between Maynilad and Moya Indonesia
December 5, 2016	Redemption of Preferred Shares for the month of November 2016
December 28, 2016	Changes in Shareholdings of an Officer

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY) S.S.

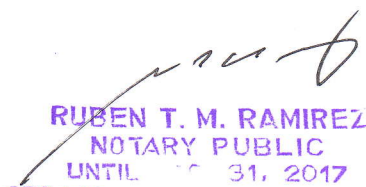
I solemnly swear that all matters set forth in the General Form for Financial Statements (GFFS) has the basic and material data in the Audited Consolidated Financial Statements of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** for the year ended December 31, 2016 as contained in the accompanying diskette/CD are true and correct to the best of my knowledge and belief.


Treasurer

MAR 17 2017

SUBSCRIBED AND SWORN to before me this _____ day of _____,
20__ affiant exhibiting to me his Community Tax Certificate No. _____ issued at
_____ on _____.

Doc. No. Y1
Page No. 10
Book No. 532
Series of 2017


RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL 03/31/2017
2734 M. AURORA ST., MAKATI CITY
APPT. NO. 0010013-2017)
IBP NO. 152369 (2011-22-16)
ROLL NO. 28247/MCLL/VS. 000007 2/16-19-12
PTR NO. MAT. 0009502/1-3-17 MAKATI CITY

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati CityTEL. NO.: 888-3000

FAX NO.:

COMPANY TYPE: Holding Company

PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)
A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)	158,034,091	148,557,175
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	81,235,758	75,517,607
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	18,738,106	19,150,603
A.1.1.1 On hand	43,852	26,466
A.1.1.2 In domestic banks/entities	7,003,096	9,265,808
A.1.1.3 Short-term investments	11,691,158	9,858,329
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	15,529,156	12,836,956
A.1.2.1 Due from domestic entities (A.1.2.1.1 + A.1.2.1.2 + A.1.2.1.3 + A.1.2.1.4)	15,529,156	12,836,956
A.1.2.1.1 Due from customers (trade)	16,028,620	13,240,296
A.1.2.1.2 Due from related parties	130,614	143,642
A.1.2.1.3 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	1,072,152	992,847
A.1.2.1.3.1 Other receivables	1,072,152	992,847
A.1.2.1.3.2		
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(1,702,230)	(1,539,829)
A.1.2.2 Due from foreign entities, specify		
A.1.2.2.1		
A.1.2.2.2		
A.1.2.2.3		
A.1.2.2.4 Allowance for doubtful accounts (negative entry)		
A.1.3 Inventories (A.1.3.1 + A.1.3.2 + A.1.3.3 + A.1.3.4 + A.1.3.5)	38,235,004	34,407,763
A.1.3.1 Real estate held for sale and development	31,272,985	28,132,821
A.1.3.2 Coal inventory	1,821,981	1,647,625
A.1.3.3 Equipment parts, materials & supplies in transit	4,874,120	4,235,713
A.1.3.4 Nickel Ore	265,918	391,604
A.1.3.5 Others, specify (A.1.3.5.1 + A.1.3.5.2)	-	-
A.1.3.5.1	-	-
A.1.3.5.2	-	-
A.1.4 Financial Assets other than Cash/Receivables/Equity investments (A.1.4.1 + A.1.4.2 + A.1.4.3 + A.1.4.4 + A.1.4.5 + A.1.4.6)	85,255	76,900
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities:	-	-
A.1.4.1.1 National Government	-	-
A.1.4.1.2 Public Financial Institutions	-	-
A.1.4.1.3 Public Non-Financial Institutions	-	-
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions	-	-
A.1.4.2 Held to Maturity Investments - issued by domestic entities:	-	-
A.1.4.2.1 National Government	-	-
A.1.4.2.2 Public Financial Institutions	-	-
A.1.4.2.3 Public Non-Financial Institutions	-	-
A.1.4.2.4 Private Financial Institutions	-	-
A.1.4.2.5 Private Non-Financial Institutions	-	-

NOTE:

This special form is applicable to Investment Companies and Publicly-held Companies (enumerated in Section 17.2 of the Securities Regulation Code (SRC), except banks and insurance companies). As a supplemental form to PHFS, it shall be used for reporting Consolidated Financial Statements of Parent corporations and their subsidiaries.

Domestic corporations are those which are incorporated under Philippine laws or branches/subsidiaries of foreign corporations that are licensed to do business in the Philippines where the center of economic interest or activity is within the Philippines. On the other hand, foreign corporations are those that are incorporated abroad, including branches of Philippine corporations operating abroad.

Financial Institutions are corporations principally engaged in financial intermediation, facilitating financial intermediation, or auxiliary financial services. Non-Financial institutions refer to corporations that are primarily engaged in the production of market goods and non-financial services.

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)

CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City

TEL. NO.: 888-3000 FAX NO.: _____

COMPANY TYPE : Holding Company PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)
A.1.4.3 Loans and Receivables - issued by domestic entities:	-	-
A.1.4.3.1 National Government	-	-
A.1.4.3.2 Public Financial Institutions	-	-
A.1.4.3.3 Public Non-Financial Institutions	-	-
A.1.4.3.4 Private Financial Institutions	-	-
A.1.4.3.5 Private Non-Financial Institutions	-	-
A.1.4.4 Available-for-sale financial assets - issued by domestic entities:	85,255	76,900
A.1.4.4.1 National Government	-	-
A.1.4.4.2 Public Financial Institutions	-	-
A.1.4.4.3 Public Non-Financial Institutions	-	-
A.1.4.4.4 Private Financial Institutions	85,255	76,900
A.1.4.4.5 Private Non-Financial Institutions	-	-
A.1.4.5 Financial Assets issued by foreign entities:	-	-
A.1.4.5.1 Financial Assets at Fair Value through Profit or Loss	-	-
A.1.4.5.2 Held-to-maturity Investments	-	-
A.1.4.5.3 Loans and Receivables	-	-
A.1.4.5.4 Available-for-sale Financial Assets	-	-
A.1.4.6 Allowance for decline in market value (negative entry)	-	-
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2 + A.1.5.3)	8,648,237	9,045,385
A.1.5.1 Costs and estimated earnings in excess of billings on uncompleted contracts	1,753,204	2,015,033
A.1.5.2 Other current assets	6,895,033	7,030,352
A.1.5.3	-	-
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8)	55,751,702	49,440,223
A.2.1 Land and Land Improvements	2,245,464	2,230,514
A.2.2 Power Plant, Buildings and Building Improvements	46,783,551	24,989,626
A.2.3 Construction Equipment, Machinery and Tools	9,419,980	9,521,980
A.2.4 Office Furniture, Fixtures and Equipment	658,982	616,166
A.2.5 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	34,917,538	44,847,499
A.2.5.1 Transportation Equipment	642,767	535,801
A.2.5.2 Coal Mining Properties and Equipment	26,020,980	18,026,715
A.2.5.4 Leasehold Improvements	221,279	207,838
A.2.5.5 Nickel Mining Properties and Equipment	5,600,848	5,647,655
A.2.5.5 Construction in Progress	2,431,664	20,429,490
A.2.6 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + A.2.6.5)	-	-
A.2.6.1	-	-
A.2.6.2	-	-
A.2.6.3	-	-
A.2.6.4	-	-
A.2.6.5	-	-
A.2.7 Accumulated Depreciation (negative entry)	(38,273,813)	(32,765,562)
A.2.8 Impairment Loss or Reversal (if loss, negative entry)	-	-
A.3 Investments accounted for using the equity method (A.3.1 + A.3.2 + A.3.3)	12,761,044	11,457,732
A.3.1 Equity in domestic subsidiaries/affiliates	-	-
A.3.2 Equity in foreign branches/subsidiaries/affiliates	-	-
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3 + A.3.3.4 + A.3.3.5)	12,761,044	11,457,732
A.3.3.1 Investment in Associates and Joint Ventures	489,368	446,138
A.3.3.2 Accumulated Equity in net earnings (losses)	12,279,504	11,019,422
A.3.3.3 Allowance for probable losses (negative entry)	(7,828)	(7,828)
A.3.3.4	-	-
A.3.3.5	-	-
A.4 Investment Property	209,141	288,542
A.5 Biological Assets	-	-
A.6 Intangible Assets	-	-
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	-	-
A.6.1.1	-	-
A.6.1.2	-	-
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	-	-
A.6.2.1	-	-
A.6.2.2	-	-
A.7 Assets Classified as Held for Sale	-	-
A.8 Assets included in Disposal Groups Classified as Held for Sale	-	-

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.: _____
COMPANY TYPE : Holding Company PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	2,183,424	3,162,701
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	2,183,424	3,162,701
A.9.1.1 Due from customers (trade - real estate receivables)	2,183,424	3,162,701
A.9.1.2	-	-
A.9.1.3	-	-
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	-	-
A.9.2.1	-	-
A.9.2.2	-	-
A.9.2.3	-	-
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4 + A.10.5)	5,893,022	8,690,370
A.10.1 Available-for-Sale Financial Assets	-	-
A.10.2 Deferred Tax Assets - net	416,017	543,859
A.10.3 Pension Assets	893,764	958,979
A.10.4 Others, specify (A.10.4.1 + A.10.4.2 + A.10.4.3 + A.10.4.4 + A.10.4.5)	4,583,241	7,187,532
A.10.4.1 Other Noncurrent Assets	2,721,166	2,311,660
A.10.4.2 Goodwill	1,637,430	1,637,430
A.10.4.3 Exploration and evaluation asset	224,645	3,238,442
A.10.4.4	-	-
A.10.4.5	-	-
A.10.5 Allowance for write-down of deferred charges/bad accounts (negative entry)	-	-
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	74,685,461	73,781,995
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6)	35,750,766	40,830,538
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4 + B.1.1.5 + B.1.1.6 + B.1.1.7)	18,078,802	15,393,747
B.1.1.1 Suppliers and Subcontractors	6,295,597	7,752,667
B.1.1.2 Other Trade Payables	1,784,514	870,797
B.1.1.3 Output VAT Payable	1,952,112	1,498,373
B.1.1.4 Payable to Related Parties	979,373	217,628
B.1.1.5 Refundable deposits	216,994	231,575
B.1.1.6 Accruals, specify material items (B.1.1.6.1 + B.1.1.6.2 + B.1.1.6.3)	6,850,212	4,822,707
B.1.1.6.1 Accrued Construction Cost	3,734,028	2,281,765
B.1.1.6.2 Payable to Department of Energy	1,647,719	1,121,510
B.1.1.6.3 Others	1,468,465	1,419,432
B.1.1.7 Others, specify (B.1.1.7.1 + B.1.1.7.2 + B.1.1.7.3)	-	-
B.1.1.7.1	-	-
B.1.1.7.2	-	-
B.1.1.7.3	-	-
B.1.2 Trade and Other Payables to Foreign Entities (specify) (B.1.2.1 + B.1.2.2 + B.1.2.3)	-	-
B.1.2.1	-	-
B.1.2.2	-	-
B.1.2.3	-	-
B.1.3 Provisions	-	-
B.1.4 Financial Liabilities (excluding Trade and Other Payables and Provisions) (B.1.4.1 + B.1.4.2 + B.1.4.3 + B.1.4.4)	6,721,218	17,200,600
B.1.4.1 Short-term Debt	2,621,109	3,707,354
B.1.4.2 Current Portion of Liabilities for Purchased Land	906,622	2,201,291
B.1.4.3 Current Portion of Long-term Debt	3,193,487	11,291,955
B.1.4.4	-	-
B.1.5 Income Tax Payable	359,237	448,439
B.1.6 Others, specify (If material, state separately; indicate if the item is payable to public/private or financial/non-financial institutions) (B.1.6.1 + B.1.6.2 + B.1.6.3 + B.1.6.4 + B.1.6.5 + B.1.6.6)	10,591,509	7,787,752
B.1.6.1 Billings in excess of costs and estimated earnings on uncompleted contracts	2,311,377	2,095,481
B.1.6.2 Customers' advances and deposits	8,280,132	5,692,271
B.1.6.3	-	-
B.1.6.4	-	-
B.1.6.5	-	-
B.1.6.6 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.6.6.1 + B.1.6.6.2 + B.1.6.6.3)	-	-
B.1.6.6.1	-	-
B.1.6.6.2	-	-
B.1.6.6.3	-	-

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 888-3000 FAX NO.: _____
COMPANY TYPE : Holding Company PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 1. Consolidated Balance Sheet

FINANCIAL DATA		2016 (in P'000)	2015 (in P'000)
B.2 Long-term Debt - Non-current Interest-bearing Liabilities (B.2.1 + B.2.2 + B.2.3 + B.2.4 + B.2.5)		31,070,773	25,763,651
B.2.1 Domestic Public Financial Institutions		-	-
B.2.2 Domestic Public Non-Financial Institutions		-	-
B.2.3 Domestic Private Financial Institutions		31,070,773	25,763,651
B.2.4 Domestic Private Non-Financial Institutions		-	-
B.2.5 Foreign Financial Institutions		-	-
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		-	-
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		-	-
B.5 Other Liabilities (B.5.1 + B.5.2)		7,863,922	7,187,806
B.5.1 Liabilities for Purchased Land - net of current portion		623,151	816,135
B.5.2 Others, specify (B.5.2.1 + B.5.2.2 + B.5.2.3 + B.5.2.4 + B.5.2.5)		7,240,771	6,371,671
B.5.2.1 Pension		217,470	142,200
B.5.2.2 Deferred Tax Liabilities		4,271,567	3,629,076
B.5.2.3 Other Noncurrent Liabilities		2,751,734	2,600,395
B.5.2.4		-	-
B.5.2.5		-	-
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		83,348,630	74,775,180
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		20,000,000	20,000,000
C.1.1 Common shares	19,900,000,000 shares, P1.00 par value	19,900,000	19,900,000
C.1.2 Preferred Shares	100,000 shares, P1.00 par value	100,000	100,000
C.1.3 Others		-	-
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		-	-
C.2.1 Common shares		-	-
C.2.2 Preferred Shares		-	-
C.2.3 Others		-	-
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		13,277,474	13,277,474
C.3.1 Common shares	13,277,470,000 issued shares in 2016 and 2015	13,277,470	13,277,470
C.3.2 Preferred Shares	3,780 issued shares in 2016 and 2015	4	4
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		4,672,394	4,672,394
C.5 Non-controlling Interests		15,748,721	12,270,467
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4)		128,438	844,998
C.6.1 Premium on Acquisition of Non-controlling Interests		(522,903)	(161,033)
C.6.2 Remeasurements on Retirement Plans - net of tax		624,130	699,491
C.6.3 Net Accumulated Unrealized Gains on AFS Financial Assets		27,211	21,435
C.6.4 Cumulative Translation Adjustment		-	285,105
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		-	-
C.8 Retained Earnings (C.8.1 + C.8.2)		49,521,603	43,709,847
C.8.1 Appropriated		-	-
C.8.2 Unappropriated		49,521,603	43,709,847
C.9 Head / Home Office Account (for Foreign Branches only)		-	-
C.10 Cost of Stocks Held in Treasury (negative entry)		-	-
TOTAL LIABILITIES AND EQUITY (B + C)		158,034,091	148,557,175

SPECIAL FORM FOR FINANCIAL STATEMENTS OF PUBLICLY-HELD AND INVESTMENT COMPANIES

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COMPANY TYPE : Holding Company PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Consolidated Income Statement

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)	2014 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)	68,747,964	61,423,996	61,446,054
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	64,898,776	57,203,921	56,560,954
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	1,926,337	2,376,424	2,015,703
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	1,677,967	911,111	1,105,967
A.3.1 Income from commissioning	595,343	58,327	-
A.3.2 Forfeitures and cancellation of contracts	490,940	319,776	496,641
A.3.5 Others, specify (A.3.5.1 + A.3.5.2 + A.3.5.3 + A.3.5.4 + A.3.5.5 + A.3.5.6 + A.3.5.7 + A.3.5.8)	591,684	533,008	609,326
A.3.5.1 Sale of fly ash	129,153	133,119	122,600
A.3.5.2 Recoveries from insurance claims	218,089	157,651	82,552
A.3.5.3 Others	244,442	242,238	404,174
A.3.5.4			
A.3.5.5			
A.3.5.6			
A.3.5.7			
A.3.5.8			
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3)	244,884	932,540	1,763,430
A.4.1 Interest Income	446,325	467,506	438,148
A.4.2 Gain / (Loss) from selling of Assets, specify (A.4.2.1 + A.4.2.2)	73,572	90,922	411,488
A.4.2.1 Gain on sale of underdeveloped land	73,182	-	284,287
A.4.2.2 Gain on sale of property, plant and equipment - net	390	90,922	127,201
A.4.3 Others, specify	(275,013)	374,112	913,794
A.4.3.1 Foreign exchange gain (loss)	(406,511)	(188,615)	395,213
A.4.3.2 Gain (loss) on previously held interest	-	-	261,084
A.4.3.3 Gain on bargain purchase	-	-	257,497
A.4.3.4 Gain on sale of investments	131,498	562,727	-
A.4.3.5			
B. COST OF GOODS SOLD (B.1 + B.2 + B.3)	-	-	-
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-	-
B.1.1 Direct Material Used	-	-	-
B.1.2 Direct Labor	-	-	-
B.1.3 Other Manufacturing Cost / Overhead	-	-	-
B.1.4 Goods in Process, Beginning	-	-	-
B.1.5 Goods in Process, End (negative entry)	-	-	-
B.2 Finished Goods, Beginning	-	-	-
B.3 Finished Goods, End (negative entry)	-	-	-
C. COST OF SALES (C.1 + C.2 + C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9 + C.10)	17,091,144	13,893,409	16,914,293
C.1 Cost of real estate inventory	5,313,539	6,673,502	6,412,311
C.2 Materials and supplies	4,508,399	3,091,755	4,107,099
C.3 Fuel and lubricants	1,493,340	1,165,441	2,797,911
C.4 Depreciation and amortization	1,261,886	745,144	1,039,826
C.5 Outside services	1,742,566	898,327	1,184,384
C.6 Provision for decommissioning and site rehabilitaton	1,089,423	-	-
C.7 Hauling, shiploading and handling costs	425,909	128,503	179,088
C.8 Direct labor	805,636	617,852	609,459
C.9 Production overhead	369,227	487,624	440,746
C.10 Others	81,219	85,261	143,469
D. COST OF SERVICES (D.1 + D.2 + D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)	21,279,924	17,910,357	21,083,674
D.1 Materials and supplies	6,944,590	7,360,305	7,722,466
D.2 Outside services	2,225,965	2,918,717	2,434,698
D.3 Direct labor	2,965,631	2,127,668	1,845,916
D.4 Depreciation and amortization	3,216,474	2,090,768	2,003,746
D.5 Fuel and lubricants	1,618,843	1,577,839	1,669,150
D.6 Production overhead	1,494,561	1,554,895	1,130,221
D.7 Spot purchases	2,495,357	107,406	4,118,591
D.8 Hauling, shiploading and handling costs	127,518	110,270	68,582
D.9 Others	190,985	62,489	90,304
E. GROSS PROFIT (A - B - C - D)	30,376,896	29,620,230	23,448,087

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

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 TEL. NO.: 888-3000 FAX NO.: _____
 COMPANY TYPE : Holding Company PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 2. Consolidated Income Statement

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)	2014 (in P'000)
F. OPERATING EXPENSES (F.1 + F.2 + F.3 + F.4)	9,616,862	8,546,868	8,090,223
F.1 Government share	2,649,979	1,796,047	1,858,190
F.2 Depreciation and amortization	914,462	798,682	793,505
F.3 Salaries, wages and employee benefits	1,527,526	1,276,762	1,261,471
F.4 Other Expenses, specify (F.4.1 + F.4.2 + F.4.3 + F.4.4 + F.4.5 + F.4.6 + F.4.7 + F.4.8 + F.4.9 + F.4.10 + F.4.11 + F.4.12 + F.4.13 + F.4.14 + F.4.15 + F.4.16)	4,524,895	4,675,377	4,177,057
F.4.1 Outside services	493,887	466,538	615,821
F.4.2 Repairs and maintenance	562,020	348,412	297,301
F.4.3 Commission	624,283	599,319	616,675
F.4.4 Taxes and licenses	869,076	762,003	583,316
F.4.5 Provision for doubtful accounts, probable losses and loss on sale of assets	217,632	960,954	514,248
F.4.6 Advertising and marketing	505,228	549,629	397,549
F.4.7 Rent	216,635	82,382	127,680
F.4.8 Communication, light and water	148,154	156,624	159,154
F.4.9 Entertainment, amusement and recreation	93,214	112,199	102,660
F.4.10 Insurance	129,704	105,185	80,720
F.4.11 Transportation and travel	91,549	105,961	104,779
F.4.12 Supplies	75,694	59,063	69,640
F.4.13 Association dues	44,462	72,696	116,161
F.4.14 Probable losses on other noncurrent assets	-	-	-
F.4.15 Loss on writedown of property, plant and equipment	14,316	16,088	111
F.4.16 Miscellaneous	439,041	278,324	391,242
G. FINANCE COSTS	954,982	545,716	467,088
H. NET INCOME (LOSS) BEFORE TAX (E - F - G)	19,805,052	20,527,646	14,890,776
I. INCOME TAX EXPENSE (negative entry)	(2,277,522)	(3,604,830)	(1,088,276)
J. INCOME (LOSS) AFTER TAX	17,527,530	16,922,816	13,802,500
K. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)	-	-	-
K.1	-	-	-
K.2	-	-	-
L. PROFIT OR LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	5,342,588	4,088,150	3,027,166
M. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	12,184,942	12,834,666	10,775,334
N. EARNINGS (LOSS) PER SHARE			
N.1 Basic	0.92	0.97	0.81
N.2 Diluted	0.92	0.97	0.81

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TEL. NO.: 888-3000

FAX NO.: _____

COMPANY TYPE: Holding Company

PSIC: _____

If these are based on consolidated financial statements, please so indicate in the caption.

Table 3. Consolidated Cash Flow Statements

FINANCIAL DATA	2016 (in P'000)	2015 (in P'000)	2014 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	19,805,052	20,527,646	14,890,776
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation, depletion and amortization	5,392,822	3,634,594	3,887,077
Amortization, specify			
Others, specify:			
Finance costs	954,982	545,716	467,088
Provisions for doubtful accounts and loss on sale of assets	217,632	960,954	514,248
Loss on PPE writedown	14,316	16,088	111
Unrealized market loss (gain) on financial assets at FVPL	-	-	2,520
Loss (gain) on remeasurement of previously held interest	-	-	(261,084)
Gain on bargain purchase	-	-	(257,497)
Gain on sale property, plant and equipment	(390)	(90,922)	(127,201)
Dividend income	(4,282)	(4,288)	(7,000)
Net unrealized foreign exchange loss (gain)	(29,873)	214,450	116,919
Write-off of accrued expenses	(40,925)	-	-
Movement in net retirement asset	(59,742)	(49,421)	(16,637)
Gain on sale of undeveloped land	(73,182)	-	(284,287)
Gain on sale of investments	(131,498)	(562,727)	-
Finance income	(446,325)	(467,506)	(438,148)
Equity in net earnings of associates and joint ventures	(1,926,337)	(2,376,424)	(2,015,703)
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables	(1,939,475)	(1,098,032)	4,266,347
Inventories	(3,073,719)	(4,824,339)	(4,599,476)
Other current assets	200,080	2,002,046	(1,683,488)
Others, specify: Costs and estimated earnings in excess of billings on uncompleted contracts	261,829	52,484	(1,081,158)
Increase (Decrease) in:			
Accounts payable and accrued expenses	1,684,220	(1,637,690)	2,898,977
Others, specify: Customers' advances and deposits	2,587,861	85,242	677,327
Liabilities for purchased land	(1,487,653)	838,241	806,709
Billings in excess of costs and estimated earnings on uncompleted contracts	215,896	(458,333)	(1,126,951)
Others, specify:			
Interest received	440,942	405,224	456,317
Income taxes paid	(1,694,289)	(2,723,212)	(1,317,699)
Interest paid and capitalized as cost of inventory	(770,700)	(856,620)	(936,344)
A. Net Cash Provided by Operating Activities (sum of above rows)	20,097,242	14,133,170	14,831,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Investment properties	-	(77,869)	(49,008)
Exploration and evaluation asset	(1,933,949)	(718,652)	(1,566,287)
Property, plant and equipment	(6,691,397)	(6,327,499)	(14,168,994)
Investments in associates, jointly controlled entity and others	(58,500)	-	(517,013)
Available-for-sale financial assets	(3,500)	-	-
Proceeds from disposals of:			
Property and equipment	3,348	166,341	305,060
Investments in associates and joint ventures	210,672	76,835	1,569
Undeveloped land	246,431	-	747,639
Investment properties	3,150	-	-
Others, specify: Dividends received	568,723	562,710	284,280
Deposit for future sale of investment	-	-	1,758,651
Decrease (Increase) in other noncurrent assets	(460,058)	303,758	(77,894)
Acquisition of a business - net of cash acquired (Note 11)	-	-	(2,027,381)
Interest paid and capitalized as cost of property, plant and equipment	(112,939)	(455,707)	(304,367)
B. Net Cash Used in Investing Activities (sum of above rows)	(8,228,019)	(6,470,083)	(15,613,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt	7,327,976	7,475,784	10,173,755
Short-term debt	9,160,557	8,313,038	1,658,753
Others, specify:			
Payments of:			
Long-term debt	(8,347,806)	(5,859,510)	(9,119,799)
Short-term debt	(11,814,390)	(6,632,891)	(2,050,842)
Dividends paid to equity holders of DMCI Holdings, Inc	(6,373,759)	(6,373,185)	(6,366,867)
Dividends paid to non-controlling interests	(1,841,122)	(2,213,937)	(1,871,130)
Interest	(934,276)	(589,982)	(169,072)
Purchase of non-controlling interest	(387,547)	-	-
Stock issue costs	-	-	(92,923)
Others, specify (negative entry):			
Increase (decrease) in:			
Payable to related parties	761,745	(44,162)	227,798
Other noncurrent liabilities	276,659	2,120,741	(1,146,633)
Redemption of preferred shares	-	-	-
C. Net Cash Used in Financing Activities (sum of above rows)	(12,171,963)	(3,804,104)	(8,756,960)
D. Effects of Exchange Rate Changes on Cash and Cash Equivalents	(109,757)	61,852	(5,765)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(412,497)	3,920,835	(9,544,727)
Cash and Cash Equivalents			
Beginning of year	19,150,603	15,229,768	24,774,495
End of year	18,738,106	19,150,603	15,229,768

NOTE: Pursuant to SRC Rule 68.1 (as amended in Nov. 2005), for fiscal years ending December 31, 2005 up to November 30, 2006, a comparative format of only two (2) years may be filed to give temporary relief for covered companies as the more complex PFRSs will be applied for the first time in these year end periods. After these first time applications, the requirement of three (3) year comparatives shall resume for year end reports beginning December 31, 2006 and onwards.

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FAX NO.:

COMPANY TYPE: HOLDING COMPANY

PSIC:

PSIC:

PSIC:

If these are based on consolidated financial statements, please so indicate in the caption.

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)										
	Capital Stock	Additional Paid-in Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gains (Loss) on Available for-Sale Financial Assets	Cumulative Translation Adjustment	TOTAL	Attributable to Non-controlling Interests	TOTAL
A. Balance, 2013	2,655,498	4,765,317	41,368,195	2,100,000	(161,033)	516,675	6,830	(32,376)	51,219,106	8,910,307	60,129,413
B. Balance	2,655,498	4,765,317	41,368,195	2,100,000	(161,033)	516,675	6,830	(32,376)	51,219,106	8,910,307	60,129,413
J.1 Balances, as previously reported	2,655,498	4,765,317	41,441,859	2,100,000	(161,033)	516,675	6,830	(32,376)	51,292,770	8,910,307	60,203,077
J.2 Effect of business combination	-	-	(73,664)	-	-	-	-	-	(73,664)	-	(73,664)
C. Surplus	-	-	-	-	-	-	-	-	-	-	-
K.1 Surplus (Deficit) on Revaluation of Properties	-	-	-	-	-	-	-	-	-	-	-
K.2 Surplus (Deficit) on Revaluation of Investments	-	-	-	-	-	-	-	-	-	-	-
K.3 Currency Translation Differences	-	-	-	-	-	-	-	-	-	-	-
K.4 Other Surplus (specify)	-	-	-	-	-	-	-	-	-	-	-
D. Net Income (Loss) for the Period	-	-	10,775,334	-	-	361,099	6,227	292,628	11,435,288	3,031,753	14,467,041
L.1 Net Income (Loss) for the Period	-	-	10,775,334	-	-	-	-	-	10,775,334	3,027,166	13,802,500
L.2 Other Comprehensive income	-	-	-	-	-	361,099	6,227	292,628	659,954	4,587	664,541
E. Dividends (negative entry)	10,621,976	(92,923)	(16,995,162)	-	-	-	-	-	(6,466,109)	(1,871,130)	(8,337,239)
F. Appropriation for (specify)	-	-	2,100,000	(2,100,000)	-	-	-	-	-	-	-
F.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-
F.2 Reversal of appropriation	-	-	2,100,000	(2,100,000)	-	-	-	-	-	-	-
G. Issuance of Capital Stock	-	-	-	-	-	-	-	-	-	-	-
G.1 Common Stock	-	-	-	-	-	-	-	-	-	-	-
G.2 Preferred Stock	-	-	-	-	-	-	-	-	-	-	-
G.3 Others	-	-	-	-	-	-	-	-	-	-	-
H. Others	-	-	-	-	-	-	-	-	-	333,243	333,243
H.1 Effect of business combination	-	-	-	-	-	-	-	-	-	333,243	333,243
I. Balance, 2014	13,277,474	4,672,394	37,248,367	-	(161,033)	877,774	13,057	260,252	56,188,285	10,404,173	66,592,458
J. Balance	13,277,474	4,672,394	37,248,367	-	(161,033)	877,774	13,057	260,252	56,188,285	10,404,173	66,592,458
K. Comprehensive Income	-	-	12,834,666	-	-	(178,283)	8,378	24,853	12,689,614	4,080,231	16,769,845
K.1 Net Income (Loss) for the Period	-	-	12,834,666	-	-	-	-	-	12,834,666	4,088,150	16,922,816
K.2 Other Comprehensive income	-	-	-	-	-	(178,283)	8,378	24,853	(145,052)	(7,919)	(152,971)
L. Dividends (negative entry)	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,213,937)	(8,587,123)
M. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-
M.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-
M.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-
N. Other	-	-	-	-	-	-	-	-	-	-	-
N.1 Effect of business combination	-	-	-	-	-	-	-	-	-	-	-
O. Balance, 2015	13,277,474	4,672,394	43,709,847	-	(161,033)	699,491	21,435	285,105	62,504,713	12,270,467	74,775,180
P. Balance	13,277,474	4,672,394	43,709,847	-	(161,033)	699,491	21,435	285,105	62,504,713	12,270,467	74,775,180
Q. Comprehensive Income	-	-	12,184,942	-	-	(75,361)	5,776	-	12,115,357	5,345,053	17,460,410
Q.1 Net Income (Loss) for the Period	-	-	12,184,942	-	-	-	-	-	12,184,942	5,342,588	17,527,530
Q.2 Other Comprehensive income	-	-	-	-	-	(75,361)	5,776	-	(69,585)	2,465	(67,120)
R. Dividends (negative entry)	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,841,122)	(8,214,308)
S. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-
S.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-
S.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-
T. Others	-	-	-	-	(361,870)	-	-	(285,105)	(646,975)	(25,677)	(672,652)
T.1 Disposal of Subsidiaries	-	-	-	-	-	-	-	(285,105)	(285,105)	-	(285,105)
T.2 Acquisition of Non-controlling interest	-	-	-	-	(361,870)	-	-	-	(361,870)	(25,677)	(387,547)
T. Balance, 2016	13,277,474	4,672,394	49,521,603	-	(522,903)	624,130	27,211	-	67,599,909	15,748,721	83,348,630



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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

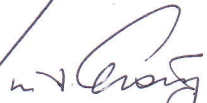
The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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


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



Isidro A. Consunji
Chairman of the Board



Isidro A. Consunji
Chief Executive Officer



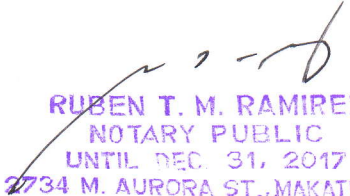
Herbert M. Consunji
Chief Financial Officer

Signed this March 16, 2017

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in
MAKATI CITY, this ___ day of MAR 17 2017.

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

Doc No. SV
Page No. 10
Book No. 538
Series No. 207


RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
2734 M. AURORA ST., MAKATI CITY
APPT. NO. M-23 (2016-2017)
IBP NO. 1052369/CY-2017/11-22-16
ROLL NO. 28947/MCLE-I NO. 000337
PTR NO. NKT. 59082

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

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

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

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

Form Type

A	A	F	S
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Department requiring the report

S	E	C
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

www.dmciholdings.com

Company's Telephone Number

888-3000

Mobile Number

N/A

No. of Stockholders

698

Annual Meeting (Month / Day)

Third Tuesday of May

Fiscal Year (Month / Day)

31-Dec

CONTACT PERSON INFORMATION

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

Name of Contact Person

Herbert M. Consunji

Email Address

hmc@dmcinet.com

Telephone Number/s

888-3000

Mobile Number

0918 988 3462

CONTACT PERSON'S ADDRESS

3rd floor Dacon Building, 2281 Don Chino Roces Avenue, Makati City

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

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



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Decommissioning and Site Rehabilitation Costs

As disclosed in Notes 3 and 20 to the consolidated financial statements, the Group has recognized provision for decommissioning and site rehabilitation for its open pit mines totaling ₱1,632 million as of December 31, 2016. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area, inflation rate, and discount rate.

Audit response

We obtained an understanding of management's processes and controls in the estimation of future decommissioning and site rehabilitation costs, which involved the Group's engineers. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the engineers and reviewed the comprehensive mine rehabilitation plans prepared by the Group's Reforestation Department. We obtained an understanding of the specialist's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

As discussed in Notes 3 and 13 to the consolidated financial statements, the Group's mining properties totaling ₱5,183 million as of December 31, 2016 are amortized using the units of production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves for the Group's Narra and Molave mines for the remaining life of the mines requires significant estimation from management's specialist.



Audit response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the external specialist engaged by the Group to perform an independent assessment of the ore reserves. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates including any changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Revenue and Cost Recognition based on Percentage of Completion

The Group derives 21% and 32% of its revenues and costs, respectively, from construction contracts which are material to the consolidated financial statements. Revenues and costs from construction contracts are determined using the percentage of completion measured principally on the basis of the actual cost incurred as of a reporting date over the estimated total cost of the project. This matter is important to our audit because the revenue and cost recognition process requires significant management estimation, particularly with respect to the projects' estimated total cost, stage of completion, contract price variations and settlement compensation which requires the technical expertise of the Group's project engineers. Note 3 to the consolidated financial statements provide the relevant discussion regarding this matter.

Audit Response

We obtained an understanding of the Group's processes to accumulate actual costs incurred and to estimate the costs to complete, and tested the relevant controls. We considered the competence, capabilities and objectivity of the Group's engineers with reference to their professional qualifications, experience and reporting responsibilities. We compared the contract price used in recognizing revenue to the original signed customer contracts and approved change orders. We examined the signed supplemental agreements and purchase orders with the customers for additional costs incurred, such as those arising from project extensions and changes in plan. We examined the approved total estimated completion costs, any revisions to the job order sheets, and the cost variance analysis against the supporting details. On a test basis, we examined the invoices and other supporting third party correspondence for the actual costs incurred. We conducted ocular inspections on selected projects where we inquired of the status of the projects under construction with the Group's engineers. We also inspected the associated project documentation, such as the S-curve schedule and bill of quantities, and inquired about the significant deviations against plans.



Recoverability of goodwill, property and equipment and mining properties

Under PFRS, the Group is required to annually test goodwill for impairment. In addition, if there are indicators of impairment, the Group tests the recoverability of property and equipment and mining properties. As of December 31, 2016, the Group has goodwill that is attributable to Zambales Diversified Metals Corporation (ZDMC) and Zambales Chromite Mining Company (ZCMC) amounting to ₱1,637 million, and property and equipment and mining properties amounting to ₱1,120 million, which are considered significant to the consolidated financial statements. As disclosed in Notes 3, 13 and 33 to the consolidated financial statements, ZCMC has applied for renewal of its Mineral Production Sharing Agreement (MPSA) before its term ended in 2016, while both ZDMC and Berong Nickel Corporation received suspension orders in 2016 and Notice of Issuance of an Order in February 2017. The assessment of recoverability of goodwill, property and equipment and mining properties requires significant management judgment and is based on assumptions, such as estimated timing of resumption of operations, mine production, nickel prices, price inflation and discount rate.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We performed tests of controls on the management processes and controls. We involved our internal specialist in evaluating the methodologies and the assumptions used, which include the estimated timing of resumption of operations, mine production, nickel prices, price inflation and discount rate. With respect to mineral production, we compared the forecasted mine production with the three-year work program submitted by the Group to the Mines and Geosciences Bureau and with the historical mine production output. We compared the nickel prices, price inflation and discount rate with externally published data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill, property and equipment and mining properties. We discussed with management the status of renewal of the MPSA and also obtained management assessment, as supported by its internal legal counsel's opinion, of the potential impact of the suspension orders on the Group's mining operations, particularly the recoverability of the affected assets and any potential liabilities.

Investment in Associates

The Group's investment in Maynilad Water Holdings Company, Inc. (MWHCI) comprise 97% of its investments in associates, while the Group's equity in net earnings of MWHCI represents 15% of the Group's net income attributable to the parent company, which are material to the consolidated financial statements. Maynilad Water Services, Inc. (MWSI) is the main source of MWHCI's net income and MWSI's net income is affected by (a) the recognition and measurement of provisions related to ongoing regulatory proceedings and disputes and tax assessments for local and national taxes, and (b) the amortization of service concession assets using the units of production method. These matters are significant to our audit because the estimation of the potential liability resulting from these proceedings, disputes and tax assessments, and the amortization of the service concession assets, particularly in determining the total estimated volume of billable water over the remaining period of the concession agreement require significant management judgment and estimates. Note 11 to the consolidated financial statements provide the relevant discussion regarding this matter.



Audit Response

Our audit procedures included, among other things, obtaining the relevant financial information from MWHCI for the purpose of determining the Group's equity in net earnings reflected in the consolidated financial statements. On the provisions, we involved our internal specialists in evaluating management's assessment on whether provisions on the contingencies should be recognized, and the estimation of such amount. We also discussed with management and obtained their assessment on the expected outcome and the status of the regulatory proceedings and dispute arbitration. In addition, we obtained correspondences with relevant government agencies and tax authorities and replies from external legal counsels. On the amortization of concession assets using the units of production method, we reviewed the report of the management's specialist and gained an understanding of the methodology and the basis of computing the estimated billable water volume.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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

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

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

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



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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-AR-1 (Group A),

May 12, 2015, valid until May 11, 2018

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2015,

February 27, 2015, valid until February 26, 2018

PTR No. 5908770, January 3, 2017, Makati City

March 16, 2017



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

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 36)	₱18,738,106	₱19,150,603
Receivables - net (Notes 7, 21 and 36)	15,529,156	12,836,956
Costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	1,753,204	2,015,033
Inventories (Note 9)	38,235,004	34,407,763
Available-for-sale financial assets (Notes 6 and 36)	85,255	76,900
Other current assets (Notes 10 and 36)	6,895,033	7,030,352
Total Current Assets	81,235,758	75,517,607
Noncurrent Assets		
Noncurrent receivables (Notes 7 and 36)	2,183,424	3,162,701
Investments in associates and joint ventures (Note 11)	12,761,044	11,457,732
Investment properties (Note 12)	209,141	288,542
Property, plant and equipment (Note 13)	55,751,702	49,440,223
Exploration and evaluation asset (Note 14)	224,645	3,238,442
Goodwill (Notes 2 and 33)	1,637,430	1,637,430
Deferred tax assets - net (Note 29)	416,017	543,859
Pension assets - net (Note 23)	893,764	958,979
Other noncurrent assets (Notes 14 and 36)	2,721,166	2,311,660
Total Noncurrent Assets	76,798,333	73,039,568
	₱158,034,091	₱148,557,175

LIABILITIES AND EQUITY

Current Liabilities		
Short-term debt (Notes 15 and 36)	₱2,621,109	₱3,707,354
Current portion of liabilities for purchased land (Notes 16 and 36)	906,622	2,201,291
Accounts and other payables (Notes 17, 21 and 36)	18,078,802	15,393,747
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	2,311,377	2,095,481
Customers' advances and deposits (Note 18)	8,280,132	5,692,271
Current portion of long-term debt (Notes 19 and 36)	3,193,487	11,291,955
Income tax payable	359,237	448,439
Total Current Liabilities	35,750,766	40,830,538

(Forward)



	December 31	
	2016	2015
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19 and 36)	₱31,070,773	₱25,763,651
Liabilities for purchased land - net of current portion (Notes 16 and 36)	623,151	816,135
Deferred tax liabilities - net (Note 29)	4,271,567	3,629,076
Pension liabilities - net (Note 23)	217,470	142,200
Other noncurrent liabilities (Notes 20 and 36)	2,751,734	2,600,395
Total Noncurrent Liabilities	38,934,695	32,951,457
Total Liabilities	74,685,461	73,781,995
Equity (Note 22)		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital	17,949,868	17,949,868
Retained earnings	49,521,603	43,709,847
Premium on acquisition of non-controlling interests	(522,903)	(161,033)
Remeasurements on retirement plans - net of tax (Note 23)	624,130	699,491
Net accumulated unrealized gains on AFS financial assets	27,211	21,435
Cumulative translation adjustment (Note 34)	–	285,105
Total Equity	67,599,909	62,504,713
Non-controlling interests	15,748,721	12,270,467
Total Equity	83,348,630	74,775,180
	₱158,034,091	₱148,557,175

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, except for Earnings Per Share figures)

	Years Ended December 31		
	2016	2015	2014
REVENUE			
Coal mining	₱20,079,462	₱11,781,825	₱16,276,930
Electricity sales	18,807,365	15,067,372	14,136,842
Construction contracts	13,816,649	13,247,380	11,852,523
Real estate sales	10,369,924	13,676,990	12,493,636
Nickel mining	1,573,086	3,138,852	1,516,461
Merchandise sales and others	252,290	291,502	284,562
	64,898,776	57,203,921	56,560,954
COSTS OF SALES AND SERVICES (Note 24)			
Coal mining	11,013,500	6,318,151	9,930,220
Electricity sales	9,082,981	5,559,033	10,015,060
Construction contracts	12,096,004	11,977,790	10,980,312
Real estate sales	5,475,896	6,803,570	6,524,383
Nickel mining	527,325	916,460	354,312
Merchandise sales and others	175,362	228,762	193,680
	38,371,068	31,803,766	37,997,967
GROSS PROFIT	26,527,708	25,400,155	18,562,987
OPERATING EXPENSES (Note 25)	9,616,862	8,546,868	8,090,223
	16,910,846	16,853,287	10,472,764
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates and joint ventures (Note 11)	1,926,337	2,376,424	2,015,703
Gain on sale of investments (Note 11)	131,498	562,727	-
Finance income (Notes 4, 14 and 26)	446,325	467,506	438,148
Gain on remeasurement of previously held interest (Note 33)	-	-	261,084
Gain on bargain purchase (Note 33)	-	-	257,497
Foreign exchange gains (losses)	(406,511)	(188,615)	395,213
Finance costs (Note 27)	(954,982)	(545,716)	(467,088)
Other income - net (Note 28)	1,751,539	1,002,033	1,517,455
INCOME BEFORE INCOME TAX	19,805,052	20,527,646	14,890,776
PROVISION FOR INCOME TAX (Note 29)	2,277,522	3,604,830	1,088,276
NET INCOME (Note 35)	₱17,527,530	₱16,922,816	₱13,802,500
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱12,184,942	₱12,834,666	₱10,775,334
Non-controlling interests	5,342,588	4,088,150	3,027,166
	₱17,527,530	₱16,922,816	₱13,802,500
Basic/diluted earnings per share attributable to equity holders of the Parent Company (Note 30)			
	₱0.92	₱0.97	₱0.81

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET INCOME	₱17,527,530	₱16,922,816	₱13,802,500
OTHER COMPREHENSIVE INCOME			
Items to be reclassified subsequently to profit or loss			
Cumulative translation adjustment (Note 34)	–	24,853	292,628
Changes in fair values of AFS financial assets (Note 6)	5,730	8,600	6,589
	5,730	33,453	299,217
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plans (Note 23)	(85,373)	(212,035)	405,519
Income tax effect	12,523	25,611	(40,195)
	(72,850)	(186,424)	365,324
OTHER COMPREHENSIVE INCOME (LOSS)	(67,120)	(152,971)	664,541
TOTAL COMPREHENSIVE INCOME	₱17,460,410	₱16,769,845	₱14,467,041
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	12,115,357	₱12,689,614	₱11,435,288
Non-controlling interests	5,345,053	4,080,231	3,031,753
	₱17,460,410	₱16,769,845	₱14,467,041

See accompanying Notes to Consolidated Financial Statements.



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

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Unappropriated Retained Earnings (Note 22)	Appropriated Retained Earnings (Note 22)	Premium on Acquisition of Non- controlling Interest	Remeasurements on Pension Plans (Note 23)	Net Accumulated Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 6)	Cumulative Translation Adjustment (Note 34)	Total	Non-controlling Interests (Note 22)	Total Equity
For the Year Ended December 31, 2016												
Balances as of January 1, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱43,709,847	₱-	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,504,713	₱12,270,467	₱74,775,180
Comprehensive income												
Net income	-	-	-	12,184,942	-	-	-	-	-	12,184,942	5,342,588	17,527,530
Other comprehensive income (loss)	-	-	-	-	-	-	(75,361)	5,776	-	(69,585)	2,465	(67,120)
Total comprehensive income	-	-	-	12,184,942	-	-	(75,361)	5,776	-	12,115,357	5,345,053	17,460,410
Disposal of subsidiaries (Notes 2 and 34)	-	-	-	-	-	-	-	-	(285,105)	(285,105)	-	(285,105)
Acquisition of noncontrolling interest	-	-	-	-	-	(361,870)	-	-	-	(361,870)	(25,677)	(387,547)
Cash dividends declared (Note 22)	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,841,122)	(8,214,308)
Balances at December 31, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱49,521,603	₱-	(₱522,903)	₱624,130	₱27,211	₱-	₱67,599,909	₱15,748,721	₱83,348,630
For the Year Ended December 31, 2015												
Balances as of January 1, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱37,248,367	₱-	(₱161,033)	₱877,774	₱13,057	₱260,252	₱56,188,285	₱10,404,173	₱66,592,458
Comprehensive income												
Net income	-	-	-	12,834,666	-	-	-	-	-	12,834,666	4,088,150	16,922,816
Other comprehensive income (loss)	-	-	-	-	-	-	(178,283)	8,378	24,853	(145,052)	(7,919)	(152,971)
Total comprehensive income	-	-	-	12,834,666	-	-	(178,283)	8,378	24,853	12,689,614	4,080,231	16,769,845
Cash dividends declared (Note 22)	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,213,937)	(8,587,123)
Balances at December 31, 2015	₱13,277,474	₱4,672,394	₱17,949,868	₱43,709,847	₱-	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,504,713	₱12,270,467	₱74,775,180



Attributable to Equity Holders of the Parent Company

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Unappropriated Retained Earnings (Note 22)	Appropriated Retained Earnings (Note 22)	Premium on Acquisition of Non-controlling Interest	Remeasurements on Pension Plans (Note 23)	Net Accumulated Unrealized Gain (Loss) on Available-for- Sale Financial Assets (Note 6)	Cumulative Translation Adjustment (Note 34)	Total	Non-controlling Interests (Note 22)	Total Equity
For the Year Ended December 31, 2014												
Balances as of January 1, 2014, as previously reported	₱2,655,498	₱4,765,317	₱7,420,815	₱41,441,859	₱2,100,000	(₱161,033)	₱516,675	₱6,830	(₱32,376)	₱51,292,770	₱8,910,307	₱60,203,077
Effect of business combination (Note 33)	-	-	-	(73,664)	-	-	-	-	-	(73,664)	-	(73,664)
Balances as of January 1, 2014, as restated	2,655,498	4,765,317	7,420,815	41,368,195	2,100,000	(161,033)	516,675	6,830	(32,376)	51,219,106	8,910,307	60,129,413
Comprehensive income												
Net income	-	-	-	10,775,334	-	-	-	-	-	10,775,334	3,027,166	13,802,500
Other comprehensive income	-	-	-	-	-	-	361,099	6,227	292,628	659,954	4,587	664,541
Total comprehensive income	-	-	-	10,775,334	-	-	361,099	6,227	292,628	11,435,288	3,031,753	14,467,041
Effect of business combination	-	-	-	-	-	-	-	-	-	-	333,243	333,243
Reversal of appropriation	-	-	-	2,100,000	(2,100,000)	-	-	-	-	-	-	-
Stock dividends declared (Note 22)	10,621,976	(92,923)	10,529,053	(10,621,976)	-	-	-	-	-	(92,923)	-	(92,923)
Cash dividends declared (Note 22)	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,871,130)	(8,244,316)
Balances at December 31, 2014	₱13,277,474	₱4,672,394	₱17,949,868	₱37,248,367	₱-	(₱161,033)	₱877,774	₱13,057	₱260,252	₱56,188,285	₱10,404,173	₱66,592,458



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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱19,805,052	₱20,527,646	₱14,890,776
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13, 14, 24 and 25)	5,392,822	3,634,594	3,887,077
Finance costs (Note 27)	954,982	545,716	467,088
Provisions for doubtful accounts, probable losses and loss on sale of assets (Note 25)	217,632	960,954	514,248
Loss on write-down of property, plant and equipment (Notes 13 and 25)	14,316	16,088	111
Gain on remeasurement of previously held interest	–	–	(261,084)
Gain on sale of property, plant and equipment and investment properties - net (Note 28)	(390)	(90,922)	(127,201)
Dividend income (Notes 5, 6, 11 and 28)	(4,282)	(4,288)	(7,000)
Net unrealized foreign exchange loss (gain)	(29,873)	214,450	116,919
Write-off of accrued expenses (Note 28)	(40,925)	–	–
Net movement in net pension asset	(59,742)	(49,421)	(16,637)
Gain on sale of undeveloped land (Notes 9 and 28)	(73,182)	–	(284,287)
Gain on sale of investments (Note 11)	(131,498)	(562,727)	–
Finance income (Note 26)	(446,325)	(467,506)	(438,148)
Equity in net earnings of associates and joint ventures (Note 11)	(1,926,337)	(2,376,424)	(2,015,703)
Gain on bargain purchase (Note 33)	–	–	(257,497)
Unrealized market loss on financial assets at FVPL (Note 5)	–	–	2,520
Operating income before changes in working capital	23,672,250	22,348,160	16,471,182
Decrease (increase) in:			
Receivables	(1,939,475)	(1,098,032)	4,266,347
Inventories	(3,073,719)	(4,824,339)	(4,599,476)
Costs and estimated earnings in excess of billings on uncompleted contracts	261,829	52,484	(1,081,158)
Other current assets	200,080	2,002,045	(1,683,488)

(Forward)



	Years Ended December 31		
	2016	2015	2014
Increase (decrease) in:			
Accounts and other payables	₱1,684,220	(₱1,637,690)	₱2,898,977
Billings in excess of costs and estimated earnings on uncompleted contracts	215,896	(458,333)	(1,126,951)
Liabilities for purchased land	(1,487,653)	838,241	806,709
Customers' advances and deposits	2,587,861	85,242	677,327
Cash generated from operations	22,121,289	17,307,778	16,629,469
Interest received	440,942	405,224	456,317
Income taxes paid	(1,694,289)	(2,723,212)	(1,317,699)
Interest paid and capitalized as cost of inventory (Notes 9 and 19)	(770,700)	(856,620)	(936,344)
Net cash provided by operating activities	20,097,242	14,133,170	14,831,743

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to:			
Investment properties (Note 12)	-	(77,869)	(49,008)
Exploration and evaluation asset (Note 14)	(1,933,949)	(718,652)	(1,566,287)
Property, plant and equipment (Notes 3 and 13)	(6,691,397)	(6,327,499)	(14,168,994)
Investments in associates and joint ventures (Note 11)	(58,500)	-	(517,013)
Available-for-sale financial assets (Note 6)	(3,500)	-	-
Proceeds from disposals of:			
Property, plant and equipment	3,348	166,341	305,060
Investments in associates and joint ventures (Note 11)	210,672	76,835	1,569
Undeveloped land (Note 9)	246,431	-	747,639
Investment properties (Note 12)	3,150	-	-
Dividends received	568,723	562,710	284,280
Interest paid and capitalized as cost of property, plant and equipment (Note 13)	(112,939)	(455,707)	(304,367)
Decrease (increase) in other noncurrent assets	(460,058)	303,758	(77,894)
Acquisition of a business - net of cash acquired (Notes 11 and 33)	-	-	(2,027,381)
Deposit received for future sale of investment (Note 11)	-	-	1,758,651
Net cash used in investing activities	(8,228,019)	(6,470,083)	(15,613,745)

(Forward)



	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Long-term debt	₱7,327,976	₱7,475,784	₱10,173,755
Short-term debt	9,160,557	8,313,038	1,658,753
Payments of:			
Long-term debt	(8,347,806)	(5,859,510)	(9,119,799)
Short-term debt	(11,814,390)	(6,632,891)	(2,050,842)
Dividends paid to equity holders of the Parent Company	(6,373,759)	(6,373,185)	(6,366,867)
Dividends paid to non-controlling interests (Note 22)	(1,841,122)	(2,213,937)	(1,871,130)
Interest	(934,276)	(589,982)	(169,072)
Stock issue costs	-	-	(92,923)
Purchase of non-controlling interest	(387,547)	-	-
Increase (decrease) in:			
Payable to related parties (Note 21)	761,745	(44,162)	227,798
Other noncurrent liabilities	276,659	2,120,741	(1,146,633)
Net cash used in financing activities	(12,171,963)	(3,804,104)	(8,756,960)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(109,757)	61,852	(5,765)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(412,497)	3,920,835	(9,544,727)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	19,150,603	15,229,768	24,774,495
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱18,738,106	₱19,150,603	₱15,229,768

See accompanying Notes to Consolidated Financial Statements.



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 and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel 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 March 16, 2017.

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 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 (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016.

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

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



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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 or excluded in the consolidated financial statements from the date the Group gains control or until the date the Group ceases to control the subsidiary.

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

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. and some of ENK's related entities which are incorporated in England, Wales and Netherlands):

	2016			2015		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
	(In percentage)					
<u>General Construction:</u>						
D.M. Consunji, Inc. (DMCI)	100.00	–	100.00	100.00	–	100.00
Beta Electric Corporation (Beta Electric) ¹	–	53.95	53.95	–	53.95	53.95
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>Real Estate Development:</u>						
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
Zenith Mobility Solutions Services, Inc. ²	–	51.00	51.00	–	51.00	51.00
<u>Marketing Arm:</u>						
DMCI Homes, Inc. (DMCI Homes) ²	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining</u>						
Semirara Mining and Power Corporation (SMPC)	56.51	–	56.51	56.32	–	56.32
<u>On-Grid Power</u>						
Sem-Calaca Power Corporation (SCPC) ³	–	56.51	56.51	–	56.32	56.32
Southwest Luzon Power Generation Corporation (SLPGC) ³	–	56.51	56.51	–	56.32	56.32
Sem-Calaca RES Corporation (SCRC) ^{3*}	–	56.51	56.51	–	56.32	56.32
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ^{3*}	–	56.51	56.51	–	56.32	56.32
Semirara Energy Utilities, Inc. (SEUI) ^{3*}	–	56.51	56.51	–	56.32	56.32
Southeast Luzon Power Generation Corporation (SeLPGC) ^{3***}	–	56.51	56.51	–	56.32	56.32
St. Raphael Power Generation Corporation (SRPGC) ^{**}	–	–	–	–	56.32	56.32
<u>Manufacturing</u>						
Semirara Claystone, Inc. (SCI) ^{3*}	–	56.51	56.51	–	56.32	56.32
<u>Off-Grid Power</u>						
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

(Forward)



	2016			2015		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
	(In percentage)					
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
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	-	100.00	100.00	-	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	-	100.00	100.00	-	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	-	100.00	100.00	-	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	-	100.00	100.00	-	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	-	100.00	100.00	-	100.00	100.00
ENK Plc. (ENK)****	-	-	-	100.00	-	100.00
European Nickel Iberia SL (EN Iberia) ⁶	-	-	-	-	100.00	100.00
European Nickel Spain SL (EN Spain) ⁶	-	-	-	-	100.00	100.00
Rusina Mining Ltd. (Rusina) ⁶	-	-	-	-	100.00	100.00
European Nickel Holland BV (EN Holland) ⁶	-	-	-	-	100.00	100.00
European Nickel Philland BV (EN Philland) ⁶	-	-	-	-	100.00	100.00
European Nickel PLC - Regional Operating Headquarters (EN ROHQ) ⁶	-	-	-	-	100.00	100.00
Enickel Holdings, Inc. (EHI) ^{6*}	-	-	-	-	100.00	100.00
Enickel Berhold, Inc. (EBI) ⁶	-	-	-	-	100.00	100.00
<u>Manufacturing:</u>						
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, 2016 and 2015

** Has not yet started commercial operations and treated as joint-venture starting May 23, 2016.

***Previously named SEM-Balayan Power Generation Corporation (SBPGC), was changed to

Southeast Luzon Power Generation Corporation (SeLPGC) effective July 12, 2016.

****ENK and its subsidiaries were liquidated in 2016.

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ SMPC'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. DMCI's secondary purpose, among others, is to engage in the real estate business.

Beta Electric

Beta Electric is a domestic corporation incorporated and registered with the Securities and Exchange Commission (SEC) on March 21, 1973. Beta Electric is primarily engaged in the installation of electrical backbone and related systems thereto for building construction. It is also engaged in the general business of trading, buying or selling of electrical equipment items and commodities related thereto.

Manufacturing and others

Oriken

Oriken Dynamix Company, Inc. (Oriken) was registered with the SEC on September 16, 2005. Oriken's primary purpose is to manufacture, buy and sell ready mix concrete of every class and description. As of December 31, 2016 and 2015, Oriken is non-operational.



DMCI Training

DMCI Training was registered with the SEC on August 15, 2006. The primary purpose of DMCI Training 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 taught, developed and trained in a well-rounded theoretical and practical method.

Real estate development

PDI

PDI was incorporated and registered with the SEC on April 27, 1995. PDI is organized to deal and engage in the development of residential subdivisions and construction of condominium and housing units. PDI offers range of products from middle-income to high-end housing and condominium projects.

Below are the subsidiaries of PDI and the nature of their operations:

- a) Hampstead Gardens Corporation - real estate developer
- b) DMCI Homes, Inc. - real estate brokerage
- c) Riviera Land Corporation - real estate developer
- d) DMCI Homes Property Management Corporation - real estate developer
- e) DMCI-PDI Hotels, Inc. - hotel operator
- f) Zenith Mobility Solution Services, Inc. - mobility services provider of the Group.

Coal 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. SMPC is a publicly listed entity in the Philippines. It has coal mining operations in Semirara Island in Caluya, Antique.

On-Grid Power

SCPC

SCPC, a wholly owned subsidiary of SMPC, was registered with the SEC on November 19, 2009. It is 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. It currently operates 2 units of coal-fired power plants located in Calaca, Batangas with a combined operating capacity of 600 MW.

SLPGC

On August 31, 2011, SLPGC, a wholly owned subsidiary of SMPC, was incorporated to operate electric power plants and to engage in business of a power generation company. Its 2x150 MW plant is located in Calaca, Batangas and started commercial operations on April 1, 2016.



SCRC

SCRC is a stock corporation registered with the 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.

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 9 of Republic Act 9136, otherwise known as the Electric Power Industry Reform Act (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. SEUI intends to act as the QTP over Barangays of Semirara, Tinogboc and Alegria, all located at Semirara Island, Caluya, Antique.

SeLPGC

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. On July 12, 2016, SEC approved the change in the corporate name from Sem-Balayan Power Generation Corporation to Southeast Luzon Power Generation Corporation.

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.

In 2016, SRPGC become a 50% owned joint venture when Meralco PowerGen Corporation subscribed to the remaining unissued capital stock of SRPGC (see Note 11). SRPGC has not yet started commercial operations as of December 31, 2016.



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.

Off-Grid Power

DPC

DPC was incorporated and 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 EPIRA of 2001. It currently has 29.45 MW modular diesel generation sets and 2x4.95 MW bunker-fired power plant in Palawan, 4x3.889 MW bunker-fired power plant in Mindoro and 3x1.23 MW diesel-fired generation sets in Sultan Kudarat.

DMCI Masbate

DMCI Masbate was incorporated and 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. It currently has 24.4 MW diesel-powered power plant in Mobo, Masbate, 4.23 MW diesel-powered generation sets in Aroroy, Masbate, 4.23 MW diesel-powered generation sets in Cataingan, Masbate, 1 MW diesel-powered generation sets in Cawayan, Masbate and 0.75 MW diesel-powered generation sets in Balud, Masbate.

DMCI Palawan

DMCI Palawan was incorporated and registered with the 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. At a meeting of the stockholders and Board of Directors held on July 27, 2016, the amendment of the By-Laws and Articles of Incorporation of DMCI Palawan to shorten its term to end on December 29, 2016 was duly adopted and approved. The net assets of DMCI Palawan as of December 29, 2016 amounted to ₱0.70 million.

Nickel Mining

DMC

DMC was incorporated 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.



Toledo Mining Corporation (TMC)

In October 2012, DMC acquired the 17.01% ownership interest of Daintree Resources Limited in TMC for GBP3.4 million. Such investment was accounted for as an associate as of December 31, 2012.

In 2013, DMC increased its ownership interest in TMC by acquiring additional shares through a mandatory cash offer to TMC's shareholders representing additional 81.05% ownership interest.

On December 20, 2013, after establishing the 98.06% voting rights and gaining majority seats in the BOD of TMC, DMC obtained control over TMC. TMC subsequently delisted on the London Stock Exchange - Alternative Investment Market (AIM) after the resolution for the matter has been approved on the General Meeting of Shareholders.

As of December 31, 2013, DMC holds 49.15 million shares and voting rights representing 98.06% of voting rights and the remaining 1.94% is covered by mandatory call option. In 2014, the remaining price for the 1.94% of TMC was paid by DMC. In 2013, the business combination transaction was initially accounted provisionally as allowed under PFRS 3. The business combination of the purchase of TMC shares was finalized in 2014 (see Note 33).

As of June 18, 2014, the Group (through combined TMC and DMC ownerships) has the following investments in associates (collectively called mining entities).

- | | | |
|----|---|--|
| a) | Ulugan Resources Holdings, Inc. (URHI) | - 30% direct interest |
| b) | Nickeline Resources Holdings, Inc. (NRHI) | - 58% effective interest (40% direct, 18% through URHI) |
| c) | Ulugan Nickel Corporation (UNC) | - 58% effective interest (40% direct, 18% through URHI) |
| d) | Berong Nickel Corporation (BNC) | - 74.80% effective interest (40% direct, 34.80% through URHI and NRHI) |
| e) | TMM Management, Inc. (TMM) | - 40% direct interest |
| f) | Ipilan Nickel Corporation (INC) | - 52% effective interest (40% direct, 12% through NLRI) |
| g) | Nickel Laterite Resources, Inc. (NLRI) | - 20% direct interest |

The remaining ownership of the above associates are owned by Atlas Consolidated Mining Corp. (Atlas), a third party.

In June 2014, organizational meetings were held for the above entities, wherein the voting rights held by Atlas were assigned to the representative of the Group. In that same meeting, management team from the Group were assigned as key officers of the above entities. Further, on July 11, 2014, a Memorandum of Agreement (MOA) was entered between TMC and Atlas, which set out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties [mining tenements or Mineral Production Sharing Agreement (MPSA) applications underlying the Berong Nickel Project, as well as all surface rights or rights of way and easements within or around the Berong Nickel Project necessary for operations] defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of Atlas and TMC including the assignment of board seats, majority of which were assigned to TMC and delegation to TMC of the day to day operations and critical decision making in running the mining operations.



Due to these factors, the Group believes that they have control over the above mining entities and were accounted for as subsidiaries, instead of associates. Consequently, Atlas deconsolidated the above entities. Gain on bargain purchase recognized from the business combination amounted to ₱257.50 million (see Note 33).

On August 8, 2014, the following shares of mining entities owned by TMC were transferred to DMC as part of the re-organization:

- a) 40% of BNC
- b) 30% of URHI
- c) 40% of UNC
- d) 9% of NRHI
- e) 40% of TMM

On December 1, 2014, TMC transferred the following shares to DMC:

1. 40% of INC
2. 20% of NLRI

The above re-organization effectively transferred all the investments in shares of mining entities by TMC to DMC and did not change the existing total and effective ownership of the Group.

On December 1, 2014, DMC sold the following to Southeast Palawan Nickel Ventures, Inc. (an outside party):

- 1) Sale of 40% shares of INC and 20% shares of NLRI at book value of ₱1.50 million.
- 2) Sale of receivables from INC and NLRI with proceeds amounting to ₱617.30 million.

On December 19, 2014, DMC sold its investment in TMC to a third party individual with proceeds amounting to GBP1,000.

As of December 31, 2015, the Deeds of Transfer and payment of corresponding Documentary Stamp Tax (DST) have been already completed and paid. DMC obtained the Certificate Authorizing Registration (CAR) in 2015.

Below are the nature of operations of the nickel mining subsidiaries:

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 June 28, 2016, BNC, received an indefinite Regional Suspension Order from Regional Office No. IV-B of MGB in connection with the discoloration of the Llabongan River which extended towards the surrounding area of the causeway within Berong Bay (see Note 38).

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.

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.

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 in syndicates 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.

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.

ENK Plc. (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 (D&A). The Parent Company owns 60% of ENK as of December 31, 2013. ENK has the following 100% owned foreign and local subsidiaries:

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

The local wholly owned 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; (j) Fil-Asian Strategic Resources & Properties Corporation; (k) Montemina Resources Corporation; (l) Montague Resources Philippines Corporation; (m) Mt. Lanat Metals Corporation; (n) Zambales Chromite Mining Company, Inc.; and (o) Zambales Diversified Metals Corp.

On March 25, 2014, the Parent Company purchased from D&A the remaining 40% interest in ENK and its subsidiaries for approximately ₱3.12 billion, making ENK and its wholly owned foreign and local subsidiaries, wholly owned subsidiaries of the Parent Company. The business combination was completed on April 3, 2014 when the Board seats were occupied by the



representatives of the Parent Company. Goodwill recognized from the business combination amounted to ₱1,637.43 million (see Note 33).

Below are the nature of operations of the subsidiaries:

Foreign Subsidiaries

The following entities were acquired in 2014 and were organized primarily to participate in, to cooperate with, to manage or 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 established 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 EN 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, 2015, 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.

(m) 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.

(n) 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. ZCMC is primarily engaged in exploring for and evaluation of mining resources in the Philippines.

(o) Zambales Diversified Metals Corp. (ZDMC)

ZDMC was incorporated and registered with the SEC on September 14, 2007. ZDMC 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.

On February 8, 2017, DENR issued an order cancelling the ZDMC's MPSA, based among others, on the suspension imposed on the ZDMC on July 7, 2016 (see Note 28).



After the acquisition, the following re-organization was implemented in various dates in 2014 and 2015:

- a) In 2014, 100% of ZCMC was transferred from ZNHC and FEANC to DMC
- b) In 2014, 100% of ZDMC was transferred from ZDMCHC and FEANC to DMC
- c) In 2014, 100% of FASRPC was transferred from Rusina to DMC
- d) In 2014, 99% of MRC was transferred from third party sellers to DMC
- e) In 2015, 100% of FEANC was transferred from Rusina and EHI 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).

On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK. The dissolution and liquidation of ENK is part of the ongoing restructuring of the Parent Company's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Parent Company has completed the restructuring of ENK and ENK was subsequently sold to a third party liquidator. The local subsidiaries which controls the mining assets are now owned by DMCI Mining.

Manufacturing

SemCem

Semirara Cement Corporation was registered with the Philippine Securities and Exchange Commission (SEC) on January 29, 1998. SemCem is primarily engaged in the manufacturing, marketing, distribution and trading of cement and related products. As of December 31, 2016, SemCem has not yet started commercial operations.

Wire Rope

Wire Rope was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 22, 1960 to produce, manufacture, fabricate, sell, distribute or otherwise deal in, wires, wire ropes and cables of all kinds and descriptions.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and Philippine Accounting Standards (PAS) 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*



- Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
- Amendment to PAS 19, *Discount Rate: Regional Market Issue*
- Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2016. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Parent Company is currently assessing the impact of these amendments on its consolidated financial statements.



Effective beginning on or after January 1, 2018

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

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

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

This is not applicable to the Group because it does not have share-based payment arrangements.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 15, Revenue from Contracts with Customers*

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

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

The standard is expected to significantly impact contracts entered into by the construction, coal mining, on-grid power generation and real estate development segments of the Group. Particularly for real estate sales which is currently accounted for at completed contract method, revenue and cost recognition will now be based on percentage of completion method.



This will significantly impact revenue, cost of sales, inventory, receivables, customer's deposits and deferred tax accounts previously reported. The Group is currently quantifying the impact of the adoption of the new standard.

- *PFRS 9, Financial Instruments*

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

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 adoption is expected to impact the assessment of the Group's credit losses amount. The Group is currently assessing the impact of adopting this standard.

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

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

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

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

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-



monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The new standard is expected to impact the Group's leasing arrangement as a lessee.

The Group is currently quantifying the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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



Significant Accounting Policies

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

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 (3) 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 AFS financial assets and financial assets at FVPL at fair value at each reporting date. Also, fair values of loans and receivables, other financial liabilities and non-financial assets measured at cost such as investment properties are disclosed in Notes 12 and 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.



‘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 current assets” and “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 income - net” 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 (Note 6).

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”.



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.

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.

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 income - net" 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.

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.

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.

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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Embedded Derivative

The Group assesses the existence of an embedded derivative on the date it first becomes a party to the contract, and performs re-assessment where there is a change to the contract that significantly modifies the cash flows.

Embedded derivatives are bifurcated from their host contracts and carried at fair value with fair value changes recognized in the consolidated statement of income, when the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial instruments designated at FVPL; when their economic risks and characteristics are not clearly and closely related to those of their respective host contracts; and when a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

As of December 31, 2016 and 2015, the Group's identified embedded derivatives consists of prepayment options for the loan agreements that are not required to be bifurcated from the host instruments as these were assessed to be clearly and closely related to the host contracts.

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. This account also includes advance payment of customers for coal and nickel ore purchases which will be applied against the receivable upon consummation of the related sales transaction.

Inventories

Real Estate Held for Sale and Development

Real estate held for sale and development consists of condominium units and subdivision land for sale and development.

Condominium units and subdivision land for sale are carried at the lower of aggregate cost and net realizable value (NRV). Costs include acquisition costs of the land plus costs incurred for the construction, development and improvement of residential units. Borrowing costs are capitalized while the development and construction of the real estate projects are in progress, and to the extent that these are expected to be recovered in the future. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Undeveloped land is carried at lower of cost and NRV.



The costs of inventory recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Valuation allowance is provided for real estate held for sale and development when the NRV of the properties are less than their carrying amounts.

Coal Inventory

The cost of coal inventory is carried at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory. Cost is determined using the weighted average production cost method.

The cost of extracted coal includes all stripping costs and other mine related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with the total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.

Nickel Ore Inventory

Nickel ore inventories are valued at the lower of cost and NRV. Cost of beneficiated nickel ore or nickeliferous laterite ore is determined by the moving average production cost and comprise of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for beneficiated nickel ore or nickeliferous laterite ore is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Stockpile tonnages are verified by periodic surveys.

Materials in Transit

Cost is determined using the specific identification basis.

Equipment Parts 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 and Joint Ventures

An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 associates and joint ventures are accounted for using the equity method.

Under the equity method, the investments in associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share to the extent of the interest in associate or joint venture.

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

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 'Equity in net earnings of associates and joint ventures' 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 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:

	Years
Buildings and building improvements	5-20
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 and Mining Properties

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies



License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mining properties' which is a subcategory of 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals. After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mining properties'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mining properties and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be 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 income as operating costs as they are incurred.

In identifying components of the body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons.



These include, but are not limited to: the type of commodity, the geological characteristics of the ore/coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore/coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore/coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mining properties' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore/coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, depletion and amortization, and any impairment in value. Land is stated at cost, less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation 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.

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
Coal mining equipment	2-13
Nickel mining equipment	2-5
Leasehold improvements	5-7

The EUL and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the year the item is derecognized.

Coal and nickel mining properties are amortized using the units of production method. Coal and nickel mining properties consists of mine development costs, capitalized cost of mine rehabilitation and decommissioning (refer to accounting policy on “Provision for mine rehabilitation and decommissioning”), stripping costs (refer to accounting policy on “stripping costs”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Exploration and Evaluation Asset”, which were transferred to property, plant and equipment upon start of commercial operations. Mining rights are expenditures for the acquisition of property rights that are capitalized.

The net carrying amount of mining properties is depleted using unit-of-production method based on the estimated economically recoverable mining reserves of the mine concerned and are written-off if the property is abandoned.

Mineable Ore Reserves

Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group’s mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of ‘Coal mining properties and equipment’ under ‘Property, plant and equipment’.

Intangible Assets

Intangible assets and software costs acquired separately are capitalized at cost and are shown as part of the “Other noncurrent assets” account in the consolidated statement of financial position.



Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their EUL ranging from 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.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded as part of cost of sales in the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

The Group has assessed the useful life of the development costs based on the expected usage of the asset. The useful life of capitalized development costs for clay business is twenty (20) years.

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investments in associates and joint ventures 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 these assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted



to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Inventories

NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at reporting date, less estimated cost necessary to make the sale for coal inventory or replacement costs for spare parts and supplies. If there is any objective evidence that the inventories are impaired, impairment losses are recognized in the consolidated statement of income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Exploration and evaluation assets

Exploration and evaluation assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Investment in associates and joint ventures

For investments in associates and joint ventures, after application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the 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.



Other Assets

Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

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

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. The Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱4,836.59 million and ₱7,438.63 million, respectively.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are 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 not within the scope of PAS 39, it is measured in



accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated statement of income.

After initial recognition, goodwill is measured at 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.

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.

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. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Coal Mining

Revenue from coal 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 directly related production costs such as materials and supplies, fuel and lubricants, labor costs including outside services, depreciation and amortization, cost of



decommissioning and site rehabilitation, and other related production overhead. These costs are recognized when incurred.

Nickel Mining

Revenue from sale of beneficiated nickel ore/nickeliferous laterite ore 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.

Cost of nickel includes cost of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the inventory to its saleable condition. These are recognized in the period when the goods are delivered.

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 proportion of 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 using percentage of completion. 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 revenue is comprised of amount of revenue agreed in the contract and variations in contract work, claims and incentive payments.

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 the generated and purchased electricity. Revenue derived from the generation and/or supply of electricity is recognized based on the actual electricity nominated or received by the customer, net of adjustments, as agreed upon between parties.

Revenue from spot electricity sales is derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue is recognized based on the actual excess generation delivered to the WESM.



Cost of electricity sales includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of electricity sales are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of electricity sales also includes electricity purchased from the spot market and the related market fees. It is recognized as 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, revenue 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.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real estate inventories to saleable condition.

Sales and services

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

Merchandise Sales

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

Income from commissioning

Income from commissioning pertains to the excess of proceeds from the sale of electricity produced during the testing and commissioning of the power plant over the actual cost incurred to perform the testing and commissioning.

Dividend Income

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 when incurred.

Commission Expense

Commission paid to brokers for the services rendered on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized. Commission expense is recorded under “Operating expense” account 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 borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs are also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

Foreign Currency Translations and Transactions

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of ENK Plc. and its subsidiaries which were sold 2016, is in 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 ENK Plc. and its subsidiaries, the deferred cumulative amount previously recognized in OCI is recognized in the consolidated statement of income.

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).

Operating Lease - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Operating Lease - Group as a Lessor

Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Income Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.



Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and investments in joint ventures.

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

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantially enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the 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. Financial information on operating segments is presented in Note 35 to the consolidated financial statements.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for Decommissioning and Site Rehabilitation Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Contingencies

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

Events After the Reporting Period

Post year-end events up to the date of the 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. Significant Accounting Judgments and Estimates

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.



Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgments

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

Real Estate Revenue Recognition

Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and completion of development. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers. In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer of about 15% would demonstrate the buyer's commitment to pay.

Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation asset requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

In 2016, the Group has assessed that it has completed all the activities necessary to commence commercial operations, including appropriate regulatory approvals, for the Narra and Molave minesites and has reclassified all the related exploration and evaluation asset to 'Property, plant and equipment' (see Notes 13 and 14).

Determination of components of ore bodies and allocation of measures for stripping cost allocation

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.



Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e. stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

Evaluation and Reassessment of Control

The Group refers to the guidance in PFRS 10 when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of the investor's returns.

On January 18, 2008, DMCI has entered into a Joint Venture (JV) Agreement with First Balfour, Inc. with 51% interest. DMFB Joint Venture, an incorporated joint venture, was formed for the construction of the Light Rail Transit (LRT) Line 1 North Extension Project (the Project). The Project was started on June 7, 2008 and was completed on October 23, 2010. DMCI's interest in DMFB Joint Venture is a joint arrangement accounted for as joint venture because the significant activities of the JV will require unanimous consent from both parties.

As of December 31, 2016 and 2015, ownership interests in URHI and TMM represent 30% and 40%, respectively but were accounted for as subsidiaries because the Group has established that through the Memorandum of Understanding (MOU) signed with Atlas, the Group has existing rights that give it the current ability to direct the relevant activities of the investee and it has the ability to use its power over the investees to affect its returns considering that critical positions are occupied by the representatives of the Group (see Note 2).

Management's Use of Estimates

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

- a. Mining

Revenue Recognition - Coal

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables. The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of coal. These price adjustments may arise from the actual quantity and quality of delivered coal.

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from coal mining amounted to ₱20,079.46 million, ₱11,781.83 million and ₱16,276.93 million in 2016, 2015 and 2014, respectively.



Estimating Mineable Ore Reserves

The Group uses the estimated minable ore reserve in the determination of the amount of amortization of mining properties using units of production method. The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist (specialists). These estimates on the mineable ore reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mining properties and mining rights, included in property, plant and equipment as presented in the consolidated statements of financial position amounted to ₱13,703.83 million and ₱7,748.38 million in 2016 and 2015, respectively (see Note 13).

Estimating Coal Stock Pile Inventory Quantities

The Group estimates the stock pile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2016 and 2015 amounted to ₱1,821.98 million and ₱1,647.63 million, respectively (see Note 9).

Estimating Decommissioning and Mine Site Rehabilitation

The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. In addition, the Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning, mine rehabilitation, and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities (e.g., cost of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2016 and 2015, the provision for decommissioning and site rehabilitation for coal mining activities amounted to ₱1,592.57 million and ₱501.11 million, respectively (see Note 20). As at December 31, 2016 and 2015, provision for decommissioning and rehabilitation for the nickel mining activities amounted to ₱25.87 million and ₱26.00 million, respectively (see Note 20).

b. Construction

Revenue Recognition - Construction Contracts

The Group's construction revenue is based on the percentage of completion measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. The Group also updates the estimated total cost of the project



based on latest discussions with customers to include any revisions to the job order sheets and the cost variance analysis against the supporting details. The percentage of completion is applied to the contract price after considering approved change orders.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately. The amount of such a loss is determined irrespective of:

- (a) whether work has commenced on the contract;
- (b) the stage of completion of contract activity; or
- (c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its on-going construction projects and used the above guidance in determining whether there are projects with contract cost exceeding contract revenues. Based on the best estimate of the Group, adjustments were made in the books for those projects with expected losses in 2016 and 2015. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱13,816.65 million, ₱13,247.38 million and ₱11,852.52 million in 2016, 2015 and 2014, respectively.

c. Real estate

Revenue Recognition - Real Estate Sales

Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgments based on the following, among others:

- Buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial investment
- Stage of full completion of the project.

Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of initial investment before allowing revenue recognition. The assessment of whether the project is fully completed is based on the inputs of construction engineers based on the physical completion of work.

Evaluation of Net Realizable Value of Inventories

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV.

For real estate inventories, the Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined.

For inventories such as equipment parts, materials in transit and supplies, the Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.



Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Inventories carried at cost amounted to ₱34,486.85 million and ₱31,557.58 million as of December 31, 2016 and 2015, respectively. Inventories carried at NRV amounted to ₱3,748.16 million and ₱2,850.18 million as of December 31, 2016 and 2015, respectively (see Note 9).

d. Power

Estimating Decommissioning and Site Rehabilitation

The Group is contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the property, plant and equipment and increase noncurrent liabilities. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2016 and 2015, the estimated provision for decommissioning and site rehabilitation amounted to ₱13.72 million and ₱12.59 million, respectively (see Note 20).

Allowance for Doubtful Accounts

The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts on receivables would increase recorded operating expenses and decrease total assets.

Provision for doubtful accounts of the Group amounted to ₱162.40 million, ₱925.15 million and ₱40.88 million in 2016, 2015 and 2014, respectively (see Notes 7 and 25). Receivables of the Group that were impaired and fully provided with allowance amounted to ₱1,702.23 million and ₱1,539.83 million as of December 31, 2016 and 2015, respectively (see Note 7).

Estimating Useful Lives of Property, Plant and Equipment (see 'Estimation of Movable Ore' for the Discussion of Amortization of Mining Properties)

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous



estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.

The Group incurred a loss from property, plant and equipment write-down due to the replacement of generation units and retirement of mining equipment amounting to ₱14.32 million, ₱16.09 million and ₱0.11 million in 2016, 2015 and 2014, respectively (Notes 13 and 25).

The carrying value of property, plant and equipment of the Group amounted to ₱55,751.70 million and ₱49,440.22 million as of December 31, 2016 and 2015, respectively (see Note 13).

Impairment Testing of Goodwill and Nickel Mining Segment Assets

The Group performed its annual impairment test of goodwill as of December 31, 2016. The goodwill of ₱1,637 million is attributable to the acquisition of ZDMC and ZCMC (see Note 33). In addition, due to the suspension of certain Mineral Production Sharing Agreement (MPSA) of the Group and to the probability of renewal of ZDMC's MPSA, the nickel mining segment assets were also subjected to impairment testing in 2016 (see Note 38).

The recoverable amount of the CGUs and nickel mining segment assets have been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as, timing of production, nickel prices and inflation rate. The pre-tax discount rate applied to cash flow projections is 10.62%. As a result of this analysis, management concluded that the goodwill and nickel mining segment assets are not impaired.

The calculation of DCF of the CGU is most sensitive to the following assumptions:

- (a) Mine production
- (b) Discount rates
- (c) Nickel prices
- (d) Price inflation
- (e) Timing of resumption of operations

(a) Mine Production

Mine production projections are based on the three-year work program prepared and developed by the Group's mining engineers and geologists (specialist) submitted to and approved by the Mines and Geosciences Bureau (MGB). The work program is updated regularly and would include detailed forecast of mine production in wet metric tons.

(b) Discount Rates

Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service.



Specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

(c) Nickel Prices

The Group considers the effect of commodity price changes for nickel ore. The Group considered the possible effects of the changes in the price of nickel ores as it relates to the revenues that may be generated by the Group and the attainment of the cash flow projections. The Group used the data from the London Metal Exchange (LME). The price is the function of a number of factors, which includes, among others, nickel grade, moisture content and factor rate.

Generally, a higher grade and lower moisture content would yield higher recoverable amount, otherwise lower which may indicate impairment. The Group expects that the overall price of nickel ore will improve throughout the life of the mine.

(d) Price Inflation

Forecast price inflation which impacts the forecast for costs of production and operating expenses lies within a range of 1.40% to 4.20% during the forecast period. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, the recoverable value is affected.

(e) Timing of Resumption of Operations

The mining operations of ZDMC and ZCMC are currently suspended and the Group estimated the resumption of operations of BNC, ZCMC, and ZDMC between 2018 to 2020. As discussed in Note 38, the MPSA of ZDMC was cancelled by the DENR and the operations of BNC was suspended due to alleged violation certain mining laws, rules and regulations. Also, ZCMC applied for the renewal of its MPSA before its term ended in 2016.

The cashflows prepared by the Group considered various scenarios as to the timing of the resumption of their operations. Management assessed that the quality of the ore remain the same irrespective of the timing of extraction.

The sensitivity analysis below shows the reasonably possible changes in key assumptions that would cause the carrying values of the goodwill plus net assets amounts to exceed the recoverable amounts:

- (a) Discount rates: a rise in pre-tax discount rate from 10.62% to 43.12%.
- (b) Nickel prices: a decline in LME by 16.45%.
- (c) Price inflation: a general price index inflation increase for specific various cost and expenses exceeding the range of 5.49% to 11.84%.

Deferred Tax Assets

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.



The deferred tax assets recognized amounted to ₱584.62 million and ₱626.42 million as of December 31, 2016 and 2015, respectively. The unrecognized deferred tax assets of the Group amounted to ₱3,712.68 million and ₱3,705.36 million as of December 31, 2016 and 2015, respectively (see Note 29).

Estimating Pension Obligation and Other Retirement Benefits

The cost of defined benefit pension plans and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net pension liabilities as at December 31, 2016 and 2015 amounted to ₱217.47 million and ₱142.20 million, respectively (see Note 23). Net pension assets amounted to ₱893.76 million and ₱958.98 million as of December 31, 2016 and 2015, respectively (see Note 23).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

Contingencies

The Group is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Notes 17 and 37).

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	₱7,046,948	₱9,292,274
Cash equivalents	11,691,158	9,858,329
	₱18,738,106	₱19,150,603

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.13% to 3.00% and 0.13% to 2.75% in 2016 and 2015, respectively.

Total finance income earned on cash in banks and cash equivalents amounted to ₱229.04 million, ₱170.25 million and ₱215.37 million in 2016, 2015 and 2014, respectively (see Note 26).



5. Financial Assets at FVPL

This account consists of peso-denominated investments in quoted securities of San Miguel Pure Foods Company, Inc. acquired in 2011 with dividend yields ranging from 1.98% to 1.90%.

On March 2, 2015, the securities were redeemed at ₱1,000 per share, for a total of ₱70.00 million recognizing loss on sale of ₱0.63 million.

In 2014, the Group recognized unrealized market loss amounting to ₱2.52 million. Recorded loss is included in “Other income - net” account (see Note 28). Dividend income earned amounting to nil, ₱1.40 million and ₱7.00 million in 2016, 2015 and 2014, respectively, are included in “Other income - net” account in the consolidated statements of income (see Note 28).

6. Available-for-Sale Financial Assets

This account consists of:

	2016	2015
Quoted securities		
At beginning of year	₱52,326	₱52,326
Unrealized gain recognized in equity	27,813	22,083
	80,139	74,409
Unquoted securities - at cost		
Acquisition costs	110,702	110,702
Additions	3,500	-
Write-off	(875)	-
	113,327	110,702
Less allowance for probable loss	108,211	108,211
	5,116	2,491
	₱85,255	₱76,900

Quoted securities

The quoted securities include investments in golf and sports club shares. Movements in the unrealized gain follow:

	2016	2015
Balance at beginning of year	₱22,083	₱13,483
Changes in fair values of AFS financial assets	5,730	8,600
Balance at end of year	₱27,813	₱22,083

Unquoted securities

This account consists mainly of investments in the following shares of stock which are accounted for at cost:

- Project Quest Corp. (PQC)
- Universal Rightfield Property Holdings, Inc. (URPHI)
- Celebrity Sports Plaza, Inc. (CSPI)
- Unicorn First Properties, Inc. (UFPI)



The aggregate cost of investments in the above entities amounted to ₱108.21 million which were fully provided for with allowance for impairment as management assessed that investments on these shares of stock are not recoverable as of December 31, 2016 and 2015.

In 2016, the Group acquired additional shares of CSPI for a total price of ₱3.50 million and has written-off unquoted securities amounting to ₱0.88 million.

7. Receivables

This account consists of:

	2016	2015
Trade:		
Real estate	₱6,365,958	₱6,902,548
Electricity sales	5,125,933	3,143,317
General construction (including retention receivables on uncompleted contracts of ₱2,351.11 million in 2016 and ₱1,563.01 million in 2015)	4,204,199	4,872,791
Coal mining	2,357,217	1,318,380
Nickel mining	100,155	102,501
Merchandising and others	58,582	63,460
	18,212,044	16,402,997
Receivables from related parties (Note 21)	130,614	143,642
Other receivables	1,072,152	992,847
	19,414,810	17,539,486
Less allowance for doubtful accounts	1,702,230	1,539,829
	17,712,580	15,999,657
Less noncurrent receivables	2,183,424	3,162,701
	₱15,529,156	₱12,836,956

Trade receivables

Real estate

Real estate receivable consists of accounts collectible in equal monthly principal installments with various terms up to a maximum of ten (10) years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2016 and 2015, annual interest rates on installment contracts receivable range from 5.00% to 7.89% and 9% to 19%, respectively. Interest on real estate receivable amounted to ₱205.92 million, ₱288.26 million and ₱216.09 million in 2016, 2015 and 2014, respectively (see Note 26).

In 2015, the Group entered into various receivable purchase agreements with BPI Family Savings Bank, China Bank, Land Bank of the Philippines, Security Bank and East West Bank whereby the Group sold its installment contracts receivable on a with recourse basis in the aggregate credit facility agreement totaling to ₱3,617.60 million.



The Group retains the assigned receivables in the “real estate receivable” account and records the proceeds from these sales as loans payable (see Note 19). The carrying value of installment contracts receivable sold with recourse amounted to ₱1,310.90 million and ₱2,365.57 million as of December 31, 2016 and 2015, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained.

The non-current portion of trade receivable from real estate business is presented under Non-current receivables account in the consolidated statements of financial position. These are portion of the receivables which are expected to be collected beyond one year.

Electricity sales

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

General construction

General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected on a 30 to 60 day term. Retention receivable pertains to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated.

Coal and nickel mining

Receivable from mining pertains to receivables from the sale of coal and nickel ore both to domestic and international markets. These receivables are noninterest-bearing and generally have 30 to 45 days credit terms.

Merchandising and others

Receivable from merchandise sales and others pertains to receivables from the sale of wires, services rendered and others to various local companies. These receivables are noninterest-bearing and generally have 30 to 60 days credit terms.

Other receivables

Other receivables include the Group’s receivables from JV partners and condominium corporations. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.

Allowance for doubtful accounts

Receivables amounting to ₱1,702.23 million and ₱1,539.83 million as of December 31, 2016 and 2015, respectively, were impaired and fully provided with allowance (see Note 38).

Movements in the allowance for impairment losses are as follow:

	2016					Total
	Trade Receivables					
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	
At January 1	₱537	₱30,855	₱65,562	₱70,933	₱1,371,942	₱1,539,829
Provision (Note 25)	-	51,787	-	-	140,417	192,204
Reversal/write-off (Note 25)	-	-	(23,787)	(6,016)	-	(29,803)
At December 31	₱537	₱82,642	₱41,775	₱64,917	₱1,512,359	₱1,702,230



	2015					Total
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	
At January 1	₱537	₱30,855	₱35,558	₱70,933	₱476,794	₱614,677
Provision (Note 25)	–	–	30,004	–	895,148	925,152
At December 31	₱537	₱30,855	₱65,562	₱70,933	₱1,371,942	₱1,539,829

8. Costs and Estimated Earnings in Excess of Billings on Uncompleted Contracts

The details of the costs, estimated earnings and billings on uncompleted contracts follow:

	2016	2015
Total costs incurred	₱24,676,017	₱20,790,724
Add estimated earnings recognized	2,813,034	2,197,981
	27,489,051	22,988,705
Less total billings (including unliquidated advances from contract owners of ₱2,793.99 million in 2016 and ₱2,294.50 million in 2015)	28,047,224	23,069,153
	(₱558,173)	(₱80,448)

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2016	2015
Costs and estimated earnings in excess of billings on uncompleted contracts	₱1,753,204	₱2,015,033
Billings in excess of costs and estimated earnings on uncompleted contracts	(2,311,377)	(2,095,481)
	(₱558,173)	(₱80,448)

9. Inventories

This account consists of:

	2016	2015
At Cost:		
Real estate held for sale and development	₱31,272,985	₱28,132,821
Coal inventory	1,821,981	1,647,625
Equipment parts, materials in transit and supplies	1,125,964	1,385,534
Nickel ore	265,918	391,604
	34,486,848	31,557,584
At NRV:		
Equipment parts, materials in transit and supplies	3,748,156	2,850,179
	₱38,235,004	₱34,407,763



Costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱3,817.47 million and ₱2,920.48 million as of December 31, 2016 and 2015, respectively.

Real estate inventories recognized as costs of sales amounted to ₱5,313.54 million, ₱6,673.50 million and ₱6,412.31 million in 2016, 2015, and 2014, respectively (see Note 24). Costs of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs and other costs attributable to bringing the real state inventories to its intended condition. Borrowing costs capitalized in 2016 and 2015 amounted to ₱770.70 million and ₱856.62 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2016 and 2015 is 5.44% and 5.91%, respectively.

There are no real estate held for sale and development used as collateral or pledged as security to secure liabilities.

A summary of the movement in real estate held for sale and development is set out below:

	2016	2015
Opening balance at January 1	₱28,132,821	₱24,105,136
Construction/development cost incurred	7,229,608	6,680,486
Land acquired during the year	647,298	3,159,888
Borrowing costs capitalized	770,700	856,620
Cost of undeveloped land sold during the year	(173,248)	-
Recognized as cost of sales (Note 24)	(5,313,539)	(6,673,502)
Other adjustment/reclassifications	(20,655)	4,193
	₱31,272,985	₱28,132,821

In 2016, the Group sold undeveloped land with a cost of ₱173.25 million for ₱246.43 million and recognized gain on sale of undeveloped land amounting to ₱73.18 million (see Note 28).

10. Other Current Assets

This account consists of:

	2016	2015
Advances to suppliers and contractors	₱2,321,593	₱2,089,921
Creditable taxes withheld	1,804,908	941,721
Input Value Added Tax (VAT) - net of allowance	1,197,271	2,218,536
Prepaid commission	597,444	487,225
Prepaid taxes	275,079	207,748
Refundable deposits (Note 36)	259,756	291,902
Advances to officers and employees	234,153	212,445
Prepaid expenses	89,506	67,356
Investment in sinking fund (Notes 14 and 19)	68,716	460,234
Others	46,607	53,264
	₱6,895,033	₱7,030,352

Advances to suppliers and contractors

Advances to suppliers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.



Creditable taxes withheld

Creditable taxes withheld are attributable to taxes withheld by third parties arising from sales and services that will be applied to future taxes payable.

Input VAT

Input VAT is fully recoverable and can be applied against output VAT. In 2014, the Group recognized an impairment loss amounting to ₱51.35 million upon assessment that the amount cannot be claimed against output VAT or recovered as tax credits against future income tax liability (see Note 25).

Prepaid commission

This account pertains to commission paid in advance for uncompleted real estate projects.

Prepaid taxes

Prepaid taxes represent prepayment for taxes as well as local business and real estate taxes.

Refundable deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one (1) year.

Advances to officers and employees

Advances to officers and employees pertain to salary and other loans granted to the Group's employees that are collectible through salary deduction. These are non-interest bearing and are due within one (1) year.

Prepaid expenses

Prepaid expenses consist mainly of prepayments for rent and insurance.

Investment in sinking fund

In a special meeting of the BOD of the SCPC held on March 9, 2010, the BOD authorized the SCPC to establish, maintain, and operate trust and investment management accounts with Banco de Oro Unibank, Inc. (BDO) - Trust and Investment Group. The Omnibus Agreement (see Note 14) provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an investment in Sinking Fund amounting ₱68.72 million and ₱460.23 million as of December 31, 2016 and 2015, respectively.

Interest from sinking fund amounted to ₱11.36 million, ₱8.99 million and ₱6.69 million in 2016, 2015 and 2014, respectively (see Note 26).

Others

Others mainly include deposits for escrow funds which will be recovered within one (1) year.



11. Investments in Associates and Joint Ventures

The details of the Group's investments in associates and joint ventures follow:

	2016	2015
Acquisition cost		
Balance at beginning of year	₱446,138	₱1,943,819
Additions	52,385	-
Disposals	(9,155)	(1,497,681)
Balance at end of year	489,368	446,138
Accumulated impairment loss		
Balance at beginning and end of year	(7,828)	(7,828)
Accumulated equity in net earnings		
Balance at beginning of year	11,019,422	8,975,499
Equity in net earnings	1,926,337	2,376,424
Disposal	(70,019)	233,921
Dividends and others	(596,236)	(566,422)
Balance at end of year	12,279,504	11,019,422
	₱12,761,044	₱11,457,732

The details of the Group's equity in the net assets of its associates and joint ventures and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2016	2015	2016	2015
Associates:				
Maynilad Water Holding Company, Inc. (formerly DMCI-MPIC Water Co. Inc. (DMWC)) (MWHCI)	27.19%	27.19%	₱12,403,749	₱11,099,482
Subic Water and Sewerage Company, Inc. (Subic Water)	30.00	40.00	245,684	299,024
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
			12,692,493	11,441,566
Joint Ventures:				
DMCI-First Balfour Joint Venture (DMFB)	51.00%	51.00%	₱15,320	₱15,320
Beta-Micrologic JV Corporation	48.50	48.50	846	846
St. Raphael Power Generation Corporation (SRPGC)	50.00	-	52,385	-
			68,551	16,166
Total			₱12,761,044	₱11,457,732

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint venture is the Philippines.

There have been no outstanding capital commitments in 2016 and 2015.



The following table summarizes the significant financial information of the associates and joint ventures that are material to the Group:

	2016	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱14,048,842	₱365,450
Noncurrent assets	84,205,598	1,273,280
Current liabilities	14,329,728	167,083
Noncurrent liabilities	33,899,394	315,316
Non-controlling interests	2,808,422	-
Equity attributable to parent company	47,216,896	1,156,331
Statement of income		
Revenue	20,223,746	640,674
Costs and expenses	12,834,223	452,623
Net income attributable to NCI	528,533	-
Net income attributable to parent company	6,860,990	188,051

	2015	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱14,869,003	₱273,204
Noncurrent assets	77,767,444	1,288,275
Current liabilities	14,726,877	164,931
Noncurrent liabilities	33,229,890	328,269
Non-controlling interests	2,421,437	-
Equity attributable to parent company	42,258,243	1,068,279
Statement of income		
Revenue	19,098,238	616,791
Costs and expenses	9,940,703	451,097
Net income attributable to NCI	654,971	-
Net income attributable to parent company	8,502,564	165,694

The Group's dividend income from MWHCI amounted to ₱510.54 million, ₱505.74 million, and ₱252.28 million in 2016, 2015 and 2014, respectively, while dividend income from Subic Water amounted to ₱35.00 million, ₱40.00 million and ₱32.00 million in 2016, 2015 and 2014, respectively.

Equity in net earnings from MWHCI amounted to ₱1,865.50 million, ₱2,310.15 million and ₱1,967.59 million in 2016, 2015 and 2014, respectively, while equity in net earnings from Subic Water amounted to ₱60.83 million, ₱66.28 million and ₱69.11 million in 2016, 2015 and 2014, respectively. In 2014, the Group recorded equity in net losses from PIDC amounting ₱180.30 million.

The aggregate carrying amount of the Group's individually immaterial investments in associates and joint ventures in 2016 and 2015 amounted to ₱59.23 million and ₱60.07 million, respectively. Equity in net earnings from individually immaterial associates amounted to ₱159.30 million in 2014.



MWHCI

MWHCI is a company incorporated in the Philippines. The primary contribution in the consolidated net income of MWHCI is its 92.85% owned subsidiary, Manila Water Services, Inc. (MWSI). MWSI is involved in the operations of privatized system of waterworks and sewerage services including the provision of allied and ancillary services. The Group's equity in net earnings of MWHCI represents its share in the consolidated net income attributable to MWHCI.

Rollforward of the cost of investment in MWHCI follows:

	2016	2015
Acquisition cost		
Balance at beginning and end of year	₱390,428	₱390,428
Accumulated equity in net earnings		
Balance at beginning of year	10,709,054	8,925,330
Equity in net earnings	1,865,503	2,310,146
Dividends received and other adjustments	(561,236)	(526,422)
Balance at end of year	12,013,321	10,709,054
	₱12,403,749	₱11,099,482

Subic Water

On January 22, 1997, PDI subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascas Services Limited (a company organized under the laws of England).

On April 1, 2016, the PDI disposed its 915,580 shares of Subic Water with par value of ₱10 per share at ₱190.45 million, net of capital gains tax of ₱20.14 million. This resulted to decrease in Group's percentage of ownership in the associate from 40% to 30%. The related gain on sale amounting to ₱111.24 million is included in the "Other Income (Expenses)" account under the line of "Gain on sale of investments".

DMFB

On January 18, 2008, DMCI has entered into a Joint Venture Agreement with First Balfour, Inc. with 51.00% interest. DMFB Joint Venture, an incorporated joint venture, was formed for the construction of the Light Rail Transit (LRT) Line 1 North Extension Project (the Project). The Project was started on June 7, 2008 and was completed on October 23, 2010.

DMCI's interest in DMFB Joint Venture is a joint arrangement accounted for as joint venture using the equity method where the carrying amount of the investment is adjusted to reflect the changes in the net assets of the joint venture from the acquisition date.

The joint venture had no contingent liabilities or capital commitments as of December 31, 2016 and 2015.

SRPGC

On April 27, 2016, SMPC entered into a Joint Venture Agreement (JVA) with Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of Meralco. MGen obtained 50% ownership interest on SRPGC through subscription of the remaining unissued capital stock of SRPGC. This resulted to SMPC's loss of control on SRPGC effective May 23, 2016. The management assessed SRPGC was jointly controlled by SMPC and MGen and accounted SRPGC as a joint venture. The loss from loss of control amounted to ₱6.12 million.



On April 28, 2016, SMPC paid the remaining ₱9.38 million of the previously subscribed 9.38 million shares of stock with a par value of ₱1.00 per share.

On May 27, 2016, SMPC paid a total of ₱46.00 million where ₱12.50 million as additional investment and ₱33.50 million as deposit for future subscription.

As of December 31, 2016, SRPGC has not yet started commercial operations.

PIDC

PIDC is primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

In 2014, PIDC increased its authorized capital stock. The Parent Company did not subscribe to additional shares resulting to a dilution of its ownership interest.

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. (RTI), 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 amounted to ₱1,758.65 million for the Parent Company and ₱68.84 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 ₱1,758.65 million and recorded the same as 'Deposit received from future sale of investment' under 'Other Noncurrent Liabilities' in the consolidated statements of financial position (see Note 20).

On September 21, 2015, the sale of investments in PIDC was finalized following approval of the Department of Trade and Industry (DTI) and Department of Transportation and Communications (DOTC) on August 27, 2015 consenting on the sale of the investments to RTI. The Group recorded gain from sale of investments amounting to ₱562.73 million presented in "Other Income (Expenses)" account under the line "Gain on sale of investments".



12. Investment Properties

The movements in this account follow:

	2016			
	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱24,649	₱263,854	₱44,347	₱332,850
Disposals	(3,000)	–	–	(3,000)
Reclassifications	–	(54,356)	–	(54,356)
At December 31	21,649	209,498	44,347	275,494
Accumulated Depreciation and Amortization				
At January 1	–	34,351	9,957	44,308
Depreciation and amortization (Note 24)	–	20,020	2,025	22,045
At December 31	–	54,371	11,982	66,353
Net Book Value	₱21,649	₱155,127	₱32,365	₱209,141
	2015			
	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
At January 1	₱47,796	₱208,773	₱44,347	₱300,916
Additions	–	77,869	–	77,869
Disposals and write-off	(23,147)	(22,788)	–	(45,935)
At December 31	24,649	263,854	44,347	332,850
Accumulated Depreciation and Amortization				
At January 1	–	50,248	7,878	58,126
Depreciation and amortization (Note 24)	–	6,891	2,079	8,970
Disposals and write-off	–	(22,788)	–	(22,788)
At December 31	–	34,351	9,957	44,308
Net Book Value	₱24,649	₱229,503	₱34,390	₱288,542

The aggregate fair values of the investment properties as of December 31, 2016 and 2015 amounted to ₱470.73 million and ₱742.15 million, respectively.

The fair value represents the amount at which the assets could be exchanged between knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair values of investment properties were determined using either the discounted cash flow (DCF method) or by the market data approach. These are both categorized within level 3 of the fair value hierarchy.

The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 3.63% to 7.85%, exceeds its carrying cost. The fair values of the investment properties which was arrived at using the market data approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.



Rental income from investment properties (included under 'Other income - net') amounted to ₱86.60 million, ₱72.26 million and ₱75.88 million in 2016, 2015 and 2014, respectively (see Note 28). Direct operating expenses (included under 'Cost of sales and services' in the consolidated statements of income) arising from investment properties amounted to ₱22.15 million, ₱8.97 million and ₱8.85 million in 2016, 2015 and 2014, respectively (see Note 24).

In 2016 and 2015, the Group sold investment properties at a net gain included under the consolidated statements of income caption "Other income - net" amounting to ₱0.15 million and ₱4.76 million, respectively (see Note 28).

There are no investment properties as of December 31, 2016 and 2015 that are pledged as security against liabilities.



13. Property, Plant and Equipment

The movements in this account follow:

	2016									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Coal Mining Properties and Equipment	Leasehold Improvements	Nickel Mining Properties and Equipment	Construction in Progress	Total
Cost										
At January 1	₱2,230,514	₱24,989,626	₱9,521,980	₱616,166	₱535,801	₱18,026,715	₱207,838	₱5,647,655	₱20,429,490	₱82,205,785
Additions	15,556	883,729	–	50,063	138,360	3,048,828	13,441	–	3,374,569	7,524,546
Transfers (Note 14)	–	21,292,624	(82,699)	–	–	4,967,882	–	(29,408)	(21,200,653)	4,947,746
Write-down, transfers and disposals	(606)	(382,428)	(19,301)	(6,194)	(31,394)	(13,675)	–	(16,139)	–	(469,737)
Adjustments (Note 20)	–	–	–	(1,053)	–	(8,770)	–	(1,260)	(171,742)	(182,825)
At December 31	2,245,464	46,783,551	9,419,980	658,982	642,767	26,020,980	221,279	5,600,848	2,431,664	94,025,515
Accumulated Depreciation, Depletion and Amortization										
At January 1	642,312	8,682,807	6,418,809	563,499	385,764	15,384,832	146,382	541,157	–	32,765,562
Depreciation, depletion and amortization (Notes 24 and 25)	82,426	2,678,081	994,386	64,615	86,014	1,950,123	31,983	76,044	–	5,963,672
Write-down, transfers and disposals	(606)	(382,407)	(19,276)	(7,245)	(33,562)	(10,501)	–	(1,824)	–	(455,421)
At December 31	724,132	10,978,481	7,393,919	620,869	438,216	17,324,454	178,365	615,377	–	38,273,813
Net Book Value	₱1,521,332	₱34,758,996	₱2,026,061	₱38,113	₱204,551	₱8,696,526	₱42,914	₱5,007,308	₱3,455,901	₱55,751,702



2015										
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Coal Mining Properties and Equipment	Leasehold Improvements	Nickel Mining Properties and Equipment	Construction in Progress	Total
Cost										
At January 1	₱2,127,005	₱22,871,262	₱8,633,328	₱554,062	₱504,787	₱16,675,715	₱167,769	₱5,633,669	₱19,257,685	₱76,425,282
Additions	103,509	826,598	981,859	63,489	65,015	2,091,546	40,069	13,986	2,540,142	6,726,213
Transfers	–	1,291,766	–	–	–	15,652	–	–	(1,307,418)	–
Write-down, transfers and disposals	–	–	(93,207)	(1,385)	(34,001)	(813,191)	–	–	(60,919)	(1,002,703)
Adjustments (Note 20)	–	–	–	–	–	56,993	–	–	–	56,993
At December 31	2,230,514	24,989,626	9,521,980	616,166	535,801	18,026,715	207,838	5,647,655	20,429,490	82,205,785
Accumulated Depreciation, Depletion and Amortization										
At January 1	559,538	7,405,369	5,282,179	508,554	348,317	14,925,541	120,924	394,672	–	29,545,094
Depreciation, depletion and amortization (Notes 24 and 25)	82,774	1,277,438	1,181,457	56,260	67,687	1,256,394	25,458	146,485	–	4,093,953
Write-down, transfers and disposals	–	–	(44,827)	(1,315)	(30,240)	(797,103)	–	–	–	(873,485)
At December 31	642,312	8,682,807	6,418,809	563,499	385,764	15,384,832	146,382	541,157	–	32,765,562
Net Book Value	₱1,588,202	₱16,306,819	₱3,103,171	₱52,667	₱150,037	₱2,641,883	₱61,456	₱5,106,498	₱20,429,490	₱49,440,223



Construction in progress

There is a reclassification from construction in progress to power plant and building in the amount of ₱21,292.62 million for the completion of construction of 2x150MW coal-fired thermal power plant of SLPGC which started commercial operations on April 1, 2016, 1x15MW power plant of SMPC which started commercial operations in August 2016, the completion of rehabilitation of the Unit 2 power plant of SCPC last April 2016 and additional diesel generating sets purchased and installed in other areas of Palawan.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million and ₱455.71 million in 2016 and 2015, respectively. The average capitalization rate is 4.00% and 4.08% in 2016 and 2015, respectively.

Mining properties

Mining properties include the expected cost of decommissioning and site rehabilitation of minesites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 20). Mining properties also includes the stripping activity asset. In 2016, the amount of ₱4,947.75 million was reclassified from exploration and evaluation assets to coal mining properties due to completion of development phase of Narra and Molave mines. As of December 31, 2016 and 2015, mining properties included in “Coal Mining Properties and Equipment” amounted to ₱5,183.44 million and ₱389.26 million, respectively.

The following nickel mining rights were acquired through business combination in 2014 and were recognized at fair value at the date of acquisition (see Note 33).

Acoje project

The project is within the Mineral Production Sharing Agreement (MPSA) No. 191-2004-III which is located the Municipalities of Sta. Cruz and Candelaria, Province of Zambales.

Berong project

The project is within the MPSA No. 235-2007-IVB covering a contract area of approximately 288 hectares situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2016 and 2015, mining properties included in “Nickel Mining Properties and Equipment” amounted to ₱5,007.31 million and ₱5,106.50 million, respectively.

The cost of fully depreciated assets that are still in use as of December 31, 2016 and 2015 amounted to ₱13,532.38 million and ₱12,110.74 million, respectively.

In 2016, 2015 and 2014, the Group sold various equipment items at a net gain included under the consolidated statements of income caption “Other income - net” amounting to ₱0.24 million, ₱86.16 million and ₱127.20 million, respectively (see Note 28).

In 2016, 2015 and 2014, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱14.32 million, ₱16.09 million and ₱0.11 million, respectively, due to the replacement of components of power plant and retirement of mining equipment (see Note 25).

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC and SLPGC created, established, and constituted in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC and SLPGC. The carrying values of these mortgaged assets amounted to ₱14,925.15 million and ₱14,859.94 million as of December 31, 2016 and



2015, respectively. On August 24, 2016 and February 24, 2017, Bank of Philippine Islands (BPI) and Banco de Oro Unibank, Inc. (BDO), respectively, approved SCPC's release of all security arrangements. However, Philippine National Bank (PNB) has not given its approval to SCPC.

14. Exploration and Evaluation Asset and Other Noncurrent Assets

Below are the details of exploration and evaluation asset:

	2016	2015
Coal	P-	P3,015,465
Nickel - net	224,645	222,977
	P224,645	P3,238,442

Coal

These costs are related to exploratory drilling and activities in Narra and Molave minesite which has started the development phase in 2013 and 2016, respectively. Both mines have started commercial operations in the last quarter of the year after the full depletion of Panian minesite on September 26, 2016. The conclusion of the development phase of the Narra and Molave minesite led to the reclassification of the account to 'Coal mining properties and Equipment' which is included in the 'Property, plant and equipment' (see Note 13).

Rollforward of exploration and evaluation asset related to coal follows:

	2016	2015
At January 1	P3,015,465	P1,914,438
Addition	1,932,281	1,101,027
Transfer to property, plant and equipment (Note 13)	(4,947,746)	-
At December 31	P-	P3,015,465

Nickel

Moorsom, Dangla and Longpoint project

These costs pertain to exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Project) amounting to P49.25 million as of December 31, 2016 and 2015.

Exploration Permit Application (EXPA)-000032VI

P & N Mining and Development Corporation assigned the entire applied area under EXPA-000032VI comprising 1,296.0 hectares to Fil-Asian Strategic Resources and Properties Corporation (FASRPC), the assignee shall assume all obligation as stipulated in the said assignment and the assigned EXPA shall be subject to further evaluation/processing as provided in Chapter V, Department of Environment and Natural Resources (DENR) Administrative Order no. 96-040, Series of 1996, as amended, and other pertinent rules and regulations.

Exploration Permit (EP) -006-2010-III

EP covering an area of 856.42 hectares situated in the municipalities of Candelaria and Sta. Cruz, Zambales.



EP-007-2010-III

EP covering an area of 2,244.69 hectares situated in the municipalities of Candelaria and Sta. Cruz, Zambales.

EP-008-2010-III

EP covering an area of 4,493.82 hectares situated in the municipality of Candelaria, Zambales.

Acoje Chromite project

Exploration and evaluation assets pertaining to Acoje chromite project (under ZCMC) are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the mining tenements. As of December 31, 2016, the Group is still conducting exploration activities and has not yet started commercial operation.

EP No. 05-001-I of Barlo

The exploration permit covers an area of 4,360.71 hectares situated at Barangays Alilao, Malimpin and San Vicente, Municipality of Dasol and Barangays Barlo and San Pedro, Municipality of Mabini, all in the Province of Pangasinan.

The exploration permit expired on May 24, 2013. On March 25, 2014, the Group was in the process of renewing their exploration permit, the application for renewal of the permit was already submitted to Mines and Geosciences Bureau (MGB). However, on October 17, 2014, such application for renewal was denied. In response to the denial, the Group sought reconsideration through a letter sent to MGB on November 28, 2014

In 2014, the Group recorded full impairment on exploration and evaluation assets amounting to ₱15.80 million (see Note 25).

Application for Production Sharing Agreement 000345 III

MRC acquired from CRAU Mineral Resources Corporation (CRAU) the application for a Mineral Production Sharing Agreement (MPSA), designated as MA-P-III-01-02 (MPSA 000345 III), covering an area of 1,071.61 hectares located in the Municipality of Masinloc. The amount recognized represents the amount paid to CRAU. No additional exploration and evaluation expenditures were incurred related to the project in 2016 and 2015. In 2014, the Group recorded full impairment on its exploration and evaluation asset on Masinloc (CRAU) amounting to ₱14.12 million (see Note 25).

EXPA 000133 III

This pertains to the Limestone Project with a covered area of 115.6 hectares located in Zambales. The amount recognized represents the capitalized expenditure incurred in the project. No capitalized expenditures related to the project were incurred in 2016 and 2015. In 2014, the Group provided full impairment on its exploration and evaluation asset on Limestone amounting to ₱0.40 million (see Note 25).

Palawan Initiative and F-AH Nickel Environment

Palawan Initiative and the F-AH Nickel Environment projects refer to capitalized costs incurred prior to the approval of permits to explore the locations, Palawan and Cabaluan, Leyte, respectively. In 2014, the Group recorded full impairment on its exploration and evaluation asset on F-AH Nickel Environment amounting to ₱0.18 million (see Note 25).



Rollforward of exploration and evaluation asset related to nickel follows:

	2016	2015
At January 1	P222,977	P222,397
Addition	1,668	580
At December 31	P224,645	P222,977

A valuation allowance is provided for unrecoverable exploration and evaluation assets based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment as management assessed that it is no longer probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale.

Other noncurrent assets consist of the following:

	2016	2015
Deferred input VAT	P1,947,190	P1,570,072
Claims for refunds and tax credits - net	183,975	175,209
Capitalized development costs for clay business	156,069	128,171
Fund for future investment	95,474	95,474
Refundable deposits (Notes 10 and 36)	88,518	90,963
Prepaid rent (Note 37)	77,658	82,803
Software cost	73,893	82,423
Deposit for future investment	41,192	41,192
Security deposits (Note 36)	5,325	5,208
Others	51,872	40,145
	P2,721,166	P2,311,660

Deferred input VAT

This pertains to the unamortized input VAT incurred from acquisition of capital assets mostly coming from the recently completed coal-fired power plant of SLPGC.

Claims for refunds and tax credits - net

This amount pertain to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld Value-added taxes (VAT) on VAT exempt coal sales which were ruled by the Supreme Court in favor of SMPC. The balance as of December 31, 2016 and 2015 is presented net of allowance for impairment losses amounting to P15.29 million

Movements in allowance for impairment losses of the 5% input VAT withheld follows:

	2016	2015
At January 1	P15,292	P25,976
Reversal (Note 28)	-	10,684
At December 31	P15,292	P15,292

Capitalized development costs for clay business

The Group has capitalized development expenditures amounting to P156.07 million and P128.17 million as of December 31, 2016 and 2015, respectively. Development costs for goods, commodities, wares and merchandise including potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset.



Deposits and fund for future investment

On October 18, 2012, the Group entered into an Omnibus Agreement (OA) with a third party wherein the Group will purchase 33% each of the three holding companies (HoldCos). The intention in the OA is for the Group to eventually own HoldCos at 73% valued at US\$13.20 million. Full value is at US\$18.00 million. The Group opened a bank account as required by the OA and made available US\$2.80 million cash (bank account) from which payments of the shares will be drawn. On the same date, the Group entered into a Deed of Assignment of Shares with the third party wherein 33% share in the HoldCos were assigned to Group. The Group paid an initial US\$0.25 million for the assignment of shares which was drawn from the bank account. The assigned shares are subject to a condition that all pending cases faced by the third party, the three holding companies (HoldCos) and three development companies (DevCos) with which the HoldCos have investments, are resolved in their favor.

On March 21, 2014, a Memorandum of Agreement (MOA) was entered into by the Group and a third party setting out the intention of final ownership of the HoldCos and DevCos, where the Group will eventually own 73% of the HoldCos and 84% of the DevCos. The full value of the DevCos is at US\$12.00 million. On the same date, the Group entered into a Deed of Assignment of Shares wherein 40.00% of DevCos are assigned to the Group. The Group paid an initial amount of US\$0.75 million for the assignment of shares and was drawn from the bank account.

As of December 31, 2016 and 2015, the Group has not yet complied with all the conditions set forth under the agreement.

Refundable deposits

Refundable deposits pertain to utilities which are measured at cost and will be recouped against future billings. This also includes rental deposits which are noninterest-bearing and are refundable 60 days after the expiration of the lease period.

Prepaid rent

The Group entered into a Land Lease Agreement (LLA) with PSALM for the lease of land in which the plant is situated for a period of 25 years. The Group paid US\$3.19 million or its peso equivalent of ₱150.57 million as payment for the 25 years of rental (see Note 37). Long term portion of the prepaid rent amounted to ₱69.37 million and ₱82.80 million as of December 31, 2016 and 2015, respectively.

Software cost

Movements in software cost account follow:

	2016	2015
At Cost		
At January 1	₱278,529	₱234,287
Additions	42,021	44,242
At December 31	320,550	278,529
Accumulated Amortization		
At January 1	196,106	153,445
Amortization (Notes 24 and 25)	50,551	42,661
At December 31	246,657	196,106
Net Book Value	₱73,893	₱82,423



Security Deposits

Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Group of all its obligations and compliance with all provisions of the equipment rental agreement (see Note 37). These deposits shall be returned by the lessor to the Group after deducting any unpaid rental, and/or any other amounts due to the lessor for any damage and expense incurred to put the vehicle in good working condition.

15. Short-term Debt

This account consists of the following:

	2016	2015
Acceptances and trust receipts payable	₱45,234	₱78,777
Bank loans	2,575,875	3,628,577
	₱2,621,109	₱3,707,354

Acceptances and trust receipts payable

Acceptances and trust receipts payable are used by the Group to facilitate payment for importations of materials, fixed assets and other assets. These are noninterest-bearing and with maturity of less than one (1) year.

Bank loans

The Group's bank loans consist of unsecured peso-denominated short-term borrowings from local banks which bear annual interest ranging from 2.40% to 2.55% and 1.20% to 5.00% in 2016 and 2015, respectively, and are payable on monthly, quarterly and lump sum bases on various maturity dates within the next 12 months after the reporting date.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.

During 2016 and 2015, the Group obtained unsecured bridge loans from local banks with total principal of ₱743.00 million and ₱540.00 million, respectively, subject to prevailing market rates. Loans obtained during 2016 were used primarily for the construction of 3x1.23MW Diesel-Fired Power Plant, 2x4.95MW Bunker-Fired Power Plant in Aborlan, Palawan and 1x23MW Gas Turbine Plant in Calaca, Batangas. In 2016 and 2015, interest expense incurred from bank loans amounted to ₱19.52 million and ₱13.79 million, respectively. In 2016 and 2015, interest amounting to ₱14.29 million and ₱4.40 million, respectively, were capitalized as the aforementioned loans were used for the construction of the bunker-fired power plant in Aborlan Palawan.

As of December 31, 2016 and 2015, the Group is in compliance with the loan covenants required by the creditors. Finance costs incurred on bank loans and short-term borrowings, net of capitalized borrowing cost, amounted to ₱421.41 million, ₱268.09 million and ₱112.42 million in 2016, 2015 and 2014, respectively (Note 27).



16. Liabilities for Purchased Land

Liabilities for purchase of land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of certain parcels of land and residential condominium units. The terms of the deed of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

The outstanding balance of liabilities for purchased land as of December 31, 2016 and 2015 follow:

	2016	2015
Current	₱906,622	₱2,201,291
Noncurrent	623,151	816,135
	₱1,529,773	₱3,017,426

Liabilities for purchased land were recorded at fair value at initial recognition. These liabilities for purchased land are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 2.45% to 4.74% and 2.37% to 3.93% in 2016 and 2015, respectively based on applicable rates for similar types of liabilities.

Rollforward of unamortized discount are as follows:

	2016	2015
Balance at beginning of year	₱6,880	₱10,383
Accretion for the year (Note 27)	(4,516)	(3,503)
Balance at end of year	₱2,364	₱6,880

Accretion amounting to ₱4.52 million, ₱3.50 million and ₱1.12 million are recorded as finance costs in 2016, 2015 and 2014, respectively (Note 27).



17. Accounts and Other Payables

This account consists of the following:

	2016	2015
Trade and other payables		
Suppliers and subcontractors (Note 20)	₱7,415,169	₱9,813,359
Others	1,784,514	870,797
Output VAT payable	1,952,112	1,498,373
Payable to related parties (Note 21)	979,373	217,628
Refundable deposits	216,994	231,575
Accrued costs and expenses	6,850,212	4,822,707
	19,198,374	17,454,439
Less noncurrent portion of trade and other payables (Note 20)	1,119,572	2,060,692
	₱18,078,802	₱15,393,747

Suppliers

Payable to suppliers includes liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest-bearing and are normally settled on a 30 to 60 day credit terms.

Subcontractors

Subcontractors payable arise when the Group receives progress billing from its subcontractors for the construction cost of a certain project and is recouped against monthly billings. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project. These are noninterest-bearing and are normally settled on 15 to 60 day credit terms.

Other payables

Other payables include payables to nickel mine rights owner and marketing agents and retention payable on contract payments. Payables to nickel mine rights owner and marketing agents are noninterest-bearing and are normally settled within one (1) year. Retention on contract payments is being withheld from the contractors as guaranty for any claims against them. These are settled and paid once the warranty period has expired.

Output VAT payable

Output VAT pertains to the VAT due on the sale of goods or services, net of input VAT, by the Group.

Refundable deposits

Refundable deposits consist of deposits which are refundable due to cancellation of sales as well as deposits made by unit owners upon turnover of the unit which will be remitted to its utility provider.



Accrued costs and expenses

Accrued costs and expenses consist of the following:

	2016	2015
Accrued construction cost	₱3,734,028	₱2,281,765
Payable to DOE and local government		
Units (LGU) (Note 31)	1,647,719	1,121,510
Withholding and others taxes	268,693	298,225
Accruals:		
Accrued salaries	224,293	156,774
Accrued interest	158,232	162,753
Accrued professional fees	31,491	9,810
Financial benefit payable	48,950	8,870
Dividends	24,476	14,587
Accrued royalties	21,633	31,328
Accrued rental	11,084	210,851
Shipping cost	-	17,764
Others	679,613	508,470
	₱6,850,212	₱4,822,707

Accrued construction cost

Accrued construction costs pertain to direct materials, labor, overhead and subcontractor costs for work accomplished by the suppliers and subcontractors but were not yet billed to DMCI.

Payable to DOE and LGU

Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance) computed in accordance with the coal operating contract between SMPC, DOE and the local government units dated July 11, 1977, as amended on January 16, 1981 (Note 31).

Financial benefits payable

As mandated by R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by DOE, the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

Accrued rental

Accrued rental pertains to the rental payable for building and office leases, equipment rentals and rental of various barges and tugboats for use in the delivery of nickel ore to various customers.

Others

Others include accruals for contracted services, utilities, supplies, advertising, commission and other administrative expenses. This account also includes accrual for liability relating to claim on construction contracts which is still subject to a negotiation with a third party (Note 37).



18. Customers' Advances and Deposits

This account consists of:

	2016	2015
Real estate customers	₱8,254,848	₱5,677,970
Coal and nickel ore supply contracts	25,284	14,301
	₱8,280,132	₱5,692,271

Real estate customers

Customers' advances and deposits from real estate customers represent reservation fees and initial collections received from customers before the two (2) parties enter into a sale transaction. These were payments from buyers which have not yet met the revenue recognition conditions which includes: (a) related project is fully completed and (b) buyers' payment reaching the minimum required percentage of equity investment. When the conditions for revenue recognition are met for the related customer account, sale is recognized and these deposits will be recognized as revenue and will be applied against the receivable balance.

Coal and nickel ore supply contracts

These deposits represent advances from the customers of the Group. Coal deposits are applied against future coal deliveries which occur within one year from the dates the deposits were made while nickel ore will be applied to related receivables upon consummation of the sale transaction.

19. Long-term Debt

Long-term debt pertains to the following obligations:

	2016	2015
Bank loans	₱34,264,260	₱37,055,606
Less current portion of bank loans	3,193,487	11,291,955
Noncurrent portion	₱31,070,773	₱25,763,651



Details of the bank loans follow (amounts in millions):

Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2016	2015				
Local bank loans							
<i>SMPC</i>							
Peso loan 1	2016	₱2,100.00	₱-	2021	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one percent (1%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 1	2016	1,345.29	-	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 2	2015	1,319.64	1,383.98	2018	Floating rate to be repriced every 3 months based on the prevailing lending rates of Commercial Banking Group of The Hongkong and Shanghai Banking Corporation Limited (HSBC)	Interest payable every 3 months, principal to be paid on maturity date	None
Dollar loan 3	2016	853.38	-	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Debt Service Coverage Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 4	2014	-	1,317.68	2016	Floating rate to be repriced every 3 months LIBOR plus a spread of 1.2%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 5	Various availments in 2013 and 2014	-	438.12	2016	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1

(Forward)



Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2016	2015				
Dollar loan 6	2014	₱--	₱75.96	2016	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Unsecured; Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
<i>SLPGC</i> Mortgage payable	Various loan drawdown from 2012 to 2015	9,343.56	11,037.11	Various quarterly maturities starting 2015 until 2022	PDST-F + Spread or BSP Overnight Rate, whichever is higher	The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date (February 4, 2012). Final repayment date is ten (10) years after initial borrowing.	67% of issued and outstanding shares of SLPGC owned by SMPC Financial Covenants: Debt-Equity Ratio not exceeding 2:1
<i>SCPC</i> Mortgage payable	2010	127.88	2,297.76	Various quarterly maturities starting 2011 until 2017	PDST-F benchmark yield for 3-month treasury securities + 1.75%. Starting August 2015, PDST-R2 + 1.95%	Payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from initial borrowing date.	Monies in the Collateral Accounts, supply receivables, proceeds of asset and business continuity insurance obtained by SCPC, project agreements, first-ranking mortgage on present and future real assets and first-ranking chattel mortgage with carrying value of ₱14.93 billion and ₱14.86 billion as of December 31, 2016 and 2015, respectively (Note 13).
<i>Wire Rope</i> Loans payable	Various	0.82	1.49	July 7, 2018	8.97% to 15.16%	Payable upon maturity of the loans.	Unsecured
<i>Beta Electric</i> Loans payable	Various	3.99	3.12	Various monthly maturities starting 2010 to 2020	8.68% to 10.25%	Payable in equal monthly installments starting April 2010 up to September 2020,	Transportation equipment with total carrying value of ₱6.12 million and ₱3.52 million as of December 31, 2016 and 2015, respectively, were pledged as collateral to secure Beta Electric's loans payable.
<i>BNC</i> Loans payable	2015	329.64	312.01	2018	5.04% p.a.	Interest payable every 3 months, principal to be paid on maturity date	Unsecured; Financial Covenants customary for transactions of similar nature to be determined and mutually agreed upon between BNC and the Lender.

(Forward)



Loan Type	Date of Availment	Outstanding Balances		Maturity	Interest Rate	Payment Terms	Covenants/Collaterals
		2016	2015				
<i>DMCI</i>							
Long-term debt	2014	₱499.24	₱997.31	Various quarterly maturities starting 2016 until 2017	3.33% stated interest per quarter	Payable in eight equal quarterly amortization commencing at the end of the 5 th quarter from initial drawdown.	Unsecured; no covenant
<i>PDI</i>							
Fixed rate corporate notes	Various tranche from 2012 to 2016	16,298.69	16,487.60	Various maturities from 2016 to 2023	PDST-F Issue Date and ending three (3) months after such Issue Date, and every three (3) months thereafter. Initially, PDST-F benchmark for 5-yr treasury securities + 1.25%, PDST-R2 issued date for 5-year and 7-year treasury securities + 1.50%	Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4 th /7 th to 27 th quarter) and the balance payable at maturity.	Unsecured; Financial Covenants: Debt-Equity Ratio not exceeding 3.2 times, for the ₱10 billion notes. Current ratio is at least 1.75 times.
Agreement to purchase receivables (with recourse)	Various	1,310.90	2,365.57	Various	5.09%-8.17% p.a.	Payable in equal and continuous monthly payments not exceeding 120 days commencing one (1) month from date of execution.	Real estate receivables with carrying value of ₱1.31 billion and ₱2.47 billion in 2016 and 2015, respectively (Note 7).
HomeSaver Bonds	2015	731.23	337.90	Various maturities from 2018 to 2023	4.5%-5% p.a.	Tranche A, C, D, and G are payable 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.	Unsecured; Financial Covenants: Debt-Equity Ratio not exceeding 3.2 times. Current ratio is at least 1.75 times.
		34,264.26	37,055.61				
Less current portion		3,193.49	11,291.96				
Long-term debt, net of current portion		₱31,070.77	₱25,763.65				



SMPC

The remaining borrowing facility that can be drawn as of December 31, 2016 and 2015 amounts to ₱5,625.00 million and ₱4,700.00 million, respectively.

Interest expenses on long-term debt recognized under 'Finance cost' amounted to ₱128.85 million and ₱44.09 million in 2016 and 2015, respectively.

The maturities of long-term debt at nominal values as of December 31, 2016 and 2015 follow:

	2016	2015
Due in:		
2016	₱-	₱1,831,755
2018	1,319,641	1,383,979
2019	2,198,666	-
2021	2,100,000	-
	₱5,618,307	₱3,215,734

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with Banco de Oro Unibank (BDO), Bank of the Philippine Island (BPI) and CBC as Lenders. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by SMPC were pledged on this loan. The proceeds of the loan were used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant.

Breakdown of the original loan balance is as follows:

	Amount
BDO Unibank	₱6,000,000
BPI	3,000,000
CBC	2,500,000
	₱11,500,000

Details of the loan follow:

- a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.
- b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

The loan had its first drawdown schedule on May 24, 2012 amounting to ₱550.00 million. In 2013, second and third drawdowns were made which amounted to ₱5.15 billion. In 2014, fourth to seventh drawdowns were made which amounted to ₱4.79 billion. In 2015, the eighth and final drawdown was made amounting to ₱1.01 billion, bringing the total to ₱11.50 billion. As of December 31, 2016 and 2015, outstanding loan payable is ₱9.34 billion and ₱11.04 billion, respectively.



Rollforward of unamortized debt issuance cost follows:

	2016	2015
At January 1	₱36,959	₱42,558
Additions	-	5,057
Amortization (Notes 13 and 27)	(10,148)	(10,656)
At December 31	₱26,811	₱36,959

Amortization of financing cost during the commissioning of the plant on the first quarter of 2016 amounting to ₱2.67 million was charged to CIP. The remaining ₱7.48 million was recognized as part of finance costs as construction activities were completed in the first quarters of 2016 ceasing capitalization of borrowing cost.

Mortgage payable by SLPGC provide certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2016 and 2015.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2%) per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown month. As of December 31, 2016, 2015 and 2014, SLPGC has paid commitment fee amounting to nil, ₱1.31 million and ₱4.85 million, respectively and these were recognized under the "Finance costs" account in the consolidated statements of income (see Note 27).

SCPC

On May 20, 2010, the Company entered into a ₱9,600.00 million Omnibus Loan Security Agreement ("the Omnibus Agreement") with Banco de Oro Unibank, Inc. (BDO), Bank of Philippine Islands (BPI) and Philippine National Bank (PNB) as Lenders, SMPC as Pledgor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Co-Arrangers, and BDO Unibank, Inc.- Trust and Investments Group as Security Trustee, Facility Agent, Registrar and Paying Agent. The loan was drawn in full on the same date.

The loan was collateralized by all monies in the Collateral Accounts, supply receivables, proceeds of any asset and business continuity insurance obtained by the Company, project agreements, first-ranking mortgage on present and future real assets and first-ranking chattel mortgage on present and future chattels with carrying value of ₱14.93 billion and ₱14.86 billion as of December 31, 2016 and 2015, respectively (see Note 13). Further, 67% of issued and outstanding shares of SCPC owned by the Parent Company were also pledged on this loan.

Breakdown of the original loan balances is as follows:

	Amount
BDO Unibank	₱6,000,000
BPI	2,000,000
PNB	1,600,000
	₱9,600,000



The Omnibus Agreement was entered into to finance the remaining balance of the purchase price of the Power Plant pursuant to the Asset Purchase Agreement (APA), ongoing plant rehabilitation and permanent working capital requirements of the Company. On August 24, 2016 and February 24, 2017, Bank of Philippine Islands (BPI) and Banco de Oro Unibank, Inc. (BDO), respectively, approved the SCPC's release of all security arrangements. However, Philippine National Bank (PNB) has not given its approval to SCPC.

Details of the loan follow:

- a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEX page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three (3) months Philippine Dealing System Treasury Reference Rate PM (PDST-R2), plus a spread of 195 basis points.
- b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied. On February 29, 2016, the Company prepaid the long-term debt amounting to ₱1.60 billion.

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	₱6,241	₱17,191
Amortization (Note 27)	(6,121)	(10,951)
At December 31	₱120	₱6,240

Amortization of deferred financing cost recognized under "Finance cost" account in the consolidated statements of income amounted to ₱6.12 million, ₱10.95 million and ₱16.36 million for the years 2016, 2015 and 2014, respectively (see Note 27).

Loans payable

Wire Rope

Loans payable represents unsecured loans from local banks bearing annual interests of 8.97% to 15.16% in 2016 and 2015. No additional availments of loans in 2016. Wire Rope made payments to the loans amounting to ₱0.67 million and ₱0.86 million in 2016 and 2015, respectively. Wire Rope has no debt covenants to be complied with.

Beta Electric

Long-term debt represents peso-denominated long-term borrowings from local banks which bear interest ranging from 8.68% to 10.25% per annum in 2016 and 2015, and are payable in equal monthly installments starting April 2010 up to September 2020. The loans are secured by a chattel mortgage for the whole amount of Beta Electric's transportation equipment purchased using the proceeds of these loans.

Interest expense on these long-term debt amounted to ₱0.31 million in 2016 and 2015.



As of December 31, 2016 and 2015, the outstanding balance from loans amounted to ₱3.99 million and ₱3.12 million, respectively.

BNC

On May 20, 2015, BNC obtained long-term loan from Banco de Oro Universal Bank, Inc. amounting to US\$6.63 million bearing an annual interest rate of 5.04% and of which interest expense are paid quarterly. The loan amounted to ₱329.64 million and ₱312.01 million as at December 31, 2016 and 2015, respectively, and will mature on May 21, 2018.

BNC shall maintain financial covenants customary for transactions of similar nature, including but not limited to Debt Service Coverage Ratios (historical and prospective) and Debt-to-Equity Ratios, to be determined and mutually agreed upon between BNC and the Lender in the course of the Lender's due diligence.

DMCI

Loans payable consists of:

	2016	2015
Long-term debt	₱500,000	₱1,000,000
Less: Unamortized deferred financing cost	755	2,688
	499,245	997,312
Less: Current portion of long term debt	499,245	-
Non-current portion of long-term debt	₱-	₱997,312

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	₱2,688	₱5,000
Amortization (Note 27)	(1,933)	(2,312)
At December 31	₱755	₱2,688

The maturities of loans payable at nominal values as of December 31 follow:

	2016	2015
Due in:		
2016	₱-	₱500,000
2017	500,000	500,000
	₱500,000	₱1,000,000

On December 29, 2014, DMCI entered into an unsecured ₱1 billion Term Loan Agreement with Banco De Oro (BDO) as lender. The loan was fully drawn by DMCI on the same date. The agreement was entered into to partially refinance the purchase of machineries and equipment and refinance existing short-term loan.

The stated interest rate is 3.33% and the principal amount shall be paid in eight (8) equal quarterly amortization commencing at the end of the 5th quarter from initial drawdown.



PDI

Fixed rate corporate notes

In December 2015, PDI signed corporate notes facility agreement on the issuance peso-denominated notes in the aggregate amount of ₱10,000.00 million with local banks. Proceeds of the notes facility will be used to fund its capitalization of real estate properties, fund its project development costs, refinance its existing indebtedness and fund other general corporate purposes.

The notes will be issued in six (6) tranches and payments shall be made in each tranche as follows:

Series	Quarter from Issue Date	Payment for Each Quarter; Computed Based on Aggregate % of Issue Amount of each Series	Total
Series F	4 th to 19 th Quarter	0.5%	(8% + 92%)
	Final Maturity	92.0%	100%
Series H	4 th to 19 th Quarter	0.5%	(8% + 92%)
	Final Maturity	92.0%	100%
Series J	4 th to 19 th Quarter	0.5%	(8% + 92%)
	Final Maturity	92.0%	100%
Series G	4 th to 27 th Quarter	0.5%	(12% + 88%)
	Final Maturity	88.0%	100%
Series I	4 th to 27 th Quarter	0.5%	(12% + 88%)
	Final Maturity	88.0%	100%
Series K	4 th to 27 th Quarter	0.5%	(12% + 88%)
	Final Maturity	88.0%	100%

Tranches 1 (Series F) and 2 (Series G) of the ₱10,000.00 million were issued on December 18, 2015 in the aggregate principal amount of ₱1,000.00 million each. Tranches 3 (Series H) and 4 (Series I) were issued in January 2016 in the aggregate principal amount of ₱2,500.00 million each. Tranches 5 (Series J) and 6 (Series K) were issued on February 2017 in the aggregate principal amount of ₱1,500.00 million each.

The note is issued in registered form in the minimum denominations of ₱75.00 million and multiples of ₱25.00 million each. Corporate notes shall bear interest from Tranche 1 and 2 PDST-R2 Issue Date and ending 3 months after such Issue Date and every 3 months thereafter. The interest rate shall initially be the PDST-R2 rate for five-year (Tranche 1) and seven-year (Tranche 2) treasury securities on banking day immediately preceding an Issue Date plus the Margin (150 basis points) for each of the Tranche, gross any applicable withholding taxes. Interest is payable quarterly.

In October 2012, PDI signed corporate notes facility agreement on the issuance of 7-year peso denominated notes in the aggregate amount of ₱10,000.00 million with local banks. Proceeds of the notes facility were used to fund land acquisition, general operations and project development and construction.



The notes were issued in three (3) tranches and payments were made in each tranche are as follows:

Quarter from Issue Date	Based on aggregate % of issue amount of each Series (Equally divided over the applicable quarters)
7 th to 10 th Quarter	2%
11 th to 14 th Quarter	4%
15 th to 18 th Quarter	5%
19 th to 27 th Quarter	12%
Final Maturity	77%
Total	100%

Tranche 1 of the ₱10,000.00 million Series C was issued on October 31, 2012 in the aggregate amount principal amount of ₱1,000.00 million. Tranche 2 (Series D) and 3 (Series E) were issued on April 10, 2013 and July 30, 2013 in the aggregate principal amount of ₱4,000.00 million and ₱5,000.00 million, respectively.

The note is issued in registered form in the minimum denominations of ₱100.00 million and multiples of ₱10.00 million each. Corporate notes shall bear interest from PDST-F Issue Date ending 3 months after such Issue Date, and every 3 months thereafter. The interest rate shall initially be the PDST-F rate for seven-year treasury securities on banking day immediately preceding an Issue Date plus the Margin (125 basis points) for each of the Tranche, gross any applicable withholding taxes. Interest is payable quarterly.

In January 2011, the PDI signed a corporate notes facility agreement with local banks relating on the issuance of 5-year peso denominated notes in the aggregate amount of ₱5,000.00 million. Proceeds of the said notes facility will be used to fund land acquisition, general operations and project development and construction. The notes have been issued in two (2) tranches, redeemable in full at the end of third year following the issue date of the second tranche note. Payments shall be made in each tranche is equal to 1% every year from the issue date and the balance payable at maturity.

Tranche 1 (Series A) of ₱5,000.00 million corporate notes was issued on January 28, 2011, in the aggregate principal amount of ₱2,000.00 million while Tranche 2 (Series B) was issued on March 17, 2011, in the aggregate principal amount of ₱3,000.00 million. They were issued in registered form in the minimum denominations of ₱100.00 million and multiples of ₱10.00 million each.

Corporate notes shall bear interest from Tranche 1 and 2 PDST-F Issue Date and ending three (3) months after such issue date, and every three (3) months thereafter. The interest rate shall initially be the PDST-F benchmark yield for five-year treasury securities (Base Rate) on banking day immediately preceding an issue date plus the margin (125 basis points) for each of the Tranche, gross of any applicable withholding taxes. Interest is payable quarterly.

Unamortized debt issuance costs included in fixed rate corporate notes as of December 31, 2016 and 2015 amounted to ₱140.80 million and ₱117.40 million, respectively.



The rollforward analysis of unamortized debt issuance cost follows:

	2016	2015
Balance at beginning of year	₱117,405	₱84,708
Availments	49,500	58,999
Amortization of debt issue cost (Note 27)	(26,100)	(26,303)
Balance at end of year	₱140,805	₱117,404

In 2016 and 2015, interest expense incurred and capitalized interest related to long-term debt amounted to ₱630.83 million and ₱323.02 million and ₱1,006.22 million and ₱856.62 million, respectively. The average capitalization rates used are 5.45% and 5.91% of the average expenditures in 2016 and 2015, respectively.

The ₱10,000.00 million and ₱5,000.00 million corporate notes facility agreement requires the Group to ensure that debt-to-equity ratio will not exceed 3.2 times and 2.0 times, respectively, and current ratio is at least 1.75 times. As of December 31, 2016 and 2015, the Group is fully compliant with these requirements.

As of December 31, 2016 and 2015, corporate notes recognized are unsecured.

Agreement to purchase receivables

The installment contracts receivable under these purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱1,310.90 million and ₱2,365.57 million as of December 31, 2016 and 2015 (Note 7), respectively, represent net proceeds from sale of portion of the PDI installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates. The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers. These loans bear interest at prevailing market rates and are payable in various maturity dates. The average effective interest rate ranges from 5.09% to 8.17% and 5.00% to 5.25% in 2016 and 2015, respectively.

HomeSaver bonds

On November 16, 2015, PDI offered and issued to the public deferred coupon-paying HomeSaver Bonds (the Bonds) in an aggregate principal amount of ₱1,000.00 million with an initial offering of ₱500.00 million for working capital and other general corporate purposes, such as marketing and administrative expenses.

The Bonds were offered through three investment options, namely, Tranche A, Tranche B and Tranche C.

Tranche A was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱3.60 million and less over a period of thirty-six (36) months, beginning November 16, 2015 (the Initial Issue Date) at a fixed interest rate of 4.5% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2016 and 2015, total Tranche A bonds issued by PDI amounted to ₱33.14 million and ₱3.32 million, respectively.

Tranche B was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱6.00 million and less over a period of sixty (60) months, beginning on the Initial Issue Date at a fixed interest rate of 5.00% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2016 and 2015, total Tranche B bonds issued by PDI amounted to ₱7.29 million and ₱0.78 million, respectively.



Tranche C was issued one-time with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 4.50% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2016 and 2015, total Tranche C bonds issued by PDI amounted to ₱333.80 million.

On March 21, 2016, PDI offered and issued the second bonds of up to ₱500.00 million to the public through four (4) investment options, namely, Tranche D, Tranche E, Tranche F, and Tranche G.

Tranche D was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱3.60 million and less over a period of thirty six (36) months, beginning on the Initial Issue Date at a fixed interest rate of 4.75% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2016, total Tranche D bonds issued by the Group amounted to ₱10.78 million.

Tranche E was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱6.00 million and less over a period of sixty (60) months, beginning on the Initial Issue Date at a fixed interest rate of 5.25% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2016, total Tranche E bonds issued by the Group amounted to ₱5.39 million.

Tranche F was issued one-time with no maximum subscription, but priority is given to aggregate subscriptions amounting ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 4.75% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2016, total Tranche F bonds issued by the Group amounted to ₱159.33 million.

Tranche G was issued one-time with no maximum subscription, but priority is given to aggregate subscriptions amounting ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 5.25% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2016, total Tranche G bonds issued by the Group amounted to ₱173.91 million.

As of December 31, 2016 and 2015, the aggregate HomeSaver Bonds issued amounted to ₱731.23 million and ₱337.90 million, respectively. The remaining unissued bonds amounted to ₱268.77 million.

Management assessed that the Group has complied with all covenants required by the creditors of the above long-term debts.

20. Other Noncurrent Liabilities

The details of this account consist of:

	2016	2015
Provision for decommissioning and site rehabilitation (Note 13)	₱1,632,162	₱539,703
Noncurrent trade and other payables (Note 17)	1,119,572	2,060,692
	₱2,751,734	₱2,600,395



Trade and other payables

Noncurrent trade and other payables includes noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within 2 to 3 years from the reporting date and retention contract payment that is being withheld from the contractors as guaranty for any claims which are expected to be settled a year after the turn-over of projects.

Provision for decommissioning and site rehabilitation

The Group makes full provision for the future cost of rehabilitating mine sites on a discounted basis on the development of mines. There are currently three minesites identified with coal deposits at various stages of operations namely Panian, Molave and Narra, all located in Semirara Island in Antique province. These provisions have been created based on the group's internal estimates. Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost are from 3.86% to 8.77% in 2016 and 4.81% to 5.24% in 2015. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Provision for decommissioning and site rehabilitation also includes cost of rehabilitation of the Group's power plant and nickel ore mine site.

The rollforward analysis of the provision for decommissioning and site rehabilitation account follows:

	2016	2015
At January 1	P 539,703	P200,270
Additions	1,089,423	285,013
Effect of change in estimates (Note 13)	(9,611)	56,993
Actual usage	(13,287)	(10,996)
Accretion of interest (Note 27)	25,934	8,423
At December 31	P1,632,162	P539,703

The Group is expecting to rehabilitate 1,030 hectares, 836 hectares and 943 hectares of Panian, Narra and Molave mine sites, respectively. Panian has completed and closed its operations in September 2016.

The addition of P1,089.42 million in 2016 pertains to a significant change in rehabilitation plan of Panian mine pit. The previous plan includes partial backfilling of open areas while portion will be converted into a lake. In 2016, the rehabilitation plan of Panian minepit was changed, such that the entire open pit will be covered with overburden from Narra and Molave mine pits. The additional costs represent the incremental cost of moving the overburden from Narra and Molave pits which is included in the 'Cost of coal sales' in 2016 given that Panian has closed operations (see Note 24).



21. 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. These are settled in cash, unless otherwise specified. In the regular course of business, the Group's significant transactions with related parties include the following:

2016			
	Reference	Due from (Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	₱40,867	₱11,072
Receivable from affiliates	(b)	53,898	-
Equipment rentals	(c)	17,374	17,374
Payroll processing	(d)	15,893	539
Transfer of materials and reimbursement of shared and operating expenses	(e)	2,582	2,582
		₱130,614	
<i>Payable to related parties</i> (Note 17)			
Payable to affiliates	(f)	(₱26,003)	₱6,905
Mine exploration, coal handling and hauling services	(g)	(847,609)	2,034,138
Labor charges	(o)	(42,331)	-
Equipment rental expenses	(h)	(32,479)	10,277
Other general and administrative expense	(i)	(12,895)	6,005
Aviation services	(j)	(12,725)	-
Office and parking rental	(k)	(2,477)	8,486
Arrastre and Cargo Services	(l)	(1,666)	1,906
Nickel Delivery	(n)	(844)	844
Construction contracts	(a)	(342)	876
Purchases of office supplies and refreshments	(m)	(2)	-
		(₱979,373)	
2015			
	Reference	Due from(Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	₱29,795	₱21,512
Receivable from affiliates	(b)	57,217	-
Equipment rentals	(c)	15,168	15,168
Payroll processing	(d)	15,243	2,274
Transfer of materials and reimbursement of shared and operating expenses	(e)	26,219	27,172
		₱143,642	
<i>Payable to related parties</i> (Note 17)			
Payable to affiliates	(f)	(₱32,742)	₱31,039
Mine exploration, coal handling and hauling services	(g)	(98,331)	370,325
Equipment rental expenses	(h)	(55,539)	55,539
Other general and administrative expense	(i)	(6,891)	5,104
Aviation services	(j)	(12,725)	247
Office and parking rental	(k)	(9,926)	7,991
Arrastre and Cargo Services	(l)	(774)	774
Purchases of office supplies and refreshments	(m)	(700)	700
		(₱217,628)	
<i>Others</i>			
Construction contracts	(a)	(₱1,218)	₱1,218
Nickel Delivery	(n)	(3,140)	164
Labor charges	(o)	(2,628)	-
		(₱6,986)	



- (a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in “Receivables from related parties” amounted to ₱40.87 million and ₱29.80 million as of December 31, 2016 and 2015, respectively.

In addition, receivables of the Group from its affiliate amounting to ₱0.34 million and ₱1.22 million is lodged in “Costs and estimated earnings in excess of estimates and billings on uncompleted contracts” in 2016 and 2015, respectively.

- (b) The Group has outstanding receivable from its affiliates amounting to ₱53.90 million and ₱57.22 million as of December 31, 2016 and 2015, respectively. This mainly pertains to the sale of a previous investment in 2014.
- (c) The Group rents out its equipment to its affiliates for their construction projects. Outstanding receivables from equipment rentals amounted to ₱17.37 million and ₱15.17 million as of December 31, 2016 and 2015, respectively.
- (d) The Group processes the payroll of its affiliates and charges Electronic Data Processing (EDP) expenses. Total outstanding EDP charges to the related parties under common control amounted to ₱15.89 million and ₱15.24 million as of December 31, 2016 and 2015, respectively.
- (e) The Group paid for the contracted services, material issuances, rental expenses and other supplies of its affiliates. The outstanding balance from its affiliates included under “Receivable from related parties” amounted to ₱2.58 million and ₱26.22 million as of December 31, 2016 and 2015, respectively.
- (f) The Group has outstanding payable to affiliates amounting to ₱26.00 million and ₱32.74 million as at December 31, 2016 and 2015, respectively. This mainly pertains to receivables collected by the Group in behalf of the affiliate.
- (g) An affiliate had transactions with the Group for services rendered relating to the Group’s coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement.

The affiliate also provides to the Group marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. The outstanding payable of the Group amounted to ₱847.61 million and ₱98.33 million as of December 31, 2016 and 2015, respectively.



- (h) The Group rents from its affiliate construction equipment for use in the Group's construction projects. The outstanding payable lodged under "Payable to related parties" amounted to ₱32.48 million and ₱55.54 million as of December 31, 2016 and 2015, respectively.
- (i) A shareholder of the Group, provided maintenance of the Group's accounting system, Navision, which is used by some of the Group's subsidiaries to which related expenses are included under "Others" of "Operating expenses". Outstanding payable of the Group recorded under "Payable to related parties" amounted to ₱12.90 million and ₱6.89 million as of December 31, 2016 and 2015, respectively.
- (j) An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in "Cost of sales and services". The outstanding balance to the affiliate amounted to ₱12.73 million as of December 31 2016 and 2015.
- (k) An affiliate had transactions with the Group for rental of parking space to which related expenses are included in operating expenses under "Operating expenses" in the consolidated statements of income (see Notes 25 and 37). Outstanding payable amounted to ₱2.48 million and ₱9.93 million as at December 31, 2016 and 2015, respectively.
- (l) In 2016 and 2015, an affiliate had transactions with the Group for shipsiding services. The outstanding balance to the affiliate amounting to ₱1.67 million and ₱0.77 million is lodged under "Payable to related parties" in the consolidated statements of financial position as of December 31, 2016 and 2015, respectively.
- (m) In 2016 and 2015, the Group engaged its affiliates to supply various raw materials, office supplies and refreshments. The outstanding balance to its affiliates amounting to nil and ₱0.70 million for aforementioned transactions is lodged in the "Payable to related parties" as of December 31, 2016 and 2015, respectively.
- (n) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers. The Group has outstanding payable to the affiliate amounting to ₱0.84 million and ₱3.14 million as of December 2016 and 2015, respectively.
- (o) Payable to affiliate pertains to labor charges incurred by the Group, which are initially paid by the affiliate in behalf of the Group. The outstanding payable to the affiliate is recorded in "Other accounts payable" amounted to ₱42.33 million and ₱2.63 million as of December 2016 and 2015, respectively.

Terms and conditions of transactions with related parties

Outstanding balances as of December 31, 2016 and 2015, are unsecured and interest free, are all due within one year, normally within 30-60 day credit term. As of December 31, 2016 and 2015, the Group has not made any provision for impairment loss relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.



Compensation of Key Management Personnel

Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2016	2015	2014
Short-term employee benefits	₱249,795	₱233,687	₱211,530
Post-employment benefits (Note 23)	27,302	23,401	16,685
	₱277,097	₱257,088	₱228,215

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

22. Equity

Capital Stock

As of December 31, 2016 and 2015, the Parent Company's capital stock consists of:

	2016	
	Shares	Amount
Preferred stock - ₱1 par value		
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 and end of year	13,277,470	₱13,277,470
	2015	
	Shares	Amount
Preferred stock - ₱1 par value		
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 and end of year	13,277,470	₱13,277,470

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.

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.



Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2016:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2014	13.28	688
Add/(Deduct) Movement	–	14
December 31, 2015	13.28	702
Add/(Deduct) Movement	–	(4)
December 31, 2016	13.28	698

Increase in Authorized Capital Stock

On August 5, 2014, the SEC approved the increase in 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 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.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱4,836.59 million and ₱7,438.63 million, respectively.

Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend declaration

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2016	2015	2014
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	₱3,186,593	₱–	₱–
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	3,186,593	–	–
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	3,186,593	–
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	3,186,593	–

(Forward)



	2016	2015	2014
May 15, 2014, ₱1.20 per share cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	₱–	₱–	₱3,186,593
May 15, 2014, ₱1.20 per share special cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	–	–	3,186,593
	₱6,373,186	₱6,373,186	₱6,373,186

On August 5, 2014, the stockholders of the Parent Company approved the 400% stock dividends amounting to ₱10,621.98 million, divided into 10,621.98 million 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 Parent Company. On September 18, 2014, Securities and Exchange Commission approved and fixed the record date on October 17, 2014. The stock transaction cost paid in 2014 amounted to ₱92.92 million which is netted against the ‘Additional Paid-in Capital’ in the consolidated statements of changes in equity.

On various dates in 2016, 2015 and 2014, partially owned subsidiaries of the Group declared dividends amounting to ₱4,281.44 million and ₱5,615.00 million and ₱4,284.95 million, respectively, of which dividends to non-controlling interest amounted to ₱1,841.12 million, ₱2,213.94 million, ₱1,871.13 million, respectively.

Appropriation of retained earnings

On December 19, 2014, the Parent Company’s BOD approved the reversal of appropriated retained earnings amounting to ₱2,100.00 million.

The unappropriated retained earnings include accumulated equity in undistributed net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under equity method of ₱25,966.31 million and ₱20,425.67 million as of December 31, 2016 and 2015, respectively. These are not available for dividend declaration until declared by the subsidiaries, associates and the jointly controlled entities.

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 Parent Company less unrealized gain or loss on AFS financial assets.

The Group is not subject to any externally imposed capital requirements.



23. Employee Benefits

Retirement Plans

The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2016.

The Group has a Multiemployer Retirement Plan (the Plan) which is administered separately by an individual trustee, a Group executive and BDO Unibank, Inc. Trust Investment Division under the supervision of the Board of Trustees (BOT) of the Plan. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund;
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) and pension income (included in "Other income - net" account) in the consolidated statements of income (see Notes 25 and 28):

Pension Expense

	2016	2015	2014
Current service cost	₱126,975	₱84,082	₱88,520
Effect of the asset limit	1,393	509	-
Settlement loss	4,423	91	-
Net interest expense (income) on benefit obligation and plan assets	8,017	(2,083)	3,137
Past service cost - curtailment	(22,412)	(9,844)	(11,442)
Total pension expense	₱118,396	₱72,755	₱80,215

Pension Income

	2016	2015	2014
Current service cost	₱35,336	₱33,721	₱41,092
Effect of the asset limit	36,947	37,913	28,526
Net interest income on benefit obligation and plan assets	(83,040)	(86,729)	(71,585)
Total pension income	(₱10,757)	(₱15,095)	(₱1,967)



Movements in the fair value of plan assets of the Group follow:

	2016	2015
Balance at beginning of year	P2,750,392	P2,904,705
Interest income	140,661	136,894
Remeasurement losses	(100,315)	(283,125)
Benefits paid from plan assets	(51,742)	(8,082)
Contributions	27,768	-
Balance at end of year	P2,766,764	P2,750,392

Changes in the present value of the defined benefit obligation follow:

	2016	2015
Balances at beginning of year	P1,209,637	P1,006,684
Current service cost	162,311	117,803
Interest expense	65,638	48,082
Settlement loss	4,423	91
Past service cost - curtailment	(22,412)	(9,844)
Benefits paid - from plan assets	(51,742)	(8,082)
Benefits paid - direct payments	(24,759)	(5,780)
Remeasurement losses (gains) arising from:		
Financial assumptions	(24,499)	8,023
Demographic assumptions	12,535	(7,803)
Experience adjustments	(53,508)	60,463
Balances at end of year	P1,277,624	P1,209,637

Below is the net pension asset for those entities within the Group with net pension asset position:

	2016	2015
Present value of funded defined benefit obligations	(P637,428)	(P981,313)
Fair value of plan assets	2,344,038	2,664,268
	1,706,610	1,682,955
Effect on asset ceiling	(812,846)	(723,976)
Net pension asset	P893,764	P958,979

Movements in the net pension asset follow:

	2016	2015
Net pension asset at beginning of year	P958,979	P1,178,058
Remeasurements loss recognized in other comprehensive income	(77,243)	(184,802)
Net pension income (expense)	6,736	(25,377)
Contributions	5,292	-
Reclassifications - net	-	(8,900)
Net pension asset at end of year	P893,764	P958,979



Below is the net pension liability for those entities within the Group with net pension liability position:

	2016	2015
Present value of funded defined benefit obligations	(P640,196)	(P228,324)
Fair value of plan assets	422,726	86,124
Net pension liability	(P217,470)	(P142,200)

Movements in the net pension liability follow:

	2016	2015
Net pension liability at beginning of year	(P142,200)	(P97,364)
Net pension expense	(114,375)	(32,283)
Remeasurement loss recognized in other comprehensive income	(8,130)	(27,233)
Reclassifications - net	-	8,900
Benefits paid - direct payment	24,759	5,780
Contributions	22,476	-
Net pension liability at end of year	(P217,470)	(P142,200)

The Group does not expect to contribute to the pension funds for the year 2017.

The major categories and corresponding fair values of plan assets by class of the Group's Plan as at the end of each reporting period are as follow:

	2016	2015
Cash and cash equivalents		
Cash in banks	P55,380	P100,708
Time deposits	125,045	2,237
	180,425	102,945
Investments in stocks		
Common shares	1,783,015	1,853,244
Preference shares	23,674	29,122
	1,806,689	1,882,366
Investment in government securities		
Fixed rate treasury notes (FXTNs)	500,805	528,318
Retail treasury bonds (RTBs)	42,112	19,969
	542,917	548,287
Investment in other securities and debt instruments		
AAA rated debt securities	214,266	193,451
Not rated debt securities	12,119	11,984
	226,385	205,435
Other receivables	10,793	11,769
Accrued trust fees and other payables	(445)	(410)
Fair value of plan assets	P2,766,764	P2,750,392



The investment in stocks is further categorized as follows:

	2016	2015
Common shares		
Quoted		
Holdings	₱1,738,784	₱1,809,594
Mining and oil	23,400	24,570
	1,762,184	1,834,164
Unquoted		
Service	8,192	19,080
	8,192	19,080
Preference shares		
Quoted		
Holdings	15,204	₱15,372
Industrial	21,109	13,750
	36,313	29,122
	₱1,806,689	₱1,882,366

Trust fees paid in 2016, 2015 and 2014 amounted to ₱1.78 million, ₱0.44 million and ₱1.38 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).
- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE. The fund holds investments in shares of stock of the Parent Company with fair market value of ₱1,738.78 million and ₱1,809.59 million as of December 31, 2016 and 2015, respectively.
- *Investment in government securities* - include investment in Philippine RTBs and FXTNs.
- *Investments in other securities and debt instruments* - include investment in long-term debt notes and retail bonds.
- *Other receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Accrued trust fees and other payables* - pertain mainly to charges of trust or in the management of the plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.



The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2016	2015	2014
Discount rate	5.00% to 5.87%	5.00% to 6.36%	4.07% to 5.57%
Salary increase rate	3.00% to 10.00%	3.00% to 10.00%	3.00% to 10.00%

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized in the years ended December 31, 2016 and 2015.

Sensitivity analysis on the actuarial assumptions

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease)	2016	2015
Discount rates	+100 basis points	(₱130,639)	(₱37,583)
	-100 basis points	134,300	43,222
Salary increases	+1.00%	135,347	36,855
	-1.00%	(114,551)	(42,832)

Asset-liability matching strategies

Each year, an Asset-Liability Matching Strategy (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The retirement fund's expected benefit payments are determined through the latest actuarial reports.

Funding arrangements

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.



Shown below is the maturity analysis of the undiscounted benefit payments:

	2016	2015
Less than 1 year	₱394,512	₱370,803
More than 1 year to 5 years	248,898	127,055
More than 5 years to 10 years	525,071	343,631
	₱1,168,481	₱841,489

24. Costs of Sales and Services

Details of costs of sales and services follow:

	2016	2015	2014
Cost of Sales			
Cost of real estate inventory (Note 9)	₱5,313,539	₱6,673,502	₱6,412,311
Materials and supplies	4,508,399	3,091,755	4,107,099
Outside services	1,742,566	898,327	1,184,384
Fuel and lubricants	1,493,340	1,165,441	2,797,911
Depreciation and amortization (Notes 12, 13 and 14)	1,261,886	745,144	1,039,826
Provision for decommissioning and site rehabilitation (Note 20)	1,089,423	-	-
Direct labor	805,636	617,852	609,459
Hauling, shiploading and handling costs (Note 21)	425,909	128,503	179,088
Production overhead	369,227	487,624	440,746
Others	81,219	85,261	143,469
	17,091,144	13,893,409	16,914,293
Cost of Services			
Materials and supplies	6,944,590	7,360,305	7,722,466
Depreciation and amortization (Notes 12, 13 and 14)	3,216,474	2,090,768	2,003,746
Direct labor	2,965,631	2,127,668	1,845,916
Spot purchases of electricity	2,495,357	107,406	4,118,591
Outside services	2,225,965	2,918,717	2,434,698
Fuel and lubricants	1,618,843	1,577,839	1,669,150
Production overhead	1,494,561	1,554,895	1,130,221
Hauling, shiploading and handling costs (Note 21)	127,518	110,270	68,582
Others	190,985	62,489	90,304
	21,279,924	17,910,357	21,083,674
	₱38,371,068	₱31,803,766	₱37,997,967



Depreciation, depletion and amortization included in the consolidated statements of income follow:

	2016	2015	2014
Included in:			
Cost of energy sales	₱2,439,553	₱1,298,297	₱1,189,196
Cost of coal mining	1,183,837	552,096	892,296
Cost of construction contracts and others	776,316	791,720	813,560
Cost of nickel mining	78,049	193,048	147,530
Cost of real estate development	605	751	990
Operating expenses (Note 25)	914,462	798,682	793,505
	₱5,392,822	₱3,634,594	₱3,837,077
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	₱5,963,672	₱4,093,953	₱3,975,963
Other noncurrent assets (Note 14)	50,551	42,661	35,476
Investment properties (Note 12)	22,045	8,970	8,846
	₱6,036,268	₱4,145,584	₱4,020,285

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱643.45 million, ₱510.99 million and ₱183.21 million in 2016, 2015 and 2014, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2016	2015	2014
Presented under:			
Costs of construction contracts	₱2,984,612	₱2,152,364	₱1,856,256
Operating expenses (Note 25)	1,527,526	1,276,762	1,261,471
Costs of mining	786,655	593,156	599,119
	₱5,298,793	₱4,022,282	₱3,716,846



25. Operating Expenses

This account consists of:

	2016	2015	2014
Government share (Note 31)	₱2,649,979	₱1,796,047	₱1,858,190
Salaries, wages and employee benefits (Notes 23 and 24)	1,527,526	1,276,762	1,261,471
Depreciation and amortization (Notes 3, 12, 13, 14 and 24)	914,462	798,682	793,505
Taxes and licenses	869,076	762,003	583,316
Commission	624,283	599,319	616,675
Repairs and maintenance	562,020	348,412	297,301
Advertising and marketing	505,228	549,629	397,549
Outside services	493,887	466,538	615,821
Provisions for doubtful accounts, probable losses and loss on sale of assets (Notes 7, 10, and 14)	217,632	960,954	514,248
Rent (Note 37)	216,635	82,382	127,680
Communication, light and water	148,154	156,624	159,154
Insurance	129,704	105,185	80,720
Entertainment, amusement and recreation	93,214	112,199	102,660
Transportation and travel	91,549	105,961	104,779
Supplies	75,694	59,063	69,640
Association dues	44,462	72,696	116,161
Loss on write-down of property, plant and equipment (Notes 3 and 13)	14,316	16,088	111
Miscellaneous	439,041	278,324	391,242
	₱9,616,862	₱8,546,868	₱8,090,223

26. Finance Income

Finance income is derived from the following sources:

	2016	2015	2014
Interest on:			
Real estate installment receivables (Note 7)	₱205,923	₱288,260	₱216,089
Short-term placements (Note 4)	107,414	117,246	149,674
Bank savings account (Note 4)	121,629	53,007	65,694
Investment from sinking fund (Note 10)	11,359	8,993	6,691
	₱446,325	₱467,506	₱438,148



27. Finance Costs

The finance costs are incurred from the following:

	2016	2015	2014
Long-term debt (Note 19)	₱463,422	₱226,138	₱304,260
Short-term debt (Note 15)	421,413	268,086	112,417
Amortization of debt issuance cost (Note 19)	30,450	39,566	16,361
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation (Notes 16 and 20)	39,697	11,926	34,050
	₱954,982	₱545,716	₱467,088

28. Other Income - net

This account consists of:

	2016	2015	2014
Income from commissioning	₱595,343	₱58,327	₱-
Forfeitures and cancellation of real estate contracts	490,940	319,776	496,641
Recoveries from insurance claims	218,089	157,651	82,552
Sales of fly ash	129,153	133,119	122,600
Rental income (Note 12)	87,794	114,224	237,802
Gain on sale of undeveloped land (Note 9)	73,182	-	284,287
Write-off of accrued expenses	40,925	-	-
Income from default payments	15,588	31,128	45,045
Pension income (Note 23)	10,757	15,095	1,967
Dividend income (Notes 5 and 6)	4,282	4,288	7,000
Management fee (Note 21)	1,362	5,112	3,785
Gain on sale of property, plant and equipment and investment properties - net (Notes 12 and 13)	390	90,922	127,201
Reversal of allowance for doubtful accounts (Notes 6, 7, and 14)	-	10,684	2,573
Others	83,734	61,707	106,002
	₱1,751,539	₱1,002,033	₱1,517,455

Income from commissioning

Commissioning income pertains to net revenue earned by the Group from the testing phase of the 2X150 MW CFB coal-fired thermal power plant during the first quarter of 2016 and for the whole year 2015.

Recoveries from insurance claims

Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment which were damaged.



Others

Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees and others.

29. Income Tax

The provision for (benefit from) income tax shown in the consolidated statements of income consists of:

	2016	2015	2014
Current	₱1,495,548	₱2,723,212	₱1,291,178
Deferred	738,306	819,336	(244,451)
Final	43,668	62,282	41,549
	₱2,277,522	₱3,604,830	₱1,088,276

The components of net deferred tax assets as of December 31, 2016 and 2015 follow:

	2016	2015
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱473,303	₱428,442
Pension liabilities - net	33,467	30,710
Inventory obsolescence	20,218	19,846
Impairment	11,705	13,526
Accruals of expenses	5,880	15,843
Provision for decommissioning and site Rehabilitation	3,113	2,675
NOLCO	545	490
Construction contracts price adjustments	165	69,213
MCIT	-	2,062
Others	1,454	129
	549,850	582,936
Deferred tax liabilities on:		
Unrealized foreign exchange loss	(14,216)	(9,600)
Unrealized gross profit on construction contracts	(119,617)	(29,477)
	(133,833)	(39,077)
	₱416,017	₱543,859

The components of net deferred tax liabilities as of December 31, 2016 and 2015 follow:

	2016	2015
Deferred tax assets on:		
Allowance for:		
Doubtful accounts	₱21,421	₱21,427
Probable losses	7,648	7,648
Unamortized discount on payable to landowners	5,451	4,096
Impairment losses	-	669
Provision for decommissioning and site rehabilitation	-	913
NOLCO	-	261
Others	254	8,466



	2016	2015
	34,774	43,480
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(2,365,667)	(1,774,916)
Effect of business combination	(1,370,931)	(1,393,424)
Capitalized interest on real estate for sale and development deducted in advance	(307,126)	(238,169)
Unrealized foreign exchange gain - net	(107,875)	(133,921)
Unrealized gross profit on construction contracts	(119,981)	(82,276)
Unamortized transaction cost on loans payable	(27,313)	(35,142)
Pension assets	-	(7,227)
Mine rehabilitation	(5,809)	(6,089)
Others	(1,639)	(1,392)
	(4,306,341)	(3,672,556)
	(₱4,271,567)	(₱3,629,076)

The Group has the following deferred taxes on deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which have not been recognized:

	2016	2015
NOLCO	₱3,086,391	₱3,562,698
Allowance for impairment losses	37,403	37,556
Allowance for probable losses	15,887	16,922
Allowance for doubtful accounts	9,164	12,979
Provision for retirement	9,059	8,160
Mine rehabilitation	6,864	6,888
Pension liabilities	5,097	7,747
MCIT	2,814	3,375
Accruals	-	1,142
Unrealized forex losses	-	47,891

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2016	2015	2014
Statutory income tax rate	30.00%	30.00%	30.00%
Adjustments for:			
Tax-exempt income	(18.66)	(11.79)	(24.02)
Changes in unrecognized deferred tax assets	2.98	2.96	8.54
Nontaxable equity in net earnings of associates and jointly controlled entities	(2.92)	(3.47)	(0.01)
Foreign exchange losses (gains) - net	(0.62)	(0.20)	0.03
Excess costs of construction contracts	0.43	0.35	1.11

(Forward)



	2016	2015	2014
Nondeductible expenses	0.23	0.13	1.06
Gain on sale of investment subjected to final tax at a lower rate - net	(0.17)	(0.79)	-
Interest income subjected to final tax at a lower rate - net	(0.14)	(0.10)	(0.15)
Depletion of mining rights	0.09	0.17	1.06
Dividend income	(0.01)	(0.01)	(10.49)
Stock transaction costs	-	-	(0.19)
MCIT	-	-	(0.05)
NOLCO	-	0.10	0.15
Others	0.29	0.21	0.27
Effective income tax rate	11.50%	17.56%	7.31%

Board of Investments (BOI) Incentives

PDI - New Developer of Mass Housing Project

On various dates in 2015, several projects of PDI were registered on a non-pioneer status with the BOI as these projects fall under the infrastructure (Mass Housing Projects) listing of the Investment Priorities Plan.

Under the terms of its registrations with BOI, PDI is entitled, among others, to the following incentives:

- a. Income Tax Holiday (ITH) for a period of three (3) to four (4) years;
- b. Employment of foreign officials may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration; and
- c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.

SMPC - Expanding Producer of Coal

Panian Minesite

On September 26, 2008, BOI issued in favor of SMPC a Certificate of Registration (COR) as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. As a registered entity, SMPC is entitled to certain fiscal and non-fiscal incentives which include among others an ITH for a period of six (6) years from September 2008 or actual start of operations whichever is earlier, but in no case earlier than the date of registration.

On May 1, 2014, the BOI approved SMPC's additional year of ITH entitlement from September 2014 to September 2015. On August 12, 2014, the BOI approved SMPC's additional year of ITH entitlement from September 2015 to September 2016.

SMPC's Certificate of Registration for Panian Minesite has expired on September 26, 2016 simultaneous to the full depletion of the mineable coal reserve.

Narra and Molave Minesite

On August 31, 2012 and February 24, 2016, BOI has granted SMPC COR as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2016-042).

As a registered entity, SMPC is entitled to ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. Income qualified for ITH



availment shall not exceed by more than 10% the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱2,747.09 million, ₱2,339.37 million and ₱2,686.91 million in 2016, 2015 and 2014, respectively.

SCPC - New Operator of the 600-MW Calaca Coal-Fired Power Plant

On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. In accordance with its registration, SCPC shall be entitled to, among others, an ITH for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014. Starting January 1, 2015, SCPC is in tax position applying regular corporate income tax.

SLPGC - New Operator of 300-MW Batangas Coal Fired Power Plant

On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. As a registered entity, SLPGC is entitled to certain fiscal and non-fiscal incentives which include among others an ITH for a period of four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

SLPGC requested for the deferment of the start of commercial operation and on June 29, 2016, the BOI granted the request for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. During 2016, SLPGC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱842.59 million.

DMCI Masbate - New Operator of a 24.4 MW Diesel Power Plant in Mobo, Masbate

On September 23, 2010, the BOI approved the registration of DMCI Masbate as New Operator of a 24.4 MW Diesel Power Plant in Mobo, Masbate on a Pioneer status under the Omnibus Investment Code of 1987. As a registered entity, DMCI Masbate is entitled to certain fiscal and non-fiscal incentives which include, among others, an ITH on the registered operations of the entity. Other incentives with no specific number of years of entitlement may be enjoyed for a maximum of ten (10) years from the start of commercial operation/date of registration. DMCI Masbate availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱53.45 million and ₱72.02 million in 2016 and 2015, respectively.



DPC - BOI

New Operator of 14MW Diesel-Fired Power Plant

On April 28, 2015, the BOI issued the Certificate of Registration (COR) to DPC as Expanding Operator of a 14MW Diesel-Fired Power Plant on a Non-Pioneer Status in accordance with Omnibus Investments Code of 1987 (Executive Order No. 226). This effectively transfers incentives previously granted to DMCI-Palawan to DPC.

As a registered entity, DPC is entitled to certain fiscal and non-fiscal incentives which include among others an ITH for a period of three (3) years starting October 3, 2014 but subject to a taxable income from sales volume of 20.5 gigawatt-hours per year of the registered activity. This volume base is to be prorated over 365 days to compute the taxable income portion of the registered activity for every quarter and/or annual taxable periods. In accordance with Revenue Memorandum Circular 14-2012, the BOI also issued a Certificate of ITH Entitlement (COE) on May 4, 2015 as a requirement by the BIR to avail of the income tax incentive.

New Operator of 3x1.23MW Diesel-Fired Power Plant in Sultan Kudarat

On January 15, 2016, the BOI issued the COR to DPC as New Operator of 3x1.23MW Diesel-Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

As a registered entity, DPC is entitled to certain fiscal and non-fiscal incentives which include, among others, an ITH for a period of ten (10) years from January 15, 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

New Operator of 2x4.95MW Bunker-Fired Power Plant in Iraan, Aborlan, Palawan

On November 23, 2016, the BOI issued the COR to DPC as New Operator of 2x4.95MW Bunker-Fired Power Plant on a Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

As a registered entity, DPC is entitled to certain fiscal and non-fiscal incentives which include, among others, an ITH for a period of six (6) years from December 1, 2016 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration.

DPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱53.42 million and ₱46.17 million in 2016 and 2015, respectively.

30. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of Parent Company	₱12,184,942	₱12,834,666	₱10,775,334
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470
Basic/diluted earnings per share	₱0.92	₱0.97	₱0.81

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2016, 2015 and 2014.



31. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to SMPC on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, SMPC's COC was subsequently amended on January 16, 1981 reflecting said changes.

On June 8, 1983, the Ministry of Energy (now DOE), issued a new COC to SMPC, incorporating the foregoing assignment and amendments. The COC gives SMPC the exclusive right to conduct exploration, development and coal mining operations on Semirara Island until July 13, 2012. On May 13, 2008, the DOE granted SMPC's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include portions of Caluya and Sibay islands, Antique, covering an additional area of 5,500 hectares and 300 hectares, respectively.

On April 29, 2013, the DOE issued a new COC to SMPC, which grants it the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to SMPC, which grants it the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to SMPC, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. SMPC's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱2.65 billion, ₱1.80 billion and ₱1.86 billion in 2016, 2015 and 2014, respectively, included under "Operating expenses" in the consolidated statements of income (see Note 25). Payable to DOE and LGU, amounting to ₱1.65 billion and ₱1.12 billion as of December 31, 2016 and 2015 are included under the "Accounts and other payables" account in the consolidated statements of financial position (see Note 17).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by SMPC to feed its power plant in determining the amount due to DOE.



32. Material Partly-Owned Subsidiary

The financial information of the Group's subsidiaries with material non-controlling interest (NCI) are provided below. These information are based on amounts before intercompany eliminations.

Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2016	2015
Consolidated statements of financial position		
Current assets	₱21,154,330	₱15,092,708
Noncurrent assets	44,606,147	42,064,329
Total assets	65,760,477	57,157,037
Current liabilities	15,652,537	15,555,722
Noncurrent liabilities	15,821,628	14,700,233
Total liabilities	31,474,165	30,255,955
Equity	₱34,286,312	₱26,901,082
Consolidated statements of comprehensive income		
Revenue	₱36,584,375	₱24,680,171
Cost of sales	18,701,021	10,542,092
Gross profit	17,883,354	14,138,079
Operating expenses	(4,998,866)	(4,389,084)
Other income (expenses)	19,262	(80,002)
Income before income tax	12,903,750	9,668,993
Provision for income tax	863,080	1,182,084
Net income	12,040,670	8,486,909
Other comprehensive income (loss)	7,106	(17,038)
Total comprehensive income	₱12,047,776	₱8,469,871
Cash flows information		
Operating	₱16,420,477	₱10,683,869
Investing	(6,689,483)	(5,115,628)
Financing	(7,316,858)	(4,467,783)
Effect of exchange rate changes on cash and cash equivalents	(166,705)	(37,975)
Net increase in cash and cash equivalents	₱2,247,431	₱1,062,483

The accumulated balances of material noncontrolling interest as at December 31, 2016 and 2015 amounted to ₱15,522.25 million and ₱12,099.31 million, respectively. Dividends paid to noncontrolling interests amounted to ₱1,867.23 million and ₱2,203.38 million in 2016 and 2015, respectively.

33. Business Combination

Acquisition of TMM, URHI, UNC, NRHI and BNC

In June 2014, organizational meetings were held for the above entities, wherein the voting rights held by Atlas were assigned to the representative of the Group. In that same meeting, management team from the Group were assigned as key officers of the above entities. Further, on July 11, 2014, a Memorandum of Agreement (MOA) was entered between TMC and Atlas, which set out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of



Atlas and TMC including the assignment of board seats, majority of which were assigned to TMC and delegation to TMC of the day-to-day operations and critical decision making in running the mining operations.

On June 19, 2014, the Group assessed that its investment in these entities be accounted for as investment in subsidiaries, instead of associates, in accordance with the guidance set out by PFRS 10. The assets, liabilities and equity of these entities have been consolidated in the financial statements of the Group on June 19, 2014, the date when control is obtained.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	Fair value recognized on acquisition date
Assets	
Cash and cash equivalents	₱410,978
Trade and other receivables	131,047
Inventory	185,562
Other current assets	129,296
Property and equipment	560,247
Mining properties	1,588,726
Deferred tax assets	964
Other noncurrent assets	165,230
	<u>3,172,050</u>
Liabilities	
Trade and other payables	983,052
Provision for mine rehabilitation and decommissioning	2,364
Pension liabilities	11,332
Deferred tax liabilities	386,405
	<u>1,383,153</u>
Fair value of net assets acquired	<u>₱1,788,897</u>

The Group assessed that the carrying values of the assets acquired and liabilities assumed approximates fair values except for the mining properties which were valued using the income approach, discounted cash flow (DCF) method.

Total gain from remeasurement of previously held interests in TMM, URHI, UNC, NRHI and BNC amounted to ₱54.36 million in 2014, shown as part of 'Gain from remeasurement of previously held interest' in the consolidated statements of income.

Excess of fair values of net identifiable assets over the consideration paid on the business combination of TMM, URHI, UNC, NRHI and BNC follows:

Fair value of net assets acquired	₱1,788,897
Less:	
Fair value of previously held interest	1,198,157
Fair value of noncontrolling interest	333,243
Excess of fair value of identifiable net assets over consideration	<u>(₱257,497)</u>

Excess of fair value of net identifiable assets over the consideration paid is shown as a 'Gain on bargain purchase' in the consolidated statements of income.



From the date of acquisition, TMM, URHI, UNC, NRHI and BNC has contributed ₱1,040.80 million of revenue and other income from nickel mining and ₱201.75 million to net income of the Group in 2014. If the combination had taken place at the beginning of the year in 2014, contributions to revenue and other income from nickel mining operations would have been ₱2,166.55 million, while contributions to net income would have been ₱423.60 million in 2014.

Acquisition of ENK

In 2013, the Parent Company's investment in ENK was previously treated as a joint venture investment with D&A as the strategic and financial operating decisions relating to the economic activities of ENK require the unanimous consent of both parties.

On March 25, 2014, the Parent Company purchased from D&A Income Ltd. the remaining 40% interest in ENK and its subsidiaries for approximately ₱3.13 billion, making ENK and its wholly owned foreign and local subsidiaries, wholly owned subsidiaries of the Parent Company. 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.

The Group assessed that its investment in ENK be accounted for as investment in subsidiary, in accordance with the guidance set out by PFRS 10. The assets, liabilities and equity of ENK have been consolidated in the financial statements of the Group on April 3, 2014, the date when control is obtained.

The following table summarizes the amounts of the assets acquired and liabilities assumed recognized at the acquisition date:

	Fair value recognized on acquisition date
<u>Assets</u>	
Cash and cash equivalents	₱692,244
Trade and other receivables	22,577
Property and equipment	59,725
Mining properties and other noncurrent assets	4,120,031
	<u>4,894,577</u>
<u>Liabilities</u>	
Trade and other payables	75,879
Provision for mine rehabilitation and decommissioning	21,381
Deferred tax liabilities	1,064,384
	<u>1,161,644</u>
<u>Fair value of net assets acquired</u>	<u>₱3,732,933</u>

The Group assessed that the carrying values of the assets acquired and liabilities assumed approximates fair values except for the mining properties which were valued using the income approach, discounted cash flow (DCF) method.

Total gain from remeasurement of previously held interests in ENK amounted to ₱206.73 million in 2014, shown as part of 'Gain from remeasurement of previously held interest' in the consolidated statements of income.



Goodwill recognized on the business combination of ENK follows:

Fair value of net assets acquired	₱3,732,933
Less:	
Fair value of previously held interest	2,239,760
Consideration paid	3,130,603
<u>Goodwill</u>	<u>(₱1,637,430)</u>

The goodwill recognized amounting to ₱1,637.43 million comprises the expected cash flows generated from the mining rights and properties of ENK, particularly attributable to CGUs of ZDMC and ZCMC. The acquisition of ENK will enable the Group to strengthen its strategic objective in the nickel mining segment. With a more diversified portfolio, the Group expects to generate revenue from its nickel mining segment. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

From the date of acquisition, ENK has contributed ₱448.88 million of revenue and other income from nickel mining and ₱131.29 million to net income of the Group in 2014. If the combination had taken place at the beginning of the year in 2014, contributions to net income would have been ₱124.14 million in 2014.

34. Cumulative Translation Adjustment

Cumulative translation adjustment represents exchange differences arising from the translation of financial statements of the foreign subsidiaries, TMC, whose functional currency is the British Pounds and ENK (including EN Iberia, EN Spain, Rusina, EN Holland and EN Philland) with functional currency of US Dollar.

In 2014 and 2016, the cumulative translation adjustment pertaining to TMC and ENK, respectively, were closed to profit or loss upon loss of control in TMC and disposal of ENK (see Note 33).

35. Operating Segments

Business Segment Information

For management purposes, the Group is organized into seven (7) major business units that are largely organized and managed separately according to industry.

Construction - engaged in various construction component businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.

Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.

Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.

Real estate - focused in mid-income residential development carried under the brand name DMCI Homes.



On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.

Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.

Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements.

The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRS.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises gross profit, selling and general administrative expenses, research and non-capitalized development costs, other operating income (expense) - net, as well as other financial income (expense) - net.

Segment assets principally comprise all assets. The industrial business segments' assets exclude income tax assets, assets from defined benefit plans and certain financial assets.

Segment liabilities principally comprise all liabilities. The industrial business segments' liabilities exclude income tax liabilities, liabilities from defined benefit plans and certain financial liabilities.

The Group has no significant customer which contributes 10.00% or more to the revenues of the Group.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Business Segments

The following tables present revenue, net income (loss) and depreciation and amortization information regarding business segments for the years ended December 31, 2016, 2015 and 2014 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2016, 2015 and 2014:



Year ended December 31, 2016

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On Grid	Power Off Grid	Water	Parent Company	Total
Revenue	₱14,068,939	₱20,079,462	₱1,573,086	₱10,369,924	₱16,504,913	₱2,302,452	₱-	₱-	₱64,898,776
Equity in net earnings of associates	-	-	-	-	-	-	1,926,337	-	1,926,337
Other income (expense) - net	39,281	(180,270)	43,229	717,150	679,858	44,507	-	1,273	1,345,028
	14,108,220	19,899,192	1,616,315	11,087,074	17,184,771	2,346,959	1,926,337	1,273	68,170,141
Cost of sales and services (before depreciation and amortization)	11,502,888	9,829,662	441,599	5,475,131	5,600,300	1,043,128	-	-	33,892,708
General and administrative expense (before depreciation and amortization)	416,792	3,188,888	730,525	2,418,789	1,213,733	670,978	-	62,695	8,702,400
	11,919,680	13,018,550	1,172,124	7,893,920	6,814,033	1,714,106	-	62,695	42,595,108
EBITDA	2,188,540	6,880,642	444,191	3,193,154	10,370,738	632,853	1,926,337	(61,422)	25,575,033
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(28,339)	(187,463)	(9,081)	(46,566)	(328,294)	(4,958)	-	96,044	(508,657)
Gain on sale of investments (Notes 11 and 28)	-	-	-	131,498	-	-	-	-	131,498
Depreciation and amortization (Notes 24 and 25)	(825,523)	(1,203,505)	(307,425)	(342,215)	(2,535,864)	(172,981)	-	(5,309)	(5,392,822)
Pretax income	1,334,678	5,489,674	127,685	2,935,871	7,506,580	454,914	1,926,337	29,313	19,805,052
Provision for income tax (Note 29)	358,957	12,019	131,375	901,319	826,147	31,014	-	16,691	2,277,522
Net income	₱975,721	₱5,477,655	(₱3,690)	₱2,034,552	₱6,680,433	₱423,900	₱1,926,337	₱12,622	₱17,527,530
Net income attributable to non-controlling interest	₱29,627	₱2,362,363	₱60,894	₱-	₱2,889,704	₱-	₱-	₱-	₱5,342,588
Net income attributable to equity holders of the Parent Company	₱946,094	₱3,115,292	(₱64,584)	₱2,034,552	₱3,790,729	₱423,900	₱1,926,337	₱12,622	₱12,184,942
Segment Assets									
Cash	₱1,315,224	₱4,298,080	₱1,300,526	₱3,861,944	₱2,694,924	₱213,662	₱-	₱5,053,746	₱18,738,106
Receivables	4,281,336	2,329,040	100,919	7,082,177	3,235,482	673,460	-	10,166	17,712,580
Inventories	1,103,222	2,960,195	267,845	31,268,436	2,426,266	209,040	-	-	38,235,004
Investment in associates and joint venture	73,613	52,385	-	268,268	-	-	-	12,366,778	12,761,044
Property, plant and equipment	2,143,003	10,212,665	5,411,375	1,064,841	34,328,632	2,576,636	-	14,550	55,751,702
Others	4,127,656	978,207	2,415,505	3,751,506	3,020,508	449,521	-	92,752	14,835,655
	₱13,044,054	₱20,830,572	₱9,496,170	₱47,297,172	₱45,705,812	₱4,122,319	₱-	₱17,537,992	₱158,034,091
Segment Liabilities									
Customers' advances and deposits	₱-	₱25,281	₱3	₱8,254,848	₱-	₱-	₱-	₱-	₱8,280,132
Loans payable	606,156	5,618,308	329,643	18,340,823	11,071,439	919,000	-	-	36,885,369
Others	8,240,197	8,702,926	2,362,501	5,587,440	3,589,662	998,973	-	38,261	29,519,960
	₱8,846,353	₱14,346,515	₱2,692,147	₱32,183,111	₱14,661,101	₱1,917,973	₱-	₱38,261	₱74,685,461
Other disclosures									
Property, plant and equipment additions (Note 13)	₱492,677	₱3,134,107	₱108,317	₱227,532	₱3,032,163	₱524,844	₱-	₱4,906	₱7,524,546
Acquisition of land for future development (Note 9)	-	-	-	647,298	-	-	-	-	647,298

*Revenue from construction segment includes sales and service revenue from WRCP.



Year ended December 31, 2015

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On Grid	Power Off Grid	Water	Parent Company	Total
Revenue	₱13,538,882	₱11,781,825	₱3,138,852	₱13,676,990	₱12,898,346	₱2,169,026	₱-	₱-	₱57,203,921
Equity in net earnings of associates	-	-	-	-	-	-	2,376,424	-	2,376,424
Other income (expense) - net	34,557	(79,409)	123,294	495,725	184,509	41,538	-	13,204	813,418
	13,573,439	11,702,416	3,262,146	14,172,715	13,082,855	2,210,564	2,376,424	13,204	60,393,763
Cost of sales and services (before depreciation and amortization)	11,414,832	5,766,055	723,412	6,802,819	3,131,376	1,129,360	-	-	28,967,854
General and administrative expense (before depreciation and amortization)	293,752	2,292,014	862,844	2,097,436	1,608,610	528,668	-	64,862	7,748,186
	11,708,584	8,058,069	1,586,256	8,900,255	4,739,986	1,658,028	-	64,862	36,716,040
EBITDA	1,864,855	3,644,347	1,675,890	5,272,460	8,342,869	552,536	2,376,424	(51,658)	23,677,723
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(54,877)	(107,128)	1,611	127,378	(113,496)	(10,480)	-	78,782	(78,210)
Gain on sale of investments (Notes 11 and 28)	20,835	-	-	-	-	-	-	541,892	562,727
Depreciation and amortization (Notes 24 and 25)	(847,499)	(572,060)	(436,934)	(314,101)	(1,321,579)	(139,605)	-	(2,816)	(3,634,594)
Pretax income	983,314	2,965,159	1,240,567	5,085,737	6,907,794	402,451	2,376,424	566,200	20,527,646
Provision for income tax (Note 29)	299,367	15,885	503,630	1,499,085	1,219,865	20,449	-	46,549	3,604,830
Net income	₱683,947	₱2,949,274	₱736,937	₱3,586,652	₱5,687,929	₱382,002	₱2,376,424	₱519,651	₱16,922,816
Net income attributable to non-controlling interest	₱27,335	₱1,247,163	₱235,651	₱-	₱2,578,001	₱-	₱-	₱-	₱4,088,150
Net income attributable to equity holders of the Parent Company	₱656,612	₱1,702,111	₱501,286	₱3,586,652	₱3,109,928	₱382,002	₱2,376,424	₱519,651	₱12,834,666
Segment Assets									
Cash	₱1,138,377	₱2,639,584	₱3,794,633	₱5,678,967	₱2,106,024	₱97,894	₱-	₱3,695,124	₱19,150,603
Receivables	5,028,645	1,270,030	109,132	7,523,998	1,454,049	608,902	-	4,901	15,999,657
Inventories	1,367,626	2,588,744	389,372	28,128,134	1,793,863	140,024	-	-	34,407,763
Investment in associates and joint venture	73,612	-	-	246,147	-	-	-	11,137,973	11,457,732
Property, plant and equipment	2,758,958	4,216,560	5,653,974	1,113,118	33,454,653	2,228,007	-	14,953	49,440,223
Others	4,334,182	4,101,866	2,403,658	3,177,412	3,527,309	467,705	-	89,065	18,101,197
	₱14,701,400	₱14,816,784	₱12,350,769	₱45,867,776	₱42,335,898	₱3,542,532	₱-	₱14,942,016	₱148,557,175
Segment Liabilities									
Customers' advances and deposits	₱-	₱14,298	₱3	₱5,677,970	₱-	₱-	₱-	₱-	₱5,692,271
Loans payable	1,136,282	6,208,735	312,008	19,191,061	13,334,874	580,000	-	-	40,762,960
Others	9,358,934	5,342,335	2,566,588	6,438,443	2,759,115	823,939	-	37,410	27,326,764
	₱10,495,216	₱11,565,368	₱2,878,599	₱31,307,474	₱16,093,989	₱1,403,939	₱-	₱37,410	₱73,781,995
Other disclosures									
Property, plant and equipment additions (Note 13)	₱677,042	₱2,108,187	₱249,285	₱328,234	₱2,612,629	₱740,826	₱-	₱10,010	₱6,726,213
Acquisition of land for future development (Note 9)	-	-	-	3,159,888	-	-	-	-	3,159,888

*Revenue from construction segment includes sales and service revenue from WRCP.



Year ended December 31, 2014

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On Grid	Power Off Grid	Water	Parent Company	Total
Revenue	₱12,137,085	₱16,276,930	₱1,516,461	₱12,493,636	₱12,308,411	₱1,828,431	₱-	₱-	₱56,560,954
Equity in net earnings (losses) of associates	-	-	159,294	-	-	-	2,036,707	(180,298)	2,015,703
Other income (expense) - net	83,716	30,163	691,337	960,528	123,185	38,356	-	(14,617)	1,912,668
	12,220,801	16,307,093	2,367,092	13,454,164	12,431,596	1,866,787	2,036,707	(194,915)	60,489,325
Cost of sales and services (before depreciation and amortization)	10,360,432	9,037,924	206,782	6,523,393	7,510,309	1,315,555	-	-	34,954,395
General and administrative expense (before depreciation and amortization)	322,860	2,212,418	1,283,627	2,343,115	886,611	178,537	-	69,550	7,296,718
	10,683,292	11,250,342	1,490,409	8,866,508	8,396,920	1,494,092	-	69,550	42,251,113
EBITDA	1,537,509	5,056,751	876,683	4,587,656	4,034,676	372,695	2,036,707	(264,465)	18,238,212
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(3,368)	(104,480)	4,157	142,816	(176,584)	(353)	-	108,872	(28,940)
Gain on remeasurement of previously held interest	-	-	261,084	-	-	-	-	-	261,084
Gain on bargain purchase (Note 33)	-	-	257,497	-	-	-	-	-	257,497
Depreciation and amortization (Notes 24 and 25)	(874,097)	(916,658)	(511,626)	(220,416)	(1,216,489)	(95,789)	-	(2,002)	(3,837,077)
Pretax income	660,044	4,035,613	887,795	4,510,056	2,641,603	276,553	2,036,707	(157,595)	14,890,776
Provision (benefit) for income tax (Note 29)	137,281	146,750	21,042	1,268,569	(533,596)	33,188	-	15,042	1,088,276
Net income	₱522,763	₱3,888,863	₱866,753	₱3,241,487	₱3,175,199	₱243,365	₱2,036,707	(₱172,637)	₱13,802,500
Net income attributable to non-controlling interest	₱44,020	₱1,590,000	(₱13,854)	₱-	₱1,407,000	₱-	₱-	₱-	₱3,027,166
Net income attributable to equity holders of the Parent Company	₱478,743	₱2,298,863	₱880,607	₱3,241,487	₱1,768,199	₱243,365	₱2,036,707	(₱172,637)	₱10,775,334
Segment Assets									
Cash	₱803,266	₱1,889,222	₱2,224,891	₱2,732,344	₱1,793,904	32,556	₱-	₱5,753,585	₱15,229,768
Receivables	3,557,835	1,447,368	360,557	7,999,503	2,011,778	469,188	-	5,138	15,851,367
Inventories	1,229,701	1,423,152	398,268	24,085,872	1,369,179	113,496	-	-	28,619,668
Investment in associates and joint venture	168,196	-	-	211,776	-	-	-	10,531,518	10,911,490
Property, plant and equipment	2,921,218	3,697,349	6,020,586	1,055,228	31,418,251	1,759,798	-	7,758	46,880,188
Others	6,028,717	2,990,795	3,087,997	2,802,374	4,205,025	417,562	-	131,954	19,664,424
	₱14,708,933	₱11,447,886	₱12,092,299	₱38,887,097	₱40,798,137	₱2,792,600	₱-	₱16,429,953	₱137,156,905
Segment Liabilities									
Customers' advances and deposits	₱116	₱200,437	₱3	₱5,406,472	₱-	₱-	₱-	₱-	₱5,607,028
Loans payable	1,406,907	5,152,486	-	16,197,736	14,268,877	400,000	-	-	37,426,006
Others	9,800,117	6,008,540	2,198,965	4,845,380	2,226,698	641,522	-	1,810,191	27,531,413
	₱11,207,140	₱11,361,463	₱2,198,968	₱26,449,588	₱16,495,575	₱1,041,522	₱-	₱1,810,191	₱70,564,447
Other disclosures									
Property, plant and equipment additions (Note 13)	₱1,447,962	₱1,462,340	₱1,169,144	₱427,008	₱8,748,847	₱908,285	₱-	₱5,408	₱14,168,994
Acquisition of land for future development (Note 9)	-	-	-	5,580,552	-	-	-	-	5,580,552

*Revenue from construction segment includes sales and service revenue from WRCP



Geographic Information

Analysis of sales and revenue by geographical location

The financial information about the operations of the coal mining as of December 31, 2016, 2015 and 2014 reviewed by the management follows:

Customer Location	2016	2015	2014
Revenue			
Local	₱5,742,358	₱5,861,577	₱4,925,269
Export	14,337,104	5,920,248	11,351,661
	₱20,079,462	₱11,781,825	₱16,276,930

Substantially all revenue from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. Customers on the export sales are significantly from China.

36. 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 and they are summarized below.

a. Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.



- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and liabilities as of December 31, 2016 and 2015, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments.

	2016					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	
Loans and Receivable						
Cash and cash equivalents	₱18,738,106	₱-	₱-	₱-	₱-	₱18,738,106
Receivables						
Trade:						
Real estate	57,772	4,124,225	955,106	308,864	919,454	6,365,421
General construction	1,749,433	2,372,124	-	-	-	4,121,557
Electricity sales	3,152,315	461,259	-	-	-	3,613,574
Coal mining	2,315,442	-	-	-	-	2,315,442
Nickel mining	35,238	-	-	-	-	35,238
Merchandising and others	58,582	-	-	-	-	58,582
Receivables from related parties	130,614	-	-	-	-	130,614
Other receivables	1,072,152	-	-	-	-	1,072,152
Security deposits	-	-	-	5,325	-	5,325
Refundable deposits	-	259,756	88,518	-	-	348,274
	27,309,654	7,217,364	1,043,624	314,189	919,454	36,804,285
AFS financial assets						
Quoted securities	80,139	-	-	-	-	80,139
Unquoted securities	5,116	-	-	-	-	5,116
	85,255	-	-	-	-	85,255
Total undiscounted financial assets	27,394,909	7,217,364	1,043,624	314,189	919,454	36,889,540
Other Financial Liabilities						
Short-term debt	-	2,621,109	-	-	-	2,621,109
Accounts and other payables*	-	12,964,961	1,119,572	-	-	14,084,533
Payable to related parties	979,373	-	-	-	-	979,373
Liabilities for purchased land	-	906,622	434,629	53,091	135,431	1,529,773
Long-term debt	-	3,193,487	4,227,136	5,649,315	21,194,322	34,264,260
Total undiscounted financial liabilities	979,373	19,686,179	5,781,337	5,702,406	21,329,753	53,479,048
Liquidity gap	₱26,415,536	(₱12,468,815)	(₱4,737,713)	(₱5,388,217)	(₱20,410,299)	(₱16,589,508)

*Excludes non-financial liabilities



	2015					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	
Loans and Receivable						
Cash and cash equivalents	₱19,150,603	₱-	₱-	₱-	₱-	₱19,150,603
Receivables						
Trade:						
Real estate	59,165	3,680,145	1,232,283	402,220	1,528,198	6,902,011
General construction	1,529,582	3,312,354	-	-	-	4,841,936
Electricity sales	1,414,881	356,494	-	-	-	1,771,375
Coal mining	1,252,818	-	-	-	-	1,252,818
Nickel mining	31,568	-	-	-	-	31,568
Merchandising and others	63,460	-	-	-	-	63,460
Receivables from related parties	143,642	-	-	-	-	143,642
Other receivables	992,847	-	-	-	-	992,847
Security deposits	-	-	-	5,208	-	5,208
Refundable deposits	-	291,902	90,963	-	-	382,865
	24,638,566	7,640,895	1,323,246	407,428	1,528,198	35,538,333
AFS financial assets						
Quoted securities	-	74,409	-	-	-	74,409
Unquoted securities	-	2,491	-	-	-	2,491
	-	76,900	-	-	-	76,900
Total undiscounted financial assets	24,638,566	7,717,795	1,323,246	407,428	1,528,198	35,615,233
Other Financial Liabilities						
Short-term debt	-	3,707,354	-	-	-	3,707,354
Accounts and other payables*	-	12,017,566	2,060,692	-	-	14,078,258
Payable to related parties	217,628	-	-	-	-	217,628
Liabilities for purchased land	-	2,201,291	541,381	76,768	197,986	3,017,426
Long-term debt	-	11,291,955	5,393,462	2,890,261	17,479,928	37,055,606
Total undiscounted financial liabilities	217,628	29,218,166	7,995,535	2,967,029	17,677,914	58,076,272
Liquidity gap	₱24,420,938	(₱21,500,371)	(₱6,672,289)	(₱2,559,601)	(₱16,149,716)	(₱22,461,039)

*Excludes non-financial liabilities

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- Interest rate risk - market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2016 and 2015.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as AFS financial assets.



Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2016	2015	2016	2015
PSE	+0.11%	+4.46%	₱197	₱1,079
	-0.11%	-4.46%	(197)	(1,079)
Others	+13.24%	+10.21%	9,229	6,103
	-13.24%	-10.21%	(9,229)	(6,103)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 0.11% and 13.24% in 2016 and 4.46% and 10.21% in 2015.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.

The impact of sensitivity of equity prices on the Group's equity already excludes the impact on transactions affecting the consolidated statements of income.

Commodity Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key



customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2016	2015
Domestic market	41.08%	45.82%
Export market	58.92%	54.18%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2016 and 2015 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2016 and 2015.

Change in coal price	<u>Effect on income before income tax</u>	
	2016	2015
<i>Based on ending coal inventory</i>		
Increase by 35% in 2016 and 15% in 2015	₱555,061	₱416,498
Decrease by 35% in 2016 and 15% in 2015	(555,061)	(416,498)
<i>Based on coal sales volume</i>		
Increase by 35% in 2016 and 15% in 2015	4,416,544	2,452,398
Decrease by 35% in 2016 and 15% in 2015	(4,416,544)	(2,452,398)



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 profit before tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	2016		
	Change in basis points	Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	₱1,749,303	₱1,224,512
	-100 bps	(1,749,303)	(1,224,512)
Peso floating rate borrowings	+100 bps	307,666	215,366
	-100 bps	(307,666)	(215,366)
	2015		
	Change in basis points	Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	₱1,513,325	₱1,059,327
	-100 bps	(1,513,325)	(1,059,327)
Peso floating rate borrowings	+100 bps	18,420	12,894
	-100 bps	(18,420)	(12,894)

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2016 and 2015. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

Foreign Currency Risk

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statements of income is computed based on the carrying value of the floating rate receivables as at December 31, 2016 and 2015.

The Group does not have any foreign currency hedging arrangements.



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

	Increase (decrease) in foreign currency rate		Effect on income before income tax (in PHP)	
	2016	2015	2016	2015
US Dollar ¹	+1.39% -1.39%	+1.47% -1.47%	₱6,634 (6,634)	₱34,912 (34,912)
Japanese Yen ²	+0.62% -0.62%	+5.46% -5.46%	20 (20)	59 (59)
UK Pounds ³	+21.80% -21.80%	+2.80% -2.80%	1,556 (1556)	231 (231)
E.M.U. Euro ⁴	+8.18% -8.18%	+1.22% -1.22%	47 (47)	147 (147)
AUD ⁸	— —	+2.51% -2.51%	— —	37,604 (37,604)
SG Dollar ⁶	+0.52% -0.52%	— —	4 (4)	— —
CHF ⁷	+5.40% -5.40%	— —	45 (45)	— —
CNY ⁵	+1.47% -1.47%	— —	768 (768)	— —

1. The exchange rates used were ₱49.72 to \$1 and ₱47.06 to \$1 for the year ended December 31, 2016 and 2015, respectively.

2 The exchange rates used were ₱0.43 to ¥1 and ₱0.39 to ¥1 for the year ended December 31, 2016 and 2015, respectively.

3 The exchange rates used were ₱60.87 to £1 and ₱70.18 to £1 for the year ended December 31, 2016 and 2015, respectively.

4 The exchange rates used were ₱51.84 to €1 and ₱51.74 to €1 for the year ended December 31, 2016 and 2015, respectively.

5 The exchange rates used were ₱7.16 to CNY1 for the year ended December 31, 2016.

6 The exchange rates used were ₱34.35 to SGD1 for the year ended December 31, 2016.

7 The exchange rates used were ₱48.44 to CHF1 for the year ended December 31, 2016.

8 The exchange rates used were ₱34.27 to AUD1 for the year ended December 31, 2015.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2016 and 2015 follows:

2016									
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	SG Dollar	CHF	AUD	CNY	Equivalent in PHP
Financial assets									
Cash and cash equivalents	\$66,811	¥2,741	£118	€17	\$-	CHF17	\$-	¥-	₱3,331,118
Receivables	18,622	-	-	-	-	-	-	-	925,903
Advances	300	-	-	-	-	-	-	-	14,916
	\$85,733	¥2,741	£118	€17	\$-	CHF17	\$-	¥-	₱4,271,937
Financial liabilities									
Accounts payable and accrued expenses	(\$24,587)	(¥10,251)	£-	(€6)	(\$22)	CHF-	\$-	(¥7,298)	(₱1,280,153)
Payable to related parties	-	-	-	-	-	-	-	-	-
Short-term loans	-	-	-	-	-	-	-	-	-
Long-term loans	(70,762)	-	-	-	-	-	-	-	(3,518,308)
	(95,349)	(10,251)	-	(6)	(22)	-	-	(7,298)	(4,798,461)
	(\$9,616)	(¥7,510)	£118	€11	(\$22)	CHF17	(\$43,726)	(¥7,298)	(₱526,524)

2015									
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	SG Dollar	CHF	AUD	CNY	Equivalent in PHP
Financial assets									
Cash and cash equivalents	\$46,847	¥2,740	£118	€251	\$-	CHF-	\$3	¥-	₱2,227,055
Receivables	11,355	-	-	-	-	-	-	-	534,383
Advances	300	-	-	-	-	-	-	-	14,118
	\$58,502	¥2,740	£118	€251	\$-	CHF-	\$3	¥-	₱2,775,556
Financial liabilities									
Accounts payable and accrued expenses	(\$21,128)	¥-	£-	(€18)	\$-	CHF-	\$-	¥-	(₱995,240)
Payable to related parties	(820)	-	-	-	-	-	(43,729)	-	(1,536,979)
Short-term loans	(18,817)	-	-	-	-	-	-	-	(885,535)
Long-term loans	(68,333)	-	-	-	-	-	-	-	(3,215,734)
	(109,098)	-	-	(18)	-	-	(43,729)	-	(6,633,488)
	(\$50,596)	¥2,740	£118	€233	\$-	CHF-	(\$43,726)	¥-	(₱3,857,932)

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2016 and 2015.

c. *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 December 31, 2016 and 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. As of December 31, 2016 and 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. The fair value of collateral for installment contracts receivables amounted to ₱12,164.10 million and ₱8,616.70 million in 2016 and 2015, respectively. This resulted to a net exposure of ₱112.74 million and ₱59.05 million in 2016 and 2015, respectively.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts and 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 December 31, 2016 and 2015, the credit quality per class of financial assets is as follows:

	2016				Total
	Neither past due nor impaired			Past due or Individually Impaired	
	Grade A	Grade B	Grade C		
Cash in bank and cash equivalents	₱18,694,254	₱-	₱-	₱-	₱18,694,254
AFS financial assets					
Quoted	-	80,139	-	-	80,139
Unquoted	-	5,116	-	109,086	114,202
Receivables					
Trade					
Real estate	5,132,129	815,757	138,322	279,750	6,365,958
Electricity sales	2,918,910	260,138	-	1,946,885	5,125,933
General construction	2,353,516	-	-	1,850,683	4,204,199
Coal mining	1,215,821	-	-	1,141,396	2,357,217
Nickel mining	6,503	-	-	93,652	100,155
Merchandising	58,582	-	-	-	58,582
Receivable from related parties	130,577	37	-	-	130,614
Other receivables	1,072,152	-	-	-	1,072,152
Security deposits	5,325	-	-	-	5,325
Refundable deposits	258,950	806	-	88,518	348,274
Total	31,846,719	1,161,993	138,322	5,509,970	38,657,004
Allowance for:					
Real estate	-	-	-	537	537
General construction	-	-	-	82,642	82,642
Electricity sales	-	-	-	1,512,359	1,512,359
Coal mining	-	-	-	41,775	41,775
Nickel mining	-	-	-	64,917	64,917
Total allowance	-	-	-	1,702,230	1,702,230
Net amount	₱31,846,719	₱1,161,993	₱138,322	₱3,807,740	₱36,954,774

	2015				Total
	Neither past due nor impaired			Past due or Individually Impaired	
	Grade A	Grade B	Grade C		
Cash in bank and cash equivalents	₱19,124,137	₱-	₱-	₱-	₱19,124,137
AFS financial assets					
Quoted	-	74,409	-	-	74,409
Unquoted	-	2,491	-	108,211	110,702
Receivables					
Trade					
Real estate	3,515,162	2,191,455	289,927	906,004	6,902,548
General construction	2,530,113	-	-	2,342,678	4,872,791
Electricity sales	1,218,284	200,126	-	1,724,907	3,143,317
Coal mining	666,817	-	-	651,563	1,318,380
Nickel mining	3,525	-	-	98,976	102,501
Merchandising	63,460	-	-	-	63,460
Receivable from related parties	73,730	37	-	69,875	143,642
Other receivables	992,847	-	-	-	992,847
Security deposits	5,208	-	-	-	5,208
Refundable deposits	290,667	1,235	-	90,963	382,865
Total	28,483,950	2,469,753	289,927	5,993,177	37,236,807

(Forward)



	2015				Total
	Neither past due nor impaired			Past due or	
	Grade A	Grade B	Grade C	Individually Impaired	
Allowance for:					
Real estate	₱-	₱-	₱-	₱537	₱537
General construction	-	-	-	30,855	30,855
Electricity sales	-	-	-	1,371,942	1,371,942
Coal mining	-	-	-	65,562	65,562
Nickel mining	-	-	-	70,933	70,933
Total allowance	-	-	-	1,539,829	1,539,829
Net amount	₱28,483,950	₱2,469,753	₱289,927	₱4,453,348	₱35,696,978

Cash and Cash Equivalents

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

AFS Financial Assets

The Group's AFS financial assets are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, advances to officers and employees and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Receivables are aged and analyzed on a continuous basis to minimize credit risk associated with these receivables. Receivable balances are monitored on an ongoing basis to ensure timely execution of necessary intervention efforts, such as raising the case to the Group's legal department. Regular monitoring of receivables resulted to manageable exposure to bad debts.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.



As of December 31, 2016 and 2015, the aging analysis of the Group's past due financial assets presented per class follows:

	2016						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	37,698	10,017	13,789	217,709	₱-	₱537	₱279,750
General							
construction	1,768,041	-	-	-	-	82,642	1,850,683
Electricity sales	-	-	434,526	-	-	1,512,359	1,946,885
Coal mining	-	563,758	535,863	-	-	41,775	1,141,396
Nickel mining	-	2,140	2,962	23,633	-	64,917	93,652
	₱1,805,739	₱575,915	₱987,140	₱241,342	₱-	₱1,702,230	₱5,312,366
	2015						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱205,544	₱15,059	₱38,002	₱646,862	₱-	₱537	₱906,004
General							
construction	2,272,598	17,433	4,401	17,391	-	30,855	2,342,678
Electricity sales	-	-	352,965	-	-	1,371,942	1,724,907
Coal mining	-	484,665	101,336	-	-	65,562	651,563
Nickel mining	-	2,776	3,843	21,424	-	70,933	98,976
	₱2,478,142	₱519,933	₱500,547	₱685,677	₱-	₱1,539,829	₱5,724,128

The repossessed lots and residential houses are transferred back to inventory under the account Real estate for sale and held for development and are held for sale in the ordinary course of business. The total of these inventories is ₱550.40 million and ₱519.50 million as of December 31, 2016 and 2015, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2016 and 2015:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash in banks	₱7,003,096	₱7,003,096	₱9,265,808	₱9,265,808
Cash equivalents	11,691,158	11,691,158	9,858,329	9,858,329
Receivables - net				
Trade				
Real estate	6,365,421	8,342,528	6,902,011	9,248,150
General construction	4,121,557	4,121,557	4,841,936	4,841,936
Electricity sales	3,613,574	3,613,574	1,771,375	1,771,375
Coal mining	2,315,442	2,315,442	1,252,818	1,252,818
Nickel mining	35,238	35,238	31,568	31,568
Merchandising and others	58,582	58,582	63,460	63,460

(Forward)



	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Receivable from related parties	₱130,614	₱130,614	₱143,642	₱143,642
Other receivables	1,072,152	1,072,152	992,847	992,847
Security deposits	5,325	5,325	5,208	5,208
Refundable deposits	348,274	348,274	382,865	382,865
	36,760,433	38,737,540	35,511,867	37,858,006
AFS financial assets				
Quoted securities	80,139	80,139	74,409	74,409
Unquoted securities	5,116	5,116	2,491	2,491
	85,255	85,255	76,900	76,900
	₱36,845,688	₱38,822,795	₱35,588,767	₱37,934,906
Other Financial Liabilities				
Accounts and other payables	₱12,964,960	₱12,964,960	₱12,017,567	₱12,017,567
Liabilities for purchased land	1,529,773	1,424,421	3,017,426	2,884,304
Payable to related parties	979,373	979,373	217,628	217,628
Short-term and long-term debt	36,885,369	48,268,346	40,762,960	42,759,970
	₱52,359,475	₱63,637,100	₱56,015,581	₱57,879,469

Financial assets

The fair values of cash and cash equivalents and receivables (except installment contract receivables) approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of installment contracts receivables are based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables. The discount rates used for installment contracts receivable range from 15.94% to 19.00% in 2016 and 15.40% to 19.00% in 2015.

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.

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, security deposits other than those pertaining to operating leases and unquoted AFS financial assets 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.

The discount rates used for long term debt range from 5.00% to 5.25% in 2016 and 2015. The discount rates used for liabilities to purchase land range from 2.67% to 4.10% in 2016 and 2.02% to 2.03% in 2015.



Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted AFS financial assets and financial assets at FVPL are from level 1 inputs.

37. Contingencies and Commitments

SCPC - Provision for Billing Disputes

On October 20, 2010, SCPC filed a Petition for dispute resolution (“Petition”) before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Company (MERALCO) allocation of SCPC, as provided under the Schedule W of the Asset Purchase Agreement (APA).

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC’s nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC’s extrajudicial demand until full payment by PSALM.

In 2010, SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the "Other income" account upon collection of the said receivable.

On February 23, 2011 hearings resumed with the conduct of preliminary conference without the parties entering into an amicable settlement. The case continued with the presentation of witnesses on March 22 and 23, 2011.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the reconciled amount plus 6% per annum as interests. PSALM’s Motion for Reconsideration on the Decision was denied by ERC on February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC’s Decision dated July 6, 2011 and Order dated February 13, 2012.



On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC ten days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

As of December 31, 2016, the ERC has not resolved PSALM's Motion for Reconsideration.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines
Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012.

On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued. PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court.

Subsequently the Supreme Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

PSALM's Petition has not yet been resolved by the Supreme Court as of December 31, 2015.

On December 16, 2016, the Supreme Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Supreme Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.



On February 22, 2017, due to the denial with finality of PSALM's Motion for Reconsideration by the Supreme Court, the Company filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. SCPC prayed that the MR be denied and a writ of execution be issued in favor of SCPC.

PDI - Legal Claims

On June 16, 2015, the Supreme Court (SC) issued a temporary restraining order (TRO) that provisionally suspends the construction of the Torre de Manila, effective until further orders from the SC. Subsequently, on June 18, 2015, the Housing and Land Use Regulatory Board ("HLURB") issued an order temporarily suspending the License to Sell of the Parent Company in respect of Torre de Manila. The order covers the temporary suspension and discontinuation of selling and advertising of units in Torre de Manila and the collection of amortization payments from unit buyers, until further orders from the HLURB. The SC ordered oral arguments for this case that commenced on July 21, 2015 and thereafter. As of audit report date, the oral arguments have concluded. The Company is waiting for the SC decision.

Lease Commitments

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (Note 12). The lease agreements provide for a fixed monthly rental with an escalation of 3.00% to 10.00% annually and is renewable under the terms and condition agreed with the lessees.

As of December 31, 2016 and 2015, future minimum lease receivables under the aforementioned operating lease are as follows:

	2016	2015
Within one year	₱99,189	₱109,896
After one year but not more than five years	96,885	142,421
More than five years	-	85,360
	₱196,074	₱337,677

Operating Lease - As Lessee

The Group has a noncancellable lease agreement with a various lessors covering office premises, for seven (7) years with escalation rate ranging from 5.00% to 10.00%. The leases are renewable under such terms and conditions that are agreed upon by the contracting parties.

As of December 31, 2016 and 2015, future minimum lease payments under the above mentioned operating lease are as follows:

	2016	2015
Within one year	₱12,150	₱15,936
After one year but not more than five years	-	12,150
	₱12,150	₱28,086

LLA with PSALM

As discussed in Note 14, SCPC entered into a LLA with PSALM for the lease of land in which the plant is situated, for a period of 25 years, renewable for another 25 years with the mutual agreement of both parties. In 2009, SCPC paid US\$3.19 million or its peso equivalent ₱150.57 million as payment for the 25 years of rental.



Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buys the option assets in consideration for the grant of the option, the land purchase price should be equivalent to the highest of the following and / or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) \$21.00 per square meter. Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice. The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the OEN.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the “Option” to purchase the Optioned Assets that form part of the leased premises. SCPC availed of the “Option” and paid the Option Price amounting to US\$0.32 million or a peso equivalent of ₱14.72 million exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of SMPC. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million.

On June 1, 2011, SMPC and SCPC exercised its option to purchase the Option Asset and subsequently entered into a Deed of Absolute Sale with PSALM for the total consideration of ₱376.61 million.

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM’s Board approved SCPC’s request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

As of the December 31, 2016, PSALM has yet to make any response in connection therewith.



Surety Arrangement and Guarantees

The Group is contingently liable for contractor's guarantees arising in the ordinary course of business, including letters of guarantee for performance, surety, warranty bonds and outstanding irrevocable standby letters of credit related to its construction projects amounting to ₱11.02 billion and ₱11.37 billion as at December 31, 2016 and 2015, respectively.

Standby Letters of Credit

The Group has outstanding irrevocable standby letters of credit amounting to ₱5.12 billion and ₱7.17 billion, respectively in 2016 and 2015, from local banks which are used as bid security, performance securities and downpayments received from ongoing construction projects.

Contingent Assets and Liabilities

The Group is currently negotiating certain claims filed by third parties for construction related activities. It is also currently negotiating claims from third parties arising from sub-contracting activities or claims from insurance companies. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims or assessments.

In 2016 and 2015, the Group has recognized potential liability on construction contracts which are still under negotiation with a third party (Note 17). The amount of liability is included in Accounts payable and accrued expenses in the statement of financial position. The Group did not recognize any asset claims arising from claims for collection which are still under negotiation.

The Group is also currently involved in lawsuits or claims filed by third parties which is substantially labor related, civil cases and cases related to granting of permit to construct a project in a specific location related to its real estate operations which are pending decision by the courts or are under negotiation, the outcome of which are not presently determinable. In the opinion of the management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made in 2016, 2015 and 2014 for these lawsuits and claims.

38. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.



Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that SMPC, its parent company, is a publicly listed company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole that need to be complied within 44 months from the effectivity date, subject to the approval by DENR. The Group's power plant uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group's initial assessment of its existing power plant facilities, the Group believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

c. Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years extendable upon mutual agreement by the parties for another three (3) years.



SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of P4,785.12/Kw/year.

d. Contract for the Fly Ash of the Power Plant

On April 30, 2012, SCPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). The Pozzolanic contract is valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase 100 % percent of fly ashes produced or generated by the Power Plant of SCPC.

e. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the Energy Regulatory Commission against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claim by MERALCO against SCPC ₱265.54 million representing line loss amounts allegedly received by SCPC beginning 2009.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013



and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2016 the Joint Motion to Dismiss has yet to be resolved.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof.

PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of



filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

The Court of Appeals is yet to resolve MERALCO's Consolidated Motion and the consolidated Petitions.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, the SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month from June 2014 to May 2016. Total payments amounted to ₱674.00 million. Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 7.

g. Supplemental Agreement with PALECO

On January 11, 2016, DPC and PALECO signed and executed the "Supplemental Agreement to the July 25, 2012 Power Supply Agreement" for the construction and operation of the 2x4.95MW bunker-fired power plant to augment capacity of DPC's power plants in the province of Palawan. The Supplemental Agreement shall be valid and effective until such time that DPC's coal-fired power plant becomes operational. The provisions of the PSA, in so far as they are not inconsistent with the provisions of the Supplemental Agreement, shall remain valid and binding between PALECO and DPC.

The DOE, through a letter dated June 24, 2016 to the BOI has endorsed and acknowledged the 2x4.95MW bunker-fired power plant as part of DPC's augmentation plan to deliver its committed GDC under the PSA.

On November 23, 2016, the BOI issued the Certificate of Registration (COR) for the Company as New Operator of 15MW Bunker-Fired Power Plant on a Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No.226).

In the latter part of December 2016, the 2x4.95MW bunker-fired power plant started its commercial operation.

On January 5, 2017, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) relative to DPC's application for the issuance of Certificate of Compliance (COC) for its 2x4.95MW Bunker-Fired Power Plant (BFPP)



- h. ESA with Sultan Kudarat Electric Cooperative, Inc. (SUKELCO)
On June 23, 2015, SUKELCO and DPC entered into an ESA wherein DPC shall construct, install, operate and maintain a 3MW Modular Diesel Power Plant in Brgy. Dukay, Esperanza, Sultan Kudarat.

The ESA has a period of three years commencing on the Commercial Operation Date (COD) and ending on the 3rd year, which may be extended for another one year pursuant to the provisions of the ESA subject to mutual consent of the parties. The COD shall be the day upon which ORMECO and DPC jointly certified that the project is capable of operating in accordance with the operating parameters, and has successfully completed all its tests in accordance with the schedules of the ESA.

- i. Sales Agreement
BNC entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. High grade (1.9% to 2.09%) and low grade (1.1% to 1.11%) are priced at US\$56 to US\$72.5 and US\$15.5 to US\$15, respectively. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. BNC exported a total of 1.03 million WMT and 1.60 million WMT of nickel laterite ores in 2016 and 2015, respectively.

ZDMC had one sale contract during 2016, which had specific ore grade of 1.43% at 55,000 WMT and sold for \$14 per ton. The contract term for ZDMC's sale of nickel ore allow for a price adjustment based on nickel grade and moisture content of the delivered ore as indicated in the final assay report made by an independent party.

Provisional payment covering 90% of the total amount as reflected in provisional invoice and final settlement can be made upon receipt of final invoice.

- j. SMPC - Special Order (SO) No. 2017-042, Series of 2017, Creation of DENR Regional Team to Conduct Investigation on the Semirara Mining and Power Corporation

On February 9, 2017, the SMPC received a Special Order (SO) No. 2017-042, Series of 2017 from Department of Environment and Natural Resources - Environment Management Bureau (DENR - EMB) Region VI. The DENR Team that was created through the SO conducted monitoring, inspection and investigation of the following in relation to the Parent Company's activities in Semirara Island:

- Compliance to their ECC;
- Ambient Air and Water Monitoring of Semirara Island;
- Investigation of alleged reclamation of the Parent Company; and
- Livelihood and Community Status in Semirara Island.

In accordance with the SO, the DENR Team proceeded with the investigation, monitoring and inspection on February 9 and 10, 2017. As of audit report date, SMPC has not yet received the results of the investigation, monitoring and inspection from the DENR Region VI.

- k. ZDMC - Cancellation of Mineral Production Sharing Agreements (MPSA)
On February 8, 2017, the secretary of the DENR issued an order cancelling ZDMC's MPSA, based among others, on the suspension imposed on ZDMC on July 7, 2016. It was also grounded on findings noted from the mine audit conducted by the DENR and other violations of certain provisions of laws, rules and regulations which are allegedly committed by ZDMC.



On March 2, 2017, ZDMC filed a for motion for reconsideration (MR) seeking the lifting of its suspension and the setting aside of the order canceling ZDMC's MPSA. As at March 16, 2017, the DENR is still in the process of evaluation of ZDMC's MR.

1. BNC - Suspension of nickel mining operations

On June 28, 2016, BNC, with mines located in Berong, Palawan received an indefinite Regional Suspension Order from Regional Office No. IV-B of MGB in connection with the discoloration of the Llabongan River which extended towards the surrounding area of the causeway within the Berong Bay.

On October 28, 2016, BNC received the results of the DENR Audit dated October 21, 2016 summarizing the findings and recommendation for BNC's actions where BNC is given seven (7) days from the receipt of letter to provide explanations and comments on the results of the audit. BNC submitted their response on November 5, 2016.

On February 8, 2017, the DENR issued an order to BNC maintainin the suspension of its mining operations under the MPSA on the grounds of violation of certain provisions of the Philippine Mining Act of 1995. On February 28, 2017, BNC filed a motion before the Office of DENR Secretary seeking reconsideration for the said Suspension Order. As at March 16, 2017, the DENR is still in the process of evaluation of the BNC's MR.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 16, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule No. 68, As Amended (2011) and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
Cyril Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908770, January 3, 2017, Makati City

March 16, 2017



DMCI HOLDINGS, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

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SUPPLEMENTARY SCHEDULES

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- I. Schedules required by Annex 68-E
 - A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
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- II. Schedule of all of the effective standards and interpretations (Part 1, 4J)
- III. Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4C; Annex 68-C)
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DMCI HOLDINGS, INC. AND SUBSIDIARIES**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED
DECEMBER 31, 2016**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the consolidated statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Manila Golf and Country Club	1	₱42,000,000	₱42,000,000	
Wack Wack Golf & Country Club	1	19,500,000	19,500,000	
Manila Electric Company	38,533	10,195,832	10,195,832	
Alabang Country Club Inc.	1	3,900,000	3,900,000	
Manila Southwoods Golf-Academy (A)	2	2,050,000	2,050,000	
Manila Southwoods Golf-Academy (B)	1	1,200,000	1,200,000	
Canlubang Golf and Country Club	1	900,000	900,000	
Northwoods Development Corporation	1	650,000	650,000	
Valle Verde Country Club	1	200,000	200,000	
Subic Bay Yatch Club	2	400,000	400,000	
Bayantel	1	400,000	400,000	

(Forward)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the consolidated statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Celebrity Sports Plaza Inc.	26	₱3,500,000	₱3,500,000	
Philippine Long Distance Telephone Company	1	127,258	127,258	
Mabuhay Vinyl Corp.	34,889	124,258	124,554	
Capitol Hills Golf and Country Club	1	90,000	90,000	
Philippine Columbian Association	1	16,896	16,896	

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2016:

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
Semirara Mining and Power Corporation	Sem-Calaca Power Corporation	₱3,365,541,289	(₱3,365,541,289)
DMCI Holdings, Inc.	DMCI Mining Corporation	2,130,903,141	(2,130,903,141)
D.M. Consunji, Inc.	Southwest Luzon Power Generation Corporation	1,166,201,290	(1,166,201,290)
Fil-Euro Asia Nickel Corporation	Zambales Diversified Metals Corporation	1,090,541,781	(1,090,541,781)
DMCI Mining Corporation	Fil-Euro Asia Nickel Corporation	1,082,355,903	(1,082,355,903)
D.M. Consunji, Inc.	Semirara Mining and Power Corporation	845,994,872	(845,994,872)
DMCI Mining Corporation	Fil-Asian Strategic Resources & Properties Corporation	844,596,959	(844,596,959)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Diversified Metals Corporation	557,066,425	(557,066,426)
DMCI Mining Corporation	Berong Nickel Corporation	374,341,791	(374,341,791)
D.M. Consunji, Inc.	DMCI Project Developers, Inc.	286,808,435	(286,808,435)
D.M. Consunji, Inc.	Sem-Calaca Power Corporation	171,016,630	(171,016,630)
DMCI Project Developers, Inc.	DMCI Homes, Inc.	169,368,706	(169,368,706)
D.M. Consunji, Inc.	St. Raphael Power Generation Corporation	167,207,509	(167,207,509)
Semirara Mining and Power Corporation	Semirara Claystone, Inc.	157,705,568	(157,705,568)
DMCI Mining Corporation	Zambales Diversified Metals Corporation	155,659,014	(155,659,014)
Semirara Mining and Power Corporation	Southwest Luzon Power Generation Corporation	147,756,502	(147,756,502)
Riviera Land Corporation	DMCI Project Developers, Inc.	119,588,847	(119,588,847)
Hampstead Gardens Corporation	DMCI Project Developers, Inc.	101,938,593	(101,938,593)
Fil-Euro Asia Nickel Corporation	Zambales Chromite Mining Company Inc.	96,016,882	(96,016,882)
Fil-Asian Strategic Resources & Properties Corporation	Montemina Resources Corporation	85,555,044	(85,555,044)
DMCI Holdings, Inc.	DMCI Project Developers, Inc.	84,984,865	(84,984,865)
DMCI Project Developers, Inc.	DMCI Homes Property Management Corporation	68,632,662	(68,632,662)
Sem-Calaca Power Corporation	Southwest Luzon Power Generation Corporation	57,231,637	(57,231,637)
Zambales Diversified Metals Corporation	D.M. Consunji, Inc.	55,125,264	(55,125,264)
D.M. Consunji, Inc.	DMCI Masbate Power Corporation	49,582,921	(49,582,921)
Semirara Mining and Power Corporation	DMCI Power Corporation	46,138,356	(46,138,356)
D.M. Consunji, Inc.	DMCI Power Corporation	43,092,656	(43,092,656)
Fil-Asian Strategic Resources & Properties Corporation	Montague Resources Philippines Corporation	41,762,015	(41,762,015)
Fil-Euro Asia Nickel Corporation	Zamnorth Holdings Corporation	35,003,159	(35,003,159)
DMCI Mining Corporation	DMCI Power Corporation	31,792,097	(31,792,097)
Zambales Diversified Metals Corporation	Zambales Chromite Mining Company Inc.	29,064,608	(29,064,608)
Berong Nickel Corporation	Ulugan Nickel Corporation	23,326,386	(23,326,386)
DMCI Power Corporation	Sem-Calaca Power Corporation	21,697,777	(21,697,777)
Zamnorth Holdings Corporation	DMCI Mining Corporation	20,070,845	(20,070,845)
DMCI Mining Corporation	Ulugan Nickel Corporation	19,068,056	(19,068,056)
Fil-Euro Asia Nickel Corporation	Fil-Asian Strategic Resources & Properties Corporation	17,866,581	(17,866,581)
Semirara Mining and Power Corporation	St. Raphael Power Generation Corporation	9,264,329	(9,264,329)

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
DMCI Project Developers, Inc.	DMCI Mining Corporation	₱6,515,339	₱(6,515,339)
DMCI Mining Corporation	TMM Management, Inc.	4,748,260	(4,748,260)
Semirara Mining and Power Corporation	DMCI Mining Corporation	3,872,518	(3,872,518)
Semirara Mining and Power Corporation	DMCI Masbate Power Corporation	3,598,661	(3,598,661)
Montemina Resources Corporation	Zamnorth Holdings Corporation	2,753,502	(2,753,502)
Zamnorth Holdings Corporation	Zambales Chromite Mining Company Inc.	2,738,271	(2,738,271)
Fil-Asian Strategic Resources & Properties Corporation	ZDMC Holdings Corporation	2,669,664	(2,669,664)
Montemina Resources Corporation	Zambales Chromite Mining Company Inc.	2,291,646	(2,291,646)
DMCI Mining Corporation	D.M. Consunji, Inc.	2,199,619	(2,199,619)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Chromite Mining Company Inc.	2,118,092	(2,118,092)
Wire Rope Corporation of the Philippines	D.M. Consunji, Inc.	2,059,126	(2,059,126)
DMCI Mining Corporation	Zambales Chromite Mining Company Inc.	1,988,339	(1,988,339)
Wire Rope Corporation of the Philippines	Semirara Mining and Power Corporation	1,626,008	(1,626,008)
Wire Rope Corporation of the Philippines	Sem-Calaca Power Corporation	1,072,743	(1,072,743)
Zambales Diversified Metals Corporation	Berong Nickel Corporation	1,041,757	(1,041,757)
Berong Nickel Corporation	Ulugan Resouces Holdings, Inc.	730,763	(730,763)
Wire Rope Corporation of the Philippines	DMCI Project Developers, Inc.	698,355	(698,355)
TMM Management, Inc.	Berong Nickel Corporation	513,235	(513,235)
Semirara Mining and Power Corporation	Semirara Energy Utilities, Inc.	480,252	(480,252)
Fil-Euro Asia Nickel Corporation	Zambales Nickel Processing Corporation	362,913	(362,913)
DMCI Mining Corporation	Ulugan Resouces Holdings, Inc.	358,492	(358,492)
Semirara Mining and Power Corporation	Sem-Balayan Power Generation Corporation	275,401	(275,401)
Fil-Asian Strategic Resources & Properties Corporation	Zamnorth Holdings Corporation	268,871	(268,871)
Semirara Mining and Power Corporation	Sem-Calaca Industrial Park Developers, Inc.	175,488	(175,488)
DMCI Project Developers, Inc.	Berong Nickel Corporation	145,048	(145,048)
Heraan Holdings, Inc.	DMCI Mining Corporation	123,585	(123,585)
DMCI Masbate Power Corporation	DMCI Mining Corporation	119,850	(119,850)
Fil-Asian Strategic Resources & Properties Corporation	Mt. Lanat Metals Corporation	116,859	(116,859)
Montemina Resources Corporation	Zambales Nickel Processing Corporation	100,889	(100,889)
DMCI-PDI Hotels, Inc.	DMCI Project Developers, Inc.	57,463	(57,463)
TMM Management, Inc.	Ulugan Nickel Corporation	30,000	(30,000)
Ulugan Nickel Corporation	Ulugan Resouces Holdings, Inc.	26,196	(26,196)
DMCI Project Developers, Inc.	Semirara Mining and Power Corporation	20,816	(20,816)
DMCI Mining Corporation	ZDMC Holdings Corporation	17,243	(17,243)
DMCI Project Developers, Inc.	Zenith	14,285	(14,285)
DMCI Mining Corporation	Montemina Resources Corporation	3,200	(3,200)
Zambales Diversified Metals Corporation	Zamnorth Holdings Corporation	2,250	(2,250)
DMCI Project Developers, Inc.	DMCI Power Corportion	2,104	(2,104)
Zambales Diversified Metals Corporation	Mt. Lanat Metals Corporation	950	(950)
Zambales Diversified Metals Corporation	Heraan Holdings, Inc.	950	(950)
Zambales Diversified Metals Corporation	Zambales Nickel Processing Corporation	700	(700)

As of December 31, 2016, the balances above of due from and due to related parties are expected to be realized and settled within twelve months from the reporting date and are classified under current assets and liabilities. There were no amounts written off during the year.

Schedule D. Intangible Asset

Description	Beginning balance	Additions at cost	Charged to costs and expenses	Charged to other accounts	Other changes	Ending balance
Software cost	₱82,422,924	₱42,021,522	(₱50,551,433)	₱-	₱-	₱73,893,013

See Note 14 of the Consolidated Financial Statements.

Schedule E. Long-term Debt

Below is the schedule of long-term debt (net of debt issue cost) of the Group:

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	₱1,345,286,774	Floating rate to be repriced every 3 months	2019	Interest payable every 3 months, principal to be paid on maturity date	₱—	₱1,345,286,774
Bank loans	1,319,641,378	Floating rate to be repriced every 3 months	2018	Interest payable every 3 months, principal to be paid on maturity date	—	1,319,641,378
Bank loans	853,379,509	Floating rate to be repriced every 90 days	2019	Interest payable every 3 months, principal to be paid on maturity date	—	853,379,509
Bank loans	2,100,000,000	Floating rate to be repriced every 3 months	2021	Interest and principal are payable on the date of maturity	—	2,100,000,000
Bank loans	9,343,559,010	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Various quarterly maturities starting 2015 until 2022	The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date (February 4, 2012). Final repayment date is ten (10) years after initial borrowing.	1,703,703,705	7,639,855,305
Bank loan	127,880,183	PDST-F benchmark yield for 3-month treasury securities + 1.75%. Starting August 2015, PDST-R2 + 1.95%	Various quarterly maturities starting 2011 until 2017	Payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from initial borrowing date.	127,880,183	—
Bank loans	816,255	8.97% to 15.16%	July 7, 2018	Payable upon maturity of the loans.	94,070	722,185
Bank loans	3,986,142	8.68% to 10.25%	Various monthly maturities starting 2010 to 2020	Payable in equal monthly installments starting April 2010 up to September 2020,	1,329,239	2,656,903
Bank loans	329,643,600	5.04% p.a.	May 21, 2018	Interest payable every 3 months, principal to be paid on maturity date	—	329,643,600
Bank loans	499,244,687	3.33% stated interest per quarter	Various quarterly maturities starting 2016 until 2017	Payable in eight equal quarterly amortization commencing at the end of the 5th Quarter from initial drawdown. Final	499,244,687	—

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Fixed rate corporate notes	₱16,298,694,998	PDST-F Issue Date and ending three (3) months after such Issue Date, and every three (3) months thereafter. Initially, PDST-F benchmark for 5-yr treasury securities + 1.25%, PDST-R2 issued date for 5-year and 7-year treasury securities + 1.50%	Various maturities from 2016 to 2023	repayment date is 3 years after initial borrowing Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance payable at maturity.	₱598,057,232	₱15,700,637,766
Bank loans	1,310,902,628	5%-8.17% p.a.	Various	Payable in equal and continuous monthly payments not exceeding 120 days commencing one (1) month from date of execution.	263,177,608	1,047,725,020
HomeSaver Bonds	731,225,000	4.5%-5% p.a.	Various maturities from 2018 to 2020	Tranche A, C, D, and G are payable 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.	-	731,225,000
					3,193,486,724	31,070,773,440

See Note 19 of the Consolidated Financial Statements

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
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NOT APPLICABLE

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the group for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred stock - ₱1 par value cumulative and convertible	100,000,000	3,780	–	–	–	3,780
Common stock - ₱1 par value	19,900,000,000	13,277,470,000	–	9,220,031,725	390,419,985	3,667,358,290
	20,000,000,000	13,277,473,780	–	9,220,031,725	390,419,985	3,667,362,070

See Note 22 of the Consolidated Financial Statements

DMCI HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions		✓	
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests		✓	
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of financial statements - disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses		✓	
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	PFRS 9 and Amendments to PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
IFRIC 22	Philippine Interpretation IFRIC-22: Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	✓		
SIC-15	Operating Leases - Incentives	✓		
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions for the year ended December 31, 2016.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2016. The Group will adopt the Standards and Interpretations when these become effective.

DMCI HOLDINGS, INC.**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in thousands)**

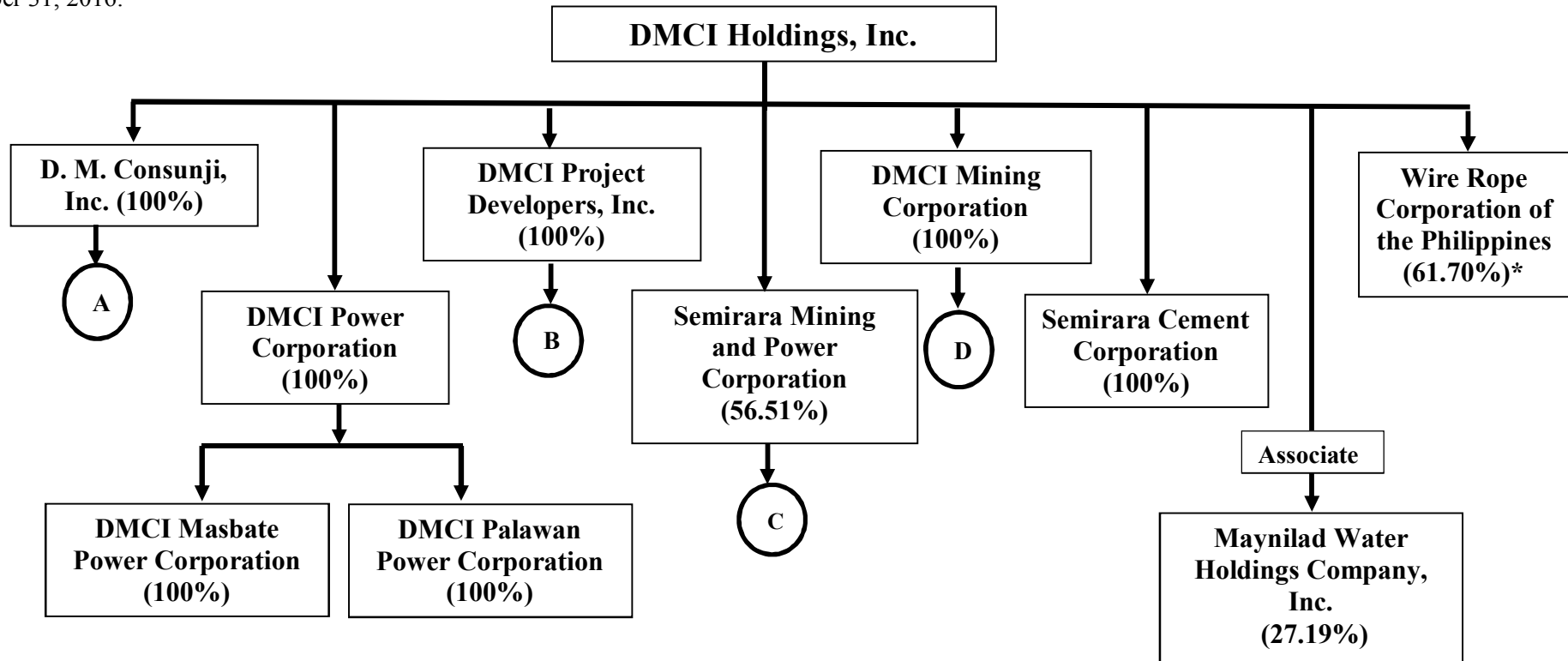
Unappropriated Retained Earnings, beginning	₱7,438,630,119
<hr/>	
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	3,771,141,759
Less: Non actual/unrealized income net of tax	—
Equity in net income of associate/joint venture	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred tax asset that reduced the amount of income tax expense	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property (after tax)	—
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	—
Net income actually earned during the period	3,771,141,759
Add (Less):	
Dividend declarations during the period	6,373,185,600
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱4,836,586,278

DMCI HOLDINGS, INC.

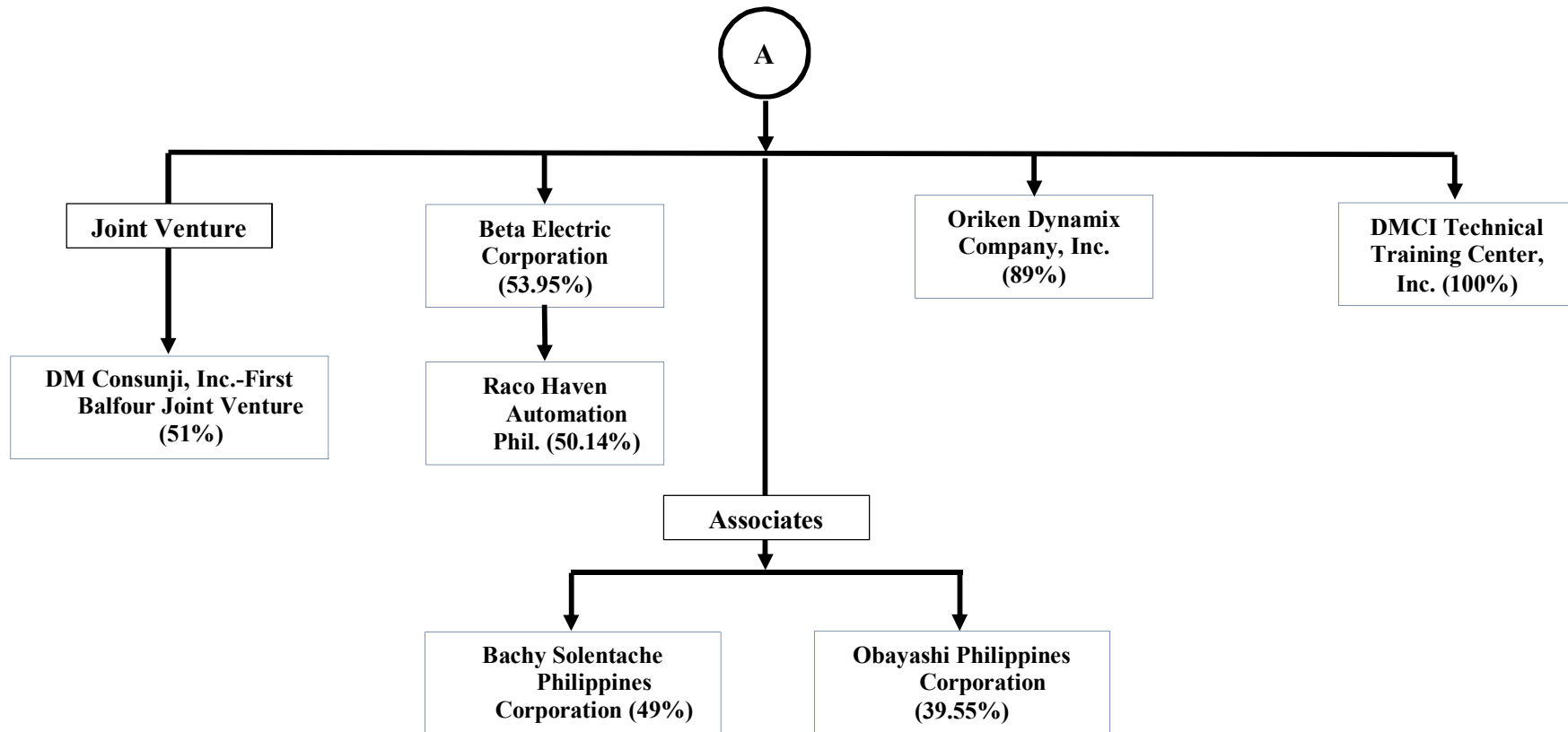
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

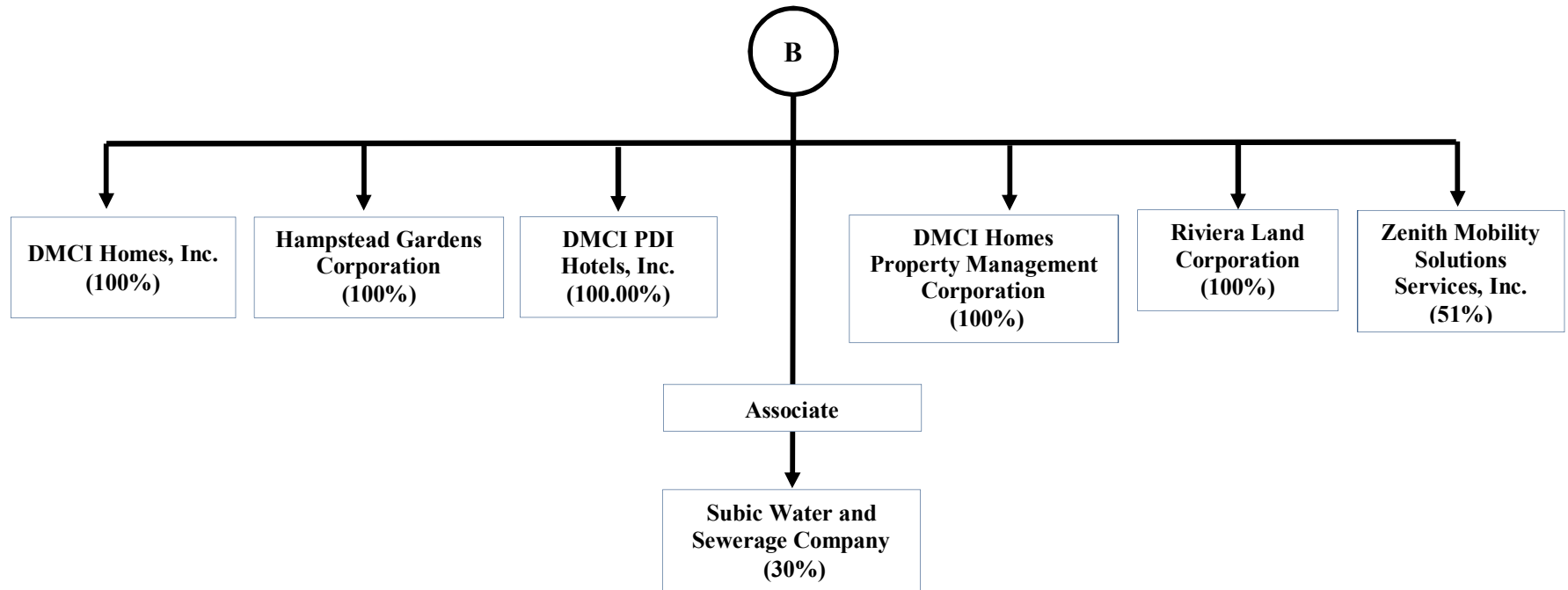
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2016:

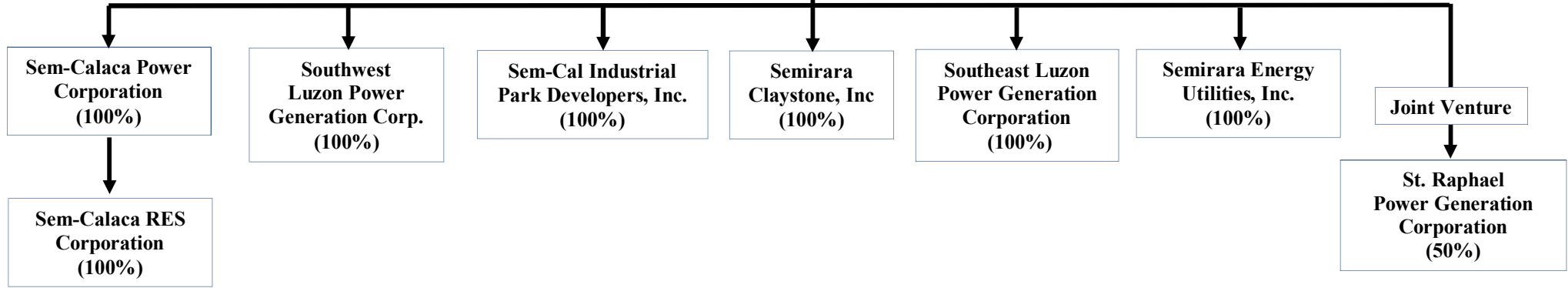
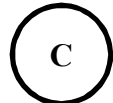


* Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.





**Includes 34.12% investment of DMCI to Riviera Land.*



Sem-Calaca Power Corporation (100%)

Southwest Luzon Power Generation Corp. (100%)

Sem-Cal Industrial Park Developers, Inc. (100%)

Semirara Claystone, Inc (100%)

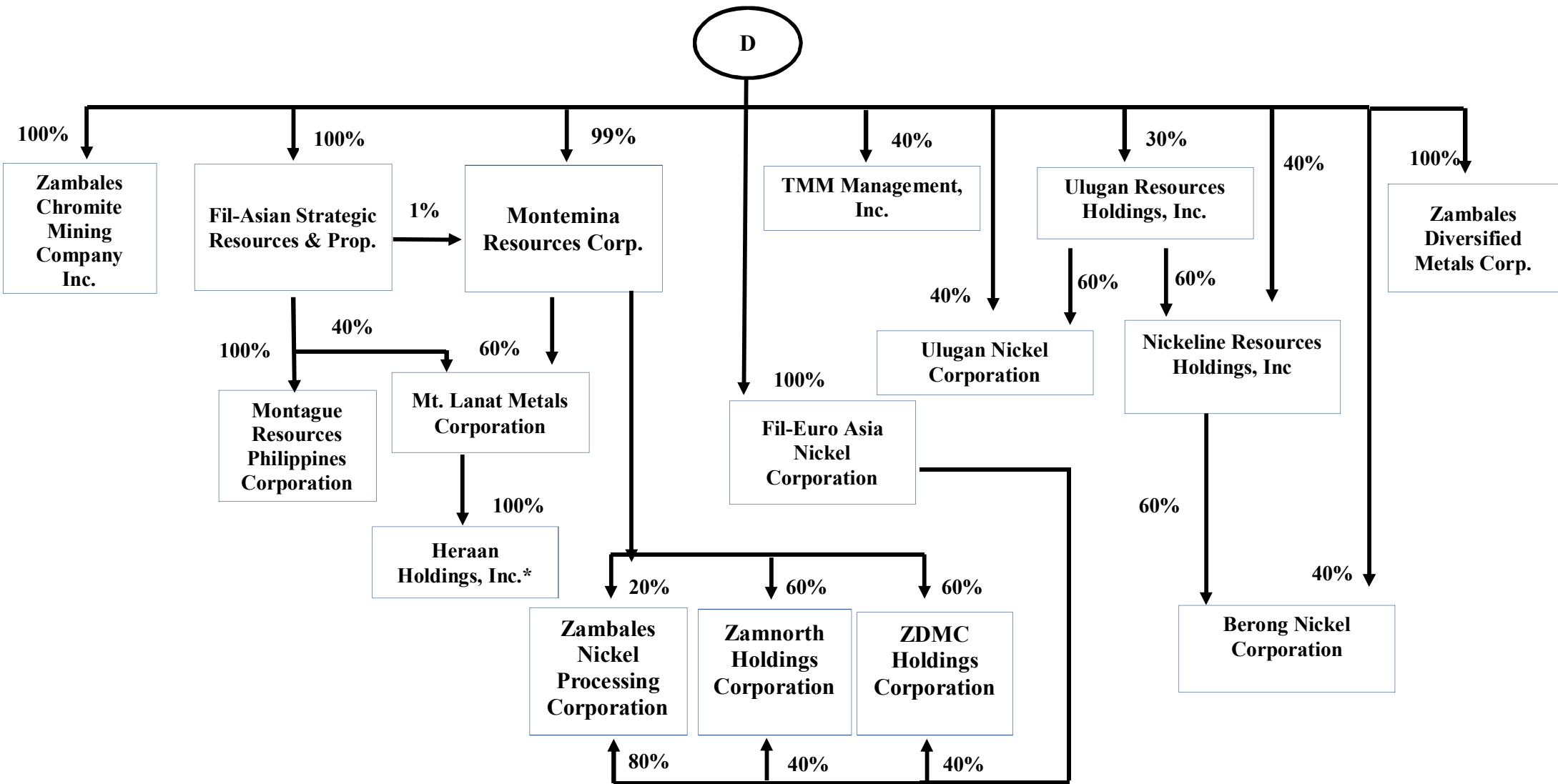
Southeast Luzon Power Generation Corporation (100%)

Semirara Energy Utilities, Inc. (100%)

Joint Venture

Sem-Calaca RES Corporation (100%)

St. Raphael Power Generation Corporation (50%)



*ENK holds the remaining 40%

DMCI HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

Financial Soundness Indicator	2016	2015
i. Liquidity ratios:		
Current ratio	227.23%	184.95%
Quick ratio	120.28%	100.68%
ii. Leverage ratios:		
Debt-to-equity ratio	44.25%	54.51%
Interest coverage ratio	11.4 times	11.4 times
iii. Management ratios:		
Inventory turnover ratio	105.64%	100.92%
Accounts receivable turnover ratio	457.58%	442.37%
Return on assets ratio	11.43%	11.85%
Return on equity ratio	18.73%	21.63%
iv. Asset-to-equity ratio	189.61%	198.67%
v. Profitability ratios:		
Gross margin ratio	40.88%	44.40%
Net profit margin ratio	27.01%	29.58%

DMCI Holdings, Inc.

Parent Company Financial Statements
December 31, 2016 and 2015
and Years Ended December 31, 2016, 2015
and 2014

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
DMCI Holdings, Inc.

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of DMCI Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of DMCI Holdings, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018

PTR No. 5908770, January 3, 2017, Makati City

March 16, 2017



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	₱5,053,746,087	₱3,695,123,711
Receivables (Notes 5, 11 and 16)	2,228,479,649	934,530,181
Other current assets	15,092,191	11,995,390
Total Current Assets	7,297,317,927	4,641,649,282
Noncurrent Assets		
Investments in subsidiaries and associates (Note 6)	15,449,837,512	20,705,063,391
Investment properties (Note 7)	21,649,474	21,649,474
Property and equipment (Note 8)	14,549,594	14,952,519
Pension assets (Note 12)	49,684,240	51,362,340
Other noncurrent assets	6,025,283	3,981,570
Total Noncurrent Assets	15,541,746,103	20,797,009,294
	₱22,839,064,030	₱25,438,658,576
LIABILITIES AND EQUITY		
Current Liability		
Accounts and other payables (Notes 9 and 16)	₱27,129,023	₱20,686,352
Noncurrent Liabilities		
Deferred tax liability (Note 15)	14,925,729	17,443,112
Other noncurrent liabilities	1,000,000	1,000,000
Total Noncurrent Liabilities	15,925,729	18,443,112
Total Liabilities	43,054,752	39,129,464
Equity		
Capital stock (Notes 10 and 16)	13,277,473,780	13,277,473,780
Additional paid-in capital (Notes 10 and 16)	4,672,393,925	4,672,393,925
Retained earnings (Notes 10 and 16)	4,836,586,278	7,438,630,119
Remeasurement gains on retirement plan - net (Notes 12 and 15)	9,555,295	11,031,288
Total Equity	22,796,009,278	25,399,529,112
	₱22,839,064,030	₱25,438,658,576

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2016	2015	2014
INCOME			
Dividend income (Notes 6 and 11)	₱6,348,634,046	₱4,913,419,015	₱4,869,458,060
Finance income (Note 14)	96,047,480	78,783,175	108,877,740
Management fees (Note 11)	4,200,000	4,200,000	4,200,000
Foreign currency exchange gains (loss) - net	494,519	7,634,024	(11,321,631)
Pension income (Note 12)	430,461	791,316	298,268
Gain on sale of property and equipment (Note 8)	348,214	–	692,880
Gain on sale of investments in associates (Note 6)	–	307,970,330	–
Gain on sale of investment properties (Notes 7 and 11)	–	4,759,050	–
	6,450,154,720	5,317,556,910	4,972,205,317
COSTS AND EXPENSES			
General and administrative expenses (Note 13)	70,471,119	67,689,335	71,172,623
Loss on liquidation of subsidiary (Note 6)	2,590,385,419	–	–
	2,660,856,538	67,689,335	71,172,623
INCOME BEFORE INCOME TAX	3,789,298,182	5,249,867,575	4,901,032,694
PROVISION FOR INCOME TAX (Note 15)	18,156,423	48,267,758	20,620,104
NET INCOME	3,771,141,759	5,201,599,817	4,880,412,590
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on retirement plan (Note 12)	(2,108,561)	(12,038,460)	19,633,325
Income tax effect (Note 15)	632,568	3,611,538	(5,889,998)
	(1,475,993)	(8,426,922)	13,743,327
TOTAL COMPREHENSIVE INCOME	₱3,769,665,766	₱5,193,172,895	₱4,894,155,917

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 10)	Additional Paid-in Capital (Note 10)	Retained Earnings		Remeasurement Gains on Retirement Plans - net (Note 10)	Total Equity
			Unappropriated (Note 10)	Appropriated (Note 10)		
For the Year Ended December 31, 2016						
Balances as of January 1, 2016	₱13,277,473,780	₱4,672,393,925	₱7,438,630,119	₱-	₱11,031,288	₱25,399,529,112
Comprehensive income						
Net income	-	-	3,771,141,759	-	-	3,771,141,759
Other comprehensive loss	-	-	-	-	(1,475,993)	(1,475,993)
Total comprehensive income	-	-	3,771,141,759	-	(1,475,993)	3,769,665,766
Cash dividends declared (Note 10)	-	-	(6,373,185,600)	-	-	(6,373,185,600)
Balances as of December 31, 2016	₱13,277,473,780	₱4,672,393,925	₱4,836,586,278	₱-	₱9,555,295	₱22,796,009,278
For the Year Ended December 31, 2015						
Balances as of January 1, 2015	₱13,277,473,780	₱4,672,393,925	₱8,610,215,902	₱-	₱19,458,210	₱26,579,541,817
Comprehensive income						
Net income	-	-	5,201,599,817	-	-	5,201,599,817
Other comprehensive loss	-	-	-	-	(8,426,922)	(8,426,922)
Total comprehensive income	-	-	5,201,599,817	-	(8,426,922)	5,193,172,895
Cash dividends declared (Note 10)	-	-	(6,373,185,600)	-	-	(6,373,185,600)
Balances as of December 31, 2015	₱13,277,473,780	₱4,672,393,925	₱7,438,630,119	₱-	₱11,031,288	₱25,399,529,112
For the Year Ended December 31, 2014						
Balances as of January 1, 2014	₱2,655,497,780	₱4,765,316,671	₱18,624,964,912	₱2,100,000,000	₱5,714,883	₱28,151,494,246
Comprehensive income						
Net income	-	-	4,880,412,590	-	-	4,880,412,590
Other comprehensive income	-	-	-	-	13,743,327	13,743,327
Total comprehensive income	-	-	4,880,412,590	-	13,743,327	4,894,155,917
Stock dividends declared (Note 10)	10,621,976,000	(92,922,746)	(10,621,976,000)	-	-	(92,922,746)
Cash dividends declared (Note 10)	-	-	(6,373,185,600)	-	-	(6,373,185,600)
Reversal of Appropriation (Note 10)	-	-	2,100,000,000	(2,100,000,000)	-	-
Balances as of December 31, 2014	₱13,277,473,780	₱4,672,393,925	₱8,610,215,902	₱-	₱19,458,210	₱26,579,541,817

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF CASH FLOW**

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱3,789,298,182	₱5,249,867,575	₱4,901,032,694
Adjustments for:			
Gain on sale of investment in associates (Note 6)	–	(307,970,330)	–
Loss on liquidation of subsidiary (Note 6)	2,590,385,419	–	–
Depreciation and amortization (Notes 8 and 13)	5,308,810	2,815,648	2,001,576
Finance cost	3,918	775	5,263
Gain on sale of property and equipment (Note 8)	(348,214)	–	(692,880)
Pension income (Note 12)	(430,461)	(791,316)	(298,268)
Gain on sale of investment properties (Notes 7 and 11)	–	(4,759,050)	–
Unrealized foreign currency exchange gains	(494,519)	(7,634,024)	(3,121,369)
Finance income (Note 14)	(96,047,480)	(78,783,175)	(108,877,740)
Dividend income (Notes 6 and 11)	(6,348,634,046)	(4,913,419,015)	(4,869,458,060)
Operating income (loss) before changes in working capital	(60,958,391)	(60,672,912)	(79,408,784)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	29,152,723	21,671,382	20,196,287
Other current assets	(3,096,801)	5,460,250	(5,389,417)
Other short-term investments	–	–	1,200,000,000
Increase (decrease) in accounts and other payable	7,015,794	7,781,896	(145,003,100)
Net cash generated from (used for) operations	(27,886,675)	(25,759,384)	990,394,986
Interest received	90,664,800	78,994,725	130,634,188
Income tax paid	(20,041,238)	(46,548,668)	(21,775,549)
Interest paid	(3,918)	(775)	(5,263)
Net cash provided by operating activities	42,732,969	6,685,898	1,099,248,362
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	7,148,634,046	4,313,419,015	4,064,595,482
Acquisitions of:			
Property and equipment (Note 8)	(4,905,885)	(10,010,390)	(5,595,843)
Investments in subsidiaries and associates (Note 6)	–	–	(3,647,616,559)
Proceeds from sale of:			
Property and equipment (Note 8)	348,214	–	692,880
Investments in subsidiaries and associates (Note 6)	547,120,949	–	–
Deposit received on future sale of investment (Note 6)	–	–	1,757,651,330
Increase in other non-current assets	(2,043,713)	–	–
Payment of subscriptions payable	–	–	(550,000,000)
Net cash provided by investing activities	7,689,153,611	4,303,408,625	1,619,727,290
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Dividends (Note 10)	(6,373,758,723)	(6,376,189,944)	(6,366,867,270)
Stock transaction costs	–	–	(92,922,746)
Net cash used in financing activities	(6,373,758,723)	(6,376,189,944)	(6,459,790,016)
EFFECT OF FOREIGN CURRENCY RATE CHANGES			
IN CASH AND CASH EQUIVALENTS	494,519	7,634,024	3,121,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,358,622,376	(2,058,461,397)	(3,737,692,995)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,695,123,711	5,753,585,108	9,491,278,103
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱5,053,746,087	3,695,123,711	5,753,585,108

See accompanying Notes to Parent Company Financial Statements



DMCI HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 and domiciled in the Philippines. The Parent Company's registered office address is 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City. The Parent Company was listed in the Philippine Stock Exchange on December 18, 1995.

The Parent Company is the holding Company of the DMCI Group, which is primarily engaged in general construction and infrastructure, coal and nickel mining, power generation, real estate development, water concessionaire and manufacturing.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee and authorized for issue by the Board of Directors (BOD) on March 16, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The accompanying parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the registered office address of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Parent Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*



- Annual Improvements to PFRSs 2012 - 2014 Cycle
 - Amendment to PFRS 5, *Changes in Methods of Disposal*
 - Amendment to PFRS 7, *Servicing Contracts*
 - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
 - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
 - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

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

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

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

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

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

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

These amendments are not expected to have any impact on the Parent Company.



Effective beginning on or after January 1, 2018

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

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

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

The Company is assessing the potential effect of the amendments on its financial statements.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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



- PFRS 9, *Financial Instruments*

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

The adoption of PFRS 9 will have an effect on the classification and measurement of the Parent Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Parent Company's financial liabilities. The adoption will also have an effect on the Parent Company's application of hedge accounting and on the amount of its credit losses. The Parent Company is currently assessing the impact of adopting this standard.

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

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

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

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

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

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-



monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

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

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

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

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

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



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 (3) months or less and that are subject to an insignificant risk of changes in value.

Financial Instruments

Date of Recognition

The Parent Company recognizes a financial asset or a financial liability in the parent company 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 market place are recognized on the settlement date.

Initial Recognition of Financial Instruments

All financial assets are initially recognized at fair value. Except for financial assets at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity investments, available-for-sale (AFS) financial assets, and loans and receivables. The Parent Company classifies its financial liabilities as financial liabilities at FVPL and other financial liabilities at amortized cost. 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.

As of December 31, 2016 and 2015, the Parent Company's financial instruments are classified as loans and receivables and other financial liabilities.

Fair Value Measurement

The Parent Company discloses the fair values of financial instruments measured at amortized cost and non-financial assets measured at cost such as investment properties in Notes 7 and 16.

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 Parent Company.



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

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

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

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

- Level 1 - Quoted (unadjusted) 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 parent company financial statements on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company's 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 Parent Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for recognition as some other type of asset. 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables

Loans and receivables are 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 asset 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 parent company statement of financial position captions "Cash and cash equivalents" and "Receivables".



After initial measurement, the 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 profit or loss.

Other Financial Liabilities

Issued financial instruments or their components, which are not designated at FVPL are categorized as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company 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 an integral part of the EIR. The amortization is included in “Finance cost” in profit or loss. Any effects of restatement of foreign currency-denominated liabilities are recognized under the “Foreign currency exchange gains or losses” in profit or loss.

Other financial liabilities relate to the parent company statement of financial position captions, “Accounts and other payables” (excluding value added output tax and other tax related payables), and “Other noncurrent liabilities”.

Impairment of Financial Assets

The Parent Company assesses at 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 Parent Company 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 Parent Company 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.



In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice.

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 use of an allowance account and the amount of loss is charged to the parent company statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery 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 parent company statement of comprehensive 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 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 Parent Company. 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 regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

The Parent Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Derecognition of Financial Instruments

Financial Assets

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 Parent Company 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 Parent Company 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 Parent Company's continuing



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

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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 profit or loss.

Offsetting of Financial Instruments

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

Investments in Subsidiaries and Associates

The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to, 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 Parent Company controls an investee if and only if the Parent Company has:

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

The Parent Company 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 Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. The Parent Company recognizes dividend from a subsidiary in statement of comprehensive income when its right to receive the dividend is established. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction from the cost of the investment.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. An allowance is set up for any substantial and presumably permanent decline in the aggregate carrying value of the investment.



The Parent Company recognizes income from the investment only to the extent that it receives distributions from accumulated profits of the associate. The Parent Company recognizes dividend from an associate in statement of comprehensive income when its right to receive the dividend is established.

Investment Properties

Investment properties are stated at cost less any impairment in value. The initial cost of investment property comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the profit or loss in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred.

Property and Equipment

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

The initial cost of property and equipment comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against expenses 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 and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. All other repair and maintenance expenses are charged against current operations as incurred.

Depreciation of property and equipment commences once the assets are put into operational use. Depreciation is calculated on a straight-line method over the following estimated useful lives (EUL) of the respective assets:

	Years
Office furniture, fixtures and equipment	1-3
Leasehold Improvement	5
Transportation equipment	5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.



Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Impairment of Nonfinancial Assets

This accounting policy applies to the Parent Company's investment in subsidiaries and associates, investment properties and property and equipment. The Parent Company 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 Parent Company 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 are largely independent of those from other assets or Parent Company 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Current and Noncurrent Classification

The Parent Company presents assets and liabilities in parent company statement of financial position based on current/noncurrent classification. An asset is current when it is either:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when either:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;



- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

The Parent Company classifies all other liabilities as noncurrent.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income

Dividend income is recognized when the Parent Company's right to receive payment is established, which is generally when shareholders approve the dividend. This is recognized as dividend income in the parent company statement of comprehensive income.

Finance Income

Revenue is recognized as interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Management Fees

Revenue from management fees is recognized when the related services are rendered.

Other Income

Other income includes pension income and gain on sale of shares of stock and sale of investment properties. Gain or loss is recognized if the Parent Company disposes some of its investment in subsidiaries or associates and other properties. Gain or loss is computed as the difference between the proceeds of the disposal and its carrying amount, including the carrying amount of goodwill, if any.

General and Administrative Expenses

General and administrative expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or depletion of assets such as supplies, office furniture and equipment and others. Expenses are recognized in profit or loss.

Pension Costs

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 costs
- 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 actuary.

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 the Other Comprehensive Income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses) on retirement plans" are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Taxes

Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred Tax

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



Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

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

Provisions

A provision is recognized only when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to 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.

Foreign Currency Transactions and Translations

The parent company financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial reporting date. All differences are taken to profit or loss during the period of retranslation.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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).

Equity

The Parent Company records capital stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

Treasury shares represent own equity instruments which are reacquired and are subsequently retired by the Parent Company. No gain or loss is recognized in the profit or loss 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.

Contingencies

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

Events After the Reporting Date

Post year-end events up to the date of the Auditor's report that provide additional information about the Parent Company's position at financial reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the parent company financial statements in compliance with PFRS requires management to make estimates and assumptions that affect the amounts reported in the parent company financial statements and accompanying notes. The estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from such estimates.

Estimates and Assumptions

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

a. Allowance for Impairment Losses on Receivables

The Parent Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts.



These factors include, but are not limited to, the counterparties' current operation, financial condition and known market factors. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Parent Company provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets. The Parent Company's receivables amounted to ₱2,228.48 million and ₱934.53 million of December 31, 2016 and 2015, respectively (Note 5).

Allowance for impairment losses on receivables amounted to ₱2.98 million as of December 31, 2016 and 2015 (Note 5).

b. Impairment of Nonfinancial Assets

The Parent Company assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review of nonfinancial assets except investments in subsidiaries and associates include the following:

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

In addition, the Parent Company considers the following factors which could trigger impairment review of investments in subsidiaries and associates:

- a. deteriorating or poor financial condition;
- b. recurring net losses; and
- c. significant charges with an adverse effect on the subsidiaries or associates.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.



As of December 31, 2016 and 2015 carrying values of the Parent Company's nonfinancial assets follow:

	2016	2015
Investments in subsidiaries and associates (Note 6)	₱15,449,837,512	₱20,705,063,391
Investment properties (Note 7)	21,649,474	21,649,474
Property and equipment (Note 8)	14,549,594	14,952,519

c. Deferred Tax Assets

The Parent Company reviews the carrying amounts of deferred taxes at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Parent Company will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon likely timing and level of future taxable income together with future planning strategies.

Deferred tax assets recognized as of December 31, 2016 and 2015 amounted to ₱0.13 million and ₱0.26 million pertaining to income tax effect of the unamortized past service costs netted against deferred tax liabilities (Note 15).

d. Estimating Pension Obligation and Other Retirement Benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 12 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Future salary increases are based on expected future inflation rates for the specific country and other relevant factors.

As of December 31, 2016 and 2015, pension assets amounted to ₱49.68 million and ₱51.36 million, respectively (Note 12).

e. Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology.



4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	₱188,441,531	₱1,026,320,207
Cash equivalents	4,865,304,556	2,668,803,504
	₱5,053,746,087	₱3,695,123,711

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company and earn annual interest ranging from 1.13% and 3.00% and 2.50% to 2.63% in 2016 and 2015, respectively.

Interest income earned from cash and cash equivalents amounted to ₱96.05 million, ₱78.78 million, ₱101.75 million in 2016, 2015 and 2014, respectively (Note 14).

5. Receivables

This account consists of:

	2016	2015
Receivable from wholly owned subsidiary (Notes 6 and 11)	₱2,120,702,789	₱2,986,019
Dividends receivable (Note 11)	100,000,000	900,000,000
Accrued interest receivable	10,165,583	4,782,903
Receivables from officers and employees	22,500	76,788
Receivable from sale of investment property (Notes 7 and 11)	–	27,197,428
Management fee receivable (Note 11)	–	2,352,000
Other receivables	572,055	118,321
	2,231,462,927	937,513,459
Less allowance for impairment losses	2,983,278	2,983,278
	₱2,228,479,649	₱934,530,181

Dividends receivable pertains to unpaid cash dividends from the subsidiaries of the Parent Company.

Accrued interest receivable pertains to the accrual of interest from cash equivalents. These are expected to be collected upon maturity of the short-term placements.

Receivable from sale of investment property pertains to the receivable for the sale of an investment property to a related party.

Management fee receivable pertains to receivable arising from management services rendered by the Parent Company to a subsidiary.

The Parent Company provided an allowance for impairment on receivables from a subsidiary amounting to ₱2.98 million as of December 31, 2016 and 2015.



The Parent Company's receivables are expected to be realized and fall due within one year after the reporting period.

6. Investments in Subsidiaries and Associates

The details of the Parent Company's investments in subsidiaries and associates follow:

	2016	2015
Balance at beginning of year	₱20,705,063,391	₱22,154,744,391
Disposals	(5,255,225,879)	(1,449,681,000)
	₱15,449,837,512	₱20,705,063,391

The details of the Parent Company's investments in subsidiaries and associates accounted for under the cost method and the corresponding percentages of ownership follow:

	Principal Activity	Country of incorporation	Effective Interest	
			2016	2015
Investments in Subsidiaries:				
ENK Plc.	Nickel mining	United Kingdom	-	100.00
Semirara Mining and Power Corporation (Semirara)	Mining and Power	Philippines	56.51	56.32
DMCI Project Developers, Inc. (PDI)	Real estate development	Philippines	100.00	100.00
D.M. Consunji, Inc. (DMCI)	General construction	Philippines	100.00	100.00
DMCI Mining Corporation (DMCI Mining)	Mining	Philippines	100.00	100.00
DMCI Power Corporation (DMCI Power)	Power	Philippines	100.00	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Steel wire manufacturing	Philippines	61.70	61.70
Semirara Cement Corporation (SemCem)*	Cement manufacturing	Philippines	100.00	100.00
Associates:				
Maynilad Water Holding Company, Inc. (formerly DMCI-MPIC Water Co. Inc. (DMWC)) (MWHCI)	Investment holding for water concessionaire	Philippines	27.19	27.19

*Organized on January 29, 1998 and has not yet started commercial operations.

Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱5.84 billion and ₱510.54 million in 2016, ₱4.41 billion and ₱505.74 million in 2015, ₱4.62 billion and ₱252.28 million in 2014, respectively (Note 11).



The following table summarizes the significant financial information of the associate that is material to the Parent Company (amounts in thousands):

	MWHCI	
	2016	2015
Statement of financial position		
Current assets	₱14,048,842	₱14,869,003
Noncurrent assets	84,205,598	77,767,444
Current liabilities	14,329,728	14,726,877
Noncurrent liabilities	33,899,394	33,229,890
Non-controlling interests	2,808,422	2,421,437
Equity attributable to parent company	47,216,895	42,258,243
Statement of income		
Revenue	₱20,223,746	₱19,098,238
Cost and Expenses	12,834,223	9,940,703
Net income attributable to NCI	528,533	654,971
Net income attributable to parent company	6,860,990	8,502,564

DMCI

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

On April 7, 2014, DMCI declared its investments in PDI amounting to ₱504.82 million, proportionate to 11.13% interest as property dividends to the Parent Company.

As at December 31, 2014, the Parent Company directly holds 100% interest on PDI. The SEC approved the declaration on September 9, 2014.

ENK Plc. (ENK)

In 2012, the Parent Company acquired existing shares of ENK, a mining company with significant mining assets in the Philippines. ENK is a laterite development and production company focused on developing its Acoje project in the Philippines. The total acquisition cost amounted to ₱2.10 billion. In aggregate, the Parent Company owns 157.26 million shares which represents 60% ownership in ENK. The remaining 40% is owned by D&A Income Ltd., an entity from United Kingdom. The investment in ENK was accounted for as an acquisition of a business.

In 2012, the Parent Company and D&A executed a Shareholders' Agreement which clearly defines the roles of the shareholder as having economic interest over ENK. The Parent Company's 60% ownership interest in ENK only allows it to exercise significant influence in 2012 because of limited participation in the governance of ENK.

On January 22, 2013, the Parent Company has acquired majority seats in the Board of ENK. Upon adoption of PFRS 10 and PFRS 11 in 2013, the Parent Company reassessed its arrangement with D&A over ENK and has determined that it has joint control over ENK because even at 60% ownership and majority seats in the Board, the strategic and financial operating decisions relating to the economic activities of ENK require the unanimous consent of both parties.

On March 24, 2014, the Parent Company acquired D&A Income Ltd's remaining 40% interest in ENK, for a total purchase price of GBP42.03 million or GBP 0.40 price per share. As a result, ENK became a wholly owned subsidiary of the Parent Company.



On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK. The dissolution and liquidation of ENK is part of the ongoing restructuring of the Parent Company's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Parent Company has completed the restructuring of ENK and ENK was subsequently sold to a third party.

Private Infra Dev Corporation (PIDC)

PIDC is primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

In 2014, PIDC increased its authorized capital stock. The Parent Company did not subscribe to additional shares resulting to a dilution of its ownership interest.

On December 19, 2014, the Parent Company 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. The consideration for the sale of shares amounted to ₱1.76 billion or ₱1.22 price per share. In 2014, the Parent Company accordingly received the deposit of the future sale of shares amounting to ₱1.76 billion and recorded the same as 'Deposit received from future sale of investment' in the parent company statements of financial position.

On September 21, 2015, the sale of investments in PIDC has been finalized following approval of the Department of Trade and Industry (DTI) and Department of Transportation and Communications (DOTC) on August 27, 2015 consenting on the sale of the investments to RTI. The Parent Company recorded gain from sale of investments in associates amounting to ₱307.97 million in 2015.

7. Investment Properties

Rollforward of this account as follow:

	2016	2015
Balance at beginning of year	₱21,649,474	₱44,796,337
Disposal	-	(23,146,863)
Balance at end of year	₱21,649,474	₱21,649,474

The Parent Company's investment properties represent various land situated in Taguig City amounting to ₱21.65 million at December 31, 2016 and 2015.

In 2015, the Parent Company sold to DMCI Mining a certain parcel of land located in Bolitoc, Zambales for a net consideration of ₱27.20 million and recognized a gain on sale of investment property amounting to ₱4.76 million (Note 11).



The aggregate fair value as of December 31, 2016 amounted to ₱157.58 million. The fair value of investment properties have been internally determined by reference to other similar transaction in the market. 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 value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy. The properties used as basis for comparison are situated within the immediate vicinity of the subject property.

There are no investment properties pledged as security to any of the Parent Company's liabilities in 2016 and 2015.

No rental income was generated from the investment properties of the Parent Company in 2016 and 2015.

8. Property and Equipment

Rollforward of the account follow:

	2016			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱16,448,051	₱17,250,076	₱9,971,551	₱43,669,678
Additions	156,525	2,065,179	2,684,181	4,905,885
Disposals	-	(1,741,071)	-	(1,741,071)
Balances at end of year	16,604,576	17,574,184	12,655,732	46,834,492
Accumulated depreciation and amortization				
Balances at beginning of year	16,209,692	12,127,872	379,595	28,717,159
Depreciation and amortization (Note 13)	198,407	2,716,981	2,393,422	5,308,810
Disposals	-	(1,741,071)	-	(1,741,071)
Balances at end of year	16,408,099	13,103,782	2,773,017	32,284,898
Net Book Value	₱196,477	₱4,470,402	₱9,882,715	₱14,549,594

	2015			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱16,409,212	₱17,250,076	₱-	₱33,659,288
Additions	38,839	-	9,971,551	10,010,390
Balances at end of year	16,448,051	17,250,076	9,971,551	43,669,678

(Forward)



	2015			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Accumulated depreciation and amortization				
Balances at beginning of year	₱15,918,551	₱9,982,960	₱-	₱25,901,511
Depreciation and amortization (Note 13)	291,141	2,144,912	379,595	2,815,648
Balances at end of year	16,209,692	12,127,872	379,595	28,717,159
Net Book Value	₱238,359	₱5,122,204	₱9,591,956	₱14,952,519

Depreciation and amortization expenses charged to operations amounted to ₱5.31 million, ₱2.82 million and ₱2.00 million in 2016, 2015 and 2014, respectively (Note 13).

In 2016, the Parent Company disposed fully depreciated property and equipment with a cost of ₱1.74 million at ₱0.35 million selling price. Gain on sale of property and equipment amounted to ₱0.35 million. There are no property and equipment pledged as security to any of the Parent Company's liabilities in 2016 and 2015.

9. Accounts and Other Payables

This account consists of:

	2016	2015
Dividends payable	₱5,432,861	₱6,005,984
Accrued expenses:		
Professional fees	2,463,500	2,908,500
Other accrued expenses	2,551,323	10,633,749
Trade payable	717,542	609,371
Others (Note 11)	15,963,797	528,748
	₱27,129,023	₱20,686,352

Dividends payable pertains to the amount declared for dividend distributions that remains outstanding as of December 31, 2016 and 2015. These are expected to be settled within one year from the date of declaration.

Accrued professional expenses relate to accruals of professional fees such as legal and audit fees.

The accrued expenses, trade and other payables are noninterest bearing and are payable within one (1) year.

Others include amounts received in 2016 by the Parent Company from PDI for future dividend declaration amounting to ₱15.00 million (Note 11). Others also include advances from lessee and government liabilities.



10. Equity

Capital Stock

As of December 31, 2016 and 2015, the Parent Company's capital stock consists of:

	Shares	Amount
Preferred stock - ₱1 par value		
Authorized	100,000,000	₱100,000,000
Issued and outstanding :		
Balance at beginning and end of year	3,780	₱3,780
Common stock - ₱1 par value		
Authorized	19,900,000,000	₱19,900,000,000
Issued and outstanding :		
Balance at beginning and end of the year	13,277,470,000	₱13,277,470,000

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.

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.

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2016:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2014	13.28	688
Add Movement	-	14
December 31, 2015	13.28	702
Add Movement	-	(4)
December 31, 2016	13.28	698

Increase in Authorized Capital Stock

On August 5, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into 5,900 million common shares and 100 million preferred shares both with par value of ₱1.00 per share, to ₱20,000.00 million divided into 19,900 million common shares and 100 million preferred shares both with a par value of ₱1.00 per share.

The Parent Company has 13,277.47 million common shares issued and outstanding which are owned by 698 and 702 shareholders in 2016 and 2015, respectively.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 and 2015 amounted to ₱4,836.59 million and ₱7,438.63 million, respectively.



Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend Declaration

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follow:

	2016	2015	2014
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	₱3,186,592,800	₱-	₱-
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	3,186,592,800	-	-
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	-	3,186,592,800	-
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	-	3,186,592,800	-
May 15, 2014, ₱1.20 per share cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	-	-	3,186,592,800
May 15, 2014, ₱1.20 per share special cash dividend to stockholders on record as of May 30, 2014, payable on or before June 13, 2014.	-	-	3,186,592,800
	₱6,373,185,600	₱6,373,185,600	₱6,373,185,600

On December 19, 2014, the Parent Company's BOD approved the reversal of the appropriation of retained earnings in the amount of ₱2,100.00 million as of December 31, 2013.

11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making 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 Parent Company with related parties are at arm's length and have terms similar to the transactions entered into with third parties. These are generally settled in cash, unless otherwise specified.



In the regular course of business, the Parent Company's significant transactions with related parties include the following:

		2016			
	Amount/ Volume	Due From	Terms	Conditions	
Subsidiaries					
a)	Management fees	P4,200,000	P-	Non-interest bearing; due and demandable	Unsecured, no impairment
b)	Receivable from wholly owned subsidiary (Note 5)	(2,741)	2,983,278	Non-interest bearing; due and demandable	Unsecured, with impairment
c)	Dividend income/ receivable (Notes 5 and 6)	5,838,092,708	100,000,000	Non-interest bearing; due and demandable	Unsecured, no impairment
e)	Other payable	15,000,000	(15,000,000)	Non-interest bearing; due and demandable	Unsecured, no impairment
f)	Receivable from wholly owned subsidiary (Notes 5 and 6)	2,117,719,511	2,117,719,511	Non-interest bearing; due and demandable	Unsecured, no impairment
Associates					
c)	Dividend income (Note 6)	510,541,338	-		
Total			2,205,702,789		
	Less allowance for impairment losses (Note 5)		(2,983,278)		
			P2,202,719,511		

		2015			
	Amount/ Volume	Due from	Terms	Conditions	
Subsidiaries					
a)	Management fees (Note 5)	P4,200,000	P2,352,000	Non-interest bearing; due and demandable	Unsecured, no impairment
b)	Receivable from wholly owned subsidiary (Note 5)	-	2,986,019	Non-interest bearing; due and demandable	Unsecured, with impairment
c)	Dividend income (Notes 5 and 6)	4,407,680,000	900,000,000	Non-interest bearing; due and demandable	Unsecured, no impairment
d)	Receivable from sale of investment property (Note 5)	28,477,000	27,197,428	Non-interest bearing; due and demandable	Unsecured, no impairment
Associates					
c)	Dividend income (Note 6)	505,739,015	-		
Total			932,535,447		
	Less allowance for impairment losses (Note 5)		(2,983,278)		
			P929,552,169		

Significant transactions with related parties follow:

- (a) The Parent Company renders general management services to a subsidiary for overall supervision and management of the subsidiary's operations. Management fees amounted to P4.20 million in 2016 and 2015. Outstanding receivables from management services amounted to nil and P2.35 million as of December 31, 2016 and 2015 respectively.
- (b) Receivable from wholly owned subsidiary consist of reimbursements and organization costs. The Parent Company provided allowance for impairment losses amounting to P2.98 million as of December 31, 2016 and 2015.



- (c) Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱6.35 billion and ₱4.91 billion in 2016 and 2015, respectively. As of December 31, 2016 and 2015, dividends receivable from the Parent Company's subsidiaries amounted to ₱100.00 million and ₱900.00 million, respectively.
- (d) In 2015, the Parent Company sold to DMCI Mining a parcel of land for a net consideration of ₱27.20 million. Total gain on sale of investment property, net of VAT amounted to ₱4.76 million (Note 8).
- (e) Other payables of ₱15.00 million pertain to amounts received by the Parent Company from PDI for future dividend declaration.
- (f) In 2016, as part of the restructuring and liquidation of ENK Plc., the latter assigned its receivable from DMCI Mining to the Parent Company, amounting to ₱2,117.72 million. (Note 6)

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company recognized allowance for impairment losses relating to the outstanding due from related parties amounting to ₱2.93 million as of December 31, 2016 and 2015, respectively. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel

The key management personnel of the Parent Company include all directors, executive and non-executive, and senior management personnel. The details of the compensation and benefits of key management personnel for 2016 and 2015 follows:

	2016	2015
Short-term employee benefits	₱11,044,503	₱13,980,334
Post-employment benefits	1,466,808	9,358,078
Total	₱12,511,311	₱23,338,412

12. Employee Benefits

The Parent Company has a funded, noncontributory, defined benefit plan covering substantially all of its regular employees.

Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2016.



The Parent Company is a participant to the DMCI Multiemployer Retirement Plan (the Plan) which is administered separately by an individual trustee, a Company executive and BDO Unibank, Inc. Trust Investment Division under the supervision of the Board of Trustees (BOT) of the Plan. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund;
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Net pension assets for the retirement plan follow:

	2016	2015
Fair value of plan assets	₱151,375,250	₱149,633,956
Present value of defined benefit obligation	(50,028,785)	(51,113,463)
Surplus	101,346,465	98,520,493
Effect of asset ceiling	(51,662,225)	(47,158,153)
Net pension asset	₱49,684,240	₱51,362,340

Movements in the fair value of plan assets follow:

	2016	2015
Balance at beginning of year	₱149,633,956	₱158,300,752
Interest income	7,571,478	7,408,475
Remeasurement gains (losses)	(5,830,184)	(16,075,271)
Balance at end of year	₱151,375,250	₱149,633,956

Changes in the present value of the defined benefit obligation follow:

	2016	2015
Balance at beginning of year	₱51,113,463	₱49,595,919
Current service cost	2,168,473	2,138,808
Interest	2,586,341	2,321,089
Remeasurement losses (gains) arising from:		
Changes in demographic assumptions	-	1,897,274
Changes in financial assumptions	(728,275)	(2,544,027)
Experience adjustments	(5,111,217)	(2,295,600)
Balance at the end of year	₱50,028,785	₱51,113,463



Components of net pension income in the parent company statements of comprehensive income follow:

	2016	2015	2014
Current service cost	₱2,168,473	₱2,138,808	₱2,061,819
Interest on the effect of asset ceiling	2,386,203	2,157,262	1,637,268
Net interest income on benefit obligation and plan asset	(4,985,137)	(5,087,386)	(3,997,355)
	(₱430,461)	(₱791,316)	(₱298,268)

Movements in net pension assets follow:

	2016	2015
Balance at beginning of year	₱51,362,340	₱62,609,484
Defined benefit income recognized in profit and loss	430,461	791,316
Defined benefit income (loss) recognized in other comprehensive income	(2,108,561)	(12,038,460)
Balance at the end of year	₱49,684,240	₱51,362,340

As of December 31, 2016 and 2015, the Parent Company's plan assets consist primarily of the following:

	2016	2015
Cash and cash equivalents		
Cash in banks	₱2,997,488	₱5,431,006
Time deposits	7,055,062	124,816
	10,052,550	5,555,822
Investments in stocks		
Common shares	99,884,923	103,417,030
Preference shares	1,335,692	1,318,742
	101,220,615	104,735,772
Investment in government securities		
Fixed rate treasury notes (FXTNs)	25,306,272	26,855,802
Retail treasury bonds (RTBs)	2,193,574	1,114,351
	27,499,846	27,970,153
Investment in other securities and debt instruments		
AAA rated debt securities	12,088,913	10,795,208
Not rated debt securities	-	-
	12,088,913	10,795,208
Other receivables	538,383	599,897
Accrued trust fees and other payables	(25,057)	(22,896)
Fair value of plan assets	₱151,375,250	₱149,633,956



The investments in stocks are further categorized into:

	2016	2015
Common shares		
Quoted		
Holdings	₱98,102,509	₱100,981,196
Mining	1,320,232	1,371,085
	99,422,741	102,352,281
Unquoted		
Service	462,182	1,064,749
Total	99,884,923	103,417,030
Preference shares		
Quoted		
Holdings	857,813	857,807
Industrial	477,879	460,935
	₱101,220,615	₱104,735,772

Trust fees paid amounted to ₱0.09 million and ₱0.01 million for 2016 and 2015, respectively.

The composition of the fair value of the plan assets includes:

Cash and cash equivalents - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in stocks - includes investment in common and preferred shares traded in the Philippine Stock Exchange. The Fund holds investments in shares of stock of the Parent Company with fair market value of ₱98.10 million and ₱100.98 million in 2016 and 2015, respectively.

Investment in government securities - include investment in Philippine RTBs and FXTNs.

Investments in other securities and debt instruments - include investment in long-term debt notes and retail bonds.

Other receivables - pertain to interest and dividends receivable on the investments in the fund.

Accrued trust fees and other payables - pertain mainly to charges of trustor in the management of the plan.

The assumptions used to determine pension benefits of the Parent Company follow:

	2016	2015	2014
Discount rate	5.55%	4.68%	4.68%
Salary rate increase	6.00%	10.00%	10.00%

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities are coming directly for funds directly held through the Parent Company's officers and indirectly for those entered into through other trust agreements with BDO Unibank, Inc. authorized to administer the investment and reinvestments of the funds.



The Parent Company does not expect to contribute into the pension fund in 2016.

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

	2016	
	Increase (decrease)	Effect on defined benefit liability
Discount rates	+100 basis points	(₱1,312,586)
	-100 basis points	1,556,328
Future salary increases	+3.0%	1,491,983
	-2.6%	(1,291,875)
	2015	
	Increase (decrease)	Effect on defined benefit liability
Discount rates	+100 basis points	(₱1,798,158)
	-100 basis points	2,078,345
Future salary increases	+1.0%	1,769,203
	-1.0%	(1,576,788)

The BOT of the Plan ensures that its assets are available to fulfill its obligation of paying retirement as it falls due. This is done by ensuring that its assets are easily disposable and can easily be converted to cash. The allocation of the Parent Company's plan assets consists of 66.87% equity instruments, 18.17% debt instruments in government bonds, 7.99% in debt instruments in bonds other than government bonds, 6.07% in cash and cash equivalents and 0.90% to others such as receivables generated from interest and dividends.

The Parent Company is not required to pre-fund the future benefits under the Plan before they come due. For that reason, the amount and timing of contributions to the Retirement Fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Retirement Fund.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2016	2015
Less than 1 year	₱48,947,647	₱18,285,893
More than 1 year to 5 years	485,037	5,730,359
More than 5 years to 10 years	330,329	15,484,097
	₱49,763,013	₱39,500,349

There are no plan amendments, curtailments or settlements in 2016 and 2015.



13. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Professional fees	₱18,916,387	₱10,806,156	₱16,136,847
Salaries, wages and employee benefits	16,463,930	17,134,643	16,906,472
Depreciation and amortization (Note 8)	5,308,810	2,815,648	2,001,576
Entertainment, amusement and recreation	3,866,766	3,603,012	5,354,662
Contribution and donation	3,160,326	160,000	2,013,000
Rent (Note 17)	3,132,592	2,991,206	2,809,337
Taxes and licenses	2,678,038	7,061,162	4,546,528
Transportation and travel	2,629,669	8,000,060	8,760,081
Repairs and maintenance	2,488,550	2,271,206	2,483,193
Supplies	1,930,792	1,239,505	1,235,461
Advertising and promotions	1,852,498	3,738,622	4,398,057
Communication, light and water	1,201,643	1,219,211	1,150,100
Contracted services	949,399	749,475	782,041
Fuel and oil	545,250	632,684	777,900
Bank charges	3,918	775	5,263
Miscellaneous	5,342,551	5,265,970	1,812,105
	₱70,471,119	₱67,689,335	₱71,172,623

14. Finance Income

This account consists of:

	2016	2015	2014
Cash equivalents (Note 4)	₱94,975,763	₱73,838,558	₱97,633,960
Bank savings accounts (Note 4)	1,071,717	4,944,617	4,111,146
Other short-term investments	-	-	7,132,634
	₱96,047,480	₱78,783,175	₱108,877,740

15. Income Tax

The provision for income tax shown in the parent company statements of comprehensive income consists of:

	2016	2015	2014
Final	₱19,984,377	₱46,548,668	₱21,775,549
Current	56,861	-	-
Deferred	(1,884,815)	1,719,090	(1,155,445)
	₱18,156,423	₱48,267,758	₱20,620,104



The components of the deferred tax liability as of December 31, 2016 and 2015 follow:

	2016	2015
Pension asset	P14,905,272	P15,408,702
Past service cost	(127,899)	(255,797)
Unrealized foreign exchange gains	148,356	2,290,207
	P14,925,729	P17,443,112

As of December 31, 2016 and 2015, the Parent Company did not recognize deferred tax assets amounting to P78.71 million and P64.05 million pertaining to allowance for impairment losses, NOLCO and MCIT with details as follow:

	2016	2015
NOLCO	P77,760,410	P63,157,876
Allowance for impairment losses	894,983	894,983
MCIT	56,861	-
	P78,712,254	P64,052,859

NOLCO available for offset against future taxable income over a period of three years as follow:

Year Incurred	Amount	Applied/Expired	Balance	Year of Expiry
NOLCO:				
2016	P51,720,118	P-	P51,720,118	2019
2015	48,432,539	-	48,432,539	2018
2014	159,048,709	-	159,048,709	2017
2013	3,045,005	3,045,005	-	2016
	P262,246,371	P3,045,005	P259,201,366	
MCIT:				
2016	P56,861	P-	P56,861	2019

The Parent Company recognized deferred tax liability in OCI amounting to P0.63 million and P3.61 million which pertains to income tax effect of the remeasurement gains on retirement plan recognized in OCI for the year ended December 31, 2016 and 2015, respectively.

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2016	2015	2014
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Nontaxable income	(50.26)	(29.25)	(29.81)
Interest income subjected to final tax	(0.23)	(0.15)	(0.22)
Nondeductible expenses	0.06	0.04	(0.52)
Nondeductible Capital Loss	20.50%	-	-
Movement in unrecognized deferred tax assets	0.41	0.28	0.97
Effective income tax rate	0.48%	0.92%	0.42%



16. Financial Instruments and Capital Management

Financial Risk and Capital Management Objectives and Policies

Capital Management

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

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

The Parent Company is not subject to any externally imposed capital requirements.

The following table shows the component of the Parent Company's capital as of December 31, 2016 and 2015.

	2016	2015
Total paid-up capital	₱17,949,867,705	₱17,949,867,705
Retained earnings	4,836,586,278	7,438,630,119
	₱22,786,453,983	₱25,388,497,824

Financial Risk

The Parent Company's principal financial liabilities comprise accounts and other payables (excluding statutory liabilities) and subscription payable as of December 31, 2016 and 2015. The main purpose of the Parent Company's financial liabilities is to raise financing for the Parent Company's operations. The Parent Company has various financial assets such as cash and cash equivalents and receivables, which arise directly from its operations. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk (i.e., foreign currency risk and interest rate risk).

The BOD reviews and agrees with policies for managing each of these risks. The Parent Company monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.

The Parent Company's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Parent Company's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Credit Risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company's exposure to credit risk arises from default of the counterparties which mostly are related parties. Nevertheless, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.



With respect to the credit risk arising from the financial assets of the Parent Company, which comprise cash and cash equivalents (excluding cash on hand), receivables and due to related parties, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks that have proven track record in financial soundness.

The carrying values of loans and receivables represent the maximum exposure to credit risk.

As of December 31, 2016 and 2015, the credit quality per class of loans and receivables are as follow:

	2016				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash in bank and cash equivalents	₱5,053,738,087	₱-	₱-	₱-	₱5,053,738,087
Receivables*	2,227,885,094	-	-	3,555,333	2,231,440,427
Total	₱7,281,623,181	₱-	₱-	₱3,555,333	₱7,285,178,514

*excludes receivables from officers and employees for liquidation

	2015				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash in bank and cash equivalents	₱3,695,115,711	₱-	₱-	₱-	₱3,695,115,711
Receivables*	931,983,071	-	-	5,453,600	937,436,671
Total	₱4,627,098,782	₱-	₱-	₱5,453,600	₱4,632,552,382

*excludes receivables from officers and employees for liquidation

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Receivables are considered Grade A due to the Parent Company's positive collection experience.

Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. In the Parent Company's assessment, there are no financial assets that will fall under this category since accounts are being collected on time.

Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. In the Parent Company's assessment, there are no financial assets that will fall under this category since they are transacting only with their subsidiaries and associates who have good financial condition based on current operation.

The Parent Company determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.



As of December 31, 2016 and 2015, the aging analysis of the Parent Company's loans and receivables presented per class is as follows:

	2016							Impaired financial assets	Total
	Neither Past due nor Impaired	Past due but not impaired							
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Cash in bank and cash equivalents	₱5,053,738,087	₱-	₱-	₱-	₱-	₱-	₱-	₱5,053,738,087	
Receivables									
Dividend receivable	100,000,000	-	-	-	-	-	-	100,000,000	
Due from related parties	2,117,719,511	-	-	-	-	-	2,983,278	2,120,702,789	
Accrued interest	10,165,583	-	-	-	-	-	-	10,165,583	
Other receivable	-	572,055	-	-	-	-	-	572,055	
Total	₱7,281,623,181	₱572,055	₱-	₱-	₱-	₱-	₱2,983,278	₱7,285,178,514	

	2015							Impaired financial assets	Total
	Neither Past due nor Impaired	Past due but not impaired							
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Cash in bank and cash equivalents	₱3,695,115,711	₱-	₱-	₱-	₱-	₱-	₱-	₱3,695,115,711	
Receivables									
Dividend receivable	900,000,000	-	-	-	-	-	-	900,000,000	
Receivables from sale of investment property	27,197,428	-	-	-	-	-	-	27,197,428	
Due from related parties	2,741	-	-	-	-	-	2,983,278	2,986,019	
Accrued interest	4,782,903	-	-	-	-	-	-	4,782,903	
Management fee receivable	-	1,176,000	-	-	-	1,176,000	-	2,352,000	
Other receivable	-	118,321	-	-	-	-	-	118,321	
Total	₱4,627,098,783	₱1,294,321	₱-	₱-	₱-	₱1,176,000	₱2,983,278	₱4,632,552,382	

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash and cash equivalents deemed sufficient to fund its monthly cash requirements, at least for the next four to six months. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash equivalents, receivables, other short-term investments and due from related parties. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. The Parent Company 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.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:

- 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.
- Diverse funding sources.
- 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.



As part of its liquidity risk management, the Parent Company 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 obtaining bank loans.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as of December 31, 2016 and 2015 based on contractual undiscounted payments:

	2016					Total
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	
Loans and Receivables						
Cash and cash equivalents	₱5,053,746,087	₱-	₱-	₱-	₱-	₱5,053,746,087
Receivables*	2,228,457,149	-	-	-	-	2,228,457,149
	7,282,203,236					7,282,203,236
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	₱2,551,323	₱-	₱-	₱-	₱-	2,551,323
Dividends payable	5,432,861	-	-	-	-	5,432,861
Other current payable	15,963,797	-	-	-	-	15,963,797
Other noncurrent liabilities	-	-	-	-	1,000,000	1,000,000
	23,947,981				1,000,000	24,947,981
Liquidity gap	₱7,258,255,255	₱-	₱-	₱-	(₱1,000,000)	₱7,257,255,255

*excludes receivables from officers and employees for liquidation

**excludes statutory liabilities

	2015					Total
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	
Loans and Receivables						
Cash and cash equivalents	₱3,695,123,711	₱-	₱-	₱-	₱-	₱3,695,123,711
Receivables*	934,453,393	-	-	-	-	934,453,393
	4,629,577,104					4,629,577,104
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	₱13,542,249	₱-	₱-	₱-	₱-	₱13,542,249
Dividends payable	6,005,984	-	-	-	-	6,005,984
Other current payable	528,748	-	-	-	-	528,748
Other noncurrent liabilities	-	-	-	-	1,000,000	1,000,000
	20,076,981				1,000,000	21,076,981
Liquidity gap	₱4,609,500,123	₱-	₱-	₱-	(₱1,000,000)	₱4,608,500,123

*excludes receivables officers and employees for liquidation

**excludes statutory liabilities

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates (interest rate risk), foreign exchange rates (foreign currency) and market prices (equity price risk).

Foreign Currency Risk

The Parent Company's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US Dollar (\$) for its cash and cash equivalents. Approximately 0.25% and 4.20% of cash and cash equivalents as of December 31, 2016 and 2015, respectively, were denominated in US Dollar.

Information on the Parent Company's foreign currency denominated monetary assets and Philippine Peso (PHP) equivalents which pertains to cash and cash equivalents as of December 31, 2016 and 2015 follow:

	USD	Peso Equivalent
2016	\$251,688	₱12,537,244
2015	\$3,295,983	₱155,108,958



In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱49.72/USD1.00 and ₱47.06/USD1.00 as at December 31, 2016 and 2015, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets). There is no impact on the Parent Company's equity other than those already affecting the income.

			Effect on income before income tax	
	2016	2015	2016	2015
US Dollar	+5.65%	+5.99%	₱683,720	₱9,291,029
	-5.65%	-5.99%	(730,354)	(9,291,025)

The Parent Company recognized ₱0.49 million and ₱7.63 million foreign exchange gains for the year ended December 31, 2016 and 2015, respectively, arising from the translation of the Parent Company's cash and cash equivalents.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

As of December 31, 2016 and 2015, the Parent Company has no outstanding floating rate financial instruments. Accordingly, the Parent Company is not sensitive to cash flow interest rate fluctuations.

Short-term investments bear fixed interest rates for the period of the investment.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and accounts and other payables approximate their fair values due to the relative short-term nature of the transactions.

The carrying amounts of other noncurrent liabilities approximate their fair value because the liability is due and demandable.

17. Commitments and Contingencies

Operating Lease Commitment

Parent Company as a Lessee

The Parent Company has a lease agreement with Asia Industries, Inc., which ended in May 31, 2015. The lease is automatically renewable, unless termination is agreed by both parties. The lease agreement was renewed for five (5) years from June 1, 2015 to May 31, 2020.

The total rental fees charged against operations amounted to ₱3.13 million and ₱2.99 million in 2016 and 2015, respectively which are included under "General and administrative expenses" in the parent company statements of comprehensive income (Note 13).



As of December 31, 2016 and 2015, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2016	2015
Within one (1) year	₱3,289,832	₱2,990,756
After one (1) year but not more than five (5) years	9,323,435	14,426,560
Total future minimum lease payments	₱12,613,267	₱17,417,316

Contingencies

The Parent Company is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the parent company financial statements.

The information usually required by PAS 37, *Provisions, Contingent liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made during the year.

