

COVER SHEET

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

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

(Company's Full Name)

3 R D F L R . D A C O N B L D G . 2 2 8 1

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

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

HERBERT M. CONSUNJI
Contact Person

888-3000
Company Telephone Number

(Third Tuesday of May)

1 2 3 1
Month Day

SEC Form 17-A
FORM TYPE

0 5 2 1
Month Day

Fiscal Year

Annual Meeting

N.A.
Secondary License Type, If Applicable

C F D
Dept Requiring this Doc

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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, 2018
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	960	960.00
TOTAL	13,277,470,960	Php13,277,470,960.00

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

Yes [X] No []

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

12. Check whether the issuer:

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

Yes ☒ [X]

No ☐ []

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

Yes ☒ [X]

No ☐ []

13. **Php 45,214,842,588.20**

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, 2018 (Part II C)

(b) Exhibits and Schedules (Part V)

DMCI HOLDINGS, INC.
ANNUAL REPORT ENDING DECEMBER 31, 2018

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- b. Consolidated Balance Sheets
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- d. Map of the relationships of the companies within the group (Part 1, 4H)
- e. Schedule of Financial Ratios

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 extract greater value from the engineering expertise and construction resources of D.M. Consunji, Inc., the pioneering contractor behind some of the biggest and most complex infrastructures in the Philippines. It was listed on the Philippine Stock Exchange on December 18, 1995.

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

D. M. Consunji, Inc. (DMCI), a wholly owned subsidiary, is engaged in general construction services. It is also engaged in various construction component businesses such as the production and trading of concrete products and electrical and foundation works. Incorporated and founded in 1954, DMCI is currently one of the leading engineering and construction firms in the country. It operates in four key construction segments: building, energy, infrastructure, and utilities. Over the years, its pioneering methodologies and expertise have allowed it to complete 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 residential 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), a 56.65% subsidiary and is engaged in the exploration, mining, development and sales of coal resources on Semirara Island in Caluya, Antique. It is the largest coal producer in the country. SMPC has two wholly owned subsidiaries, Sem-Calaca Power Corporation (2x300 MW) and Southwest Luzon Power Generation Corporation (2x150 MW). The two companies provide baseload power through bilateral contracts with distribution utilities. Excess generation is sold to the Wholesale Electricity Spot Market (WESM).

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

supply agreements with local electric cooperatives. It currently operates and maintains bunker-fired power plants and diesel generating sets in parts of Masbate, Oriental Mindoro, 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 is located in Berong, Long Point, Moorsom and Ulugan, all in the province of Palawan, while the latter is located in Acoje, Zambales. Both mining companies use open pit technique to extract nickel, chromite and iron laterite.

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

The lists of subsidiaries, associates and joint venture as well as the information of each operating segment of the Company are contained in the attached Consolidated Financial Statements as of December 31, 2018.

Any bankruptcy, receivership or similar proceeding

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

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

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

Business of Issuer

Principal products or services and their markets

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

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

Except for coal and nickel segments, revenues of the Group were primarily derived from sales within the Philippines. Excluding coal sales to its own power plant, export sales from coal segment accounted for 56%, 66% and 71% of coal sales in 2018, 2017 and 2016, respectively. For nickel segment, 100% are export sales.

Distribution methods of the products or services

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

Status of any publicly-announced new product or service

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

Competition

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

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

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

Dependence on single customer or a few customers

DMCI Holdings has successfully diversified into various business segments and market base. Total revenue consists of the following: coal (28%), real estate (25%), on-grid power (23%), construction (18%), off-grid power (5%) and nickel (1%). The subsidiaries have various customers in terms of location, profile and target market such that the loss of a few customers would not have a material adverse effect on DMCI Holdings and its subsidiaries taken as a whole.

Transactions with and/or dependence on related parties

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

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

Not applicable to DMCI Holdings, Inc. For DMCI, it is and remains a quadruple-A ("AAAA") licensed contractor, given by the Philippine Construction Accreditation Board (PCAB), in consideration of certain minimum requirements such as: (1) financial capacity; (2) equipment capacity; (3) experience of firm; and (4) experience of technical personnel. The Quadruple A license is currently the highest given to firms that satisfy the institution's requirements and allows the AAAA builder-developer to qualify to be invited to foreign bids. PDI is also recognized as a Quadruple A contractor by PCAB on January 2017. It is the first real estate firm to be recognized as such. Meanwhile, SMPC has existing royalty agreements with the Department of Energy (DOE) and land claimants. SMPC is in full compliance with its existing royalty agreements as of December 31, 2018.

Need for any government approval of principal products or services

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

Effect of existing or probable governmental regulations to the business

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

Estimate of amount spent for research and development activities

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

Costs and effects of compliance with environmental laws

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

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

Total Number of Employees

The total number of full-time employees of the Company is fourteen (14) who are neither unionized nor covered by special incentive arrangements.

Major Risks

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

The Company identified three key risk management areas.

1. Key people movement

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

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

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

2. Portfolio management

Financial stability of the holding company

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

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

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

Entering into new or allied investments

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

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

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

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

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

3. Regulatory and compliance risk

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

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

B. PROPERTIES

The Company and its subsidiaries own and lease several tracts of land for operations and for administrative/office use. The leases are renewable under such terms and conditions that are agreed upon by the contracting parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to Note 37 of the accompanying Notes to the Consolidated Financial Statements for further details on lease agreements.

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

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

SEMIRARA MINING AND POWER CORPORATION

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

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
Poocan 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

Its power subsidiaries also own the following property and equipment:

1. 2x300 MW and 2x150 MW coal fired thermal power plant and 2x25 MW gas turbine with its major components and accessories
2. Land – Calaca, Batangas
3. Staff Housing Units
4. Guest House
5. Pier
6. Conveyor Unloading System
7. Coal Stockyard

8. Administrative Building
9. Motorpool

D.M. CONSUNJI, INC.

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

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
TRANSP. 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

DMCI POWER

DMCI Power and its subsidiary owns the following power plants as of December 31, 2018:

- 12.40MW bunker-fired and 22.29MW diesel generator in Masbate
- 9.90MW bunker-fired and 42.34MW diesel generator in Palawan
- 15.56MW bunker-fired plant in Oriental Mindoro
- 3.69MW diesel-fired in Sultan Kudarat

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

DMCI MINING CORPORATION

All mining equipment are own by its operating subsidiaries, namely Berong Nickel Corporation and Zambales Diversified Metals 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, Maria Cristina C. Gotianun, David Consunji, Edilberto C. Palisoc, and the Corporation's Corporate Secretary and Assistant Corporate Secretary, Atty. Noel A. Laman and Atty. Ma. Pilar Pilares-Gutierrez. The complainants alleged that DMCI failed to deliver the transfer certificate of title over the parcel of land they bought in Mahogany Place III, one of the developments of DMCI-PDI. In a Resolution dated February 16, 2016, the Office of the City Prosecutor for Taguig City dismissed the Complaint-Affidavit dated November 6, 2014 of complainants Andrew David Pope and Annalyn Pope, because of Spouses Pope's failure to show the element of deceit as would establish probable cause to indict the respondents for syndicated estafa. Spouses Pope filed a Petition for Review dated May 6, 2016 ("Petition") with the Department of Justice ("DOJ"), seeking to reverse and set aside the Taguig City Prosecutor's Office's ("TCPO") Resolution dated February 16, 2016 insofar as it dismissed Pope Spouses' complaint for syndicated estafa against the Corporation's directors and officers. The impleaded officers and directors filed their Comment on May 27, 2016. The review is still pending with the DOJ.

(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

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

The high and low sales prices of the Company's equity at the Philippine Stock Exchange for each quarter of the last two fiscal years and the first quarter of 2019 are set forth below.

Common Share Prices

		High	Low
2017	First Quarter	13.58	11.26
	Second Quarter	15.20	11.40
	Third Quarter	16.70	14.20
	Fourth Quarter	16.48	13.86
2018	First Quarter	15.18	12.12
	Second Quarter	12.80	9.82
	Third Quarter	12.96	10.54
	Fourth Quarter	13.86	11.22

		High	Low
2019	First Quarter	13.00	11.08

Preferred Share Prices

		High	Low
2017	First Quarter	—	—
	Second Quarter	—	—
	Third Quarter	—	—
	Fourth Quarter	—	—
2018	First Quarter	—	—
	Second Quarter	—	—
	Third Quarter	—	—
	Fourth Quarter	—	—
2019	First Quarter	—	—

Price information as of the latest practicable trading date: As of **March 29, 2019**:

	High	Low	Close	Volume
Common Shares	12.14	11.96	12.0	7.08 million
Preferred Shares	—	—	—	—

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

(2) Holders

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

Number of Shareholders: As of March 31, 2019, the Company had a total of 711 shareholders of which 700 were holders of common shares 11 were holders of preferred shares.

Common Shares: 13,277,470,000 - Of the total outstanding common shares, 1,976,506,594 common shares representing 14.89% of the outstanding common shares are owned by foreign shareholders as of December 31, 2018.

Title of Class	Name	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation	Filipino	6,839,387,309	51.51%
Common	DFC Holdings, Inc.	Filipino	2,380,442,010	17.93%
Common	Philippine Central Depository, Inc. (PCD)	Foreigner	1,966,881,744	14.81%
Common	Philippine Central Depository, Inc. (PCD)	Filipino	1,642,959,841	12.37%

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of December 31, 2018 as contained in Exhibit (2) is herein incorporated by reference.

(3) Dividends

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

1. On April 5, 2017, the BOD of the Parent Company declared cash dividends amounting P0.24 regular dividends and P0.24 special cash dividends per outstanding common shares in favor of the common stockholders of record as of April 21, 2017. This was paid on May 5, 2017 with a total amount of P6,373 million.
2. On March 8, 2018, the BOD of the Parent Company declared cash dividends amounting P0.28 regular dividends and P0.20 special cash dividends per outstanding common shares in favor of the common stockholders of record as of March 23, 2018. This was paid on April 6, 2018 with a total amount of P6,373 million.
3. A special cash dividend was declared on November 19, 2018 amounting to P0.48 per outstanding common share in favor of stockholders of record as of December 5, 2018. This was paid on December 18, 2018 with a total amount of P6,373 million.

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2018

Full Year 2018 vs Full Year 2017

I. RESULTS OF OPERATIONS

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

NET INCOME AFTER NON-CONTROLLING INTERESTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SEMIRARA MINING AND POWER CORPORATION

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

COAL

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

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

POWER

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

PROFITABILITY

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

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

DMCI HOMES

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

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

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

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

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

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

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

MAYNILAD

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

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

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

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

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

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

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

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

Rate Rebasing Update

In September 2018, MWSS approved Maynilad's Rebasing adjustment for the Fifth Rate Rebasing Period (2018 to 2022) of P5.73 per cubic meter which will be implemented on a staggered basis over four years.

However, the matter of Maynilad's tariffs for the entire 2013-2017 five-year Business Plan period and two related arbitration awards in its favor, remain unresolved. In summary:

- In 2015, Maynilad received an arbitration award in its favor against the Metropolitan Waterworks and Sewerage System ("MWSS"), which centered on treatment of Corporate Income Tax as an expense to be recovered through the tariff. The dispute on implementing this tariff is working its way through the Philippine Court System with MWSS now seeking recourse to the Supreme Court following awards in Maynilad's favor by lower courts.
- On 24th July 2017, Maynilad was notified by an arbitration panel in Singapore that it had ruled in Maynilad's favor on its claim to recover from the Republic of the Philippines ("RoP") revenues forgone because of the failure to increase tariff. On 4th October 2018, the Singapore High Court upheld the award in favor of Maynilad and dismissed RoP's Setting Aside Application in February 2018.

Maynilad is striving to meet its service obligations but financing these requires resolution of the remaining claim and tax recovery matters.

D.M. CONSUNJI, INC.

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

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

Order book (balance of work) at the end of December 2018 stood at P27.9 billion, 12% up from P24.8 billion at the close of 2017. Awarded projects during the year totaled P12.3 billion which includes Civil Works for Plant Expansion Project of JG Summit Petrochemical Corp., Metro Manila Skyway Stage 3 Nagtahan Rampway of Citra Central Expressway Corp., Pasay Trenchless Pipelaying of Maynilad, and various building projects including SM Mall of Asia Block 4 of SM Prime Holdings,

Connor of Ortigas & Co., De La Salle College of St. Benilde Academic, Sports and Dormitory Buildings and The Estate Makati of ST 6747 Resources Corporation (a joint venture of SM Development Corporation and Federal Land).

DMCI POWER (SPUG)

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

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

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

P2.7 billion last year. On the other hand, total costs (under cost of sales and operating expenses) went up by 55% to P3.5 billion also driven by higher fuel prices.

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

DMCI MINING

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

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

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

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

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

Explanation of movement in consolidated income statement accounts:

Revenue

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

Cost of Sales and Services

Consolidated cost of sales and services grew at a faster pace than revenues at 12% from P46.2 billion in 2017 to P51.9 billion in 2018. The rise in cost is due mainly to higher cost of materials and the reclassification of broker's commission which was previously presented under operating expenses of the real estate business.

Gross Profit

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

Operating Expenses

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

Equity in Net Earnings

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

Finance Costs

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

Finance Income

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

Other Income-net

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

Provision for Income Tax

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

II. CONSOLIDATED FINANCIAL CONDITION

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

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

Consolidated cash contracted by 39% from P25.3 billion in December 31, 2017 to P15.5 billion in December 31, 2018. The company generated a healthy cash flow from operations amounting to P18.5 billion but higher dividends and capital expenditures during the year reduced the ending cash balance as of year-end.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. KEY RESULT INDICATORS

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

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

SEGMENT REVENUES

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

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

NET INCOME AFTER NON-CONTROLLING INTERESTS

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

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

EARNINGS PER SHARE

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

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

RETURN ON COMMON EQUITY

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

NET DEBT TO EQUITY RATIO

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

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

FINANCIAL SOUNDNESS RATIOS

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

PART II--OTHER INFORMATION

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD DECEMBER 31, 2017

Full Year 2017 vs Full Year 2016

I. RESULTS OF OPERATIONS

Below is a table on the net income contributions of the Company's businesses for 2017 and 2016:

NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Year		Variance	
	2017	2016 Restated ¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P7,972	P6,906	P1,066	15%
DMCI HOMES ¹	3,551	2,419	1,132	47%
MAYNILAD	1,648	1,865	(217)	-12%
D.M. CONSUNJI, INC.	1,043	938	105	11%
DMCI POWER (SPUG)	359	424	(65)	-15%
DMCI MINING	113	(65)	178	274%
PARENT & OTHERS	79	82	(3)	-4%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAINS	14,765	12,569	2,196	17%
ONE-TIME INVESTMENT GAINS	—	111	(111)	-100%
REPORTED NET INCOME	P14,765	P12,680	P2,085	16%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

DMCI Holdings, Inc. (the "Company") recorded a 16 percent increase in consolidated net income in 2017 due to higher profit contributions from its coal energy, real estate, construction and nickel mining businesses.

Consolidated net income rose to P14.8 billion in 2017 from P12.7 billion last year, following the restatement of prior year results of DMCI Homes. The restatement reflects the shift in accounting policy from completed contract method to percentage of completion (POC) method, which was done to align with current accounting practice in the real estate industry.

The Company likewise posted an 18 percent growth in consolidated revenues from P68.3 billion in 2016 to P80.7 billion in 2017 driven by the double-digit growth in sales in coal energy, real estate and off-grid power businesses. Meanwhile, EBITDA rose to P32.7 billion, 24 percent up from P26.3 billion recorded last year.

Net income contributions from Semirara Mining and Power Corporation jumped 15 percent from P6.9 billion to P8.0 billion due to the 20 percent increase in average coal prices and 21 percent increase in gross electric output.

All-time high real estate sales led to a 47 percent surge in net income contribution of DMCI Homes, from P2.4 billion restated income in 2016 to P3.6 billion in 2017.

Meanwhile, net earnings share from affiliate Maynilad contracted 12 percent from P1.9 billion to P1.6 billion because of the delayed implementation of its tariff adjustment, coupled with a one-time-gain last year from the re-measurement of its deferred tax liability using Optional Standard Deduction in computing income tax.

Net income contributions from D.M. Consunji, Inc. increased 11 percent from P938 million to slightly over P1 billion due to lower operating costs and additional revenue from contract modification.

Off-grid energy business DMCI Power Corporation ended the year with a 15 percent decline in profitability. From P424 million, its earnings slipped to P359 million due primarily to the expiration of its income tax holiday for its Masbate operations.

DMCI Mining Corporation returned to profitability in 2017, after a significant drop in operating costs and shipping 525 thousand wet metric tons of nickel ore from its old inventory. From a net loss of P65 million in 2016, the nickel company recorded P113 million net income in 2017.

DMCI Holdings and other investments income slipped 4 percent from P82 million to P79 million due to the full period effect of the partial sale of its stake in Subic Water and Sewerage Company (Subic Water). The Company, through its subsidiary DMCI Project Developers, Inc., sold 10 percent and retained 30 percent of Subic Water's outstanding capital stock.

Excluding a one-time gain of P111 million from the partial sale of its stake in Subic Water in 2016, consolidated net income rose 17 percent year-on-year from P12.6 billion to P14.8 billion.

SEMIRARA MINING AND POWER CORPORATION

The coal and on-grid power businesses are reported under Semirara Mining and Power Corporation, a 56.54% owned subsidiary of DMCI Holdings, Inc.

COAL

Expanded mining capacity allowed Semirara to produce 13.2 million metric tons (MT) of coal in 2017, a 3% improvement from 12.8 million MT last year. Meanwhile, coal volume grew by 2% from 12.8 million MT in 2016 to 13.1 million MT in 2017. Coal exports reached 6.4 million MT accounting for 49% of total sales volume during the period. Meanwhile, domestic coal sales volume reached 6.7 million MT, 28% up from 5.3 million MT last year as power and cement plant customers increased their off-take this year. Average selling price of coal rose by 20% from P1,886 in 2016 to P2,268 in 2017 as global coal prices are significantly higher this year than last year. On the other hand, strip ratio during the year increased to 9.51:1 from 5.27:1 last year resulting to higher coal cost of sales in 2017. The favorably low stripping ratio in 2016 is due to the wrap-up activities in the Panian mine while strip ratio for 2017 pertains to the full operations of the new mines, Molave and Narra.

POWER

Power generation from 2x300 MW Units 1 and 2 and 2x150MW Units 3 and 4 totaled 5,202 GWh in 2017 compared to 4,288 GWh last year. The 21% growth was mainly due to the increased capacity of Unit 1 after upgrading works made during the first quarter of the year. Unit 1 current capacity increased to 250-270MW from 180-200MW last year. The full year operations of the 2x150 MW in 2017 also contributed to higher power generation during the year. Consequently, total volume sold in 2017 stood at 5,159 GWh, 7% up from

4,801 GWh sold last year. Meanwhile, average price rose by 9% from P3.65/KWh in 2016 to P3.96/KWh in 2017. Higher global coal prices in 2017 pulled up fuel component of Bilateral Contract Quantity (BCQ) pricing.

PROFITABILITY

Consolidated net income after tax surged 18% to P14.2 billion in 2017 from P12.0 billion in 2016. Net of eliminations, the coal segment generated a net income of P6.1 billion up by 12% from last year, while Sem-Calaca (Units 1 and 2) and Southwest Luzon Power and Generation (Units 3 and 4) generated P4.6 billion and P3.7 billion, respectively, or a 25% increase from last year for the power segment. As a result, net income contribution to the Parent Company improved 15% from P6.9 billion in 2016 to P8.0 billion in 2017.

For detailed information – refer to SMPC SEC 17-A filed with SEC and PSE.

DMCI HOMES

DMCI Project Developer's Inc. (PDI) net income contribution amounted to P3.6 billion in 2017, a 47% surge from P2.4 billion last year. The strong double-digit growth was mainly driven by the 45% improvement in revenues from P13.8 billion in 2016 to P19.9 billion in 2017. On the other hand, total costs (under cost of sales and operating expenses) grew at a slightly slower pace of 44% to P15.7 billion in 2017 from P10.9 billion in 2016.

On June 2017, DMCI PDI changed its accounting policy on recognition of real estate sales and cost of sales from completed contract method to Percentage of Completion (POC) method as allowed under the Philippine Financial Reporting Standards (PFRS). The shift in accounting policy is to align the company's revenue recognition with the current practice in the industry.

Sales and reservations jumped 22% from P31.2 billion in 2016 to P38.0 billion this year buoyed by strong demand for residential condominium coming from new launches as well as existing projects.

During the year, the Company has launched four new projects with a total estimated sales value of P32.8 billion, namely Prisma Residences in Pasig City, Mulberry Place in Taguig City, The Orabella in Quezon City and Kai Garden Residences in Mandaluyong City.

Capex disbursements grew by 51% to P12.2 billion from P8.1 billion last year. Of the amount spent in 2017, 77% went to development cost and the rest to land and asset acquisition.

MAYNILAD

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

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

During the year, billed volume grew by 2.6%, from 498.60 million cubic meters (mcm) to 511.66 mcm. Meanwhile, water supply increased by 6.2% which is faster than billed volume growth resulting to a relatively higher average non-revenue water of 32.26% compared to 29.93% last year.

Continued expansion mostly into the southern areas of the concession, namely in Cavite, Muntinlupa, Las Piñas and Paranaque, brought connections up to a total of 1,358,758 billed services, a 3.5% growth from last year.

Maynilad's water service revenue rose by 2.9% to P16.59 billion from P16.12 billion last year mainly due to higher billed volume during the period coupled with the 1.9% inflation rate adjustment on Maynilad's basic charge implemented last April 2017. The new rebased rates won by Maynilad in arbitration remain unimplemented.

Cash operating expenses grew by 14.5% due to higher personnel cost as a result of a redundancy and right-sizing program to optimize headcount and higher light and power costs during the period. Excluding these two items, all other expenses declined 4.5%.

As a result, EBITDA stood at P13.7 billion in 2017, a 3.9% decline from P14.3 billion last year due to the delay in implementation of the rate rebasing tariff that is needed to cover the growth in cash operating expenses.

Noncash operating expenses rose by 11.6% primarily driven by increases in amortization of intangible assets which grew in line with Maynilad's continuing capital expenditure program.

Meanwhile, reported net income grew 0.8% to P6.83 billion in 2017 compared to P6.78 billion in 2016 due to lower taxes as a result of deferred tax asset adjustment last year.

After adjustments at the consortium company level, the Company's equity in net earnings reported a 12% drop to P1.6 billion from P1.9 billion last year due to the re-measurement of deferred tax liability recorded in 2016 in the consortium level regarding the use of the optional standard deduction (OSD) in computing its income tax.

Rate Rebasing Update

The matter of Maynilad's tariffs for the entire 2013-2017 five-year Business Plan period, together with the two related arbitration awards in its favor, remain unresolved. In summary:

- In 2015, Maynilad received an arbitration award in its favor against the Metropolitan Waterworks and Sewerage System ("MWSS"), which centered on treatment of Corporate Income Tax as an expense to be recovered through the tariff.
- MWSS did not act on this award and so Maynilad, in accordance with its concession agreement, sought to be kept whole by the Republic of the Philippines ("RoP"). RoP refused to act on this so Maynilad, with reluctance, launched an arbitration claim in Singapore seeking full recovery of forgone revenues. On 24th July 2017, Maynilad was notified that all three members of the arbitration panel voted unanimously to uphold its claim.
- On 9th February 2018, the RoP unexpectedly applied to the High Court in Singapore seeking to have the award in Maynilad's favor vacated. Furthermore, the RoP is seeking to have the hearings in secret rather than in open court.

Maynilad is in constructive and collaborative dialogue with a newly revitalized MWSS regarding the 2018-2022 five-year Business Plan. However, it appears that the matter of the Corporate Income Tax recoverability through the tariff and the now sizeable cash claim on the RoP will take further time to resolve. While Maynilad strives to meet its service obligations, the ongoing refusal of MWSS and RoP to address either the tariff matter or the revenue claim is hampering financing of the required capital expenditures.

D.M. CONSUNJI, INC.

Earnings from construction business grew 11% from P938 million to slightly over P1.0 billion in 2017. Construction revenues from external customers for the year stood at P13.1 billion, a 5% slip from P13.8 billion in 2016 as major infrastructure projects were substantially completed last year. On the other hand, total costs (under cost of services and operating expenses) declined at a faster pace of 7% from P12.5 billion in 2016 to P11.7 billion in 2017. Consequently, total operating income grew by 7% due to lower operating costs and favorable settlement of pending claims.

The Company reported a total order book (balance of work) of P24.8 billion at the end of December 2017, from P20.1 billion at the close of 2016. Awarded projects during the year totaled P15.5 billion which includes Cavite- Laguna Expressway Project of MPCALA Holdings, Inc., a petrochemical plant of JG Summit, Maven of Ortigas & Co., Anchor Grandsuites of Anchor Land Holdings, Bued Viaduct and Roadway of Private Infra Development Corporation, 105MW conventional power plant of Sarangani Energy Corporation.

Meanwhile, major ongoing projects in the orderbook include among others, Metro Manila Skyway Stage 3 of Citra Central Expressway Corp., Six Senses Resort (Phase 2) of Federal Land, LRT2 Masinag Stations of the Department of Transportation, City Gate of Ayala Land, The Imperium and The Royalton of Ortigas & Co. and Radiance Manila Bay (North and South) of Robinson Land Corporation.

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, 2017, the total installed rated capacity is 99.54MW. Out of the total, 31.85MW (12.40MW bunker-fired and 19.45MW diesel) is in Masbate, 48.44MW (9.90MW bunker-fired and 38.54MW diesel) is 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.

Sales volume reported in Masbate (98.82 GWh), Palawan (97.77 GWh) and Mindoro (50.47 GWh) totaled 247.06 GWh, a 4% growth due to increase energy dispatch of the electric cooperatives to our plants. Total off-grid revenue went up by 18% to P2.7 billion from P2.3 billion last year due to higher fuel prices which pulled up the average selling price. Meanwhile, total cash expenses (under cost of sales and operating expenses) grew at a faster pace at 20% to P2.1 billion this year also driven by higher fuel prices for the year. As a result, EBITDA stood at P678 million in 2017, 7% up from P633 million in 2016.

Net income contribution of the off-grid power segment slipped by 15% from P424 million in 2016 to P359 million in 2017 despite the improvement in EBITDA. The decline is due mainly to the expiration of income tax holiday of DMCI Masbate Power.

DMCI MINING

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

DMCI Mining Corporation returned to profitability in 2017, after a significant drop in operating costs and shipping from its old inventory. From a net loss of P65 million in 2016, the nickel company recorded P113 million net income in 2017.

Revenues amounted to P759 million in 2017 compared to P1.6 billion in 2016 driven by fewer nickel ore shipments as there were no production due to the suspension and closure orders from the Department of Environment and Natural Resources (DENR). Nickel ore shipments during the year came from the existing stockpiles in response with the order to remove such from the DENR.

Composite average price declined by 1% from P1,456 per WMT to P1,446 per WMT in 2017 while average ore grade is 1.59% in 2016 compared to 1.51% in 2017.

The segment's total depletion, depreciation and amortization amounted to P110 million in 2017 compared to P307 million in 2016. Meanwhile, total company cash cost per WMT (under cost of sales and operating expenses) amounted to P1,123 per WMT in 2017 compared to P1,085 per WMT in 2016.

DMCI Mining Corporation is currently dealing with the Order of Suspension issued against Berong Nickel Corporation, and the Closure Order issued against Zambales Diversified Metals Corporation. Both have pending appeals to reopen with the Office of the President to resume operations. DENR is also conducting a review of the mining audits that have recommended the suspension or closure of several mining companies.

Explanation of movement in consolidated income statement accounts:

Revenue

Consolidated revenue in 2017 amounted to P80.7 billion compared to P68.3 billion last year. The 18% upsurge was mainly driven by higher percentage of completion revenues in the real estate business, the increase in generation due to the improved capacity of the on-grid power business and higher average prices in the coal business.

Cost of Sales and Services

Consolidated cost of sales and services grew at a slower pace than revenues at 13% from P41.0 billion in 2016 to P46.2 billion in 2017 due to lower replacement power after upgrading works done for Calaca Unit 1 and the lower operating costs of the nickel and construction businesses.

Gross Profit

Gross profit rose by 26% from P27.3 billion to P34.5 billion in 2017. On-grid power, coal, real estate and construction businesses contributed to the increase in gross profit from last year.

The 21% improvement in power generation and 9% rise in average selling prices contributed to higher gross profit from the on-grid power business. Meanwhile, gross profit from the coal business also increase mainly due to higher average selling price during 2017. From P1,886 in 2016, average selling price of coal rose by 20% to P2,268 in 2017. Higher percentage of completion revenues in the real estate business and lower operating costs in the construction business also contributed to the growth in consolidated gross profit in 2017.

Operating Expenses

Higher coal revenue generated during the period resulted to the increase in government royalties from P2.6 billion to P4.3 billion in 2017. Excluding government royalties, operating expenses actually grew by 23% due mainly to the depreciation recorded by Sem-Calaca pertaining to the components of the power plant for replacement. Full year commercial operations of the 2x150MW power plant (SLPGC) and higher commission expense in the real estate business also contributed to the increase in operating expense for 2017.

Equity in Net Earnings

Equity in net earnings of associate declined by 12% as a result of lower income take up from Maynilad consortium.

Finance Costs

Consolidated finance costs slipped by 5% due to higher capitalized interest cost of ongoing projects in real estate business.

Finance Income

Consolidated finance income slightly improved by 1% mainly due to higher average balance of cash and cash equivalents in 2017.

Other Income-net

Other income grew by 5% to P1.4 billion in 2017 due mainly to higher income from cancellation and other penalty charges in the real estate business.

Gain on Sale of Investment

This pertains to the partial sale of the 10% stake in Subic Water at the end of first quarter 2016. The Group's remaining interest in Subic Water is 30% following the sale.

Provision for Income Tax

Higher taxable profits of Sem Calaca (Units 1 and 2) and the POC accounting profits in the real estate segment accounted for the 31% increase in consolidated provision for income tax (both current and deferred) in 2017.

II. CONSOLIDATED FINANCIAL CONDITION

December 31, 2017 (Audited) vs December 31, 2016 (Audited)

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P172 billion and P94 billion, respectively as of December 31, 2017. This is an improvement of 10% and 12%, respectively

Consolidated cash and cash equivalents stood at P25.3 billion as of December 31, 2017, a 35% improvement from P18.7 billion last year due mainly to higher cash generated from operations during the year (P25.9

billion) and additional loan availment (P2.6 billion net of payments). This is despite higher dividends paid (P11 billion), capital expenditures for equipment in coal and power segments (P8.2 billion) and higher income taxes paid (P3.1 billion).

Total receivables (current and non-current) increased by 35% from P21.1 billion to P28.4 billion mainly attributed to higher recognized revenues from the real estate business.

Consolidated inventories grew by 4% from P33.4 billion to P34.7 billion coming mainly from continuing work in progress in the real estate business and higher spare parts inventory for maintenance in the on-grid power business.

Other current assets rose to P8.2 billion, a 32% increase due mainly to advances to suppliers for equipment and spare parts of the coal business and input vat of SLPGC that were recoverable within 12 months from the reporting period.

Investments in associates and joint ventures jumped by 5% to P13.5 billion mainly due to equity in net earnings from Maynilad.

Property plant and equipment remained at P55.7 billion as of end of 2017 and 2016. Acquisitions for the year were offset by higher depreciation mainly pertaining to the 2x300MW power plant components for replacement.

Investment properties slipped by 7% mainly due to amortization for the year.

Other noncurrent assets declined by 55% as deferred input vat of SLPGC were reclassified to other current assets which is expected to be applied or realized within one year.

Accounts and other payables increased by 4% to P18.8 billion mainly attributed to normal trade transactions with suppliers and subcontractor in the real estate and construction businesses.

Customers' advances and deposits expanded to P7.9 billion in 2017, 45% up from P5.5 billion last year due mainly to payments received from real estate customers, the corresponding revenue of which has yet to be recognized due to revenue collection threshold.

Payment of creditable income taxes resulted to the drop in income tax payable by 57% from last year balance.

Liabilities for purchased land rose by 45% to P2.2 billion in 2017 mainly due to the acquisition of land for real estate development.

From P2.6 billion, short-term debt dropped by 59% to P1.1 billion in 2017 due to debt repayments by the on-grid power business.

Long-term debt grew by 12% to P38.4 billion upon loan drawdown of the real estate, coal and power businesses for capital expenditures.

Deferred tax liabilities slightly increased by 1% mainly due to the excess of accounting over taxable income in real estate sales.

Other noncurrent liabilities fell by 17% to P2.3 billion in 2017 due to reclassification of noncurrent payables of the construction business which will be due within 12 months.

After generating a net income of P14.8 billion and payment of cash dividends of P6.4 billion, consolidated retained earnings stood at P58.3 billion, 17% up from P50 billion balance last year.

Non-controlling interest increased by 9% as a result of the non-controlling share in the consolidated net income of Semirara.

III. KEY RESULT INDICATORS

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

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

SEGMENT REVENUES

<i>(in Php Millions)</i>	For the Year		Variance	
	2017	2016 Restated ¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P43,944	P36,584	P7,360	20%
DMCI HOMES ¹	19,904	13,759	6,145	45%
D.M. CONSUNJI, INC.	13,066	13,817	(751)	-5%
DMCI POWER (SPUG)	2,713	2,302	411	18%
DMCI MINING	759	1,573	(814)	-52%
PARENT & OTHERS	317	252	65	26%
TOTAL REVENUE	P80,703	P68,287	P12,416	18%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

The initial indicator of the Company’s gross business results is seen in the movements of the different business segment revenues. As indicated above, consolidated revenues grew by 18% mainly driven by robust real estate sales and reservation, higher average coal prices and improved energy generation.

NET INCOME AFTER NON-CONTROLLING INTERESTS

(in Php Millions)	For the Year		Variance	
	2017	2016 Restated¹	Amount	%
SEMIRARA MINING AND POWER CORPORATION	P7,972	P6,906	P1,066	15%
DMCI HOMES ¹	3,551	2,419	1,132	47%
MAYNILAD	1,648	1,865	(217)	-12%
D.M. CONSUNJI, INC.	1,043	938	105	11%
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DMCI MINING	113	(65)	178	274%
PARENT & OTHERS	79	82	(3)	-4%
NET INCOME EXCLUDING ONE-TIME INVESTMENT GAINS	14,765	12,569	2,196	17%
ONE-TIME INVESTMENT GAINS	—	111	(111)	-100%
REPORTED NET INCOME	P14,765	P12,680	P2,085	16%

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

The net income (after non-controlling interest) of the Company have multiple drivers for growth from different business segments. In 2017, the Company reported a 16% growth in consolidated net income due to the strong performance of its real estate, coal, on-grid power, construction and nickel mining 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 P1.11/share, 16% improvement from P0.96/share EPS last year reflecting the double-digit growth in consolidated net income for 2017.

RETURN ON COMMON EQUITY

Return on common equity is defined as the amount of net income a company earns per amount of shareholders equity. It is one of the common metrics used by investor to determine how effectively their capital is being reinvested. It is arrived at by dividing the net income share of the parent company over the average parent equity. The Company's return on common equity rose by 1% point from 19.4% in 2016 to 20.5%.

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 bank debt net of cash and cash equivalents over total equity.

Total borrowings stood at P39.5 billion from P36.9 billion last year, which resulted to a net debt to equity ratio of 15% compared to 22% last year.

FINANCIAL SOUNDNESS RATIOS

	December 31, 2017	December 31, 2016 as restated¹
Current Ratio	260%	230%
Net Debt to Equity Ratio	15%	22%
Asset to Equity Ratio	184%	186%
Return on Assets	13.3%	12.5% 12.5%*
Return on Parent Equity	20.5%	19.4% 19.3%*
Interest Coverage Ratio	13.7 times	11.8 times 11.7 times*
Gross Margin (%)	42.7%%	40.0%
Net Profit Margin (%)	25.9%	26.4% 26.2%*

¹ Restated for comparative purposes using percentage of completion method for DMCI Homes

* Excluding one-time investment gain of P111 million pertaining to partial sale of Subic Water share

PART II--OTHER INFORMATION

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

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

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

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

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

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

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

External audit fees and services

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

	2018	2017
Audit and audit related fees	P19,033,074	P17,550,194
Non-audit	100,000	438,000

SGV & Co. was engaged by the Company to audit its annual financial statements in connection with the statutory and regulatory filings or engagements for the years ended 2018 and 2017. The audit-related fees include assurance and services that are reasonably related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

Tax fees

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

Non-audit fees

The non-audit fees for 2018 pertain to the validation of stockholders' votes during the annual stockholders' meetings. The non-audit fees for 2017 pertain to the validation of stockholders' votes during the annual stockholders' meetings and Corporate Governance Seminar.

Changes in and disagreements with accountants on accounting and financial disclosure

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

PART III - CONTROL AND COMPENSATION INFORMATION

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	70	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	89	Filipino
Herbert M. Consunji	Vice President & Chief Finance Officer/Director/Compliance Officer	66	Filipino
Ma. Edwina C. Laperal	Treasurer	57	Filipino
Maria Cristina C. Gotianun	Assistant Treasurer	64	Filipino
Jorge A. Consunji	Director	67	Filipino
Victor A. Consunji*	Director	68	Filipino
Luz Consuelo A. Consunji	Director	65	Filipino
Antonio Jose U. Periquet	Director (Independent)	57	Filipino
Honorio O. Reyes-Lao	Director (Independent)	74	Filipino
Victor S. Limlingan	Managing Director	75	Filipino
Noel A. Laman	Corporate Secretary	79	Filipino
Pilar P. Gutierrez	Asst. Corporate Secretary	42	Filipino
Brian T. Lim	Vice President & Senior Finance Officer	33	Filipino

Name	Position	Age	Citizenship
Cherubim O. Mojica	Vice President & Corporate Communications Head	41	Filipino
Tara Ann C. Reyes	Investor Relations Officer	41	Filipino

*passed away on December 27, 2018

REGULAR DIRECTORS

Isidro A. Consunji – is 70 years old; has served the Corporation as a regular director for twenty four (24) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corp. and Atlas Consolidated Mining and Development Corp.; **(Non-listed)** D. M. Consunji, Inc., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Calaca Res Corp., Sem-Cal Industrial Park Developers, Inc., Semirara Claystone, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corp. and Crown Equities, Inc., Wire Rope Corporation of the Philippines, Philippine Overseas Construction Board (Chairman), Construction Industry Authority of the Phils. **Education.** Bachelor of Science in Engineering (University of the Philippines), Master of Business Economics (Center for Research and Communication), Master of Business Management (Asian Institute of Management), Advanced Management (IESE School, Barcelona, Spain). **Civic Affiliations.** Philippine Overseas Construction Board, *Chairman*, Construction Industry Authority of the Philippines, *Board Member*, Philippine Constructors Association, *Past President*, Philippine Chamber of Coal Mines, *Past President*, Asian Institute of Management Alumni Association, *Member*, UP Alumni Engineers, *Member*, UP Aces Alumni Association, *Member*.

Cesar A. Buenaventura – is 89 years old; has served the Corporation as a regular director for twenty four (24) years since March 1995; is a regular/independent Director of the following: **(Listed)** Semirara Mining and Power Corp., iPeople Inc. (Independent Director), Petroenergy Resources Corp., Concepcion Industrial Corp (Independent Director); Pilipinas Shell Petroleum Corp. (Independent Director); **(Non-listed)** D.M. Consunji, Inc., Mitsubishi-Hitachi Power Systems Phils, Inc. (Chairman) **Education.** Bachelor of Science in Civil Engineering (University of the Philippines), Masters Degree in Civil Engineering, Major in Structures (Lehigh University, Bethlehem, Pennsylvania). **Civic Affiliations.** Pilipinas Shell Foundation, *Founding Member*, Makati Business Club, *Board of Trustee* University of the Philippines, *Former Board of Regents*, Asian Institute of Management, *Former Board of Trustee*, Benigno Aquino Foundation, *Past President*, Trustee of Bloomberry Cultural Foundation, Trustee of ICTSI Foundation Inc., recipient of the Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II.

Herbert M. Consunji – is 66 years old; has served the Corporation as a regular director for twenty four (24) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** D.M. Consunji, Inc., Subic Water and Sewerage Company, Inc., DMCI Mining Corp., Sem-Calaca Res Corporation, DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Cal Industrial Park Developers, Inc. **Education.** Top Management

Program, Asian Institute of Management; Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Certified Public Accountant (CPA). **Civic Affiliations.** Philippine Institute of Certified Public Accountants, *Member*, Financial Executives Institute of the Phils., *Member*, Shareholders' Association of the Phils., *Member*.

Jorge A. Consunji – is 67 years old; has served the Corporation as a regular director for twenty four (24) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corp.; **(Non-listed)** D.M. Consunji Inc., DMCI Project Developers, Inc., DMCI Mining Corp., DMCI Power Corp., DMCI Masbate Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., DMCI Concepcion Power Corp., Maynilad Water Holdings, Co. Inc., Maynilad Water Services, Inc., Dacon Corp., DFC Holdings, Inc., Beta Electric Corporation, Wire Rope Corporation of the Phils., Private Infra Dev Corp., Manila Herbal Corporation, Sirawai Plywood & Lumber Co., M&S Company, Inc. **Education.** Bachelor of Science in Industrial Engineering (De La Salle University); Attended the Advanced Management Program Seminar at the University of Asia and the Pacific and Top Management Program at the Asian Institute of Management. **Civic Affiliations.** Construction Industry Authority of the Phils., *Board Member*, Asean Constructors Federation, *Former Chairman*, Phil. Constructors Association, *Past President/Chairman*, Phil. Contractors Accreditation Board, *Former Chairman*, Association of Carriers & Equipment Lessors, *Past President*.

Ma. Edwina C. Laperal - is 57 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 (10 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 65 years old; has served the Corporation as a regular director for almost three (3) years since July 2016. She is a regular director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** South Davao Development Corp., Dacon Corp. and Zanorte Palm-Rubber Plantation, Inc.; **Education.** Bachelor's Degree in Commerce, Major in Management (Assumption College), Master's in Business Economics (University of Asia and the Pacific). **Civic Affiliations.** Mary Mother of the Poor Foundation, Treasurer (May 2012-July 2014), Missionaries of Mary Mother of the Poor, Treasurer (May 2012 – present).

INDEPENDENT DIRECTORS

Honorio O. Reyes-Lao - is 74 years old; has served the Corporation as an Independent Director for nine (9) years and nine (9) months since July 2009. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Lao is deemed to have been an independent director of the Company for six (6) years since 2012. Mr. Lao is also an independent director of Semirara Mining and Power Corporation and a director of Philippine Business Bank (Listed); **(Non-Listed)** DMCI Project Developers, Inc. (independent director from 2016-present), Southwest Luzon Power Generation Corp. (2017-present), Sem-Calaca Power Corp. (2017-present), Gold Venture Lease and Management Services Inc. (2008-2009), First Sovereign Asset Management Corporation (2004-2006, CBC Forex Corporation (1998-2002) , CBC Insurance Brokers, Inc. (1998-2004), CBC Properties and Computers Center, Inc. (1993-2006); **Education.** Bachelor of Arts, Major in Economics (De La Salle University), Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Masters Degree in Business Management (Asian Institute of Management); **Civic Affiliations.** Institute of Corporate Directors, Fellow, Rotary Club of Makati West, Member/Treasurer, Makati Chamber of Commerce and Industries, Past President.

Antonio Jose U. Periquet - is 57 years old; Mr. Periquet has been an Independent Director of the company since August 2010. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Periquet is deemed to have been an independent director of the Company for six (6) years since 2012. Mr. Periquet is also a director of the following: **(Listed)** ABS-CBN Corporation, Ayala Corporation , Bank of the Philippine Islands, The Max's Group of Companies, Philippine Seven Corporation, Inc.; **(Non-listed)** Albizia ASEAN Tenggara Fund, Campden Hill Group, Inc. (Chairman), Pacific Main Properties and Holdings (Chairman), Lyceum of the Philippines University, BPI Capital Corporation, BPI Family Savings Bank, Inc., BPI Asset Management and Trust Corporation (Chairman); **Education.** Mr. Periquet is a graduate of the Ateneo de Manila University (AB Economics). He also holds an MSc in Economics from Oxford University and an MBA from the University of Virginia. **Civic Affiliations.** Global Advisory Council, Darden Graduate School of Business Administration, University of Virginia, Member; Finance and Budget Committee of the Board, Ateneo de Manila University, Member; Finance Committee, Philippine Jesuit Provincial, Member.

KEY OFFICERS

Noel A. Laman is 79 years old; has served the Corporation as Corporate Secretary for almost twenty four (24) 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 42 years old; has served the Corporation as Assistant Corporate Secretary for almost nine (9) 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; IQVIA Solutions Philippines, Inc. and IQVIA Solutions Operations Center Philippines, Inc., Asst. Corporate Secretary; SingTel Philippines, Inc., Asst. Corporate Secretary; JTEKT 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 74 years old; has served the Corporation as Managing Director for ten (10) 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*.

Maria Cristina C. Gotianun is 64 years old; has served the Corporation as Assistant Treasurer for twenty four (24) 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 is 33 years old; 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); Associate Member, Shareholders Association of the Philippines.

Cherubim O. Mojica is 41 years old, worked as the Head of Corporate Communications Department of Maynilad from October 2008 to 2014; Corporate Communications Coordinator of First Philippine Corp. from December 2000 to July 2007; Deputy Supervisor of the US Embassy Manila from July 2000 to November 2007; and Political Affairs Officer VI of House of Representatives of the Philippines from March 1999 to February 2000. She joined the Company last September 2014 as Corp. Communications Officer and was appointed as Vice President & Corporate Communications Officer in November 2016.

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

(2) Identify Significant Employees –

- (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	41

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

Tara Ann C. Reyes is the Investor Relations Officer of the Company since January 2013. She trained with Metro Pacific Investment Corp.'s Financial Forecasting Division for eight (8) months.

Term of office. Ms. Reyes has served as Investor Relations Officers for six (6) 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>
Isidro A. Consunji	Brother of Victor A. Consunji*, Jorge A. Consunji, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun
Herbert M. Consunji	Cousin of Isidro A. Consunji, Jorge A. Consunji, Victor A. Consunji*, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun

**Passed away on December 27, 2018*

(4) Involvement in Certain Legal Proceedings -

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

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

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

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	Vice President & Chief Financial Officer				
Ma. Edwina C. Laperal ¹	Treasurer				
Maria Cristina C. Gotianun ²	Asst. Treasurer				
Victor S. Limlingan	Managing Director				
	YEARS				
	2016	P 8,239,699.30		P 1,170,000.00	
	2017	P 10,634,322.22		P 1,520,000.00	
	2018	P 10,634,322.22		P 1,520,000.00	
	2019*	P 10,634,324.74		P 1,440,000.00	
	TOTAL:	P 40,142,668.48		P 5,650,000.00	
	YEARS				
All other directors and executive officers as a group unnamed	2016	P 2,820,953.00		P 4,560,000.00	
	2017	P 4,136,665.00		P 3,920,000.00	
	2018	P 4,136,665.00		P 3,920,000.00	
	2019*	P 4,160,309.21		P 2,880,000.00	
	TOTAL:	P 15,254,592.21		P 15,280,000.00	

**Approximate figures*

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

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

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.

C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

a. Beneficial Ownership of Directors of the Corporation as of March 31, 2019.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Isidro A. Consunji	65,000 Direct	Filipino	0.0005%
Common	Cesar A. Buenaventura	900,000 Direct	Filipino	0.0068%
Common	Ma. Edwina C. Laperal	3,315,000 Direct	Filipino	0.0050%
Common	Jorge A. Consunji	5,000 Direct	Filipino	0.0000%
Common	Herbert M. Consunji	23,000 Direct	Filipino	0.0002%
Common	Luz Consuelo A. Consunji	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		0.0348%

b. Owners owning 5% or more of the voting stocks of the Corporation as of March 31, 2019

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	6,839,387,309	51.51%
Common	DFC Holdings, Inc. (Fil) c/o Cristina C. Gotianun 2281 Pasong Tamo Ext. Makati City	2,380,442,010	17.93%
Common	PCD Nominee Corp. (For) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	2,053,961,687	15.47%
Common	PCD Nominee Corp. (Fil) G/F Makati Stock Exchange Bldg., 6767 Ayala Ave., Makati City	1,555,271,948	11.71%

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	The Hongkong and Shanghai Bank Corp. Ltd Clients Acct. HSBC Securities Services 12/F The Enterprise Center, Tower 1 6766 Ayala Ave. Makati	Foreign	1,127,804,624	8.50%

c. Changes in Control – NONE

d. Certain Relationships and Related Transactions

Related parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions.

The Company, in the regular conduct of business, has entered into transactions consisting of reimbursements of expenses, construction contracts, sale and purchases of goods, services and properties, with associates, joint ventures and other related parties. Transactions entered into with related parties are at arm's length and have terms similar to the transactions entered into with third parties. Refer to Note 21 – Related Party Transactions of the 2018 Audited Consolidated Financial Statements for further details.

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

1. The Company amended its Manual on Corporate Governance and Board Charter on August 13, 2018 which revised the training of directors; added the specific duties and responsibilities of directors; and revised deadline of submission of certification of attendance of directors.
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 – Alternative Dispute Resolution, Anti-Corruption and Bribery, Board Diversity, Climate Change Policy, Community Interaction, Compensation and Remuneration Policy, Company

Rewards and Compensation Program for Employees, Conflict of Interest, Corporate Disclosures Policies and Procedures, Customer Welfare, Data Privacy Manual, Dividend Policy, Environmentally Friendly Value Chain, Enterprise Risk Management, Executive Succession, Health, Safety and General Welfare, Insider Trading, Nomination and Election, Onboarding Program for First-time Directors, Related Party Transactions, Safeguarding Creditors Rights, Supplier and Contractor, Training Policy for Directors, and Whistle Blower Policy. Likewise, the Board developed its Charter in accordance with the Corporation Code, Manual on Corporate Governance and other applicable laws.

4. The Board also created the following committees: Audit & Related Party Transaction, Corporate Governance (with functions of the nomination & election and the compensation & remuneration), and Board Risk Oversight. The Board likewise established the Executive Committee (ExCom) composed of five members to be elected by the Board from among its members. The Presidents and Chief Executive Officers of the Corporation's subsidiaries were appointed by the Board as ex-officio members of the Excom.
5. The Board reviewed the Corporation's Vision, Mission, Corporate Strategy and Corporate Values.
6. The Corporation has set up all committees set forth under the Manual of Corporate Governance to adhere with the rules governing the Manual.
7. 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.
8. 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, 2018 is herein incorporated by reference.

**LIST OF TOP 20 STOCKHOLDERS
AS OF DECEMBER 31, 2018**

Rank	Last Name	Shareholdings	Percentage
1	DACON CORPORATION	6,838,807,440	51.51%
2	DFC HOLDINGS INC.	2,379,799,910	17.92%
3	PCD NOMINEE CORPORATION (FOREIGN)	1,966,881,744	14.81%
4	PCD NOMINEE CORPORATION (FILIPINO)	1,642,959,841	12.37%
5	DMCI RETIREMENT PLAN	99,900,000	0.75%
6	BERIT HOLDINGS CORPORATION	99,791,687	0.75%
7	FERNWOOD INVESTMENTS INC.	75,856,020	0.57%
8	GUADALUPE HOLDINGS CORPORATION	54,588,045	0.41%
9	DOUBLE SPRING INVESTMENTS CORPORATION	20,331,005	0.15%
10	AUGUSTA HOLDINGS INC.	19,039,670	0.14%
11	DMCI RETIREMENT FUND	13,000,000	0.10%
12	REYES JOSEFA	5,650,000	0.04%
13	LAPERAL MA. EDWINA/MIGUEL DAVID C.	2,750,000	0.02%
14	YNTALCO REALTY DEVT. CORPORATION	2,500,000	0.02%
15	DELA VEGA BENIGNO	2,050,000	0.02%
16	WINDERMERE HOLDINGS INC.	1,905,715	0.01%
17	ZHENG AO	1,840,000	0.01%
18	MAKATI SUPERMARKET CORP.	1,727,500	0.01%
19	FILAMOR ENRIQUE	1,570,000	0.01%
20	LI XIUFEN	1,464,000	0.01%

**Summary of Submittals of SEC Form 17-C
For the Year 2018**

Date	Nature of Report
January 3, 2018	Redemption of Preferred Shares
January 5, 2018	Directors Meeting Attendance
February 2, 2018	Redemption of Preferred Shares
February 2, 2018	DMC share transaction by Dacon Corp.
February 5, 2018	DMC share transaction by a Director
February 5, 2018	DMC share transaction by an Officer
February 6, 2018	DMC share transaction by a Director
February 6, 2018	DMC share transaction by an Officer
February 14, 2018	Republic seeks to set aside Maynilad Arbitral Award
February 22, 2018	Attendance in Corporate Governance
February 26, 2018	Maynilad loan facility signed
March 2, 2018	Redemption of Preferred Shares
March 5, 2018	Notice of Media Briefing
March 8, 2018	Board Meeting Results
March 8, 2018	Notice of Annual Stockholders' Meeting
March 8, 2018	Declaration of Cash Dividends
March 8, 2018	Press Release: DMCI Holdings profits up 16%
March 12, 2018	Press Release: DMCI new projects nearly double
March 12, 2018	Notice of Analysts' Briefing
March 15, 2018	Notice of Annual Stockholders' Meeting with Agenda Rationale
March 19, 2018	Press Release: DMCI Power invests P160 million Masbate-Palawan projects
March 22, 2018	Press Release: DMCI Mining target growth in 2018
April 4, 2018	Redemption of Preferred Shares
May 2, 2018	Redemption of Preferred Shares
May 3, 2018	DMC share transaction of a Director
May 7, 2018	Notice of Media Briefing
May 7, 2018	DMC share transaction of a Director

Date	Nature of Report
May 9, 2018	Notice of Analysts' Briefing
May 11, 2018	Board Meeting Results
May 15, 2018	Press Release: DMCI Holdings 1Q profit up 5%
May 15, 2018	Results of Annual Stockholders' Meeting
May 23, 2018	Press Release: DMCI Power records 17% sale growth in 1Q
May 27, 2018	Press Release: DMCI Homes expands land bank to meet demand
May 30, 2018	Press Release: DMCI Mining nickel sales flat in 1Q
June 1, 2018	Redemption of Preferred Shares
June 1, 2018	DMC Share transaction of an Officer
June 14, 2018	CA denies MWSS Petition
June 20, 2018	DMC Share transaction of an Officer
June 21, 2018	DMC Share transaction of an Officer
June 22, 2018	Training of Directors and Officers
June 22, 2018	DMC Share transaction of a Director
June 26, 2018	DMC Share transaction of an Officer
July 3, 2018	Redemption of Preferred Shares
July 17, 2018	Attendance of Directors in Corporate Governance Forum
August 2, 2018	Redemption of Preferred Shares
August 7, 2018	Notice of Media Briefing
August 9, 2018	Notice of Analysts' Briefing
August 13, 2018	Board meeting results
August 14, 2018	Press Release: DMCI Holdings nets P9.2bn in 1H
August 16, 2018	Press Release: DMCI Mining surges 88% in 1H
August 20, 2018	Press Release: DMCI net income up 36%
August 23, 2018	Press Release: DMCI Power delivers record 1H sales
August 28, 2018	Press Release: DMCI Homes posts P23b reservation sales for 1H
September 4, 2018	Redemption of Preferred Shares
September 14, 2018	MWSS approves Maynilad rate hike
September 19, 2018	Training Attendance of Directors and Officers
October 1, 2018	Redemption of Preferred Shares
October 1, 2018	Preferred Shares Redemption Offer

Date	Nature of Report
October 10, 2018	Singapore high court upholds Arbitral Award in favor of Maynilad
November 6, 2018	Notice of Analysts' Briefing
November 6, 2018	Notice of Media Briefing
November 7, 2018	Redemption of Preferred Shares
November 12, 2018	Board Meeting Results
November 12, 2018	Press Release: DMCI Holdings 9M net income dips to P11.5bn
November 15, 2018	Press Release: DMCI Orderbook up 8%
November 19, 2018	Press Release: DMCI Power sales up 25%
November 19, 2018	Declaration of Special Cash Dividends
November 22, 2018	Press Release: DMCI Mining 9mo shipment flat
November 29, 2018	Press Release: DMCI Homes on track to meet adjusted P40bn sales target
December 3, 2018	Redemption of Preferred Shares
December 28, 2018	Passing away of Director Victor Almeda Consunji

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 2019.

By:


Isidro A. Consunji
Chairman and President

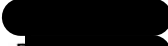

Herbert M. Consunji
Executive Vice President & Chief Finance Officer


Brian T. Lim
Vice President & Senior Finance Officer

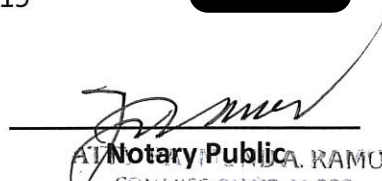

Atty. Noel A. Laman
Corporate Secretary

APR 11 2019

SUBSCRIBED AND SWORN to before me this _____ day of _____ 2019 affiants exhibiting to me his/their Passport details, as follows:

NAMES	Passport No.	DATE OF ISSUE	PLACE OF ISSUE
Isidro A. Consunji		08-10-15	
Herbert M. Consunji		10-17-18	
Brian T. Lim		01-15-15	
Atty. Noel A. Laman		02-07-19	

Doc. No. 132
Page No. 28
Book No. 96
Series of 2019


AT Notary Public
IDA. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 071434/01-29-2019/ Pasig City
PTR NO MKT 7378446/ 01-24-2019/Makati City
MAKATI CITY BAR COUNCIL REG. NO. 2019-2018

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, 2018 as contained in the accompanying diskette/CD are true and correct to the best of my knowledge and belief.


Treasurer

MAR 19 2019

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

Doc. No. 100
Page No. 21
Book No. 93
Series of 2019


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 071434/01-29-2019/Pasig City
PTR NO MKT 7378446/01-24-2019/Makati City
MULE Compliance No. VI-0007878/4-06-2018

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 Rocas Avenue, Makati City**TEL. NO.: **818-3000**

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	2018 (in P'000)	2017 (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)	182,404,715	171,814,576
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	95,890,197	91,499,493
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	15,481,964	25,323,774
A.1.1.1 On hand	16,845	31,879
A.1.1.2 In domestic banks/entities	6,315,956	7,131,799
A.1.1.3 Short-term investments	9,149,163	18,160,096
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	16,745,426	21,984,999
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 + A.1.2.1.5)	16,745,426	21,984,999
A.1.2.1.1 Due from customers (trade)	16,342,781	22,565,548
A.1.2.1.2 Due from related parties	202,624	152,998
A.1.2.1.3 Advances to officers and employees	-	-
A.1.2.1.4 Others, specify (A.1.2.1.3.1 + A.1.2.1.3.2)	1,887,422	923,029
A.1.2.1.3.1 Other receivables	1,887,422	923,029
A.1.2.1.3.2	-	-
A.1.2.1.5 Allowance for doubtful accounts (negative entry)	(1,687,401)	(1,656,576)
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)	44,691,520	34,698,636
A.1.3.1 Real estate held for sale and development	30,253,435	27,185,364
A.1.3.2 Coal inventory	3,334,518	1,323,765
A.1.3.3 Equipment parts, materials & supplies in transit	10,813,357	5,888,980
A.1.3.4 Nickle Ore	290,210	300,527
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)	130,214	95,451
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: DMC HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)

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

TEL. NO.: 818-3000

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	2018 (in P'000)	2017 (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:	130,214	95,451
A.1.4.4.1 National Government	-	-
A.1.4.4.2 Public Financial Institutions	-	-
A.1.4.4.3 Public Non-Financial Institutions	128,037	91,577
A.1.4.4.4 Private Financial Institutions	-	-
A.1.4.4.5 Private Non-Financial Institutions	2,177	3,874
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	-	-
A.1.4.5.1 Financial Assets at Fair Value through Profit or Loss	-	-
A.1.4.5.2 Held-to-maturity Investments	-	-
A.1.4.5.3 Loans and Receivables	-	-
A.1.4.5.4 Available-for-sale Financial Assets	-	-
A.1.4.6 Allowance for decline in market value (negative entry)	-	-
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2)	18,841,073	9,396,633
A.1.5.1 Contract assets (including costs and estimated earnings in excess of billings on uncompleted contracts)	8,868,598	1,201,589
A.1.5.2 Other current assets	9,972,475	8,195,044
A.2 Property, plant, and equipment (A.2.1 + A.2.2 + A.2.3 + A.2.4 + A.2.5 + A.2.6 + A.2.7+ A.2.8+ A.2.9)	57,086,944	55,701,022
A.2.1 Land and Land Improvements	2,406,257	2,251,386
A.2.2 Power Plant, Buildings and Building Improvements	48,515,299	45,655,202
A.2.3 Coal Mining Properties and Equipment	29,517,292	26,730,415
A.2.4 Construction Equipment, Machinery and Tools	10,124,926	9,200,029
A.2.5 Nickel Mining Properties and Equipment	5,617,955	5,596,804
A.2.6 Others, specify (A.2.5.1 + A.2.5.2 + A.2.5.3 + A.2.5.4 + A.2.5.5)	7,252,294	4,290,807
A.2.5.1 Office Furniture, Fixtures and Equipment	693,343	635,359
A.2.5.2 Transportation Equipment	651,572	614,687
A.2.5.3 Leasehold Improvements	342,801	252,859
A.2.5.4 Construction in Progress	5,564,578	2,787,902
A.2.5.5 Others	-	-
A.2.7 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3 + A.2.6.4 + 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.2.8 Accumulated Depreciation (negative entry)	(46,347,079)	(38,023,621)
A.2.9 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)	14,230,651	13,460,601
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)	14,230,651	13,460,601
A.3.3.1 Investment cost	489,368	489,368
A.3.3.2 Accumulated Equity in net earnings (losses)	13,749,111	12,979,061
A.3.3.3 Accumulated impairment loss (negative entry)	(7,828)	(7,828)
A.3.3.4	-	-
A.3.3.5	-	-
A.4 Investment Property	156,721	194,241
A.5 Biological Assets	-	-
A.6 Intangible Assets (A.6.1 + A.6.2)	75,948	77,598
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	75,948	77,598
A.6.1.1 Software Cost	75,948	77,598
A.6.1.2 Others	-	-
A.6.2 Others, specify (A.6.2.1 + A.6.2.2)	-	-
A.6.2.1	-	-
A.6.2.2	-	-
A.7 Assets Classified as Held for Sale	-	-
A.8 Assets included in Disposal Groups Classified as Held for Sale	-	-

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

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City
TEL. NO.: 818-3000 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	2018 (in P'000)	2017 (in P'000)
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	7,583,336	6,434,989
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	7,583,336	6,434,989
A.9.1.1 Due from customers (trade)	-	6,434,989
A.9.1.2 Contract assets	7,583,336	-
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)	7,380,918	4,446,632
A.10.1 Deferred Tax Assets - net	606,877	427,961
A.10.2 Pension Assets	915,400	1,019,687
A.10.3 Others, specify (A.10.3.1 + A.10.3.2 + A.10.3.3 + A.10.3.4 + A.10.3.5)	5,858,641	2,998,984
A.10.3.1 Other Noncurrent Assets	3,994,892	1,136,019
A.10.3.2 Goodwill	1,637,430	1,637,430
A.10.3.3 Exploration and evaluation asset	226,319	225,535
A.10.3.4	-	-
A.10.3.5	-	-
A.10.4 Allowance for write-down of deferred charges/bad accounts (negative entry)	-	-
B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)	85,325,256	78,208,022
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6)	45,312,599	35,155,566
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)	22,040,880	18,757,346
B.1.1.1 Suppliers and Subcontractors	12,526,598	9,458,508
B.1.1.2 Other Trade Payables	313,516	585,087
B.1.1.3 Accruals, specify material items (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	4,837,622	5,796,836
B.1.1.3.1 Project costs	3,040,487	3,342,663
B.1.1.3.2 Payable to Department of Energy	713,351	1,542,238
B.1.1.3.3 Others	1,083,784	911,935
B.1.1.4 Others, specify (B.1.1.4.1 + B.1.1.4.2 + B.1.1.4.3 + B.1.1.4.4)	4,363,144	2,916,915
B.1.1.4.1 Output VAT Payable	2,095,138	2,198,674
B.1.1.4.2 Commission Payable	1,462,770	-
B.1.1.4.3 Payable to Related Parties	438,359	339,543
B.1.1.4.4 Others	366,877	378,698
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 + B.1.4.5)	13,860,633	5,721,864
B.1.4.1 Short-term Debt	7,015,276	1,071,101
B.1.4.2 Current Portion of Long-term Debt	6,342,766	4,626,407
B.1.4.3 Current Portion of Liabilities for Purchased Land	502,591	24,356
B.1.4.4	-	-
B.1.4.5	-	-
B.1.5 Liabilities for Current Tax	456,730	152,968
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)	8,954,356	10,523,388
B.1.6.1 Contract liabilities (including billings in excess of costs and estimated earnings on uncompleted contracts)	6,030,503	2,604,954
B.1.6.2 Other customers' advances and deposits	2,923,853	7,918,434
B.1.6.3	-	-
B.1.6.4	-	-
B.1.6.5 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 Rocas Avenue, Makati City
TEL. NO.: 818-3000 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		2018 (in P'000)	2017 (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)		28,163,290	33,811,174
B.2.1 Domestic Public Financial Institutions		-	-
B.2.2 Domestic Public Non-Financial Institutions		-	-
B.2.3 Domestic Private Financial Institutions		28,163,290	33,811,174
B.2.4 Domestic Private Non-Financial Institutions		-	-
B.2.5 Foreign Financial Institutions		-	-
B.3 Indebtedness to Affiliates and Related Parties (Non-Current)		-	-
B.4 Liabilities Included in the Disposal Groups Classified as Held for Sale		-	-
B.5 Other Liabilities (B.5.1 + B.5.2 + B.5.3 + B.5.4)		11,849,367	9,241,282
B.5.1 Liabilities for Purchased Land - net of current portion		1,499,552	2,195,790
B.5.2 Contract Liabilities		2,298,983	-
B.5.3 Deferred Tax Liabilities		5,279,000	4,444,307
B.5.4 Others, specify (B.5.4.1 + B.5.4.2)		2,771,832	2,601,185
B.5.4.1 Pension		268,046	315,561
B.5.4.2 Other Noncurrent Liabilities		2,503,786	2,285,624
C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)		97,079,459	93,606,554
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	100,000,000 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 and outstanding	13,277,470	13,277,470
C.3.2 Preferred Shares	3,780 issued shares, 960 shares outstanding	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		18,536,936	17,244,144
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4)		(146,401)	103,600
C.6.1 Premium on Acquisition of Non-controlling Interests		(817,958)	(599,082)
C.6.2 Remeasurements on Retirement Plans - net of tax		636,260	708,374
C.6.3 Net Accumulated Unrealized Gains on AFS Financial Assets		76,688	35,699
C.6.4 Other equity		(41,391)	(41,391)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		-	-
C.8 Retained Earnings (C.8.1 + C.8.2)		60,746,125	58,308,942
C.8.1 Appropriated		-	-
C.8.2 Unappropriated		60,746,125	58,308,942
C.9 Head / Home Office Account (for Foreign Branches only)		-	-
C.10 Cost of Preferred Stocks Held in Treasury (negative entry)		(7,069)	-
TOTAL LIABILITIES AND EQUITY (B + C)		182,404,715	171,814,576

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 Rocas Avenue, Makati City

TEL. NO.: 818-3000

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	2018 (in P'000)	2017 (in P'000)	2016 (in P'000)
A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)	87,721,894	84,280,699	72,136,676
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	82,842,860	80,702,740	68,287,488
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	1,825,657	1,694,046	1,926,337
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	1,208,762	1,015,291	1,459,878
A.3.1 Forfeitures and cancellation of contracts	770,951	607,216	490,940
A.3.2 Rental income	184,076	123,521	87,794
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3)	253,735	284,554	881,144
A.3.3.1 Sale of fly ash	189,762	178,932	129,153
A.3.3.2 Others	63,973	105,622	751,991
A.3.3.3	-	-	-
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	1,844,616	868,622	462,973
A.4.1 Interest Income	794,398	450,847	446,325
A.4.2 Recoveries from insurance claims	287,766	380,079	218,089
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2)	1,150,624	401,204	73,572
A.4.3.1 Gain on sale of underdeveloped land	1,021,763	-	73,182
A.4.3.2 Gain on sale of property, plant and equipment - net	37,269	144,934	390
A.4.3.3 Gain on Financial Asset at Fair Value	91,592	256,270	-
A.4.4 Others, specify	(388,172)	(363,508)	(275,013)
A.4.4.1 Foreign exchange gain (loss)	(388,172)	(363,508)	(406,511)
A.4.4.2 Gain on sale of investments	-	-	131,498
A.4.4.3	-	-	-
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 +C.11)	28,115,292	24,657,230	19,702,024
C.1 Cost of real estate inventory	13,405,859	12,117,873	7,924,419
C.2 Materials and supplies	3,672,345	3,602,912	4,508,399
C.3 Depreciation and amortization	3,347,696	2,888,171	1,261,886
C.4 Fuel and lubricants	3,192,436	2,677,270	1,493,340
C.5 Commission	1,119,930	-	-
C.6 Production overhead	1,023,793	611,404	369,227
C.7 Direct labor	973,100	964,537	805,636
C.8 Outside services	851,188	1,333,889	1,742,566
C.9 Provision for decommissioning and site rehabilitaton	436,523	147,270	1,089,423
C.10 Hauling, shiploading and handling costs	18,594	145,016	425,909
C.11 Others	73,828	168,888	81,219
D. COST OF SERVICES (D.1 + D.2 + D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)	23,773,039	21,575,451	21,279,924
D.1 Materials and supplies	9,093,678	8,073,780	6,944,590
D.2 Depreciation and amortization	4,381,879	3,541,100	3,216,474
D.3 Direct labor	3,432,717	2,892,880	2,965,631
D.4 Outside services	2,301,411	2,144,059	2,225,965
D.5 Fuel and lubricants	1,452,632	1,796,344	1,618,843
D.6 Spot purchases	1,203,199	1,252,555	2,495,357
D.7 Production overhead	1,105,418	1,363,895	1,494,561
D.8 Hauling, shiploading and handling costs	278,321	283,496	127,518
D.9 Others	523,784	227,342	190,985
E. GROSS PROFIT (A - B - C - D)	35,833,563	38,048,018	31,154,728

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

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

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

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

TEL. NO.: 818-3000

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	2018 (in P'000)	2017 (in P'000)	2016 (in P'000)
F. OPERATING EXPENSES (F.1 + F.2 + F.3 + F.4)	11,640,661	12,993,825	9,686,760
F.1 Government share	3,569,015	4,306,811	2,649,979
F.2 Salaries, wages and employee benefits	1,905,353	1,552,390	1,527,526
F.3 Depreciation and amortization	1,702,225	1,625,490	914,462
F.4 Other Expenses, specify (F.4.1 + F.4.2 + F.4.3 + F.4.4 + F.4.5 + F.4.6 + F.4.7 + F.4.8 + F.4.9 + F.4.10 + F.4.11 + F.4.12 + F.4.13 + F.4.14 + F.4.15)	4,464,068	5,509,134	4,594,793
F.4.1 Taxes and licenses	1,270,078	1,269,111	869,076
F.4.2 Repairs and maintenance	844,949	753,741	562,020
F.4.3 Advertising and marketing	311,480	411,894	505,228
F.4.4 Outside services	306,854	507,743	493,887
F.4.5 Rent	230,045	271,773	216,635
F.4.6 Insurance	179,835	168,074	129,704
F.4.7 Communication, light and water	166,778	155,425	148,154
F.4.8 Transportation and travel	152,507	120,221	91,549
F.4.9 Entertainment, amusement and recreation	151,683	126,957	93,214
F.4.10 Supplies	100,621	95,767	75,694
F.4.11 Association dues	72,928	65,866	44,462
F.4.12 Provision for doubtful accounts, probable losses and loss on sale of as	30,825	6,315	217,632
F.4.13 Commission	2,182	995,327	694,182
F.4.14 Loss on writedown of property, plant and equipment	-	183,897	14,316
F.4.15 Miscellaneous	643,303	377,023	439,040
G. FINANCE COSTS	1,138,578	876,921	954,982
H. NET INCOME (LOSS) BEFORE TAX (E - F - G)	23,054,324	24,177,272	20,512,986
I. INCOME TAX EXPENSE (negative entry)	(3,205,239)	(3,261,802)	(2,489,902)
J. INCOME (LOSS) AFTER TAX	19,849,085	20,915,470	18,023,084
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	5,336,146	6,150,913	5,342,588
M. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	14,512,939	14,764,557	12,680,496
N. EARNINGS (LOSS) PER SHARE			
N.1 Basic	1.09	1.11	0.96
N.2 Diluted	1.09	1.11	0.96

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 Rocas Avenue, Makati City

TEL. NO.: 818-3000

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	2018 (in P'000)	2017 (in P'000)	2016 (in P'000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) Before Tax and Extraordinary Items	23,054,324	24,177,272	20,512,986
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
Depreciation, depletion and amortization	9,431,800	8,054,761	5,392,822
Amortization, specify			
Others, specify:			
Finance costs	1,138,578	876,921	954,982
Net movement in retirement asset	125,348	(274,278)	(59,742)
Gain on sale property, plant and equipment	(37,262)	(144,934)	(390)
Net unrealized foreign exchange loss (gain)	(155,266)	(41,190)	(29,873)
Unrealized market loss (gain) on financial assets at FVPL	(25,775)	(219,668)	-
Finance income	(794,398)	(450,847)	(446,325)
Gain on sale of undeveloped land	(1,021,770)	-	(73,182)
Equity in net earnings of associates and joint ventures	(1,825,657)	(1,694,046)	(1,926,337)
Loss on Non current assets writedown	-	156,069	-
Loss on PPE writedown	-	27,828	14,316
Gain on sale of investments	-	-	(131,498)
Dividend income	-	-	(4,282)
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables and contract assets	(3,585,049)	(6,794,813)	(3,581,826)
Inventories	(6,502,314)	17,545	(462,840)
Other current assets	(3,674,518)	(1,755,770)	258,261
Others, specify:			
Increase (Decrease) in:			
Accounts payable and accrued expenses	4,390,015	581,172	2,416,758
Others, specify: Contract liabilities and other customers' advances and deposits	729,951	2,706,464	1,536,857
Liabilities for purchased land	(218,002)	690,373	(1,487,653)
Others, specify:			
Interest received	785,503	449,861	440,942
Income taxes paid	(2,729,826)	(3,148,539)	(1,694,289)
Interest paid and capitalized as cost of inventory	(628,178)	(1,082,951)	(770,700)
A. Net Cash Provided by Operating Activities (sum of above rows)	18,457,504	22,131,230	20,858,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	(13,044,076)	(8,152,503)	(6,691,397)
Exploration and evaluation asset	(784)	(890)	(1,933,949)
Investments in associates, jointly controlled entity and others	-	-	(58,500)
Available-for-sale financial assets	-	(2,950)	(3,500)
Proceeds from disposals of:			
Undeveloped land	1,901,250	-	246,431
Property and equipment	420,314	151,645	3,348
Investment properties	24,380	-	3,150
Available-for-sale financial assets	4,475	-	-
Investments in associates, jointly controlled entity and others	-	-	210,672
Others, specify: Dividends received	798,972	793,472	568,723
Decrease (Increase) in other noncurrent assets	1,196,265	1,437,052	(460,058)
Interest paid and capitalized as cost of property, plant and equipment	(439,800)	(4,837)	(112,939)
B. Net Cash Provided by Investing Activities (sum of above rows)	(9,139,004)	(5,779,011)	(8,228,019)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term debt	9,622,849	1,583,992	9,160,557
Long-term debt	1,223,488	8,103,812	7,327,976
Others, specify:	-	-	-
Payments of:			
Dividends paid to equity holders of DMCI Holdings, Inc	(12,746,372)	(6,377,259)	(6,373,759)
Long-term debt	(5,100,886)	(3,983,950)	(8,347,806)
Dividends paid to non-controlling interests	(4,010,623)	(4,604,862)	(1,841,122)
Short-term debt	(3,639,617)	(3,134,000)	(11,814,390)
Interest	(987,757)	(740,382)	(934,276)
Purchase of non-controlling interest	(251,607)	(101,856)	(387,547)
Others, specify (negative entry):			
Increase (decrease) in:			
Other noncurrent liabilities	(3,318,122)	(508,017)	276,659
Redemption of preferred shares	(7,069)	-	-
C. Net Cash Used in Financing Activities (sum of above rows)	(19,215,716)	(9,762,522)	(12,933,708)
D. Effects of Exchange Rate Changes on Cash and Cash Equivalents	55,406	(4,029)	(109,757)
NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)	(9,841,810)	6,585,668	(412,497)
Cash and Cash Equivalents			
Beginning of year	25,323,774	18,738,106	19,150,603
End of year	15,481,964	25,323,774	18,738,106

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

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

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

CURRENT ADDRESS: 2281 Don Chino Roces Avenue, Makati City

TEL. NO.: 888-3000

COMPANY TYPE: HOLDING COMPANY

FAX NO.:

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	Treasury Shares-Preferred	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gains (Loss) on Available-for-Sale Financial Assets	Other Equity	TOTAL	Attributable to Non-controlling Interests	TOTAL
A. Balance, 2015	13,277,474	4,672,394	-	43,610,261	-	(161,033)	699,491	21,435	285,105	62,405,127	12,270,467	74,675,594
B. Comprehensive Income	-	-	-	12,680,496	-	-	(77,640)	5,776	2,279	12,610,911	5,345,053	17,955,964
B.1 Net Income (Loss) for the Period	-	-	-	12,680,496	-	-	-	-	-	12,680,496	5,342,588	18,023,084
B.2 Other Comprehensive income	-	-	-	-	-	-	(77,640)	5,776	2,279	(69,585)	2,465	(67,120)
C. Dividends (negative entry)	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(1,841,122)	(8,214,308)
D. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-	-
M.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
M.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
E. Others	-	-	-	-	-	(361,870)	-	-	(285,105)	(646,975)	(25,677)	(672,652)
T.1 Acquisition of Non-controlling interest	-	-	-	-	-	(361,870)	-	-	-	(361,870)	-	(361,870)
T.2 Disposal of Subsidiaries	-	-	-	-	-	-	-	-	(285,105)	(285,105)	(25,677)	(310,782)
F. Balance, 2016	13,277,474	4,672,394	-	49,917,571	-	(522,903)	621,851	27,211	2,279	67,995,877	15,748,721	83,744,598
G. Comprehensive Income	-	-	-	14,764,557	-	-	86,523	8,488	(43,670)	14,815,898	6,124,478	20,940,376
G.1 Net Income (Loss) for the Period	-	-	-	14,764,557	-	-	-	-	-	14,764,557	6,150,913	20,915,470
G.2 Other Comprehensive income	-	-	-	-	-	-	86,523	8,488	(43,670)	51,341	(26,435)	24,906
H. Dividends (negative entry)	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(4,604,862)	(10,978,048)
I. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-	-
I.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
I.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
J. Others	-	-	-	-	-	(76,179)	-	-	-	(76,179)	(24,193)	(100,372)
J.1 Acquisition of Non-controlling interest	-	-	-	-	-	(76,179)	-	-	-	(76,179)	(24,193)	(100,372)
K. Balance, 2017	13,277,474	4,672,394	-	58,308,942	-	(599,082)	708,374	35,699	(41,391)	76,362,410	17,244,144	93,606,554
M. Balance	13,277,474	4,672,394	-	58,979,558	-	(599,082)	708,374	35,699	(41,391)	77,033,026	17,244,144	94,277,170
M.1 Balances, as previously reported	13,277,474	4,672,394	-	58,308,942	-	(599,082)	708,374	35,699	(41,391)	76,362,410	17,244,144	93,606,554
M.2 Effect of adoption of PFRS 15	-	-	-	670,616	-	-	-	-	-	670,616	-	670,616
N. Comprehensive Income	-	-	-	14,512,939	-	-	(72,114)	40,989	-	14,481,814	5,336,146	19,817,960
N.1 Net Income (Loss) for the Period	-	-	-	14,512,939	-	-	-	-	-	14,512,939	5,336,146	19,849,085
N.2 Other Comprehensive income (loss)	-	-	-	-	-	-	(72,114)	40,989	-	(31,125)	-	(31,125)
O. Dividends (negative entry)	-	-	-	(12,746,372)	-	-	-	-	-	(12,746,372)	(4,010,623)	(16,756,995)
P. Appropriation for (specify)	-	-	-	-	-	-	-	-	-	-	-	-
P.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
P.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
Q. Others	-	-	(7,069)	-	-	(218,876)	-	-	-	(225,945)	(32,731)	(258,676)
Q.1 Acquisition of Non-controlling interest	-	-	-	-	-	(218,876)	-	-	-	(218,876)	(32,731)	(251,607)
Q.2 Redemption of preferred shares	-	-	(7,069)	-	-	-	-	-	-	(7,069)	-	(7,069)
R. Balance, 2018	13,277,474	4,672,394	(7,069)	60,746,125	-	(817,958)	636,260	76,688	(41,391)	78,542,523	18,536,936	97,079,459



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

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

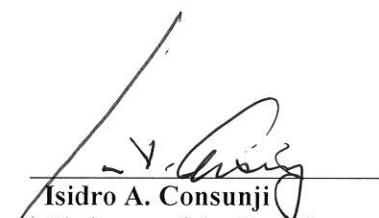
The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated 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/
President



Herbert M. Consunji
Executive Vice-President/
Chief Financial Officer

Signed this March 07, 2019



DMCI HOLDINGS
INCORPORATED

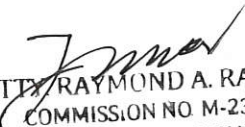
3rd Floor
DACON Building
2281 Don Chino Roces Ave.
Makati City 1231, Philippines

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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in
MAKATI CITY, this MAR 19 2019 day of _____.

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

Doc No. 101
Page No. 22
Book No. 97
Series No. 2019


ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL DECEMBER 31, 2020
NO. 15 J.P. RIZAL EXTN. COR. TANGUILE ST.
COMEMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 071434/01-29-2019/Pasig City
PTR NO MKT 7378446/01-24-2019/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

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

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

3	R	D		F	L	O	O	R	,		D	A	C	O	N		B	U	I	L	D	I	N	G	,		2	2	8	
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	
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COMPANY INFORMATION

Company's Email Address

www.dmciholdings.com

Company's Telephone Number

888-3000

Mobile Number

N/A

No. of Stockholders

696

Annual Meeting (Month / Day)

Third Tuesday of May

Fiscal Year (Month / Day)

December 31

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

N/A

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, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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.

Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 resulted in significant changes in the Group's revenue recognition process for real estate and construction contracts, policies and procedures where the Group derives 42% and 52% of its revenues and costs, respectively, which is material to the consolidated financial statements.

Revenue from real estate contracts

The following matters are significant to our audit because these involve application of significant judgment and estimation around: (1) assessment of the probability that the entity will collect the consideration from the buyer; (2) determination of the transaction price; (3) application of the output method as the measure of progress in determining real estate revenue; (4) determination of the actual costs incurred as cost of sales; and (5) recognition of cost to obtain a contract.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs support its threshold of buyers' equity before commencing revenue recognition.

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

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

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by subcontractors.

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

The adoption of PFRS 15 resulted to transition adjustments in the opening balance of retained earnings amounting to ₱670.62 million as of January 1, 2018.



The disclosures related to the adoption of PFRS 15 are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's real estate revenue recognition process, including the process of implementing the new revenue recognition standard. We reviewed the PFRS 15 adoption memorandum and related supporting documentations prepared by management, including revenue streams identification and scoping, and contract analysis.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as buyer's subsidiary ledger and cancelled sales monitoring.

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

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

For the cost of sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs and uninstalled materials to supporting documents such as cost reports, purchase orders, invoices or billings, delivery receipts and journal vouchers. We test computed the transition adjustments and evaluated the disclosures made in the consolidated financial statements on the adoption of PFRS 15.

Revenue from construction contracts

Following the guidance under PFRS 15, management assessed that its construction contracts qualify for revenue recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated costs of the project.

Apart from the significance of the amount involved, we consider this as a key audit matter because this process involves significant judgment and estimates, and the calculation of the total estimated cost of the project requires technical inputs from project engineers.

The Group's disclosures about construction revenue are included in Note 2 to the consolidated financial statements.



Audit response

We obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. On a sampling basis, we tested actual costs incurred by examining invoices and other supporting customer correspondence. We also assessed the competence, capabilities and objectivity of the Group's cost project engineers by referring to their qualifications, experience and reporting responsibilities. We visited selected project sites and made relevant inquiries with the project engineers. For selected projects, we inspected the related project documentation, including the approved total estimated costs and any revision thereto, and inquired of any significant deviation from the targeted completion. We performed test computation of the POC calculation of management.

Adoption of PFRS 9, Financial Instruments

On January 1, 2018, the Group adopted PFRS 9, *Financial Instruments*, which replaced PAS 39, *Financial Instruments: Recognition and Measurement* using the modified retrospective approach. PFRS 9 provides revised principles for classifying financial assets and introduces a forward-looking expected credit loss (ECL) model to assess impairment on debt financial assets not measured at fair value through profit or loss and loan commitments and financial guarantee contracts.

The Group's adoption of the ECL model for its real estate segment is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate lifetime ECL; defining default; determining the assumptions to be used in the ECL model such as the expected life of the financial asset and timing and amount of expected net recoveries from defaulted accounts; and incorporating forward-looking information in calculating ECL.

Refer to Note 2 for the disclosures related to PFRS 9 adoption.

Audit Response

We obtained an understanding of the approved methodologies and models used for the Group's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, the time value of money and, the best available forward-looking information.

We (a) assessed the Group's segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) checked the methodology used in applying the simplified approach by evaluating the key inputs, assumptions, and formulas used; (c) compared the definition of default against historical analysis of accounts and credit risk management policies and practices in place, (d) tested loss given default by inspecting historical recoveries including the timing, related direct costs, and write-offs; (e) evaluated the forward-looking information used for overlay through statistical tests and corroboration using publicly available information and our understanding of the Group's lending portfolios and broader industry knowledge; and (f) tested the effective interest rate, or an approximation thereof, used in discounting the expected loss.



Further, we checked the data used in the ECL models, such as the historical analysis of defaults and recovery data, by reconciling data from source system reports and reports from financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.

We reviewed the disclosures made in the consolidated financial statements based on the requirements of PFRS 9.

Recoverability of Goodwill, Property and Equipment and Mining Properties

Under PFRS, the Group is required to test goodwill, at least annually, for impairment. Also, if there are indicators of impairment, the Group is required to test the recoverability of property and equipment and mining properties. As of December 31, 2018, the Group has goodwill that is attributable to Zambales Diversified Metals Corporation (ZDMC) and Zambales Chromite Mining Company (ZCMC) amounting to ₱1,637.43 million, and property and equipment and mining properties with carrying value of ₱484.43 million, which are all considered significant to the consolidated financial statements. ZCMC has an ongoing renewal of its Mineral Production Sharing Agreement (MPSA) before its term ended in 2016. On the other hand, ZDMC received suspension order in 2016. The Group filed for Motion for Reconsideration with the Department of Environment and Natural Resources (DENR) which was partially granted for ZDMC. 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.

Relevant information on these matters are disclosed in Notes 3, 13 and 33 to the consolidated financial statements.

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.



Estimation of Decommissioning and Site Rehabilitation Costs

The Group's recognized provision for decommissioning and site rehabilitation for the open pit mines of its coal mining activities amounted to ₱402.48 million as of December 31, 2018. 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.

Relevant information on the provision for decommissioning and site rehabilitation costs are disclosed in Notes 3 and 20 to the consolidated financial statements.

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 evaluated the competence, capabilities and objectivity of the engineers and reviewed the relevant comprehensive mine rehabilitation plans prepared by the Group's Environmental Department. We obtained an understanding from the mine site engineers about their bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

The Group's coal mining properties totaling to ₱4,341.36 million as of December 31, 2018 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves for the remaining life of the Group's Narra and Molave mines requires use of assumptions and significant estimation from management's specialists. .

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 13 to the consolidated financial statements.

Audit response

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



Investment in a Significant Associate

The Group's investment in Maynilad Water Holdings Company, Inc. (MWHCI) comprises 98% of its investments in associates and the Group's equity in net earnings of MWHCI represents 12% of the Group's net income attributable to the parent company, which are material to the consolidated financial statements. Maynilad Water Services, Inc. (MWSI), which is the main source of MWHCI's net income, is highly affected by (a) the recognition and measurement of provisions related to ongoing regulatory proceedings and disputes and tax assessments, (b) the amortization of service concession assets using the units-of-production method, and (c) the adoption of PFRS 15, particularly on the accounting for installation fees and regularly unpaid bills and the assessment of impracticability of retrospective restatement on accounting for reconnection fees. These matters are significant to our audit because the estimation of the potential liability that might result from these proceedings, disputes and tax assessments, the amortization of service concession assets, and the adoption of PFRS 15 require significant management judgement and estimation.

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 and performed recomputation of the Group's equity in net earnings to be recognized 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 disputes arbitration. In addition, we obtained correspondences from relevant government agencies and tax authorities, replies from third party legal counsels and relevant historical and recent judgment issued by the court on similar matters.

On the amortization of concession assets using the units-of-production method, we obtained and reviewed the schedule of amortization of concession assets including the related assumptions. We also reviewed the related assumptions about the estimated billable water volume.

On the adoption of PFRS 15, we obtained an understanding of MWSI's implementation process and the related controls. We reviewed the PFRS 15 adoption documentation and the updated accounting policies as prepared by management, including revenue streams identification and scoping, and contract analysis. We obtained sample contracts and reviewed the performance obligations identified to be provided by MWSI, the determination of transaction price and other considerations received from customers, and the timing of the revenue recognition based on the period when services are to be rendered. For connection fees, we obtained an understanding of the process for new service connections and reviewed sample contracts whether the accounting policies applied considered the requirements of PFRS 15. We also reviewed the basis of impracticability of retrospective restatement invoked by management against the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, and against company and industry practices.



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, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

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



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

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

SYCIP GORRES VELAYO & CO.



Dhonabee B. Señeres

Partner

CPA Certificate No. 97133

SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021

PTR No. 7332614, January 3, 2019, Makati City

March 7, 2019



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, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 7, 2019. 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.



Rhonabee B. Señeres

Partner

CPA Certificate No. 97133

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

October 18, 2018, valid until October 17, 2021

Tax Identification No. 201-959-816

BIR Accreditation No. 08-001998-98-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 7332614, January 3, 2019, Makati City

March 7, 2019



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands of Pesos)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 36)	₱15,481,964	₱25,323,774
Current portion of receivables - net (Notes 2, 7, 21 and 36)	16,745,426	21,984,999
Current portion of contract assets (Notes 2 and 8)	8,868,598	1,201,589
Inventories (Notes 2 and 9)	44,691,520	34,698,636
Other current assets (Notes 2, 5, 6, 10 and 36)	10,102,689	8,290,495
Total Current Assets	95,890,197	91,499,493
Noncurrent Assets		
Receivables - net of current portion (Notes 2, 7 and 36)	—	6,434,989
Contract asset - net of current portion (Notes 2 and 8)	7,583,336	—
Investments in associates and joint ventures (Note 11)	14,230,651	13,460,601
Investment properties (Note 12)	156,721	194,241
Property, plant and equipment (Note 13)	57,086,944	55,701,022
Exploration and evaluation asset (Note 14)	226,319	225,535
Goodwill (Note 33)	1,637,430	1,637,430
Deferred tax assets - net (Note 29)	606,877	427,961
Pension assets - net (Note 23)	915,400	1,019,687
Other noncurrent assets (Notes 2, 5, 14 and 36)	4,070,840	1,213,617
Total Noncurrent Assets	86,514,518	80,315,083
	₱182,404,715	₱171,814,576

LIABILITIES AND EQUITY**Current Liabilities**

Short-term debt (Notes 15 and 36)	₱7,015,276	₱1,071,101
Current portion of liabilities for purchased land (Notes 16 and 36)	502,591	24,356
Accounts and other payables (Notes 2, 17, 21 and 36)	22,040,880	18,757,347
Current portion of contract liabilities and other customers' advances and deposits (Notes 2 and 18)	8,954,356	10,523,387
Current portion of long-term debt (Notes 19 and 36)	6,342,766	4,626,407
Income tax payable	456,730	152,968
Total Current Liabilities	45,312,599	35,155,566

(Forward)



	December 31	
	2018	2017
Noncurrent Liabilities		
Contract liabilities - net of current portion (Notes 2 and 18)	₱2,298,983	₱—
Long-term debt - net of current portion (Notes 19 and 36)	28,163,290	33,811,174
Liabilities for purchased land - net of current portion (Notes 16 and 36)	1,499,552	2,195,790
Deferred tax liabilities - net (Notes 2 and 29)	5,279,000	4,444,307
Pension liabilities - net (Note 23)	268,046	315,561
Other noncurrent liabilities (Notes 2 and 20)	2,503,786	2,285,624
Total Noncurrent Liabilities	40,012,657	43,052,456
Total Liabilities	85,325,256	78,208,022
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital (Note 22)	17,949,868	17,949,868
Treasury shares - Preferred (Note 22)	(7,069)	—
Retained earnings (Notes 2 and 22)	60,746,125	58,308,942
Premium on acquisition of non-controlling interests (Note 32)	(817,958)	(599,082)
Remeasurements on retirement plans - net of tax (Note 23)	636,260	708,374
Net accumulated unrealized gains on equity investments designated at FVOCI (Note 6)	76,688	35,699
Other equity (Notes 11 and 34)	(41,391)	(41,391)
	78,542,523	76,362,410
Non-controlling interests (Note 32)	18,536,936	17,244,144
Total Equity	97,079,459	93,606,554
	₱182,404,715	₱171,814,576

See accompanying Notes to Consolidated Financial Statements.



DMCI HOLDINGS, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME****(Amounts in Thousands of Pesos, Except for Earnings Per Share Figures)**

	Years Ended December 31		
	2018	2017	2016
REVENUE (Note 2)			
Coal mining	₱23,185,658	₱23,489,591	₱20,079,462
Electricity sales	22,861,930	23,166,558	18,807,365
Real estate sales	20,572,250	19,903,980	13,758,636
Construction contracts	14,581,411	13,066,376	13,816,649
Nickel mining	1,211,751	759,267	1,573,086
Merchandise sales and others	429,860	316,968	252,290
	82,842,860	80,702,740	68,287,488
COSTS OF SALES AND SERVICES (Notes 2 and 24)			
Coal mining	12,262,084	11,910,436	11,013,500
Electricity sales	11,849,072	10,219,687	9,082,981
Real estate sales	14,703,529	12,367,038	8,086,776
Construction contracts	12,370,176	11,176,468	12,096,004
Nickel mining	392,262	322,946	527,325
Merchandise sales and others	311,208	236,106	175,362
	51,888,331	46,232,681	40,981,948
GROSS PROFIT	30,954,529	34,470,059	27,305,540
OPERATING EXPENSES (Notes 2 and 25)	11,640,661	12,993,825	9,686,760
	19,313,868	21,476,234	17,618,780
OTHER INCOME (EXPENSES)			
Equity in net earnings of associates and joint ventures (Note 11)	1,825,657	1,694,046	1,926,337
Finance income (Note 26)	794,398	450,847	446,325
Finance costs (Note 27)	(1,138,578)	(876,921)	(954,982)
Gain on sale of investments (Note 11)	—	—	131,498
Other income - net (Note 28)	2,258,979	1,433,066	1,345,028
	3,740,456	2,701,038	2,894,206
INCOME BEFORE INCOME TAX	23,054,324	24,177,272	20,512,986
PROVISION FOR INCOME TAX (Notes 2 and 29)	3,205,239	3,261,802	2,489,902
NET INCOME (Note 35)	₱19,849,085	₱20,915,470	₱18,023,084
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱14,512,939	₱14,764,557	₱12,680,496
Non-controlling interests (Note 32)	5,336,146	6,150,913	5,342,588
	₱19,849,085	₱20,915,470	₱18,023,084
Basic/diluted earnings per share attributable to equity holders of the Parent Company (Note 30)	₱1.09	₱1.11	₱0.96

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2018	2017	2016
NET INCOME	₱19,849,085	₱20,915,470	₱18,023,084
OTHER COMPREHENSIVE INCOME			
Changes in fair values of investments in equity instruments designated at FVOCI (Note 6)	40,989	8,488	5,730
Items that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plans - net of tax (Note 23)	(72,114)	60,088	(75,129)
Share in other comprehensive income (loss) of associates (Note 11)	—	(43,670)	2,279
TOTAL	(72,114)	16,418	(72,850)
OTHER COMPREHENSIVE INCOME (LOSS)	(31,125)	24,906	(67,120)
TOTAL COMPREHENSIVE INCOME	₱19,817,960	₱20,940,376	₱17,955,964
TOTAL COMPREHENSIVE INCOME			
ATTRIBUTABLE TO:			
Equity holders of the Parent Company	₱14,481,814	₱14,815,898	₱12,610,911
Non-controlling interests	5,336,146	6,124,478	5,345,053
	₱19,817,960	₱20,940,376	₱17,955,964

See accompanying Notes to Consolidated Financial Statements.

DMCI HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

	Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Treasury Shares – Preferred (Note 22)	Unappropriated Retained Earnings (Notes 2 and 22)	Premium on Acquisition of Non-controlling Interest (Note 32)	Remeasurements on Pension Plans (Note 23)	Net Accumulated Unrealized Gain on equity investments designated at FVOCI (Note 6)	Other Equity (Notes 11 and 34)	Total	Non-controlling Interests (Note 22)	Total Equity
For the Year Ended December 31, 2018												
Balances as of January 1, 2018, as previously reported	₱13,277,474	₱4,672,394	₱17,949,868	₱–	₱58,308,942	(₱599,082)	₱708,374	₱35,699	(₱41,391)	₱76,362,410	₱17,244,144	₱93,606,554
Effect of adoption of PFRS 15 (Note 2)	–	–	–	–	670,616	–	–	–	–	670,616	–	670,616
Balances as of January 1, 2018, as restated	13,277,474	4,672,394	17,949,868	–	58,979,558	(599,082)	708,374	35,699	(41,391)	77,033,026	17,244,144	94,277,170
Comprehensive income												
Net income	–	–	–	–	14,512,939	–	–	–	–	14,512,939	5,336,146	19,849,085
Other comprehensive income (loss)	–	–	–	–	–	–	(72,114)	40,989	–	(31,125)	–	(31,125)
Total comprehensive income	–	–	–	–	14,512,939	–	(72,114)	40,989	–	14,481,814	5,336,146	19,817,960
Acquisition of noncontrolling interest	–	–	–	–	–	(218,876)	–	–	–	(218,876)	(32,731)	(251,607)
Redemption of preferred shares (Note 22)	–	–	–	(7,069)	–	–	–	–	–	(7,069)	–	(7,069)
Cash dividends declared (Note 22)	–	–	–	–	(12,746,372)	–	–	–	–	(12,746,372)	(4,010,623)	(16,756,995)
Balances at December 31, 2018	₱13,277,474	₱4,672,394	₱17,949,868	(₱7,069)	₱60,746,125	(₱817,958)	₱636,260	₱76,688	(₱41,391)	₱78,542,523	₱18,536,936	₱97,079,459
For the Year Ended December 31, 2017												
Balances as of January 1, 2017	₱13,277,474	₱4,672,394	₱17,949,868	₱–	₱49,917,571	(₱522,903)	₱621,851	₱27,211	₱2,279	₱67,995,877	₱15,748,721	₱83,744,598
Comprehensive income												
Net income	–	–	–	–	14,764,557	–	–	–	–	14,764,557	6,150,913	20,915,470
Other comprehensive income (loss)	–	–	–	–	–	–	86,523	8,488	(43,670)	51,341	(26,435)	24,906
Total comprehensive income	–	–	–	–	14,764,557	–	86,523	8,488	(43,670)	14,815,898	6,124,478	20,940,376
Acquisition of noncontrolling interest (Note 32)	–	–	–	–	–	(76,179)	–	–	–	(76,179)	(24,193)	(100,372)
Cash dividends declared (Note 22)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(4,604,862)	(10,978,048)
Balances at December 31, 2017	₱13,277,474	₱4,672,394	₱17,949,868	₱–	₱58,308,942	(₱599,082)	₱708,374	₱35,699	(₱41,391)	₱76,362,410	₱17,244,144	₱93,606,554

(Forward)



For the Year Ended December 31, 2016											
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Unappropriated Retained Earnings (Notes 2 and 22)	Premium on Acquisition of Non- controlling Interest (Note 32)	Remeasurements on Pension Plans (Note 23)	Net Accumulated Unrealized Gain on equity investments designated at FVOCI (Note 6)	Other Equity (Notes 11 and 34)	Total	Non-controlling Interests (Note 22)	Total Equity
Balances as of January 1, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱43,610,261	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,405,127	₱12,270,467	₱74,675,594
Comprehensive income											
Net income		—	—	12,680,496	—	—	—	—	12,680,496	5,342,588	18,023,084
Other comprehensive income (loss)	—	—	—	—	—	(77,640)	5,776	2,279	(69,585)	2,465	(67,120)
Total comprehensive income	—	—	—	12,680,496	—	(77,640)	5,776	2,279	12,610,911	5,345,053	17,955,964
Disposal of subsidiaries (Note 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 as of December 31, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱49,917,571	(₱522,903)	₱621,851	₱27,211	₱2,279	₱67,995,877	₱15,748,721	₱83,744,598



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

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱23,054,324	₱24,177,272	₱20,512,986
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13, 14, 24 and 25)	9,431,800	8,054,761	5,392,822
Finance costs (Note 27)	1,138,578	876,921	954,982
Net movement in net pension asset	125,348	(274,278)	(59,742)
Gain on sale of property, plant and equipment and investment properties - net (Notes 12, 13 and 28)	(37,262)	(144,934)	(390)
Net unrealized foreign exchange gain	(155,266)	(41,190)	(29,873)
Unrealized market gain on financial assets at FVPL (Note 5)	(25,775)	(219,668)	—
Finance income (Note 26)	(794,398)	(450,847)	(446,325)
Gain on sale of undeveloped parcel of land (Notes 9 and 28)	(1,021,770)	—	(73,182)
Equity in net earnings of associates and joint ventures (Note 11)	(1,825,657)	(1,694,046)	(1,926,337)
Loss on write-down of non-current assets (Notes 14 and 25)	—	156,069	—
Loss on write-down of property, plant and equipment (Notes 13 and 25)	—	27,828	14,316
Gain on sale of investments (Note 11)	—	—	(131,498)
Dividend income	—	—	(4,282)
Operating income before changes in working capital	29,889,922	30,467,888	24,203,477
Decrease (increase) in:			
Receivables and contract assets	(3,585,049)	(6,794,813)	(3,581,826)
Inventories	(6,502,314)	17,545	(462,840)
Other current assets	(3,674,518)	(1,755,770)	258,261

(Forward)



Years Ended December 31			
	2018	2017	2016 (As restated - Note 2)
Increase (decrease) in:			
Accounts and other payables	₱4,390,015	₱581,172	₱2,416,758
Liabilities for purchased land	(218,002)	690,373	(1,487,653)
Contract liabilities and other customers' advances and deposits	729,951	2,706,464	1,536,857
Cash generated from operations	21,030,005	25,912,859	22,883,034
Interest received	785,503	449,861	440,942
Income taxes paid	(2,729,826)	(3,148,539)	(1,694,289)
Interest paid and capitalized as cost of inventory (Notes 9 and 19)	(628,178)	(1,082,951)	(770,700)
Net cash provided by operating activities	18,457,504	22,131,230	20,858,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	798,972	793,472	568,723
Additions to:			
Property, plant and equipment (Notes 3 and 13)	(13,044,076)	(8,152,503)	(6,691,397)
Investments in associates and joint ventures (Note 11)	—	—	210,672
Exploration and evaluation asset (Note 14)	(784)	(890)	(1,933,949)
Investments in associates and joint ventures (Note 11)	—	—	(58,500)
Equity investments designated at FVOCI (Note 6)	—	(2,950)	(3,500)
Proceeds from disposals of:			
Undeveloped land (Note 9)	1,901,250	—	246,431
Property, plant and equipment	420,314	151,645	3,348
Investment properties (Note 12)	24,380	—	—
Equity investments designated at FVOCI (Note 6)	4,475	—	—
Investment properties (Note 12)	—	—	3,150
Interest paid and capitalized as cost of property, plant and equipment (Note 13)	(439,800)	(4,837)	(112,939)
Decrease (increase) in other noncurrent assets	1,196,265	1,437,052	(460,058)
Net cash used in investing activities	(₱9,139,004)	(₱5,779,011)	(₱8,228,019)

(Forward)



	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Short-term debt	₱9,622,849	₱1,583,992	₱9,160,557
Long-term debt	1,223,488	8,103,812	7,327,976
Payments of:			
Dividends paid to equity holders of the Parent Company (Note 22)	(12,746,372)	(6,377,259)	(6,373,759)
Long-term debt	(5,100,886)	(3,983,950)	(8,347,806)
Dividends paid to non-controlling interests (Note 22)	(4,010,623)	(4,604,862)	(1,841,122)
Short-term debt	(3,639,617)	(3,134,000)	(11,814,390)
Interest	(987,757)	(740,382)	(934,276)
Acquisition of non-controlling interest	(251,607)	(101,856)	(387,547)
Increase (decrease) in other noncurrent liabilities	(3,318,122)	(508,017)	276,659
Redemption of preferred shares	(7,069)	—	—
Net cash used in financing activities	(19,215,716)	(9,762,522)	(12,933,708)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	55,406	(4,029)	(109,757)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,841,810)	6,585,668	(412,497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	25,323,774	18,738,106	19,150,603
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱15,481,964	₱25,323,774	₱18,738,106

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 with a corporate life of 50 years from and after the date of incorporation and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

The Parent Company and its subsidiaries (collectively referred to herein as the Group) is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, 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 7, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), which include availment of the relief granted by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 14-2018 and 3-2019 as discussed in the section below on Adoption of New and Amended Accounting Standards and Interpretations. PFRS include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018.

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



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

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the noncontrolling interests (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 related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries (which are all incorporated and domiciled in the Philippines). The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Nature of Business	2018			2017		
		Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
(In percentage)							
General Construction:							
D.M. Consunji, Inc. (DMCI)	General Construction	100.00	–	100.00	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) ¹	General Construction	–	53.95	53.95	–	53.95	53.95
Raco Haven Automation Philippines, Inc. (Raco) ¹	Non- operational	–	50.14	50.14	–	50.14	50.14
Oriken Dynamix Group, Inc. (Oriken) ¹	Non- operational	–	89.00	89.00	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) ¹	Services	–	100.00	100.00	–	100.00	100.00

(Forward)



		2018			2017		
	Nature of Business	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
		(In percentage)					
<u>Real Estate:</u>							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	100.00	–	100.00	100.00	–	100.00
Riviera Land Corporation (Riviera) ²	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) ²	Hotel Operator	–	100.00	100.00	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) ²	Property Management	–	100.00	100.00	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. ²	Services	–	51.00	51.00	–	51.00	51.00
Hampstead Gardens Corporation (Hampstead) ^{2*}	Real Estate Developer	–	100.00	100.00	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) ^{2*}	Marketing Arm	–	100.00	100.00	–	100.00	100.00
<u>Coal Mining:</u>							
Semirara Mining and Power Corporation (SMPC)	Mining	56.65	–	56.65	56.54	–	56.54
<u>On-Grid Power:</u>							
Sem-Calaca Power Corporation (SCPC) ³	Power Generation	–	56.65	56.65	–	56.54	56.54
Southwest Luzon Power Generation Corporation (SLPGC) ³	Power Generation	–	56.65	56.65	–	56.54	56.54
Sem-Calaca RES Corporation (SCRC) ³	Retail	–	56.65	56.65	–	56.54	56.54
SEM-Cal Industrial Park Developers, Inc. (SIPDI) ³	Non-operational	–	56.65	56.65	–	56.54	56.54
Semirara Energy Utilities, Inc. (SEUI) ³	Non-operational	–	56.65	56.65	–	56.54	56.54
Southeast Luzon Power Generation Corporation (SeLPGC) ³	Non-operational	–	56.65	56.65	–	56.54	56.54
Semirara Claystone, Inc. (SCI) ³	Non-operational	–	56.65	56.65	–	56.54	56.54
<u>Off-Grid Power:</u>							
DMCI Power Corporation (DPC)	Power Generation	100.00	–	100.00	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) ⁴	Power Generation	–	100.00	100.00	–	100.00	100.00
<u>Nickel Mining:</u>							
DMCI Mining Corporation (DMC)	Mining	100.00	–	100.00	100.00	–	100.00
Berong Nickel Corporation (BNC) ⁵	Mining	–	74.80	74.80	–	74.80	74.80
Ulugan Resources Holdings, Inc. (URHI) ⁵	Holding Company	–	30.00	30.00	–	30.00	30.00
Ulugan Nickel Corporation (UNC) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) ⁵	Holding Company	–	58.00	58.00	–	58.00	58.00
TMM Management, Inc. (TMM) ⁵	Services	–	40.00	40.00	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) ⁵	Mining	–	100.00	100.00	–	100.00	100.00
Zambales Chromite Mining Group Inc. (ZCMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Montemina Resources Corporation (MRC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Heraan Holdings, Inc. (HHI) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) ⁵	Non-operational	–	100.00	100.00	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) ⁵	Holding Company	–	100.00	100.00	–	100.00	100.00

(Forward)



		2018			2017		
	Nature of Business	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
		(In percentage)					
<u>Manufacturing:</u>							
Semirara Cement Corporation (SemCem)	Non-operational	100.00	–	100.00	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	45.68	16.02	61.70	45.68	16.02	61.70

*Liquidating as of December 31, 2018

¹ DMCI's subsidiaries

² PDI's subsidiaries

³ SMPC's subsidiaries

⁴ DPC's subsidiaries

⁵ DMC's subsidiaries

⁵ DMC's subsidiaries

Noncontrolling Interests

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

Noncontrolling interests are presented separately in the consolidated statement of income, consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from parent shareholder's equity. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interest having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

The proportion of ownership interest held by noncontrolling interests on the consolidated subsidiaries are presented below. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

	Percentage	
	2018	2017
Beta Electromechanical Corporation (Beta Electromechanical)	46.05	46.05
Raco Haven Automation Philippines, Inc. (Raco)	49.86	49.86
Oriken Dynamix Group, Inc. (Oriken)	11.00	11.00
Zenith Mobility Solutions Services, Inc.	49.00	49.00
Semirara Mining and Power Corporation (SMPC)	43.35	43.46
Sem-Calaca Power Corporation (SCPC)	43.35	43.46
Southwest Luzon Power Generation Corporation (SLPGC)	43.35	43.46
Sem-Calaca RES Corporation (SCRC)	43.35	43.46
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	43.35	43.46
Semirara Energy Utilities, Inc. (SEUI)	43.35	43.46
Southeast Luzon Power Generation Corporation (SeLPGC)	43.35	43.46
Semirara Claystone, Inc. (SCI)	43.35	43.46
Berong Nickel Corporation (BNC)	25.20	25.20
Ulugan Resources Holdings, Inc. (URHI)	70.00	70.00
Ulugan Nickel Corporation (UNC)	42.00	42.00
Nickeline Resources Holdings, Inc. (NRHI)	42.00	42.00
TMM Management, Inc. (TMM)	60.00	60.00
Wire Rope Corporation of the Philippines (Wire Rope)	38.30	38.30



In 2018, the SEC approved the change in name of Beta Electric Corporation to Beta Electromechanical Corporation.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting 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. 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 Group adopted PFRS 9 retrospectively using modified retrospective approach, with an initial application date as of January 1, 2018. As allowed under the transition provisions of the standard, the Group has not restated comparative information for the years ended December 31, 2017 and January 1, 2017. Therefore, the comparative information for 2017 is reported under PAS 39 and is not comparable to the information presented in 2018. Any differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings as of January 1, 2018.

The adoption of PFRS 9 only impacts the classification and measurement of financial assets and did not have material impact on the Group's financial performance and operating, investing and financing cash flows and the basic and diluted earnings per share.

(a) *Classification and measurement*

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, financial assets at fair value through profit or loss (FVPL), held to maturity (HTM) financial assets and available for sale (AFS) financial assets. Under PFRS 9, financial assets are either classified as financial assets at amortized cost, financial assets at fair value through profit or loss (FVPL) or fair value through other comprehensive income (FVOCI).

For debt instruments, these are subsequently measured at fair value through profit or loss, at amortized cost, or at fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

A financial asset can only be measured at amortized cost if both of the following are satisfied:

- ***Business model:*** the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- ***Contractual cash flows:*** the contractual cash flows under the instrument relate solely to payments of principal and interest

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.



In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications for financial assets:

At January 1, 2018

		PFRS 9 measurement category		
	PAS 39 carrying value	Amortized cost	Fair value through profit or loss	Fair value through comprehensive income
PAS 39 measurement category				
Loans and receivables				
Cash and cash equivalents (Note 4)	₱25,323,774	₱25,323,774	₱—	₱—
Receivables (Note 7)	28, 419,988	28, 419,988	—	—
Financial assets at FVPL				
Derivative asset (Note 5)	219,668	—	219,668	—
Available for sale financial asset				
Investments in equity instruments designated at FVOCI (Note 6)	95,451	—	—	95,451

Financial liabilities

The Group has not designated any financial liabilities as at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

(b) Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at FVPL in the scope of PFRS 15.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cashflows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual term.

The Group applied the simplified approach, except for receivables from related parties where the Group applied general approach, and recorded lifetime expected losses on all financial assets, which consist of cash and cash equivalents and receivables. For the Group's debt securities and other receivables measured at amortized cost, the simplified approach for measuring expected credit losses was applied.

For real estate installment contract receivables (ICR) and contract assets, the Group has applied PFRS 9's simplified approach and has calculated ECLs based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group used vintage analysis accounts for expected credit losses by calculating the cumulative loss rates of a given installment contract receivables and contract assets pool. It derives the probability of default from the historical date of a homogenous portfolio that share the same origination period. The information on the number of defaults during the fixed time intervals of the accounts is utilized to create the probability of default (PD) model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.



In addition to life of loan loss data, primary drivers like macroeconomic indicators of qualitative factors such as forward-looking data on interest rates and bank lending rates were added to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers an installment contract receivable in default upon cancellation of the CTS.

The probability of default is applied to the estimate of the loss arising on the default which is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the repossession of the subject real estate property, net of cash outflows. For purposes of calculating loss given default, accounts are segmented based on facility/collateral type and completion. In calculating recovery rates, the Group considered collections of cash and/or cash from resale of real estate properties after foreclosure, net of direct costs of obtaining and selling the real estate properties after the default event such as commission, rehabilitation costs, payment required under Maceda Law and cost to complete (for incomplete units).

As these are future cash flows, these are discounted back to the reporting date using the appropriate effective interest rate, usually being the original effective interest rate or an approximation thereof.

For other financial assets such as receivable from related parties, other receivables and recoverable deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for expected credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over remaining life of the exposure, irrespective of the timing of default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Philippines Ratings Services Corporation (PhilRatings), Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

There is no transition adjustment in relation to the impairment of the Group's financial assets as of January 1, 2018 and no impairment loss was recognized resulting from the adoption of the ECL approach.

- *PFRS 15, Revenue from Contracts with Customers*
PFRS 15 and its related amendments supersede PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after January 1, 2018. 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.



PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

On February 14, 2018, the Philippines Interpretation Committee (PIC) issued PIC Q&A 2018-12 (PIC Q&A) which provides guidance on some implementation issues of PFRS 15 affecting real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three (3) years:

- a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E;
- b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D; and,
- c. Accounting to Common Usage Service Area (CUSA) Charges discussed in PIC Q&A No. 2018-12-H.

Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A No. 2018-14: PFRS 15 - Accounting for Cancellation of Real Estate Sales was also deferred.

The SEC Memorandum Circulars also provided certain mandatory disclosure requirements should an entity decide to avail of any relief.

Except for the CUSA charges discussed under PIC Q&A No. 2018-12-H which applies to leasing transactions, the above deferral is only be applicable for real estate sales transactions.

Effective January 1, 2021, real estate companies will adopt PIC Q&A No. 2018-12 and PIC Q&A No. 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

The Group availed of the deferral of adoption of the accounting for significant financing component and accounting for cancellation of real estate sales. Had these provisions been adopted, it would have impacted retained earnings as at January 1, 2018, real estate sales, cost of real estate sold, other income and real estate inventories for 2018.

The Group adopted the new standard on the required effective date using the modified retrospective method. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts that are not completed as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continued to be reported under PAS 18, *Revenue* and related interpretations.



The retrospective effects of adopting PFRS 15 as of January 1, 2018, as follow:

	Reference	As previously reported December 31, 2017	As restated January 1, 2018	Adjustment
Assets				
Current portion of receivables – net (Note 7)	(a)	₱21,984,999	₱15,837,020	(₱6,147,979)
Current portion of contract assets (Note 8)	(a)	1,201,589	8,632,189	7,430,600
Inventories (Note 9)	(b)	34,698,636	35,953,048	1,254,412
Other current assets (Note 10)	(c)	8,290,495	8,550,385	259,890
Receivables - net of current portion (Note 7)	(a)	6,434,989	–	(6,434,989)
Contract asset - net of current portion (Note 8)	(a)	–	5,152,368	5,152,368
Other noncurrent assets (Note 14)	(c)	1,213,617	2,902,533	1,688,916
Liabilities and Equity				
Accounts and other payables (Note 17)	(c)	18,757,347	19,652,618	895,271
Current portion of contract liability (Note 18)	(a)	7,918,433	5,899,295	(2,019,138)
Contract liability - net of current portion (Note 18)	(a)	–	2,019,138	2,019,138
Deferred tax liabilities – net (Note 29)	(d)	4,444,307	4,731,714	287,407
Other noncurrent liabilities (Note 20)	(c)	2,285,624	3,635,548	1,349,924
Retained earnings	(b),(c),(d)	58,308,942	58,979,558	670,616

Set out below are the amounts by which each financial statement line item is affected as of and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on OCI or the Group's operating, investing and financing cash flows.

Consolidated Statements of Financial Position as of December 31, 2018

	Reference	Amounts prepared under		Adjustment
		PFRS 15	Previous PFRS	
Assets				
Current portion of receivables – net (Note 7)	(a)	₱16,745,426	₱22,806,575	(₱6,061,149)
Current portion of contract assets and costs and estimated earnings in excess of billings on uncompleted contracts (Note 8)	(a)	8,868,598	2,164,955	6,703,643

(Forward)



	Reference	Amounts prepared under		Adjustment
		PFRS 15	Previous PFRS	
Inventories (Note 9)	(b)	₱44,691,520	₱44,001,792	₱689,728
Other current assets (Note 10)	(c), (d)	10,102,689	9,852,179	250,510
Receivables - net of current portion (Note 7)	(a)	—	8,225,830	(8,225,830)
Contract asset - net of current portion (Note 8)	(a)	7,583,336	—	7,583,336
Other noncurrent assets (Note 14)	(c)	4,070,840	1,621,076	2,449,764
Liabilities and Equity				
Accounts and other payables (Note 17)	(c)	22,040,880	20,666,937	1,373,943
Current portion of contract liability and other customers' advances and deposits (Note 18)	(a)	5,834,168	8,133,151	(2,298,983)
Contract liability - net of current portion (Note 18)	(a)	2,298,983	—	2,298,983
Deferred tax liabilities – net (Note 29)	(d)	5,279,000	5,038,830	240,170
Other noncurrent liabilities (Note 20)	(c)	2,503,786	854,703	1,649,083
Retained earnings	(b),(c),(d)	60,746,125	60,619,319	126,806

Consolidated Statements of Comprehensive Income for the Year Ended December 31, 2018

	Reference	Amounts prepared under		Increase/ (Decrease)
		PFRS 15	Previous PFRS	
Cost of Sales-Real estate (Note 24)	(b),(c)	₱14,703,529	₱12,742,239	₱1,961,290
Operating Expenses (Note 25)	(c)	(11,640,661)	(12,825,080)	1,184,419
Income Before Tax	(b),(c)	23,054,324	23,831,195	(776,871)
Provision for Income Tax	(d)	3,205,239	3,438,300	(233,061)
Earnings Per Share				
Basic/ Diluted earnings per share		₱1.09	₱1.13	(₱0.04)

(a) Contract balances

The Group records any excess of progress of work over the right to an amount of consideration that is unconditional, recognized ICR, as contract asset while the excess of collection/receivable over progress of work is recorded as contract liability.

Before the adoption of PFRS 15, for real estate segment, contract asset is not presented separately from ICR while contract liabilities are presented as customer deposit. For those receivables with interest rate explicit in the contract, the Group records interest income based on the principal amount multiplied by the applicable interest rate. Receivables without explicit interest rate stated in the contract were recorded at fair value at initial recognition and the related interest is accreted using the effective interest rate method. For the construction segment operations, the costs, estimated earnings and billings on uncompleted contracts are recognized as contract assets and liabilities. These are presented as “Contract asset” and “Contract liability” in the consolidated statement of financial position.

The above resulted to reclassification of current and noncurrent receivables amounting to ₱6,147.98 million and ₱6,434.99, respectively to current and non-current contract assets amounting to ₱6,703.64 million and ₱7,583.34 million, respectively. Current portion of contract liability which pertains to customers’ advances and deposits amounting to ₱2,091.14 million was reclassified to noncurrent contract liability as of January 1, 2018.



As of December 31, 2018, the adoption of PFRS 15 resulted to reclassification of current and noncurrent receivables amounting to ₱6,770.41 million and ₱7,516.57 million, respectively, to current and noncurrent contract asset amounting to ₱6,703.64 million and ₱7,583.34 million, respectively.

(b) Cost recognition

Before the adoption of PFRS 15, for real estate segment, cost of real estate sales was determined on the basis of the acquisition cost of the land, plus its full development costs, which includes estimated costs for future development works, allocated to saleable area based on relative size and takes into account the percentage of completion (POC) used for revenue recognition purposes.

Under PFRS 15, real estate cost of sales recognized by the Group includes the following costs allocated to sold units: actual development costs incurred during the year; and fulfillment costs (i.e., land costs and connection fees) applied with the incremental POC of the project. Uninstalled materials are capitalized as asset and only form part of expense when consumed to satisfy the performance obligation.

As of January 1, 2018, the Group's change in measurement of prior years' real estate cost of sales resulted to the increase of inventories and retained earnings by ₱1,254.41 million and ₱878.09 million, respectively.

As of December 31, 2018, due to the adoption of PFRS 15, inventories increased by ₱689.73 million. It also resulted to the increase of cost of sales by ₱841.36 million.

(c) Cost to obtain a contract

The Group pays commission to sales agents for each contract that they obtain for the sale of pre-completed real estate units. Before the adoption of PFRS 15, these are deferred and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense was presented under "Operating expense" account in the consolidated statement of comprehensive income, determined with reference to the commission paid to sales agents based on relative payout schedule and takes into account the POC used for revenue recognition purposes.

PFRS 15 requires incremental costs of obtaining a contract with a customer recognized as an asset if these are expected to be recovered. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained (i.e., a sales commission).

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.



Under the requirements of PFRS 15, the Group recognized commission paid before the signing of sales contracts as expense. Commissions paid on or after the signing of sales contracts are recognized as assets and amortized using the POC. Upon adoption of PFRS 15, the resulting effect as of January 1, 2018 of accounting commission expense as a cost of obtaining a contract was: increased other current and noncurrent asset by ₱259.89 million and ₱1,688.92 million, respectively; and increased accounts and other payables and other noncurrent liabilities by ₱895.27 million and ₱1,349.92 million, respectively, and decreased retained earnings by ₱207.47 million for the sales commissions related to uncompleted contracts obtained in prior years.

As of December 31, 2018, due to the adoption of PFRS 15, other current and noncurrent assets increased by ₱64.69 million and ₱2,449.76 million, respectively; and increased accounts and other payables and other noncurrent liabilities by ₱1,373.94 million and ₱1,649.08 million, respectively. This also resulted to the increase of cost of sales by ₱1,119.93 million.

(d) Other adjustments

In addition to the adjustments described above, adoption of the PFRS 15 resulted to increase in deferred tax liability by ₱287.41 million as at January 1, 2018.

For the year-ended December 31, 2018, PFRS 15 resulted to decrease in provision for income tax by ₱233.06 million. The decrease in income tax payable by ₱185.83 million resulted to increase in creditable withholding taxes by the same amount which is recognized under other current assets account. Deferred tax liability increased by ₱240.17 million as of December 31, 2018.

PIC Q&A 2018-15, *Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current*, aims to classify the prepayment based on the actual realization of such advances determined with reference to usage/realization of the asset to which it is intended for (e.g., inventory, investment property, property plant and equipment). The Group's policy on the classification of prepayments is consistent with the interpretation.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2017 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 amendments are not applicable to the Group as the Group does not measure those investments at FVPL.



- 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 non-monetary 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. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

Since the Group's current practice is in line with the clarifications issued, hence adoption of the interpretation did not have significant impact to the consolidated financial statements.

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
Under PFRS 9, a debt instrument can be measured at amortized cost or FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.
- PFRS 16, *Leases*
PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.



Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The Group expects the standard to impact its operating lease arrangements for land, buildings and mining and construction equipments which will require recognition of right of use asset in the books and its related lease liability. The Group does not expect significant impact of the standards to its lease arrangements as a lessor.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:
 - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
 - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.



The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group currently does not have such long-term interests in its associate and joint venture, the amendments is not expected to have an impact on its consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*
The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that better predicts the resolution of uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs 2015-2017 Cycle*
 - Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.



- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The Group has yet to evaluate the impact on its consolidated financial statements of the adoption of these amendments.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.



Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
 - A simplified approach (the premium allocation approach) mainly for short-duration contracts
- PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies

Current versus Noncurrent Classification

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

An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or



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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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



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

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

Cash and Cash Equivalents

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

Recognition and Measurement of Financial Instruments (Effective January 1, 2018)

Financial assets

a. Initial recognition

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

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

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

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

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

As of December 31, 2018, the Group's financial assets comprise of financial assets at amortized cost, financial assets at FVPL and financial assets at FVOCI.

b. Subsequent measurement – Financial assets at amortized cost

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

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



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

The Group classified cash and cash equivalents, receivables, due from related parties, and refundable deposit as financial assets at amortized cost (see Notes 4, 7, 10 and 14).

- a. Subsequent measurement – Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition

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

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

The Group elected to classify irrevocably its quoted and non-listed equity investments under this category (see Note 6).

- b. Subsequent measurement – Financial assets at FVPL

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

The Group measures its derivative as financial asset at FVPL and is carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statements of income.

- c. Derecognition

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

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



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

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

Financial liabilities

a. Initial recognition

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

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

As of December 31, 2018, the Group's financial liabilities comprise of financial liabilities at amortized cost including accounts and other payables and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liabilities, income tax payable, and other statutory liabilities).

b. Subsequent measurement – Payables, loans and borrowings

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to short-term and long-term debt.

c. Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Group's consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.



Impairment of Financial Assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, except for receivables from related parties where the Group applies general approach, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For its real estate ICR, the Group uses the vintage analysis for ECL by calculating the cumulative loss rates of a given ICR pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the probability model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

As these are future cash flows, these are discounted back to the time of default (i.e., is defined by the Group as upon cancellation of CTS) using the appropriate effective interest rate, usually being the original EIR or an approximation thereof.

For other financial assets such receivable from related parties, other receivables and recoverable deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For short term investments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.



In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Recognition and Measurement of Financial Instruments (Prior to Adoption of PFRS 9)

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 prior to January 1, 2018 are classified as AFS financial assets, financial assets at FVPL, loans and receivables and other financial liabilities.

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. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVPL as hedging instrument. 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.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statement of income. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.



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 assets at FVPL pertain to investment in quoted equity securities and derivatives arising from contracts for differences entered with a third party as disclosed in Notes 5, 10 and 14 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position. 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 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 income/ 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 and are included in 'Other current assets' in the consolidated statement of financial position.

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 financial 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", "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 (Prior to Adoption of PFRS 9)

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.

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.

Inventories

Real Estate Held for Sale and Development

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

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

Undeveloped land is carried at lower of cost and NRV.

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

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

Coal Inventory

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

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

Nickel Ore Inventory

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

Materials in Transit

Cost is determined using the specific identification basis.



Equipment Parts, Materials and Supplies

The cost of equipment parts, materials and supplies is determined principally by the average cost method (either by moving average or weighted average production cost).

Equipment parts and supplies are transferred from inventories to property, plant and equipment when the use of such supplies is expected to extend the useful life of the asset and increase its economic benefit. Transfers between inventories to property, plant and equipment do not change the carrying amount of the inventories transferred and they do not change the cost of that inventory for measurement or disclosure purposes.

Equipment parts and supplies used for repairs and maintenance of the equipment are recognized in the consolidated 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.

Other assets

Advances to Suppliers

Advances to suppliers are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Amounts expected to be realized within 12 months from end of reporting period is classified as current; otherwise, they are presented as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority within 12 months from end of reporting period is presented as current; otherwise the amount is presented as noncurrent.

Creditable withholding taxes

Creditable withholding taxes are the taxes withheld by the withholding agents from payments to the sellers which is creditable against the future income tax payable.

Investments in Associates and Joint Ventures

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

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.



The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in associates and joint ventures are accounted for using the equity method.

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

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

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and 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 amount in 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 method are reviewed periodically to ensure that the period and method of depreciation and amortizations are consistent with the expected pattern of economic benefits from items of investment 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 and equipment'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

Stripping Costs

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

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

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

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

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be reasonably identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of income as operating costs as they are incurred.

In identifying components of the body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore/coal body, the geographical location, and/or financial considerations.

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



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

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

Property, Plant and Equipment

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs also include decommissioning and site rehabilitation costs. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period in which the costs are incurred.

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

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

Depreciation, depletion and amortization of assets commences once the assets are put into operational use.

Depreciation, depletion and amortization of property, plant and equipment are calculated on a straight-line basis over the following EUL of the respective assets or the remaining contract period, whichever is shorter:

	Years
Land improvements	5-17
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 properties and equipment	2-13
Nickel mining properties and 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, legal and environmental saleable reserves of the mine concerned which is based on the current market prices, and are written-off if the property is abandoned.

Mineable Ore Reserves

Mineable ore reserves are estimates of the amount of coal and nickel that can be economically and legally extracted from the Group’s mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the 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 mineable ore body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of ‘Mining properties and equipment’ under ‘Property, plant and equipment’.

Intangible Assets

Intangible assets and software costs acquired separately are capitalized at cost and are shown as part of the “Other noncurrent assets” account in the consolidated statement of financial position. Following initial recognition, intangible assets are measured at cost less accumulated amortization and provisions for impairment losses, if any. The useful lives of intangible assets with finite life are assessed at the individual asset level. Intangible assets with finite life are amortized over their EUL. The periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists.

Costs incurred to acquire and bring the computer software (not an integral part of its related hardware) to its intended use are capitalized as part of intangible assets. These costs are amortized over their EUL ranging from three (3) to five (5) years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.



Research and Development Costs

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

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

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

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's property, plant and equipment, investment properties, investments in associates and joint ventures 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.

Exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation 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 carrying value and the recoverable amount of the investee company and recognizes the difference in the consolidated statement of income.

Liabilities for Purchased Land

Liabilities for purchased of land represents unpaid portion of the acquisition costs of raw land for future development, including other costs and expenses incurred to effect the transfer of title of the property. Noncurrent portion of the carrying amount is discounted using the applicable interest rate for similar type of liabilities at the inception of the transactions.

Other Assets

Other current and noncurrent assets are carried at cost and 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.

Treasury shares pertains to own equity instruments which are reacquired and are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid in capital when the shares were issued and to retained earnings for the remaining balance.

Retained earnings 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 (BOD).

Dividends on common shares are deducted from retained earnings when declared and approved by the BOD or shareholders of the Parent Company. Dividends payable are recorded as liability until paid. Dividends for the year that are declared and approved after the reporting date, if any, are dealt with as an event after the reporting date and disclosed accordingly.



The Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱3,696.86 million and ₱8,115.40 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 PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at costs being the excess of the aggregate of the consideration transferred and the amount recognized for 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 costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within 12 months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset,



liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Revenue recognition effective January 1, 2018

Revenue from contract with customers

The Group is primarily engaged in general construction, coal and nickel mining, power generation, real estate development, water concession and manufacturing. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue recognized at a point in time

- *Coal Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US\$), respectively.

Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, labor costs including outside services, depreciation and amortization, cost of decommissioning and site rehabilitation, and other related production overhead. These costs are recognized when incurred.

- *Nickel Mining*

Revenue is recognized when control passes to the customer, which occurs at a point in time when the beneficiated nickel ore/nickeliferous laterite ore is physically transferred onto a vessel or onto the buyer's vessel.

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

- *Sales and services*

Revenue from room use, food and beverage sales and other 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 control is passed on to the buyers.

Revenue recognized over time using output method

- *Real Estate Sales*

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period - percentage of completion or (POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset



with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses output method. The Group recognizes revenue on the basis of direct measurements of the value to customers of the goods or services transferred to date, relative to the remaining goods or services promised under the contract. Progress is measured using survey of performance completed to date. This is based on the monthly project accomplishment report prepared by the third party engineer as approved by the construction manager which integrates the surveys of performance to date of the construction activities for both sub-contracted and those that are fulfilled by the developer itself.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as installment contract receivables, under trade receivables, is included in the “contract asset” account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized installment contract receivables is included in the “contract liabilities” account in the liabilities section of the consolidated statement of financial position.

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

In addition, the Group recognizes as an asset only costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.

- *Electricity Sales*

Revenue from sale of electricity is derived from its primary function of providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using output method measured principally on actual energy delivered each month.

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

Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

The adoption of PFRS 15 in relation to electricity sales has no impact to the consolidated balance sheets, statements of income, statements of comprehensive income and statements of cash flows.



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

Revenue recognized over time using input method – Construction Contracts

Revenue from construction contracts are recognized over time (POC) using the input method. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated costs of the project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on onerous contracts are recognized immediately when it is probable that the total unavoidable contract costs will exceed total contract revenue. The amount of such loss is determined irrespective of whether or not work has commenced on the contract; the stage of completion of contract activity; or the amount of profits expected to arise on other contracts, which are not treated as a single construction contract. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements that may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined. Profit incentives are recognized as revenue when their realization is reasonably assured.

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" 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 retention receivables are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Contract Balances

Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

For the Group's real estate segment, contract assets are initially recognized for revenue earned from development of real estate projects as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. It is recognized as "contract asset" account in the consolidated statement of financial position.



For the Group's construction segment, contract asset arises from the total contract costs incurred and estimated earnings recognized in excess of amounts billed. It is recognized as "Costs and estimated earnings in excess of billings on uncompleted contracts" account in the consolidated statement of financial position.

A receivable (e.g., ICR, receivable from sales construction contracts), represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due). Refer to accounting policy of financial assets at amortized cost.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group's commission payments to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Cost of Sales and Services - Real estate sales" account in the consolidated statements of income. Capitalized cost to obtain a contract is included in 'Other current and noncurrent assets' account in the consolidated statement of financial position.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

For the Group's real estate segment, contract liability arises when the payment is made or the payment is due (whichever is earlier) from customers before the Group transfers goods or services to the customer. Contract liabilities are recognized as revenue when the Group performs (generally measured through POC) under the contract. The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

For the Group's construction segment, contract liability arises from billings in excess of total costs incurred and estimated earnings recognized. It is recorded as "Billings in excess of costs and estimated earnings on uncompleted contracts" account in the consolidated statement of financial position.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of these criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.



The Group's contract fulfillment assets pertain to connection fees and land acquisition costs as included in the "Inventory" account in the consolidated statement of financial position.

Amortization, derecognition and impairment of contract fulfillment assets and capitalized costs to obtain a contract

The Group amortizes contract fulfillment assets and capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within cost of sales.

A contract fulfillment asset or capitalized costs to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that contract fulfillment asset or capitalized cost to obtain a contract may be impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive, less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, there judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Revenue and Cost Recognition Prior to January 1, 2018

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 Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

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.

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 POC 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 POC. 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 WESM, the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of 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

For real estate sales, the Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectability of the sales price is demonstrated by the buyer's commitment to pay, which in turn is supported by substantial initial payment (buyer's equity) and continuing investments that give the buyer a stake in the property sufficient that the risk of loss through default motivates the buyer to honor its obligation to the seller. Collectability is also assessed by considering factors such as the credit standing of the buyer, age and location of the property.

Any excess of collections over the recognized receivables are included in the "Customers' advances and deposits" account in the liabilities section of the consolidated statement of financial position.

When a sale of real estate does not meet the requirements for revenue recognition, the sale is accounted for under the deposit method. Under this method, revenue is not recognized, and the receivable from the buyer is not recorded. The real estate inventories continue to be reported on the consolidated statement of financial position as "Real estate held for sale and development" under "Inventories" account and the related liability as deposits under "Customers' advances and deposits".

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

Other Revenue and Income Recognition

Forfeitures and cancellation of real estate contracts

Income from forfeited reservation and collections is recognized when the deposits from potential buyers are deemed nonrefundable due to prescription of the period for entering into a contracted sale. Such income is also recognized, subject to the provisions of Republic Act 6552, *Realty Installment Buyer Act*, upon prescription of the period for the payment of required amortizations from defaulting buyers.

Income from commissioning

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

Dividend Income

Dividend income is recognized when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.

Rental Income

Rental income arising from operating leases on investment properties and construction equipment is accounted for on a straight-line basis over the lease terms.

Interest Income

Interest income is recognized as interest accrues using the effective interest method.



Operating Expenses

Operating expenses are expenses that arise in the 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest that an entity incurs in connection with the borrowing of funds.

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amounts capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized from the commencement of the development work until the date of practical completion. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted. Borrowing costs are also capitalized on the purchased cost of a site property acquired specially for development but only where activities necessary to prepare the asset for development are in progress.

Foreign Currency Translations and Transactions

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

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

Pension Cost

The Group has a noncontributory defined benefit multiemployer 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 consolidated net income for the year attributable to equity holders of the Parent Company (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segment

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 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 auditor's report that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

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:

Revenue recognition effective January 1, 2018

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 the stage of completion of the project. 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 reaching a level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.



Revenue recognition method and measure of progress

The Group concluded that revenue for real estate sales is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right to payment for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. The Group also considers the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. In determining whether the sales prices are collectible, the Group considers that initial and continuing investments of the buyer reaching a certain level of payment which would demonstrate the buyer's commitment to pay. Collectability is also assessed by considering factors such as history with the buyer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

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

Construction Revenue Recognition

Existence of a contract

The Group assessed that various documents or arrangements (whether separately or collectively) will create a contract in accordance with PFRS 15. The Group considered relevant facts and circumstances including customary business practices and assessed that the enforceability of its documents or arrangements depends on the nature and requirements stated in the terms of those documents or arrangements. Certain documents that indicate enforceability of contract include Letter/ Notice of Award, Letter of Intent, Notice to Proceed and Purchase Order.

Revenue recognition method and measure of progress

The Group concluded that revenue for construction services is to be recognized over time because (a) the customer controls assets as it is created or enhanced; (b) the Group's performance does not create an asset with an alternative use and; (c) the Group has an enforceable right for performance completed to date. The Group assessed that the first criterion is consistent with the rationale for percentage of completion revenue recognition approach for construction contract. Moreover, the customer can also specify the design of the asset being constructed and the construction entity builds the asset on the customer's land and the customer can generally control any work in progress arising from the entity's performance. The last criterion is evident in the actual provisions of the contract. As the Group cannot direct the asset to another customer, it satisfies the criteria of no alternative use.

Identifying performance obligation

Construction projects of the Group usually includes individually distinct goods and services. These goods and services are distinct as the customers can benefit from the service on its own and are separately identifiable. However, the Group assessed that goods and services are not separately identifiable from other promises in the contract. The Group provides significant service of integrating the various goods and services (inputs) into a single output for which the customer has contracted. Consequently, the Group accounts for all of the goods and services in the contract as a single performance obligation.



Consideration of significant financing component in a contract

The Group usually imposed to its customers a percentage of contract price as an advance payment of the total contract price as mobilization fees. The Group concluded that there is no significant financing component for those contracts where the customer pays in advance, considering: (a) the advance payments have historically been recouped within 12 months from the reporting date; and, (b) the billings are normally based on the progress of work (POC). The lag time between performance of construction service which is measured through POC and actual billing and billing to collection is substantially within 12 months.

Mining and electrical sales - Revenue Recognition

The Group applied the following judgements that affect the determination of the amount and timing of revenue from contracts with customers:

Revenue recognition method and measure of progress

The Group concluded that revenue from coal and nickel ore sales is to be recognized at a point in time as the control transfers to customers at the date of shipment, which is consistent with the point in time when risk and rewards passed under PAS 18.

On the other hand, the Group's revenue from power sales is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance obligation

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

Revenue recognition (Prior to Adoption of PFRS 15)

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 the stage of completion of the project. 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 reaching a certain level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

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.

Determination of components of ore bodies and allocation of measures for stripping cost allocation

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

Evaluation and Reassessment of Control

The Group refers to the guidance in PFRS 10, *Consolidated Financial Statements*, when determining whether the Group controls an investee. Particularly, the Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group considers the purpose and design of the investee, its relevant activities and how decisions about those activities are made and whether the rights give it the current ability to direct the relevant activities.

The Group controls an investee if and only if it has all the following:

- a. power over the investee;
- b. exposure, or rights, to variable returns from its involvement with the investee; and
- c. the ability to use its power over the investee to affect the amount of the investor's returns.

As of December 31, 2018 and 2017, ownership interests in URHI and TMM represent 30% and 40%, respectively. The stockholders of these entities signed the Memorandum of Understanding (MOU) that gives the Group the ability to direct the relevant activities and power to affect its returns considering that critical decision making position in running the operations are occupied by the representatives of the Group.

SMPC accounted its 50% ownership interest in SRPGC as a joint venture. Equal representation in the BOD and the requirement for a unanimous consent between the current stockholders before significant activities to be undertaken clearly demonstrates joint control over SRPGC.



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

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 sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of ore. These price adjustments may arise from the actual quantity and quality of delivered ore.

There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from coal mining amounted to ₱23,185.66 million, ₱23,489.59 million and ₱20,079.46 million in 2018, 2017 and 2016, Revenue from nickel mining amounted to ₱1,211.75 million, ₱759.27 million and ₱1,573.09 million in 2018, 2017 and 2016, respectively (see Note 35).

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 ₱9,359.08 million and ₱11,085.74 million in 2018 and 2017, 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 by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 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, 2018 and 2017 amounted to ₱3,334.52 million and ₱1,323.77 million, respectively (see Note 9).

Estimating Decommissioning and Mine Site Rehabilitation

The Group is legally required to fulfill certain obligations under its 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 given the approved decommissioning and site rehabilitation plan, (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, 2018 and 2017, the provision for decommissioning and site rehabilitation for coal mining activities amounted to ₱402.48 million and ₱1,686.54 million, respectively. As at December 31, 2018 and 2017, provision for decommissioning and rehabilitation for the nickel mining activities amounted to ₱43.14 million and ₱21.95 million, respectively (see Note 20).

b. Construction

Revenue Recognition – Construction Contracts

The Group's construction revenue is based on the POC method measured principally on the basis of total actual cost incurred to date over the estimated total cost of the project. Actual cost incurred to date includes labor, materials and overhead which are billed and unbilled by contractors. The Group also updates the estimated total cost of the project based on latest discussions with customers to include any revisions to the job order sheets and the cost variance analysis against the supporting details. The POC method is applied to the contract price after considering approved change orders.

When it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognized as an expense immediately. The amount of such a loss is determined irrespective of:

- (a) whether work has commenced on the contract;
- (b) the stage of completion of contract activity; or
- (c) the amount of profits expected to arise on other contracts which are not treated as a single construction contract.

The Group regularly reviews its construction projects and used the above guidance in determining whether there are projects with contract cost exceeding contract revenues. Based on the best estimate of the Group, adjustments were made in the books for those projects with expected losses in 2018 and 2017. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱14,581.41 million, ₱13,066.38 million and ₱13,816.65 million in 2018, 2017 and 2016, respectively (see Note 35).

Determining method to estimate variable consideration for variation orders

It is common for the Group to receive numerous variation orders from the customers during the period of construction. These variation orders could arise due to changes in the design of the asset being constructed and in the type of materials to be used for construction.

The Group estimates the transaction price for the variation orders based on a probability-weighted average approach (expected value method) based on historical experience.

c. Real estate

Revenue Recognition – Real Estate Sales

The assessment process for the percentage-of completion and the estimated project development costs requires technical determination by management's specialists (project engineers) and involves significant management judgment. The Group applies POC method in determining real estate revenue. The POC is measured principally on the basis of the estimated completion of a physical proportion of the contract work based on the inputs of the internal project engineers.



Revenue from real estate sales amounted to ₱20,572.25 million, ₱19,903.98 million and ₱13,758.64 million in 2018, 2017 and 2016, respectively (see Note 35).

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, 2018 and 2017, the estimated provision for decommissioning and site rehabilitation amounted to ₱20.92 million and ₱19.27 million, respectively (see Note 20).

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 ₱35,484.42 million and ₱29,886.82 million as of December 31, 2018 and 2017, respectively. Inventories carried at NRV amounted to ₱9,207.10 million and ₱4,811.82 million as of December 31, 2018 and 2017, respectively (see Note 9).



Allowance for expected credit losses

Installment Contract Receivables and Contract Assets

The Group uses the vintage analysis in calculating the ECLs for real estate ICR. Vintage analysis is a method of evaluating the credit quality of a loan portfolio by analyzing defaults in a homogenous loan pool where the loans share the same origination period. It accounts for expected losses by allowing an entity to calculate the cumulative loss rates of a given loan pool and in so doing, to determine that loan pool's lifetime expected loss experience.

Vintage Analysis calculates the vintage default rate of each period through a ratio of default occurrences of each given point in time in that year to the total number of receivable issuances or occurrences during that period or year. The rates are also determined based on the default occurrences of customer segments that have similar loss patterns (i.e., by payment scheme).

The vintage analysis is initially based on the Group's historical observed default rates. The Group will adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., bank lending rates and interest rates) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Allowance for expected credit losses of the Group's ICR amounted to ₱0.53 million both in 2018 and 2017 (see Note 7).

Trade Receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The above assessment resulted to an additional allowance of ₱30.83 million and ₱0.15 million in 2018 and 2017, respectively (see Notes 7 and 25). Receivables of the Group that were impaired and fully provided with allowance amounted to ₱1,687.40 million and ₱1,656.58 million as of December 31, 2018 and 2017, 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 ₱27.83 million in 2017 (nil in 2018; see Notes 13 and 25).

In 2017, the BOD approved the rehabilitation of the Group's Units 1 and 2 coal-fired thermal power plant. The rehabilitation of Units 1 and 2 coal fired power plant resulted to the recording of accelerated depreciation amounting to ₱1,210.00 million and ₱840.08 million in 2018 and 2017, respectively. The Group did not expect any salvage values for the parts to be replaced.

The carrying value of property, plant and equipment of the Group amounted to ₱57,086.94 million and ₱55,701.02 million as of December 31, 2018 and 2017, 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, 2018. The goodwill of ₱1,637.43 million is attributable to the acquisition of ZDMC and ZCMC (see Note 33). In addition, due to the suspension of the MPSA of ZDMC and to the probability of renewal of ZCMC's MPSA, the nickel mining segment assets were also subjected to impairment testing in 2018. Regional suspension of BNC is lifted on September 14, 2018 (see Note 38).

Accordingly, based on the lifting of BNC suspension during the period ended December 31, 2018, BNC no longer has any impairment indicator, specifically in the regulatory environment of the Mining Industry. 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 15.05%. 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 CGU 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 China Ferro Alloy Market, which resulted to nickel prices ranging from US\$12.00 per Wet Metric Ton (WMT) to US\$55.00 per WMT for 2018 and 2017. 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 2.80% to 4.40% 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

With the mining operations of ZDMC currently suspended and the mining activities of ZCMC yet to commence, the Group estimated that operations will resume in ZDMC and commence in ZCMC within the next four (4) years. As discussed in Note 38, DENR issued an order cancelling the MPSA of ZDMC. 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 the 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 ranging from 36.77% to 42.05%.
- (b) Nickel prices: a decline in China Ferro Alloy Market ranging from 9.41% to 16.75%.
- (c) Price inflation: a general price index inflation increase for specific various cost and expenses exceeding the range of 3.25% to 8.60%.



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 ₱946.16 million and ₱642.24 million as of December 31, 2018 and 2017, respectively. The unrecognized deferred tax assets of the Group amounted to ₱740.17 million and ₱1,473.83 million as of December 31, 2018 and 2017, 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, 2018 and 2017 amounted to ₱268.05 million and ₱315.56 million, respectively (see Note 23). Net pension assets amounted to ₱915.40 million and ₱1,019.69 million as of December 31, 2018 and 2017, 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.

Estimating recoverability of capitalized development costs

Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

Contingencies

The Group is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's financial position. It is possible, however, that future results of operations could be materially affected by changes in the evaluation of the case, the estimates of potential claims or in the effectiveness of the strategies relating to these proceedings (see Notes 28 and 37).



4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand and in banks	₱6,332,801	₱7,163,678
Cash equivalents	9,149,163	18,160,096
	₱15,481,964	₱25,323,774

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group, and earn annual interest ranging from 1.10% to 7.75% and 1.10% to 4.10% in 2018 and 2017, respectively.

Total finance income earned on cash in banks and cash equivalents amounted to ₱541.11 million, ₱281.03 million and ₱229.04 million in 2018, 2017 and 2016, respectively (see Note 26).

As discussed in Note 2, prior to the adoption of PFRS 9, beginning January 1, 2018, these investments are classified as loans and receivables, similarly as they were measured as financial assets at amortized cost under PFRS 9.

5. Financial Assets at FVPL

In February 2017, the Group entered into a five-year option agreement (until December 2021) with a retail electricity supplier (RES) with respect to its exposure to the Wholesale Electricity Spot Market (WESM) which does not constitute the supply of power by the Group to the RES. The option agreement stipulates the rights and obligations of the Group which includes the right to receive a fixed 'Exposure Guarantee Fee' and the obligation to pay a variable 'Exposure Adjustment' depending on the behavior of the electricity spot price in the WESM against the agreed 'Strike Price', adjusted by the various indices and rates, as determined on a monthly basis. This qualified as a derivative but was not designated as a hedging instrument against the Group's exposure in the WESM.

Significant inputs to the valuation are as follows:

	2018	2017
WESM prices per kilowatt hour (kWh)	₱2.63 to ₱3.63 ₱45.92 to	₱2.67 to ₱3.58
Philippine peso to US\$ exchange rate	₱54.35	₱43.28 to ₱51.80
Consumer price and coal price index as of December 31	3-year BVAL*	4-year PDST-R2**

*Bloomberg Valuation Service (BVAL)

**Philippine Dealing System Treasury Reference Rate (PDST - R2)



The fair value of the derivative was determined using the market data approach, Monte Carlo simulation (MCS) valuation, which is categorized within level 3 of the fair value hierarchy. Because of the complexities in the option agreement such as the optionality of the payoff and variability of strike price, the MCS methodology is deemed appropriate for the valuation. The Company uses published PDST - R2 by the Philippine Dealing and Exchange Corp (PDS) in interpolation of discount rate. In October 2018, PDST reference rates was decommissioned and was replaced by BVAL reference rates which was administered by the Bankers Association of the Philippines (BAP).

Related balances as of and for the year ended December 31 are as follows:

	2018	2017
Derivative assets (Notes 10 and 14)	₱245,444	₱219,668
Realized gain (Note 28)	65,817	36,602
Unrealized gain (Note 28)	25,775	219,668

6. Equity investments designated at FVOCI

This account consists of:

	2018	2017
Quoted securities		
Cost at beginning of year	₱55,276	₱52,326
Disposal	(4,529)	—
Additions	—	2,950
Cost at end of year	50,747	55,276
Cumulative unrealized gain recognized in equity	77,290	36,301
Balance at end of year	128,037	91,577
Unquoted securities		
Balance at beginning of year	112,085	113,327
Disposal	(1,697)	—
Write-off	—	(1,242)
Balance at end of year	110,388	112,085
Less allowance for probable loss	108,211	108,211
	2,177	3,874
	₱130,214	₱95,451

Quoted securities

The quoted securities include investments in golf and yacht club shares. Movements in the unrealized gain follow:

	2018	2017
Balance at beginning of year	₱36,301	₱27,813
Changes in fair values of equity investments designated at FVOCI	40,989	8,488
Balance at end of year	₱77,290	₱36,301

Unquoted securities

This account consists mainly of investments in various shares of stock in management services and leisure and recreation entities.



The aggregate cost of investments amounting to ₱108.21 million were fully provided for with allowance for impairment as management assessed that investments on these shares of stock are not recoverable as of December 31, 2018 and 2017.

As discussed in Note 2, prior to the adoption of PFRS 9, beginning January 1, 2018, these investments are classified as available-for-sale financial assets and measured at fair value, similarly as they were measured as financial assets at FVOCI under PFRS 9.

7. Receivables

This account consists of:

	2018	2017
Trade:		
Electricity sales	₱7,277,715	₱6,251,849
General construction (including retention receivables on uncompleted contracts of ₱2,799 million and ₱2,265 million in 2018 and 2017, respectively)	4,358,275	5,122,670
Coal mining	2,404,702	2,091,869
Real estate (Note 2)	2,075,739	15,370,770
Nickel mining	154,233	100,010
Merchandising and others	72,117	63,369
	16,342,781	29,000,537
Receivables from related parties (Note 21)	202,624	152,998
Other receivables	1,887,422	923,029
	18,432,827	30,076,564
Less allowance for doubtful accounts	1,687,401	1,656,576
	16,745,426	28,419,988
Less noncurrent receivables (Note 2)	—	6,434,989
	₱16,745,426	₱21,984,999

Trade receivables

Real estate

Real estate receivable consists of accounts collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2018 and 2017, annual interest rates on installment contracts receivable range from 9.00% to 19.00%. Interest on real estate receivable amounted to ₱253.29 million, ₱169.13 million and ₱205.92 million in 2018, 2017 and 2016, respectively (see Note 26).

In 2015, the Group entered into various receivable purchase agreements with various local financial institutions whereby the Group sold its installment contracts receivable on a with recourse basis in the aggregate credit facility agreement totaling to ₱3,617.70 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 ₱372.44 million and ₱797.66 million as of December 31, 2018 and 2017, 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 as part of ‘Receivables - net of current portion’ in the consolidated statements of financial position. These portion of the receivables 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.

On November 26, 2018, the Group entered into a Receivable Purchase Agreement with a local bank for the sale of receivables with a full recourse amounting to ₱1,272.23 million. Proceeds from the financing amounted to ₱1,268.03 million. Discount arising from this agreement was recognized as ‘Finance cost’ in the 2018 consolidated statement of income. As of December 31, 2018, the carrying values of the assigned receivables and short-term loan amounted to ₱1,272.23 million (see Note 15). The Group has collected the assigned receivables and paid the short-term loan on January 2, 2019 and January 3, 2019, respectively.

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 a 30 to 60 days credit terms.

Other receivables

Other receivables include the Group’s receivables arising from the sale of undeveloped parcel of land, JV partners and condominium corporations. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.

Other receivables also include claims from Power Sector Assets and Liabilities Management (PSALM) and National Power Corporation (NPC) for the recovery of amounts charged and withheld by PSALM for spot purchases of the Group in connection with NPC’s over nomination of bilateral contracted capacity to a distribution utility company for the period January to June 2010. The claim was recognized by the Group as income in 2017 after the Supreme Court has issued an Entry of Judgement in favor of the Group (see Notes 28 and 37).



Allowance for impairment losses

Receivables amounting to ₱1,687.40 million and ₱1,656.58 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided with allowance (see Note 37).

Movements in the allowance for impairment losses are as follows:

2018						
Trade Receivables						
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	Total
At January 1	₱537	₱30,673	₱41,927	₱66,935	₱1,516,504	₱1,656,576
Provision (Note 25)	—	5,419	—	75	25,331	30,825
At December 31	₱537	₱36,092	₱41,927	₱67,010	₱1,541,835	₱1,687,401

2017						
Trade Receivables						
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	Total
At January 1	₱537	₱82,642	₱41,775	₱64,917	₱1,512,359	₱1,702,230
Provision (Note 25)	—	—	152	2,018	4,145	6,315
Reversal/write-off (Note 28)	—	(51,969)	—	—	—	(51,969)
At December 31	₱537	₱30,673	₱41,927	₱66,935	₱1,516,504	₱1,656,576

As discussed in Note 2, the Group determined the provision for credit losses using ECL model upon adoption of PFRS 9 beginning January 1, 2018. Previously credit losses are determined using the incurred loss model.

8. Contract assets

The accounts consist of:

	2018	2017
Contract asset (Note 2)	₱14,286,979	₱—
Costs and estimated earnings in excess of billings on uncompleted contracts	2,164,932	1,201,589
	16,451,911	1,201,589
Less: Contract asset - non current portion (Note 2)	7,583,336	—
	₱8,868,575	₱1,201,589

Contract Assets

Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. Prior to adoption of PFRS 15, contract assets of real estate segment is reported under 'Receivables'.

For construction segment, contract assets include Costs and estimated earnings in excess of billings on uncompleted contracts which represents total costs incurred and estimated earnings recognized in excess of amounts billed (see Note 18).



Costs and estimated earnings in excess of billing on uncompleted contracts as follows:

	2018	2017
Total costs incurred	₱35,839,976	₱28,363,059
Add estimated earnings recognized	5,835,631	5,319,436
	41,675,607	33,682,495
Less total billings (including unliquidated advances from contract owners of ₱5.11 billion in 2018 and ₱3.17 billion in 2017)	42,630,863	35,085,860
	(₱955,256)	(₱1,403,365)

The foregoing balances are reflected in the consolidated statements of financial position under the following accounts:

	2018	2017
Costs and estimated earnings in excess of billings on uncompleted contracts	₱2,164,932	₱1,201,589
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,120,188)	(2,604,954)
	(₱955,256)	(₱1,403,365)

9. Inventories

This account consists of:

	2018	2017
At Cost:		
Real estate held for sale and development (Note 2)	₱30,253,435	₱27,185,364
Coal inventory	3,334,518	1,323,765
Equipment parts, materials in transit and supplies	1,606,254	1,077,162
Nickel ore	290,210	300,527
	35,484,417	29,886,818
At NRV:		
Equipment parts, materials in transit and supplies	9,207,103	4,811,818
	₱44,691,520	₱34,698,636

Real estate inventories recognized as cost of sales amounted to ₱13,405.86 million, ₱12,117.87 million and ₱7,924.42 million in 2018, 2017 and 2016, 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-estate inventories to their intended condition. Borrowing costs capitalized in 2018 and 2017 amounted to ₱1,023.27 million and ₱1,082.95 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2018 and 2017 are 5.76% and 5.87%, respectively.



There are no real estate held for sale and development used as collateral or pledged as security to secure liabilities. Summary of the movement in real estate held for sale and development is set out below:

	2018	2017
Balance at beginning of year	₱27,185,364	₱26,412,544
Construction/development cost incurred	13,347,020	8,603,981
Land acquired during the year	2,872,017	3,207,417
Borrowing costs capitalized	1,023,271	1,082,951
Cost of undeveloped land sold during the year (Note 28)	(768,378)	—
Recognized as cost of sales (Note 24)	(13,405,859)	(12,117,873)
Other adjustment/reclassifications	—	(3,656)
Balance at end of year	₱30,253,435	₱27,185,364

The costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱9,207.10 million and ₱4,881.12 million as of December 31, 2018 and 2017, respectively.

10. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers and contractors - current portion	₱5,911,897	₱3,968,421
Input Value Added Tax (VAT) - net of allowance	1,332,235	1,590,671
Creditable taxes withheld	1,086,470	1,242,676
Cost to obtain a contract-current portion (Notes 2 and 14)	754,701	511,468
Refundable deposits (Notes 14 and 36)	240,118	239,119
Prepaid expenses	231,897	91,587
Equity investments designated at FVOCI (Notes 6 and 36)	130,214	95,451
Advances to officers and employees	72,824	98,316
Prepaid taxes	20,726	261,826
Financial asset at FVPL - current portion (Notes 5 and 36)	91,810	82,169
Others	229,797	108,791
	₱10,102,689	₱8,290,495

Advances to suppliers and contractors

Advances to suppliers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods.



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.

Cost to obtain a contract

As discussed in Note 2, beginning January 1, 2018, the incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the 'Cost of sales - real estate sales' account in the consolidated statements of income starting 2018.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

The balances below pertain to the cost to obtain contracts included in the other current and noncurrent assets:

	2018
Balance at beginning of the year	₱511,468
Effects of adoption of PFRS 15 as at January 1, 2018 (Note 3)	1,948,806
Additions	1,753,836
Amortization	(1,009,645)
Balance at end of the year	₱3,204,465

In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators (KPIs) that could trigger variable consideration, or service credits.

Upon adoption of PFRS 15, amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱1,119.93 million are presented under 'Cost of sales and services – real estate sales' account in the consolidated statements of comprehensive income for the year ended December 31, 2018.

Refundable deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one (1) year.

Prepaid expenses

Prepaid expenses consist mainly of prepayments for rent and insurance.

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 taxes

Prepaid taxes represent prepayment for taxes as well as local business and real property taxes.

Others

Others mainly include deposits for escrow funds which will be recovered within one (1) year and other prepayments relating to maintenance costs and other expenses.

11. Investments in Associates and Joint Ventures

The details of the Group's investments in associates and joint ventures follow:

	2018	2017
Acquisition cost	₱489,368	₱489,368
Accumulated impairment loss	(7,828)	(7,828)
Accumulated equity in net earnings		
Balance at beginning of year	13,020,452	12,277,225
Equity in net earnings	1,825,657	1,694,046
Dividends and others	(1,055,607)	(950,819)
Balance at end of year	14,272,042	13,020,452
Share in other comprehensive loss	(41,391)	(41,391)
	₱14,230,651	₱13,460,601

The details of the Group's equity in the net assets of its associates and joint ventures, which are all incorporated in the Philippines, and the corresponding percentages of ownership follow:

	Percentages of Ownership		Equity in Net Assets	
	2018	2017	2018	2017
Associates:				
Maynilad Water Holding Group, Inc. (MWHCI)	27.19	27.19	₱13,832,314	₱13,092,078
Subic Water and Sewerage Group, Inc. (Subic Water)	30.00	30.00	275,678	256,913
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
			14,151,052	13,392,051
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	50.00	63,433	52,384
			79,599	68,550
			₱14,230,651	₱13,460,601

There have been no outstanding capital commitments in 2018 and 2017.



The following table summarizes the Group's share in the significant financial information of the associates and joint ventures that are material to the Group:

	2018	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱17,421,270	₱284,518
Noncurrent assets	101,750,871	1,522,079
Current liabilities	(17,913,098)	(197,410)
Noncurrent liabilities	(43,948,568)	(186,749)
Non-controlling interests	(3,332,599)	—
Equity attributable to parent company	53,977,876	1,422,438
Proportion of the Group's ownership	27.19%	30.00%
Equity in net assets of associates	14,676,584	426,731
Less unrealized losses	(844,270)	(151,053)
Carrying amount of the investment	₱13,832,314	₱275,678
Statement of income		
Revenue	₱22,023,650	₱707,405
Costs and expenses	15,025,019	509,856
Net income	6,998,631	197,549
Net income attributable to NCI	500,572	—
Net income attributable to parent company	₱6,498,059	₱197,549
	2017	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱11,711,493	₱384,313
Noncurrent assets	93,030,619	1,441,426
Current liabilities	16,383,029	261,417
Noncurrent liabilities	35,136,744	290,260
Non-controlling interests	3,039,122	—
Equity attributable to parent company	50,183,217	1,274,062
Proportion of the Group's ownership	27.19%	30.00%
Equity in net assets of associates	13,644,817	382,219
Less unrealized losses	(552,739)	(125,306)
Carrying amount of the investment	₱13,092,078	₱256,913
Statement of income		
Revenue	₱20,774,241	₱659,518
Costs and expenses	14,281,667	505,420
Net income	6,492,574	154,098
Net income attributable to NCI	465,591	—
Net income attributable to parent company	₱6,026,983	₱154,098

The Group's dividend income from MWHCI amounted to ₱758.47 million in 2018 and 2017, while dividend income from Subic Water amounted to ₱40.50 million and ₱35.00 million in 2018 and 2017, respectively.

Equity in net earnings from MWHCI amounted to ₱1,766.82 million and ₱1,647.82 million in 2018 and 2017, respectively, while equity in net earnings from Subic Water amounted to ₱59.26 million and ₱46.23 million in 2018 and 2017, respectively.



The carrying amount of the investment in MWHCI is reduced by unrealized gains and losses from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are bidded out to various contractors and are awarded on an arms length basis. Equity in net earnings from MWHCI are adjusted for the realization of these unrealized gains and losses.

The aggregate carrying amount of the Group's individually immaterial investments in associates and joint ventures in 2018 and 2017 amounted to ₱122.66 million and ₱111.61 million, respectively.

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, 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:

	2018	2017
Acquisition cost	₱390,428	₱390,428
Accumulated equity in net earnings		
Balance at beginning of year	12,701,650	12,013,321
Equity in net earnings	1,766,822	1,647,818
Dividends received and other adjustments	(1,026,586)	(959,489)
Balance at end of year	13,441,886	12,701,650
	₱13,832,314	₱13,092,078

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 Cascal Services Limited (a company organized under the laws of England).

On April 1, 2016, the PDI disposed its 10% share in Subic Water. The related gain on sale amounting to ₱131.49 million is included under "Gain on sale of investments" in the "Other Income (Expenses)" account in the consolidated statements of income. The remaining percentage of ownership in Subic Water after the sale is 30%.

SRPGC

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, 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. SMPC accounted its 50% ownership in SRPGC as a joint venture.

SMPC accounted its 50% ownership interest in SRPGC as a joint venture.



12. Investment Properties

The movements in this account follow:

	2018			
	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
Balances at beginning and end of year	₱21,649	₱209,498	₱44,347	₱275,494
Disposals	—	—	(2,731)	(2,731)
Transfer	(21,649)	—	—	(21,649)
	—	209,498	41,616	251,114
Accumulated Depreciation and Amortization				
Balances at beginning of year	—	67,182	14,071	81,253
Depreciation and amortization (Note 24)	—	12,902	1,924	14,826
Disposal	—	—	(1,686)	(1,686)
Balances at end of year	—	80,084	14,309	94,393
Net Book Value	₱—	₱129,414	₱27,307	₱156,721

	2017			
	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
Balances at beginning of year	₱21,649	₱209,498	₱44,347	₱275,494
Accumulated Depreciation and Amortization				
Balances at beginning of year	—	54,371	11,982	66,353
Depreciation and amortization (Note 24)	—	12,811	2,089	14,900
Balances at end of year	—	67,182	14,071	81,253
Net Book Value	₱21,649	₱142,316	₱30,276	₱194,241

The aggregate fair values of the investment properties as of December 31, 2018 and 2017 amounted to ₱593.67 million and ₱411.27 million, respectively.

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 3.10% to 5.70%, 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’) amounted to ₱124.77 million, ₱110.01 million and ₱86.60 million in 2018, 2017 and 2016, 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 ₱12.90 million, ₱14.90 million and ₱22.15 million in 2018, 2017 and 2016, respectively (see Note 24).



There are no investment properties as of December 31, 2018 and 2017 that are pledged as security against liabilities.



13. Property, Plant and Equipment

The movements in this account follow:

	2018									
	Land and Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱2,251,386	₱45,655,202	₱26,730,415	₱5,596,804	₱9,200,029	₱635,359	₱614,687	₱252,859	₱2,787,902	₱93,724,643
Additions	133,350	1,354,470	3,043,175	–	1,223,412	61,334	97,655	89,942	6,035,879	12,039,217
Transfers	21,521	2,775,287	291,405	–	12,932	–	(12,932)	–	(3,088,213)	–
Write-down and disposals	–	(1,269,660)	(329,503)	–	(311,447)	(3,350)	(45,516)	–	(166,876)	(2,126,352)
Adjustments (Note 20)	–	–	(218,200)	21,151	–	–	(2,322)	–	(4,114)	(203,485)
Balances at end of year	2,406,257	48,515,299	29,517,292	5,617,955	10,124,926	693,343	651,572	342,801	5,564,578	103,434,023
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	807,381	10,935,911	17,270,611	625,579	7,201,201	599,057	360,168	223,713	–	38,023,621
Depreciation, depletion and amortization (Notes 24 and 25)	94,397	4,111,703	4,733,600	74,862	1,117,007	56,323	64,019	8,623	–	10,260,534
Write-down and disposals	–	(1,269,660)	(193,576)	–	(453,194)	(3,241)	(17,405)	–	–	(1,937,076)
Balances at end of year	901,778	13,777,954	21,810,635	700,441	7,865,014	652,139	406,782	232,336	–	46,347,079
Net Book Value	₱1,504,479	₱34,737,345	₱7,706,657	₱4,917,514	₱2,259,912	₱41,204	₱244,790	₱110,465	₱5,564,578	₱57,086,944



	2017									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱2,245,464	₱46,783,551	₱26,020,980	₱5,600,848	₱9,419,980	₱658,982	₱642,767	₱221,279	₱2,431,664	₱94,025,515
Additions	11,992	1,113,109	4,110,897	—	899,430	64,930	116,833	31,580	1,726,001	8,074,772
Transfers	—	1,307,943	45,849	—	13,771	—	—	—	(1,367,563)	—
Write-down, transfers and disposals	(6,070)	(3,549,401)	(3,607,042)	—	(1,133,152)	(88,553)	(144,913)	—	(2,200)	(8,531,331)
Adjustments (Note 20)	—	—	159,731	(4,044)	—	—	—	—	—	155,687
Balances at end of year	2,251,386	45,655,202	26,730,415	5,596,804	9,200,029	635,359	614,687	252,859	2,787,902	93,724,643
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	724,132	10,978,481	17,324,454	615,377	7,393,919	620,869	438,216	178,365	—	38,273,813
Depreciation, depletion and amortization (Notes 24 and 25)	85,183	3,478,628	3,553,199	10,202	940,434	66,741	66,865	45,348	—	8,246,600
Write-down, transfers and disposals	(1,934)	(3,521,198)	(3,607,042)	—	(1,133,152)	(88,553)	(144,913)	—	—	(8,496,792)
Balances at end of year	807,381	10,935,911	17,270,611	625,579	7,201,201	599,057	360,168	223,713	—	38,023,621
Net Book Value	₱1,444,005	₱34,719,291	₱9,459,804	₱4,971,225	₱1,998,828	₱36,302	₱254,519	₱29,146	₱2,787,902	₱55,701,022



In 2018, 2017 and 2016, the Group sold various equipment items at a net gain included under the consolidated statements of income caption “Other income” amounting to ₱37.30 million, ₱144.93 million and ₱0.39 million, respectively (see Note 28).

In 2017 and 2016, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱27.83 million and ₱14.32 million, respectively, (nil in 2018) due to the replacement of components of power plant and retirement of mining equipment (see Note 25).

The cost of fully depreciated assets that are still in use as of December 31, 2018 and 2017 amounted to ₱26,323.75 million and ₱18,336.04 million, respectively.

Construction-in-progress

In 2018 and 2017, there were reclassifications from construction in progress to power plant and building in the amount of ₱2,775.29 million and ₱1,307.94 million, respectively, for the ongoing regular rehabilitation of the Group’s coal-fired thermal power plant.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million in 2016 with the average capitalization rate at 4.00% in 2016 . There was no capitalization of borrowing cost starting 2017 since the 2x150MW coal-fired thermal power plant of SLPGC already started commercial operation.

Coal and nickel mining properties

Coal 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 assets and exploration and evaluation assets for costs of materials and fuel used, cost of operating dump trucks, excavators and other equipment costs amount others.

As of December 31, 2018 and 2017, coal mining properties included in “Coal Mining Properties and Equipment” amounted to ₱4,341.36 million and ₱5,575.86 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 in 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, 2018 and 2017, nickel mining properties included in “Nickel Mining Properties and Equipment” amounted to ₱5,017.72 million and ₱5,509.88 million, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, 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 estate assets and chattels owned by SLPGC. The carrying values of these mortgaged assets of SLPGC amounted to ₱18,513.63 million and ₱17,983.44 million as of December 31, 2018 and 2017, respectively.



14. Exploration and Evaluation Asset and Other Noncurrent Assets

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group's nickel and coal mining tenements.

Nickel

Rollforward of exploration and evaluation asset related to nickel follows:

	2018	2017
Balance at beginning of year	₱225,535	₱224,645
Addition	784	890
Balance at end of year	₱226,319	₱225,535

These costs pertain to exploration activities on various nickel projects mainly in Candelaria and Sta. Cruz, Zambales and on the Moorsom, Dangla and Longpoint project in Palawan areas that were covered by related exploration permits granted to the nickel mining entities.

Other noncurrent assets consists of the following:

	2018	2017
Cost to obtain a contract – net of current portion (Notes 2 and 10)	₱2,449,764	₱–
Deferred input VAT	745,873	467,825
Claims for refunds and tax credits - net	188,455	188,455
Financial asset at FVPL - net of current portion (Notes 5 and 36)	153,634	137,499
Deposits and funds for future investment	136,666	136,666
Deposit for future land acquisition	97,937	–
Refundable deposits (Notes 10 and 36)	78,047	79,537
Software cost	75,948	77,598
Prepaid rent (Note 37)	67,002	71,788
Security deposits (Note 36)	5,436	5,335
Others	72,078	48,914
	₱4,070,840	₱1,213,617

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 and gas turbine of SLPGC and acquisition of capital goods and services for SCPC maintenance program.

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, 2018 and 2017 is presented net of allowance for impairment losses amounting to ₱15.29 million.

Deposits and funds 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 acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three 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, 2018 and 2017, the Group has not yet complied with all the conditions set forth under the agreement.

Deposit for future land acquisition

This pertains to the downpayment for the acquisition of land for the construction of the Group's warehouse. The amount paid is treated as deposit until title of the property is fully transferred to the Group.

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.

Software cost

Movements in software cost account follow:

	2018	2017
Cost		
Balance at beginning of year	₱376,182	₱320,550
Additions	46,460	55,632
Balance at end of year	422,642	376,182
Accumulated Amortization		
Balance at beginning of year	298,584	246,657
Amortization (Notes 24 and 25)	48,110	51,927
Balance at end of year	346,694	298,584
Net Book Value	₱75,948	₱77,598

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 ₱67.00 million and ₱71.79 million as of December 31, 2018 and 2017, respectively.



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 36). 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:

	2018	2017
Bank loans	₱6,903,668	₱971,875
Acceptances and trust receipts payable	111,608	99,226
	₱7,015,276	₱1,071,101

Bank loans

The Group's bank loans consist of unsecured peso-denominated short-term borrowings from local banks which bear annual interest ranging from 3.73% to 6.75% and 2.90% to 5.00% in 2018 and 2017, 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 2018 and 2017, the Group obtained various short term loans from local banks primarily to finance its capital expenditures and working capital requirements.

On December 13, 2018, the Group obtained a loan secured by its receivables amounting to ₱1,272.23 million with discount rate of 5.40% per annum due on January 4, 2019 (Note 7).

Loan secured by receivables obtained on December 13, 2018 with discount rate of 5.40% per annum due on January 4, 2019.

As of December 31, 2018 and 2017, 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 ₱298.77 million, ₱228.71 million and ₱421.41 million in 2018, 2017 and 2016, respectively (see Note 27).

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.



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, 2018 and 2017 follow:

	2018	2017
Current	₱502,591	₱24,356
Noncurrent	1,499,552	2,195,790
	₱2,002,143	₱2,220,146

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 6.80% to 7.02% and 3.03% to 4.92% in 2018 and 2017, respectively, based on applicable rates for similar types of liabilities.

Rollforward of unamortized discount are as follows:

	2018	2017
Balance at beginning of year	₱813	₱2,364
Accretion for the year (Note 27)	(813)	(1,551)
Balance at end of year	₱—	₱813

Accretion amounting to ₱0.81 million, ₱1.55 million and ₱4.52 million are recorded as finance costs in 2018, 2017 and 2016, respectively (see Note 27).

17. Accounts and Other Payables

This account consists of the following:

	2018	2017
Trade and other payables:		
Suppliers and subcontractors	₱12,914,767	₱10,016,382
Others	313,516	585,087
Accrued costs and expenses		
Project cost	3,040,487	3,342,663
Payable to DOE and local government		
Units (LGU) (Note 31)	713,351	1,542,238
Various operating expenses	483,961	251,287
Withholding and others taxes	245,862	277,211
Salaries	213,407	263,135

(Forward)



	2018	2017
Rental	₱89,105	₱86,079
Interest	51,449	34,223
Commission payable (Note 20)	3,111,852	—
Output VAT payable-net	2,095,138	2,198,674
Payable to related parties (Note 21)	438,359	339,543
Refundable deposits	354,791	349,157
Financial benefits payable	12,086	29,541
	24,078,131	19,315,220
Less noncurrent portion of accounts and other payables and commission payable (Note 20)	2,037,251	557,874
	₱22,040,880	₱18,757,346

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. Payables to subcontractors 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.

Commission payable

Commission payable pertains to the amount paid by the Group to sales agents for each contract that they obtain for the sale of pre-completed real estate units.

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 real estate sales as well as deposits made by unit owners upon turnover of the unit which will be remitted to its utility provider.

Accrued project cost

Accrued project cost pertains to direct materials, labor, overhead and subcontractor costs for work accomplished by the suppliers and subcontractors but were not yet billed to the Group.



Payable to DOE and LGU

Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract between SMPC, DOE and the local government units dated July 11, 1977, as amended on January 16, 1981 (see Note 31).

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.

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.

Other accrual

Others include accruals for contracted services, utilities, supplies, advertising, commission and other administrative expenses.

18. Contract Liabilities and Other Customers' Advances and Deposits

Contract liabilities

	2018	2017
Contract liabilities (Note 2)	₱5,209,298	₱—
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	3,120,188	2,604,954
Other customers' advances and deposits	2,923,853	7,918,434
	11,253,339	10,523,388
Less: Contract liabilities-non current portion (Note 2)	2,298,983	—
	₱8,954,356	₱10,523,387

Contract Liabilities

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.

For construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized (see Note 8).

Other Customers' Advances and Deposits

This account consists of advances from real estate customers and nickel ore supply contracts.



Real estate customers

Other customers' deposits consist of collections from real estate customers for taxes and fees payable for the transfer of title to customer such as documentary stamp taxes, transfer taxes and notarial fees amounting to ₱2,876.81 million and ₱7,869.70 million in 2018 and 2017, respectively.

Nickel ore supply contracts

These deposits represent advances from the customers of the Group amounting to ₱47.04 million and ₱48.74 million in 2018 and 2017, respectively. Nickel ore deposit is applied to related receivables upon consummation of the sale transaction.

19. Long-term Debt

Long-term debt pertains to the following obligations:

	2018	2017
Bank loans	₱34,506,056	₱38,437,581
Less current portion of bank loans	6,342,766	4,626,407
Noncurrent portion	₱28,163,290	₱33,811,174



Details of the bank loans follow (amounts in millions):

Loan Type	Outstanding Balances		Maturity	Interest Rate	Payment Terms
	2018	2017			
Subsidiaries:					
Loans from banks and other institutions					
Peso-denominated loans	₱7,829.18	₱7,940.21	Various maturities from 2017 to 2025	Floating PDST-R2 + spread; 4.73% - 15.16%	Amortized/ Bullet
Dollar-denominated loans	2,325.14	3,403.96	2017 and 2019	3-month LIBOR + spread	Amortized
Mortgage payable	5,952.69	7,647.96	Various quarterly maturities starting 2015 until 2022	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Amortized
Fixed rate corporate notes	17,979.01	18,676.61	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
HomeSaver Bonds	420.04	768.84	Various maturities from 2017 to 2023	4.5% to 5% p.a.	Trache A, C, D, and F are payable 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.
	34,506.06	38,437.58			
Less current portion	6,342.77	4,626.41			
Long-term debt, net of current portion	₱28,163.29	₱33,811.17			



SMPC

The maturities of long-term debt at nominal values as of December 31, 2018 and 2017 follow:

	2018	2017
Due in:		
2018	₱—	₱1,852,257
2019	2,850,138	2,732,953
2020	2,675,000	2,675,000
2021	131,250	131,250
	₱5,656,388	₱7,391,460

Interest expenses on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱249.49 million, ₱196.72 million and ₱128.85 million in 2018, 2017 and 2016, respectively (see Note 27).

All bank loans are clean and are compliant with loan covenants.

SLPGC

On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with local banks. 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 (see Note 13).

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 which is on 2022.

As of December 31, 2018 and 2017, outstanding loan payable is ₱5,952.69 million and ₱7,647.96 million, respectively.

Rollforward of unamortized debt issuance cost follows:

	2018	2017
Balance at beginning of year	₱18,712	₱26,811
Amortization (Note 27)	(8,443)	(8,099)
Balance at end of year	₱10,269	₱18,712

In 2018, 2017 and 2016, SLPGC incurred interest expense on long-term debt (net of capitalized borrowing cost) amounting to ₱320.24 million, ₱295.73 million and ₱272.38 million, respectively (see Note 27).



SCPC

On May 20, 2010, the Group entered into a ₱9,600.00 million Omnibus Loan Security Agreement (“the Omnibus Agreement”) with local banks. On May 30, 2017, SCPC has paid the last amortization of the Omnibus Agreement. 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) and permanent working capital requirements of SCPC.

On February 24, 2017 and April 12, 2017, the lenders approved SCPC’s release of all security arrangements.

On December 22, 2017, SCPC entered into a ₱3,000.00 million interest bearing Promissory Note with a local bank. Interest is payable every three months at a fixed annual interest rate of 4.9% per annum. The principal amount shall be payable in sixteen (16) equal consecutive quarterly installments commencing on the thirty-ninth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Rollforward of the deferred financing cost follows:

	2018	2017
Balance at beginning of year	₱14,936	₱120
Addition	—	15,000
Amortization (Note 27)	(2,650)	(184)
Balance at end of year	₱12,286	₱14,936

Amortization of deferred financing cost recognized under “Finance cost” account in the consolidated statements of income amounted to ₱2.65 million, ₱0.18 million and ₱6.12 million in 2018, 2017 and 2016, respectively (see Note 27).

In 2018, 2017 and 2016, SCPC incurred interest expense on long-term debt amounting to ₱148.23 million, ₱1.53 million and ₱22.15 million, respectively (see Note 27).

As of December 31, 2018 and 2017, outstanding loan payable is ₱2,987.71 million and ₱2,985.06 million, respectively.

DMPC

In September 2018, DMPC secured a loan facility from a local bank amounting to ₱2,200.00 million, intended to support the construction of the coal-fired power plant in Masbate. In the fourth quarter of 2018, drawdowns were made by DMPC for a total of ₱1,130.50 million, payable for a maximum term of 7 years with the first installment payment scheduled in October 2021.

In 2018, DMPC incurred interest expense on long term debt capitalized as part of ‘Property, plant and equipment’ amounting to ₱10.28 million (see Note 13).

Wire Rope

Loans payable represents unsecured loans from local banks bearing annual interests of 10.98% and 8.97% to 15.16% in 2018 and 2017, respectively. Wire Rope availed of additional loans amounting to ₱1.54 million in 2017. It made payments to the loans amounting to ₱0.90 million and ₱0.55 million in 2018 and 2017, respectively. Wire Rope has no debt covenants to be complied with.



On December 22, 2018, Wire Rope obtained long-term loan from a local bank amounting to ₱3.35 million bearing an annual interest rate of 10.98% payable on 36 months. Interest expense is paid monthly. In 2018, 2017 and 2016, Wire Rope incurred interest expense amounting to ₱0.11 million, ₱0.06 million and ₱0.32 million, respectively (see Note 27).

Beta Electromechanical

Long-term debt represents peso-denominated long-term borrowings from local banks which bear interest ranging from 5.90% to 9.52% per annum in 2018 and 2017, 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 Electromechanical's transportation equipment purchased using the proceeds of these loans.

Transportation equipment with book value of ₱3.44 million and ₱6.12 million as of December 31, 2018 and 2017, were pledged as collateral to secure Beta Electromechanical's loan payable.

Interest expense on these long-term debt amounted to ₱2.08 million and ₱0.32 million in 2018 and 2017, respectively (see Note 27).

As of December 31, 2018 and 2017, the outstanding balance from loans amounted to ₱2.89 million and ₱2.66 million, respectively.

BNC

On May 20, 2015, BNC obtained long-term loan from a local bank 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 nil and ₱165.52 million as at December 31, 2018 and 2017, respectively. The loan matured and was paid in 2018.

PDI

Fixed rate corporate notes

In December 2015, PDI signed corporate notes facility agreement on the issuance of 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.

Tranches 1 (Series F) and 2 (Series G) of the ₱10,000.00 million were issued on December 18, 2016 with principal amount of ₱1,000.00 million each. Tranches 3 (Series H) and 4 (Series I) were issued in January 2016 with principal amount of ₱2,500.00 million each. Tranches 5 (Series J) and 6 (Series K) were issued in February 2017 with 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 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.



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 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. As of December 31, 2017, Tranche 1 (Series A) and Tranche 2 (Series B) has been fully paid.

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, 2018 and 2017 amounted to ₱77.66 million and ₱109.22 million, respectively.

The rollforward analysis of unamortized debt issuance cost follows:

	2018	2017
Balance at beginning of year	₱109,224	₱116,305
Additions	—	23,025
Amortization of debt issue cost (Note 27)	(31,566)	(30,106)
Balance at end of year	₱77,658	₱109,224

In 2018 and 2017, interest expense incurred amounted to ₱1,131.09 million and ₱1,149.90 million while capitalized interest related to long-term debt amounted to ₱1,023.27 million and ₱1,082.95 million, respectively. The average capitalization rates used are 5.76% and 5.87% of the average expenditures in 2018 and 2017, 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, 2018 and 2017, the Group is fully compliant with these requirements.



As of December 31, 2018 and 2017, 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 ₱372.44 million and ₱797.66 million as of December 31, 2018 and 2017, 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 (see Note 7). 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% in 2018 and 2017.

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, 2018 and 2017, total Tranche A bonds issued by PDI amounted to ₱1.98 million and ₱78.61 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, 2018 and 2017, total Tranche B bonds issued by PDI amounted to ₱20.78 million and ₱14.63 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, 2018 and 2017, total Tranche C bonds issued by PDI amounted to ₱8.98 million and ₱324.87 million, respectively.

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, 2018 and 2017, total Tranche D bonds issued by the Group amounted to ₱68.62 million and ₱43.91 million, respectively.



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, 2018 and 2017, total Tranche E bonds issued by the Group amounted to ₱35.69 million and ₱22.65 million, respectively.

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, 2018 and 2017, total Tranche F bonds issued by the Group amounted to ₱155.63 million and ₱155.81 million, respectively.

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, 2018 and 2017, total Tranche G bonds issued by the Group amounted to ₱128.36 million.

As of December 31, 2018 and 2017, the aggregate HomeSaver Bonds issued amounted to ₱420.04 million and ₱768.84 million, respectively. The remaining unissued bonds amounted to ₱143.22 million and ₱231.15 million as of December 31, 2018 and 2017, respectively.

The loan agreements on long-term debt of the certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2018 and 2017.

20. Other Noncurrent Liabilities

The details of this account consist of:

	2018	2017
Commission payable (Notes 2 and 17)	₱1,649,082	₱—
Provision for decommissioning and site rehabilitation (Note 13)	466,535	1,727,750
Noncurrent trade and other payables (Note 17)	388,169	557,874
	₱2,503,786	₱2,285,624

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 two minesites identified with coal deposits which are currently operational, namely Molave and Narra. Panian minesite has been depleted and its operations closed in September 2016. All minesites are 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 7.07% to 7.27% in 2018 and 4.80% to 7.50% in 2017. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions.



However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Provision for decommissioning and site rehabilitation also includes cost of rehabilitation of the Group's power plant and nickel ore mine sites. Segment breakdown of provision for decommissioning and site rehabilitation follows:

	2018	2017
Coal	₱402,476	₱1,686,536
Nickel	43,137	21,948
On-grid power	20,922	19,266
	₱466,535	₱1,727,750

The rollforward analysis of the provision for decommissioning and site rehabilitation account follows:

	2018	2017
Balance at beginning of year	₱1,727,750	₱1,632,162
Additions (Note 24)	436,523	147,270
Effect of change in estimates (Note 13)	(221,639)	155,687
Actual usage	(1,598,420)	(293,107)
Accretion of interest (Note 27)	122,321	85,738
Balance at end of year	₱466,535	₱1,727,750

The addition of ₱147.27 million in 2017 pertains to a significant change in the timing of the rehabilitation plan of Panian mine pit. The additional costs represent the incremental cost of moving the overburden from Narra and Molave pits, while the effect of change in estimate is due to the updating of discount rate and inflation rate (see Note 24).

In 2018, as required by DENR, the accelerated rehabilitation activity of Panian minesite has started and the Group recognized additional provision for site rehabilitation amounted to ₱915.96 million pertaining to cost of new equipment acquired and used in the rehabilitation and was charged to cost of sales under 'Provision for site rehabilitation'. The change in estimates amounted to ₱697.63 million resulted to corresponding adjustment in the related mining assets under 'Property and equipment' amounted to ₱218.20 million (see Note 13) and to 'Provision for site rehabilitation' amounted to ₱479.44 million (see Note 24).

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. Noncurrent trade and other payable also includes cash received as advances from construction customers which are to be fulfilled by future construction services.



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.

Transactions entered into by the Group with other 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. The 'Other related parties' are entities under common control. In the regular course of business, the Group's significant transactions with 'Other related parties' include the following:

2018			
	Reference	Due from (Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	₱48,952	₱5,979
Receivable from affiliates	(b)	107,378	48,402
Equipment rentals	(c)	2,954	—
Payroll processing	(d)	31,478	8,126
Sale of materials and reimbursement of shared and operating expenses	(e)	11,862	379
		202,624	
<i>Payable to related parties</i> (Note 17)			
Payable to affiliates	(f)	(15,837)	₱32
Mine exploration, coal handling and hauling services	(g)	(333,955)	64,800
Labor charges	(o)	(20,863)	19,363
Equipment rental expenses	(h)	(2,325)	—
Other general and administrative expense	(i)	(3,102)	2,255
Office and parking rental	(k)	(36,322)	64,983
Aviation services	(j)	(25,953)	25,953
Purchases of office supplies and refreshments	(m)	(2)	—
		(₱438,359)	
2017			
	Reference	Due from(Due to)	Amount / Volume
Affiliates			
<i>Receivable from related parties</i> (Note 7)			
Construction contracts	(a)	₱42,972	₱2,105
Receivable from affiliates	(b)	58,976	5,078
Equipment rentals	(c)	16,214	—
Payroll processing	(d)	23,352	7,459
Sale of materials and reimbursement of shared and operating expenses	(e)	11,484	8,902
		₱152,998	
<i>Payable to related parties</i> (Note 17)			
Payable to affiliates	(f)	(₱20,729)	₱32
Mine exploration, coal handling and hauling services	(g)	(209,739)	64,800
Labor charges	(o)	(1,500)	—
Equipment rental expenses	(h)	(2,325)	—
Other general and administrative expense	(i)	(847)	—
Office and parking rental	(k)	(74,975)	64,983
Arrastre and cargo services	(l)	(1,723)	6
Nickel delivery	(n)	(3,140)	—
Construction contracts	(a)	(24,563)	—
Purchases of office supplies and refreshments	(m)	(2)	—
		(₱339,543)	

- (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 ₱48.95 million and ₱42.97 million as of December 31, 2018 and 2017, respectively.



In addition, receivables/payables of the Group from its affiliate amounting to nil and ₱24.56 million is lodged in “Costs and estimated earnings in excess of billings on uncompleted contracts” or “Billings in excess of costs and estimated earnings on uncompleted contracts” in 2018 and 2017, respectively.

- (b) The Group has outstanding receivable from its affiliates amounting to ₱107.38 million and ₱58.98 million as of December 31, 2018 and 2017, respectively. This mainly pertains to the sale of investment in 2014 which remain uncollected to date and receivables pertaining to port and arrastre charges shouldered by the Group.
- (c) The Group rents out its equipment to its affiliates for their construction projects. Outstanding receivables from equipment rentals amounted to ₱2.95 million and ₱16.21 million as of December 31, 2018 and 2017, 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 ₱31.48 million and ₱23.35 million as of December 31, 2018 and 2017, 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 ₱11.86 million and ₱11.48 million as of December 31, 2018 and 2017, respectively.
- (f) The Group has outstanding payable to affiliates amounting to ₱15.84 million and ₱20.73 million as at December 31, 2018 and 2017, respectively. This mainly pertains to receivables collected by the Group in behalf of the affiliates.
- (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 mine sites 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 ₱333.96 million and ₱209.74 million as of December 31, 2018 and 2017, 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 ₱2.33 million as of December 31, 2018 and 2017.
- (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 “Miscellaneous” of “Operating expenses”. Outstanding payable of the Group recorded under “Payable to related parties” amounted to ₱3.10 million and ₱0.85 million as of December 31, 2018 and 2017, 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 ₱25.95 million as of December 31, 2018 and nil in 2017.
- (k) An affiliate had transactions with the Group for space rental to which related expenses are included under "Operating expenses" in the consolidated statements of income (see Notes 25 and 37). Outstanding payable amounted to ₱36.32 million and ₱74.98 million as at December 31, 2018 and 2017, respectively.
- (l) In 2017, an affiliate had transactions with the Group for shipsiding services. The outstanding balance to the affiliate amounting to ₱1.72 million is lodged under "Payable to related parties" in the consolidated statements of financial position as of December 31, 2017.
- (m) In 2018 and 2017, the Group engaged its affiliates to supply various raw materials, office supplies and refreshments. The outstanding balance to its affiliates is lodged in the "Payable to related parties" as of December 31, 2018 and 2017, 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 nil and ₱3.14 million as of December 2018 and 2017, 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 amounted to ₱20.86 million and ₱1.50 million as of December 2018 and 2017, respectively.

Terms and conditions of transactions with related parties

Outstanding balances as of December 31, 2018 and 2017, are unsecured and interest free, are all due within one year, normally within 30-60 day credit term. As of December 31, 2018 and 2017, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

Compensation of Key Management Personnel

Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2018	2017	2016
Short-term employee benefits	₱336,947	₱306,075	₱249,795
Post-employment benefits (Note 23)	62,214	21,863	27,302
	₱399,161	₱327,938	₱277,097

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, 2018 and 2017, the Parent Company's capital stock consists of:

Authorized capital stock

	No. of shares
Common stock, ₱1 par value	19,900,000,000
Preferred stock - ₱1 par value	100,000,000

Outstanding capital stock

	No. of shares	
	2018	2017
Common shares	13,277,470,000	13,277,470,000
Preferred shares	3,780	3,780
Less: treasury shares	2,820	—
	960	3,780

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 October 1, 2018, the Board authorized the Parent Company to make an offer (the "Redemption Offer") to the outstanding preferred shareholders for the Parent Company to acquire the remaining outstanding 3,780 preferred shares at the purchase price of ₱2,500 per preferred share from October 8 to November 29, 2018. The Redemption Offer is intended to provide the preferred shareholders a final chance to divest of their preferred shares in view of their previous inability to avail of the Exchange Offer in 2002. On November 29, 2018, the Parent Company has redeemed a total of 2,820 preferred shares for a total cost of ₱7.07 million.

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, 2018:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2016	13.28	697
Add/(Deduct) Movement	—	(2)
December 31, 2017	13.28	695
Add/(Deduct) Movement	—	1
December 31, 2018	13.28	696



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, 2018 and 2017 amounted to ₱3,696.86 million and ₱8,115.40 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:

	2018	2017	2016
November 19, 2018, ₱0.48 per share special cash dividend to shareholders on record as of December 5, 2018, payable on or before December 18, 2018.	₱6,373,186	₱—	₱—
March 8, 2018, ₱0.28 per share regular cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	3,717,692	—	—
March 8, 2018, ₱0.20 per share special cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	2,655,494	—	—
April 5, 2017, ₱0.24 per share regular cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	—	3,186,593	—
April 5, 2017, ₱0.24 per share special cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	—	3,186,593	—
May 11, 2016, ₱0.24 per share regular 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 special cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	—	—	3,186,593
	₱12,746,372	₱6,373,186	₱6,373,186

On various dates in 2018, 2017 and 2016, partially owned subsidiaries of the Group declared dividends amounting to ₱9,753.68 million and ₱10,652.86 million and ₱4,281.44 million, respectively, of which dividends to non-controlling interest amounted to ₱4,010.62 million, ₱4,604.86 million, and ₱1,841.12 million, respectively.



The unappropriated retained earnings include accumulated equity in undistributed net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method of ₱44,821.35 million and ₱36,531.75 million as of December 31, 2018 and 2017, 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 equity attributable to equity holders of the Parent Company less net accumulated unrealized gain or loss on equity investments designated at FVOCI as capital.

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, 2018.

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 No. 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” account) in the consolidated statements of income (see Notes 25 and 28):

<i>Pension Expense</i>			
	2018	2017	2016
Current service cost	₱115,697	₱134,628	₱126,975
Net interest expense on benefit obligation and plan assets	7,545	3,577	8,017
Effect of the asset limit	3,790	3,003	1,393
Settlement loss	–	220	4,423
Past service cost - curtailment	–	–	(22,412)
Total pension expense	₱127,032	₱141,428	₱118,396

<i>Pension Income</i>			
	2018	2017	2016
Current service cost	₱38,463	₱31,172	₱35,336
Effect of the asset limit	44,362	43,402	36,947
Net interest income on benefit obligation and plan assets	(95,242)	(88,240)	(83,040)
Total pension income	(₱12,417)	(₱13,666)	(₱10,757)

Movements in the fair value of plan assets of the Group follow:

	2018	2017
Balance at beginning of year	₱2,979,366	₱2,766,764
Interest income	171,016	155,915
Remeasurement gains (losses)	(255,916)	112,406
Benefits paid from plan assets	(58,154)	(88,122)
Contributions	79,380	32,403
Adjustments	26	–
Balance at end of year	₱2,915,718	₱2,979,366

Changes in the present value of the defined benefit obligation follow:

	2018	2017
Balances at beginning of year	₱1,432,419	₱1,277,624
Current service cost	154,160	165,800
Interest expense	83,319	71,252
Settlement loss	–	220
Benefits paid - from plan assets	(58,154)	(88,122)
Benefits paid - direct payments	(7,416)	(47,150)
Remeasurement losses (gains) arising from:		
Financial assumptions	(193,189)	(61,259)
Demographic assumptions	(30,716)	24,478
Experience adjustments	(1,882)	89,576
Adjustments	(8,637)	–
Balances at end of year	₱1,369,904	₱1,432,419



Below is the net pension asset for those entities within the Group with net pension asset position:

	2018	2017
Fair value of plan assets	₱2,823,690	₱2,491,735
Present value of funded defined benefit obligations	(944,427)	(629,227)
	1,879,263	1,862,508
Effect on asset ceiling	(963,863)	(842,821)
Net pension asset	₱915,400	₱1,019,687

Movements in the net pension asset follow:

	2018	2017
Net pension asset at beginning of year	₱1,019,687	₱893,764
Remeasurements gain (loss) recognized in other comprehensive income	(201,348)	135,556
Reclassification	68,291	—
Net pension expense	(41,875)	(10,086)
Contributions	70,645	453
Net pension asset at end of year	₱915,400	₱1,019,687

Movements in the effect of asset ceiling follow:

	2018	2017
Effect of asset ceiling at beginning of year	₱842,821	₱812,846
Interest on the effect of asset ceiling	48,152	46,405
Changes in the effect of asset ceiling	72,890	(16,430)
Effect of asset ceiling at end of year	₱963,863	₱842,821

Below is the net pension liability for those entities within the Group with net pension liability position:

	2018	2017
Present value of funded defined benefit obligations	(₱360,074)	(₱803,192)
Fair value of plan assets	92,028	487,631
Net pension liability	(₱268,046)	(₱315,561)

Movements in the net pension liability follow:

	2018	2017
Net pension liability at beginning of year	(₱315,561)	(₱217,470)
Net pension expense	72,740	(117,676)
Remeasurement loss recognized in other comprehensive income	(41,376)	(59,515)
Benefits paid - direct payment	7,416	47,150
Contributions	8,735	31,950
Net pension liability at end of year	(₱268,046)	(₱315,561)



Breakdown of remeasurements recognized in other comprehensive income in 2018 and 2017 follow:

	2018	2017
Remeasurement gains (losses) on plan assets	(P255,916)	P112,406
Remeasurement gains (losses) on defined benefit obligations	225,787	(52,795)
Changes in the effect of asset ceiling	(72,890)	16,430
Remeasurement gains (losses) on pension plans	(103,019)	76,041
Income tax effect	30,905	(15,953)
Net pension liability	(P72,114)	P60,088

The Group does not expect to contribute to the pension funds in 2019.

The major categories and corresponding fair values of plan assets and liabilities by class of the Group's Plan as at the end of each reporting period are as follows:

	2018	2017
Cash and cash equivalents		
Cash in banks	P39,592	P40,861
Time deposits	20,048	20,048
	59,640	60,909
Investments in stocks		
Common shares of domestic corporations		
Quoted	2,064,130	1,914,768
Unquoted	28,555	28,555
Preference shares	31,338	177,545
	2,124,023	2,120,868
Investment in government securities		
Fixed rate treasury notes (FXTNs)	P449,218	P507,831
Treasury bills (T-bills)	11,759	11,759
Retail treasury bonds (RTBs)	33,498	101,201
	494,475	620,791
Investment in other securities and debt instruments		
AAA rated debt securities	213,530	213,530
Not rated debt securities	11,893	11,940
	225,423	225,470
Other receivables	12,674	12,639
Accrued trust fees and other payables	(517)	(517)
Benefits payable	—	(60,794)
Fair value of plan assets	P2,915,718	P2,979,366

The investment in stocks is further categorized as follows:

Trust fees paid in 2018, 2017 and 2016 amounted to P1.87 million, P1.87 million and P1.78 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).



- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE.
- *Investment in government securities* - 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:

	2018	2017	2016
Discount rate	7.34% to 7.91%	5.62% to 6.22%	5.00% to 5.87%
Salary increase rate	3.00% to 10.00%	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2018
Construction and others	23 years
Coal mining	25 years
Nickel mining	19 to 21 years
Real estate development	30 years
Power - On grid	17 to 24 years
Power - Off grid	22 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the year ended December 31, 2018 and 2017.

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)	2018	2017
Discount rates	+100 basis points	(P60,265)	(P105,922)
	-100 basis points	111,864	168,477
Salary increases	+1.00%	111,751	151,475
	-1.00%	(62,631)	(94,309)

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:

	2018	2017
Less than 1 year	P472,716	P359,293
More than 1 year to 5 years	353,401	315,542
More than 5 years to 10 years	792,226	657,243
	P1,618,343	P1,332,078

24. Costs of Sales and Services

Details of costs of sales and services follow:

	December 31, 2018	December 31, 2017	December 31, 2016
Cost of Sales			
Cost of real estate inventory (Note 9)	P13,405,859	P12,117,873	P7,924,419
Fuel and lubricants	3,192,436	2,677,270	1,493,340
Depreciation and amortization (Notes 12, 13 and 14)	3,347,696	2,888,171	1,261,886
Materials and supplies	3,672,345	3,602,912	4,508,399
Commission expense (Notes 2 and 10)	1,119,930	—	—
Production overhead	1,023,793	611,404	369,227

(Forward)



	December 31, 2018	December 31, 2017	December 31, 2016
Cost of Sales			
Direct labor	₱973,100	₱964,537	₱805,636
Outside services	851,188	1,333,889	1,742,566
Provision for decommissioning and site rehabilitation (Note 20)	436,523	147,270	1,089,423
Hauling, shiploading and handling costs (Note 21)	18,594	145,016	425,909
Others	73,828	168,888	81,219
	₱28,115,292	₱24,657,230	₱19,702,024
Cost of Services			
Materials and supplies	₱9,093,678	₱8,073,780	₱6,944,590
Depreciation and amortization (Notes 12, 13 and 14)	4,381,879	3,541,100	3,216,474
Direct labor	3,432,717	2,892,880	2,965,631
Outside services	2,301,411	2,144,059	2,225,965
Fuel and lubricants	1,452,632	1,796,344	1,618,843
Spot purchases of electricity	1,203,199	1,252,555	2,495,357
Production overhead	1,105,418	1,363,895	1,494,561
Hauling, shiploading and handling costs (Note 21)	278,321	283,496	127,518
Others	523,784	227,342	190,985
	23,773,039	21,575,451	21,279,924
	₱51,888,331	₱46,232,681	₱40,981,948

Cost of real estate sales presented in the consolidated statement of income includes cost of running hotel and property management operations amounting to ₱177.74 million, ₱249.17 million and ₱162.36 million for 2018, 2017 and 2016, respectively.

Related revenue from hotel and property management operations amounted to ₱339.96 million, ₱423.50 million and ₱330.81 million, respectively for 2018, 2017 and 2016.

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	December 31, 2018	December 31, 2017	December 31, 2016
Included in:			
Cost of electricity sales	₱3,706,189	₱2,836,265	₱2,439,553
Cost of coal mining	3,028,172	2,832,373	1,183,837
Cost of construction contracts and others	675,690	704,452	776,316
Cost of nickel mining	97,580	55,416	78,049
Cost of real estate development	221,944	765	605
Operating expenses (Note 25)	1,702,225	1,625,490	914,462
	₱9,431,800	₱8,054,761	₱5,392,822

(Forward)



	December 31, 2018	December 31, 2017	December 31, 2016
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	₱10,260,534	₱8,246,600	₱5,963,672
Other noncurrent assets (Note 14)	48,110	51,927	50,551
Investment properties (Note 12)	14,826	14,900	22,045
	₱10,323,470	₱8,313,427	₱6,036,268

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱891.67 million, ₱258.67 million and ₱643.45 million in 2018, 2017 and 2016, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2018	2017	2016
Presented under:			
Costs of sales and services	₱4,405,817	₱3,857,417	₱3,771,267
Operating expenses (Note 25)	1,905,353	1,552,390	1,527,526
	₱6,311,170	₱5,409,807	₱5,298,793

25. Operating Expenses

This account consists of:

	2018	2017	2016
Government share (Note 31)	₱3,569,015	₱4,306,811	₱2,649,979
Salaries, wages and employee benefits (Notes 23 and 24)	1,905,353	1,552,390	1,527,526
Depreciation and amortization (Notes 3, 12, 13, 14 and 24)	1,702,225	1,625,490	914,462
Taxes and licenses	1,270,078	1,269,111	869,076
Repairs and maintenance	844,949	753,741	562,020
Advertising and marketing	311,480	411,894	505,228
Outside services	306,854	507,743	493,887
Rent (Notes 21 and 37)	230,045	271,773	216,635
Insurance	179,835	168,074	129,704
Communication, light and water	166,778	155,425	148,154
Transportation and travel	152,507	120,221	91,549
Entertainment, amusement and recreation	151,683	126,957	93,214
Supplies	100,621	95,767	75,694
Association dues	72,928	65,866	44,462
Allowance for expected credit losses, probable losses and loss on sale of assets (Notes 7, 10, and 14)	30,825	6,315	217,632
Commission (Note 2)	2,182	995,327	694,182
Loss on write-down of property, plant and equipment and other non-current assets (Notes 13 and 14)	—	183,897	14,316
Miscellaneous	643,303	377,023	439,040
	₱11,640,661	₱12,993,825	₱9,686,760



In 2018 and 2017, the Group recorded accelerated depreciation for its generation units amounting to ₱1,210 million and ₱840.08 million, respectively, due to planned rehabilitation of the Group's 2x300MW coal-fired power plant in Calaca, Batangas.

26. Finance Income

Finance income is derived from the following sources:

	2018	2017	2016
Interest on:			
Short-term placements (Note 4)	₱360,666	₱140,205	₱107,414
Real estate installment receivables (Note 7)	253,288	169,130	205,923
Bank savings account (Note 4)	152,248	140,825	121,629
Investment from sinking fund (Note 10)	28,196	687	11,359
	₱794,398	₱450,847	₱446,325

27. Finance Costs

The finance costs are incurred from the following:

	2018	2017	2016
Long-term debt (Note 19)	₱674,012	₱522,532	₱458,817
Short-term debt (Note 15)	298,773	228,711	421,413
Amortization of debt issuance cost (Note 19)	42,659	38,389	44,302
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation (Notes 16 and 20)	123,134	87,289	30,450
	₱1,138,578	₱876,921	₱954,982

28. Other Income

This account consists of:

	2018	2017	2016
Gain on sale of undeveloped parcel of land (Note 9)	₱1,021,763	₱—	₱73,182
Forfeitures and cancellation of real estate contracts	770,951	607,216	490,940
Recoveries from insurance claims and claims from third party settlement (Note 7)	287,766	380,079	218,089
(Forward)			



	2018	2017	2016
Sales of fly ash	₱189,762	₱178,932	₱129,153
Rental income (Note 12)	184,076	123,521	87,794
Gain on revaluation of financial asset at FVPL (Note 5)	91,592	256,270	—
Gain on sale of property, plant and equipment and investment properties - net (Notes 12 and 13)	₱37,269	₱144,934	₱390
Management fee	1,009	3,101	1,362
Reversal of allowance for doubtful accounts (Notes 7 and 14)	—	51,969	29,803
Pension income (Note 23)	12,417	13,666	10,757
Income from default payments	—	—	15,588
Income from commissioning	—	—	595,343
Foreign exchange losses (Note 36)	(388,172)	(363,508)	(406,511)
Others	50,546	36,886	99,138
	₱2,258,979	₱1,433,066	₱1,345,028

Gain on financial assets at FVPL

Net gain on financial assets at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized gain amounting to ₱65.82 million and ₱36.60 million in 2018 and 2017, respectively (see Note 5).

Recoveries from insurance claims and claims from third party settlement

In 2017, the Group recognized recoveries from settlement agreement from the EPC contractor representing compensation for the delay in completion of construction 2x150 MW coal-fired thermal power plant and income from claims from PSALM and NPC as discussed in Note 7. In 2018, recoveries from insurance claims pertain to reimbursement by the insurer on insured equipment of SLPGC amounting to ₱476.14 million. The amount of other income recognized from the insurance claims is net of related cost of repairs amounting to ₱250.77 million.

Others

Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees, legal claims and others.

29. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	December 31, 2018	December 31, 2017	December 31, 2016
Current	₱2,733,108	₱3,081,114	₱1,495,548
Deferred	363,744	135,829	950,686
Final	108,387	44,859	43,668
	₱3,205,239	₱3,261,802	₱2,489,902



The components of net deferred tax assets as of December 31, 2018 and 2017 follow:

	2018	2017
Deferred tax assets on:		
Allowance for:		
Expected credit losses	₱499,771	₱467,529
Inventory obsolescence	20,218	20,218
Impairment	4,588	11,705
Unrealized gross loss on construction contracts	113,331	—
Pension liabilities - net	45,314	67,274
Accruals of expenses	11,350	4,152
Provision for decommissioning and site rehabilitation	10,787	3,581
NOLCO	3,280	126
Others	22,465	10,375
	₱731,104	₱584,960
Deferred tax liabilities on:		
Recoveries from claims from third party settlement	(₱99,696)	(₱99,024)
Pension assets - net	(10,143)	(31,919)
Unrealized foreign exchange gain	(14,388)	(15,743)
Unrealized gross profit on construction contracts	—	(10,313)
	(124,227)	(156,999)
	₱606,877	₱427,961

The components of net deferred tax liabilities as of December 31, 2018 and 2017 follow:

	2018	2017
Deferred tax assets on:		
Deferred commission expense	₱165,469	₱—
Allowance for:		
Expected credit losses	21,421	21,421
Probable losses	7,648	7,648
Pension liabilities - net	15,069	22,297
Unamortized discount on payable to landowners	5,451	5,916
	215,058	57,282
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(3,342,153)	(2,582,418)
Effect of business combination	(1,370,931)	(1,370,931)
Capitalized interest on real estate for sale and development deducted in advance	(292,745)	(273,424)
Unrealized gross profit on construction contracts	(135,472)	(73,620)
Unrealized foreign exchange gain - net	(107,651)	(98,342)
Unrealized gain on financial assets at FVPL	(73,633)	(65,900)
Pension assets - net	(30,473)	—
Unamortized transaction cost on loans payable	(15,010)	(27,313)
Mine rehabilitation	(4,524)	(4,524)
Others	(121,466)	(5,117)
	(5,494,058)	(4,501,589)
	(₱5,279,000)	(₱4,444,307)



The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2018	2017
NOLCO	₱2,104,911	₱4,509,443
Allowance for impairment losses	280,693	280,693
Allowance for probable losses	52,957	52,957
Pension liabilities - net	16,993	16,993
MCIT	3,499	7,782
Allowance for doubtful accounts	—	26,743

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group did not recognize deferred tax assets on NOLCO and MCIT from the following periods:

Year Incurred	NOLCO	MCIT	Expiry Year
2018	₱157,975	₱728	2021
2017	419	2,549	2020
2016	1,946,517	222	2019
	₱2,104,911	₱3,499	

Rollforward analysis of the Group's NOLCO and MCIT follows:

	NOLCO		MCIT	
	2018	2017	2018	2017
Balances at beginning of year	₱4,509,864	₱10,289,786	₱7,782	₱2,814
Additions	157,975	419	728	6,205
Expirations and usage	(2,562,928)	(5,780,341)	(5,011)	(1,237)
Balances at end of year	₱2,104,911	₱4,509,864	₱3,499	₱7,782

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2018	2017
Statutory income tax rate	30.00%	30.00%
Adjustments for:		
Nondeductible expenses	0.47	0.27
Changes in unrecognized deferred tax assets	0.30	0.45
NOLCO	0.04	—
Interest income subjected to final tax at a lower rate - net	(0.22)	(0.30)
Excess costs of construction contracts	(0.37)	(0.27)
Effect of OSD	(0.73)	(0.39)
Nontaxable equity in net earnings of associates and jointly controlled entities	(2.38)	(2.10)
Income under income tax holiday	(13.73)	(14.59)
Others	0.52	0.42
Effective income tax rate	13.90%	13.49%



Registrations with Department of Energy and BOI

a. Certain power generation companies - Registration with the BOI

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled, among others, to ITH incentives covering (four) 4 to 10 years. To be able to avail of the incentives, these Companies are required to maintain a minimum equity level. As of December 31, 2018 and 2017, the Group have complied with the requirements.

In 2018 and 2017, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱289.55 million and ₱848.59 million, respectively.

b. SMPC - Expanding Producer of Coal

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. 2017-042).

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 ₱2,889.53 million, ₱2,679.13 million and ₱2,747.09 million in 2018, 2017 and 2016, respectively.

30. Earnings Per Share

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

	December 31, 2018	December 31, 2017	December 31, 2016
Net income attributable to equity holders of Parent Company	₱14,512,939	₱14,764,557	₱12,680,496
Divided by weighted average number of common shares	13,277,470	13,277,470	13,277,470
Basic/diluted earnings per share	₱1.09	₱1.11	₱0.96

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2018, 2017 and 2016.



31. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to SMPC which gives it the exclusive right to conduct exploration, development and coal mining operations on Semirara Island. In return for the mining rights granted to SMPC, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by SMPC to feed its power plant in determining the amount due to DOE. SMPC's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱3,569.02 million, ₱4,306.81 million and ₱2,650.00 million in 2018, 2017 and 2016, respectively, included under "Operating expenses" in the consolidated statements of income (see Note 25). Payable to DOE and LGU, amounting to ₱713.35 million and ₱1,542.24 million as of December 31, 2018 and 2017 are included under the "Accounts and other payables" account in the consolidated statements of financial position (see Note 17).

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 in the consolidated financial statements of the subsidiary.

Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2018	2017
Consolidated statements of financial position		
Current assets	₱25,739,223	₱24,471,151
Noncurrent assets	45,309,715	44,070,264
Total assets	71,048,938	68,541,415
Current liabilities	20,372,104	13,751,022
Noncurrent liabilities	10,744,148	17,111,013
Total liabilities	31,116,252	30,862,035
Equity	₱39,932,686	₱37,679,380
Consolidated statements of comprehensive income		
Revenue	₱41,968,513	₱43,943,489
Cost of sales	20,844,170	20,333,482
Gross profit	21,124,343	23,610,007
Operating expenses	(7,775,795)	(8,207,029)
Other income (expenses)	(593,665)	61,490
Income before income tax	12,754,883	15,464,468
Provision for income tax	729,501	1,255,328
Net income	12,025,382	14,209,140
Other comprehensive income (loss)	50,243	(62,835)
Total comprehensive income	₱12,075,625	₱14,146,305
Cash flow information		
Operating	₱9,503,159	₱18,197,454
Investing	(8,572,238)	(7,272,338)
Financing	(7,489,807)	(9,440,375)
Effect of exchange rate changes on cash and cash equivalents	(9,071)	(6,871)
Net increase (decrease) in cash and cash equivalents	(₱6,567,957)	₱1,477,870



The accumulated balances of material noncontrolling interest as at December 31, 2018 and 2017 amounted to ₱26,854.36 million and ₱21,635.36 million, respectively. Dividends paid to noncontrolling interests amounted to ₱4,010.62 million and ₱4,633.44 million in 2018 and 2017, respectively.

In 2018 and 2017, SMPC bought back own shares of 7,863,000 shares for P251.61 million and 2,735,100 shares for P100.37 million, respectively.

This resulted to an increase in the effective ownership of the Parent Company on SMPC and its subsidiaries by 0.11% and 0.03% and the recognition of premium on acquisition of non-controlling interest amounting to ₱218.88 million and ₱76.18 million in 2018 and 2017, respectively.

33. Goodwill

Goodwill arising from business combination in the Group's consolidated statements of financial position as of December 31, 2018 and 2017 relates to the acquisition of the nickel mining entities with operations in Zambales area.

The goodwill recognized amounting to ₱1,637.43 million comprises the expected cash flows generated from the mining rights and properties mainly attributable to CGUs of ZDMC and ZCMC amounting to ₱877.19 million and ₱760.24 million, respectively. The acquisition of these entities 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.

34. Other Equity

Other equity includes share of the Group in the other comprehensive income (loss) of its associates (see Note 11).

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 and others - 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 of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 10% and 11% of the Group's total revenue in 2018 and 2017, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group disaggregates its revenue information in the same manner as it reports its segment information.

Business Segments

The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2018, 2017 and 2016 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2018, 2017 and 2016.



Year ended December 31, 2018

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱15,011,271	₱23,185,658	₱1,211,751	₱20,572,250	₱18,782,906	₱4,079,024	₱—	₱—	₱82,842,860
Equity in net earnings of associates and joint ventures	—	(430)	—	—	—	—	1,826,087	—	1,825,657
Other income (expense)	9,685	(328,621)	31,771	1,964,492	555,540	22,182	—	3,930	2,258,979
	15,020,956	22,856,607	1,243,522	22,536,742	19,338,446	4,101,206	1,826,087	3,930	86,927,496
Cost of sales and services (before depreciation and amortization)	12,005,694	9,233,912	294,683	14,481,585	5,203,521	2,939,376	—	—	44,158,771
Government Share (Note 25)	—	3,569,015	—	—	—	—	—	—	3,569,015
General and administrative expense (before depreciation and amortization)	633,521	727,021	509,665	2,263,714	1,822,599	335,980	—	76,906	6,369,406
	12,639,215	13,529,948	804,348	16,745,299	7,026,120	3,275,356	—	76,906	54,097,192
EBITDA	2,381,741	9,326,659	439,174	5,791,873	12,312,326	825,850	1,826,087	(72,976)	32,830,304
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(4,124)	(361,787)	326	214,485	(452,138)	(33,508)	—	292,566	(344,180)
Depreciation and amortization (Notes 24 and 25)	(700,536)	(3,060,127)	(116,187)	(368,260)	(4,962,269)	(223,328)	—	(1,093)	(9,431,800)
Pretax income	1,677,081	5,904,745	323,313	5,638,098	6,897,919	569,014	1,826,087	218,497	23,054,324
Provision for income tax (Note 29)	404,678	19,906	128,397	1,762,763	724,427	104,468	—	60,600	3,205,239
Net income	₱1,272,403	₱5,884,839	₱194,916	₱3,875,335	₱6,173,492	₱464,546	₱1,826,087	₱157,897	₱19,849,085
Net income attributable to non-controlling interest	₱40,079	₱2,554,605	₱77,449	₱—	₱2,664,013	₱—	₱—	₱—	₱5,336,146
Net income attributable to equity holders of the Parent Company	₱1,232,324	₱3,330,234	₱117,467	₱3,875,335	₱3,509,479	₱464,546	₱1,826,087	₱157,897	₱14,512,939
Segment Assets									
Cash	₱1,881,020	₱863,765	₱605,546	₱6,158,935	₱1,039,043	₱308,805	₱—	₱4,624,850	₱15,481,964
Receivables and contract assets	6,770,091	2,433,171	164,572	17,627,209	4,885,401	1,306,806	—	10,110	33,197,360
Inventories	1,480,882	7,799,002	290,691	30,262,122	4,564,381	294,442	—	—	44,691,520
Investment in associates and joint venture	80,045	51,955	—	234,858	—	—	—	13,863,793	14,230,651
Property, plant and equipment	2,403,776	11,144,571	5,568,132	1,399,443	33,235,079	3,707,894	—	11,088	57,469,983
Others	3,392,404	2,426,216	2,297,993	5,004,160	3,635,478	501,136	—	75,850	17,333,237
	₱16,008,218	₱24,718,680	₱8,926,934	₱60,686,727	₱47,359,382	₱6,119,083	₱—	₱18,585,691	₱182,404,715
Segment Liabilities									
Contract liabilities	₱—	₱—	₱—	₱8,086,109	₱1,710,015	₱—	₱—	₱—	₱8,086,109
Short-term and long-term debt	175,756	7,906,388	—	18,771,487	12,583,200	2,084,500	—	—	41,521,331
Others	9,675,708	7,639,087	2,548,496	20,141,261	2,373,213	1,387,346	—	38,814	43,803,925
	₱9,851,464	₱15,545,475	₱2,548,496	₱38,912,748	₱14,956,413	₱3,471,846	₱—	₱38,814	₱85,325,256
Other disclosures									
Property, plant and equipment additions (Note 13)	₱1,068,059	₱4,636,119	₱55,857	₱463,926	₱4,367,137	₱1,446,366	₱—	₱1,753	₱12,039,217
Acquisition of land for future development (Note 9)	—	—	—	2,872,017	—	—	—	—	2,872,017

*Revenue from construction segment includes sales and service revenue from WRCP.



Year ended December 31, 2017

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱13,383,344	₱23,489,591	₱759,267	₱19,903,980	₱20,453,899	₱2,712,659	₱—	₱—	₱80,702,740
Equity in net earnings of associates and joint ventures	—	—	—	—	—	—	1,694,046	—	1,694,046
Other income (expense)	52,445	(153,360)	42,193	762,670	710,866	17,663	—	589	1,433,066
	13,435,789	23,336,231	801,460	20,666,650	21,164,765	2,730,322	1,694,046	589	83,829,852
Cost of sales and services (before depreciation and amortization)	10,708,122	9,078,062	267,530	12,366,273	5,887,497	1,495,926	—	—	39,803,410
General and administrative expense (before depreciation and amortization)	512,191	5,134,764	322,428	2,933,511	1,832,125	555,982	—	77,334	11,368,335
	11,220,313	14,212,826	589,958	15,299,784	7,719,622	2,051,908	—	77,334	51,171,745
EBITDA	2,215,476	9,123,405	211,502	5,366,866	13,445,143	678,414	1,694,046	(76,745)	32,658,107
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(9,662)	(312,695)	(6,661)	117,547	(319,362)	(24,270)	—	129,029	(426,074)
Depreciation and amortization (Notes 24 and 25)	(730,854)	(2,822,107)	(110,257)	(377,755)	(3,799,839)	(209,271)	—	(4,678)	(8,054,761)
Pretax income	1,474,960	5,988,603	94,584	5,106,658	9,325,942	444,873	1,694,046	47,606	24,177,272
Provision for (benefit from) income tax (Note 29)	381,896	2,785	(10,386)	1,555,651	1,221,890	85,874	—	24,092	3,261,802
Net income	₱1,093,064	₱5,985,818	₱104,970	₱3,551,007	₱8,104,052	₱358,999	₱1,694,046	₱23,514	₱20,915,470
Net income attributable to non-controlling interest	₱40,938	₱2,568,078	(₱8,053)	₱—	₱3,549,950	₱—	₱—	₱—	₱6,150,913
Net income attributable to equity holders of the Parent Company	₱1,052,126	₱3,417,740	₱113,023	₱3,551,007	₱4,554,102	₱358,999	₱1,694,046	₱23,514	₱14,764,557
Segment Assets									
Cash	₱1,241,340	₱5,795,920	₱617,074	₱6,297,837	₱2,674,918	₱195,041	₱—	₱8,501,644	₱25,323,774
Receivables	5,390,226	2,059,670	101,187	15,868,781	4,128,079	859,706	—	12,339	28,419,988
Inventories	993,776	3,147,852	301,905	27,185,537	2,766,261	303,305	—	—	34,698,636
Investment in associates and joint venture	73,613	52,384	—	224,084	—	—	—	13,110,520	13,460,601
Property, plant and equipment	2,002,264	10,690,823	5,354,146	1,178,986	33,773,982	2,688,884	—	11,937	55,701,022
Others	3,912,585	1,716,181	2,585,307	2,375,899	2,967,347	555,060	—	98,176	14,210,555
	₱13,613,804	₱23,462,830	₱8,959,619	₱53,131,124	₱46,310,587	₱4,601,996	₱—	₱21,734,616	₱171,814,576
Segment Liabilities									
Customers' advances and deposits	₱—	₱48,733	₱3	₱7,869,698	₱—	₱—	₱—	₱—	₱7,918,434
Short-term and long-term debt	126,575	7,391,459	165,518	20,243,111	10,633,019	949,000	—	—	39,508,682
Others	8,363,044	8,955,003	2,332,812	7,339,173	2,699,047	1,114,410	—	(22,583)	30,780,906
	₱8,489,619	₱16,395,195	₱2,498,333	₱35,451,982	₱13,332,066	₱2,063,410	₱—	(₱22,583)	₱78,208,022
Other disclosures									
Property, plant and equipment additions (Note 13)	₱875,674	₱4,301,913	₱45,311	₱431,280	₱2,038,976	₱379,261	₱—	₱2,357	₱8,074,772
Acquisition of land for future development (Note 9)	—	—	—	3,207,417	—	—	—	—	3,207,417

*Revenue from construction segment includes sales and service revenue from WRCP.



Year ended December 31, 2016

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power <i>On-Grid</i>	Power <i>Off-Grid</i>	Water	Parent Company	Total
Revenue	₱14,068,939	₱20,079,462	₱1,573,086	₱13,758,636	₱16,504,913	₱2,302,452	₱—	₱—	₱68,287,488
Equity in net earnings of associates and joint ventures	—	—	—	—	—	—	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	14,475,786	17,184,771	2,346,959	1,926,337	1,273	71,558,853
Cost of sales and services (before depreciation and amortization)	11,502,888	9,829,662	441,599	8,086,011	5,600,300	1,043,128	—	—	36,503,588
General and administrative expense (before depreciation and amortization)	416,792	3,188,888	730,525	2,488,687	1,213,733	670,978	—	62,695	8,772,298
	11,919,680	13,018,550	1,172,124	10,574,698	6,814,033	1,714,106	—	62,695	45,275,886
EBITDA	2,188,540	6,880,642	444,191	3,901,088	10,370,738	632,853	1,926,337	(61,422)	26,282,967
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 (Note 11)	—	—	—	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	3,643,805	7,506,580	454,914	1,926,337	29,313	20,512,986
Provision for income tax (Note 29)	358,957	12,019	131,375	1,113,699	826,147	31,014	—	16,691	2,489,902
Net income	₱975,721	₱5,477,655	(₱3,690)	₱2,530,106	₱6,680,433	₱423,900	₱1,926,337	₱12,622	₱18,023,084
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)	₱2,530,106	₱3,790,729	₱423,900	₱1,926,337	₱12,622	₱12,680,496
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	10,439,630	3,235,482	673,460	—	10,166	21,070,033
Inventories	1,103,222	2,960,195	267,845	26,407,995	2,426,266	209,040	—	—	33,374,563
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	3,087,886	3,020,508	449,521	—	92,752	14,172,035
	₱13,044,054	₱20,830,572	₱9,496,170	₱45,130,564	₱45,705,812	₱4,122,319	₱—	₱17,537,992	₱155,867,483
Segment Liabilities									
Customers' advances and deposits	₱—	₱25,281	₱3	₱5,480,262	₱—	₱—	₱—	₱—	₱5,505,546
Short-term and long-term debt	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	5,799,450	3,589,662	998,973	—	38,261	29,731,970
	₱8,846,353	₱14,346,515	₱2,692,147	₱29,620,535	₱14,661,101	₱1,917,973	₱—	₱38,261	₱72,122,885
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



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 also has various significant other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2018 and 2017, 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.

	2018					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	
Financial assets at amortized cost						
Cash in banks and cash equivalents	₱15,465,119	₱—	₱—	₱—	₱—	₱15,465,119
Receivables - net						
Trade:						
Real estate	2,075,202	—	—	—	—	2,075,202
General construction	620,735	3,701,448	—	—	—	4,322,183
(Forward)						



2018						
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Electricity sales	₱4,916,490	₱819,390	₱—	₱—	₱—	₱5,735,880
Coal mining	2,362,775	—	—	—	—	2,362,775
Nickel mining	—	87,223	—	—	—	87,223
Merchandising and others	40,103	32,014	—	—	—	72,117
Receivables from related parties	202,624	—	—	—	—	202,624
Other receivables	1,887,422	—	—	—	—	1,887,422
Refundable deposits	—	240,118	78,047	—	—	318,165
Security deposits	—	—	5,436	—	—	5,436
	27,570,470	4,880,193	83,483	—	—	32,534,146
Financial asset at FVTPL	—	91,810	76,817	76,817	—	245,444
	27,570,470	4,972,003	160,300	76,817	—	32,779,590
Equity investment designated at FVOCI						
Quoted securities	128,037	—	—	—	—	128,037
Unquoted securities	2,177	—	—	—	—	2,177
	130,214	—	—	—	—	130,214
Total undiscounted financial assets	27,700,684	4,972,003	160,300	76,817	—	₱32,909,804
Other Financial Liabilities						
Short-term debt	—	7,015,276	—	—	—	7,015,276
Accounts and other payables*	450,445	19,081,829	2,037,251	—	—	21,569,525
Liabilities for purchased land	—	502,591	1,250,337	82,428	166,787	2,002,143
Long-term debt	—	6,342,766	12,321,163	4,692,908	11,149,219	34,506,056
Total undiscounted financial liabilities	450,445	32,942,462	15,608,751	4,775,336	11,316,006	65,093,000
Liquidity gap	₱27,250,239	(₱27,970,459)	(₱15,448,451)	(₱4,698,519)	(₱11,316,006)	(₱32,183,196)

*Excludes non-financial liabilities.

2017						
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Financial assets at amortized costs						
Cash in banks and cash equivalents	₱25,291,895	₱—	₱—	₱—	₱—	₱25,291,895
Receivables						
Trade:						
Real estate	8,452,326	3,265,294	1,515,710	265,003	1,871,900	15,370,233
General construction	3,532,603	137,637	1,403,264	18,493	—	5,091,997
Electricity sales	4,189,964	545,381	—	—	—	4,735,345
Coal mining	2,049,942	—	—	—	—	2,049,942
Nickel mining	5,539	27,536	—	—	—	33,075
Merchandising and others	16,752	46,617	—	—	—	63,369
Receivables from related parties	152,998	—	—	—	—	152,998
Other receivables	923,029	—	—	—	—	923,029
Security deposits	—	—	5,335	—	—	5,335
Refundable deposits	—	239,119	79,537	—	—	318,656
	44,615,048	4,261,584	3,003,846	283,496	1,871,900	54,035,874
Financial asset at FVTPL	—	82,169	48,766	44,785	43,948	219,668
	44,615,048	4,343,753	3,052,612	328,281	1,915,848	54,255,542
Equity investment designated at FVOCI						
Quoted securities	91,577	—	—	—	—	91,577
Unquoted securities	3,874	—	—	—	—	3,874
	95,451	—	—	—	—	95,451
Total undiscounted financial assets	44,710,499	4,343,753	3,052,612	328,281	1,915,848	54,350,993
Other Financial Liabilities						
Short-term debt	—	1,071,101	—	—	—	1,071,101
Accounts and other payables*	339,543	15,912,377	557,874	—	—	16,809,794
Liabilities for purchased land	—	24,356	1,937,416	63,795	194,579	2,220,146
Long-term debt	—	4,626,407	6,423,536	12,878,778	14,508,860	38,437,581
Total undiscounted financial liabilities	339,543	21,634,241	8,918,826	12,942,573	14,703,439	58,538,622
Liquidity gap	₱44,370,956	(₱17,290,488)	(₱5,866,214)	(₱12,614,292)	(₱12,787,591)	(₱4,187,629)



**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
- Wholesale Electricity Spot Market (WESM) price risk - movement in WESM price for energy
- Interest rate risk – movement in market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2018 and 2017.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2018	2017	2018	2017
PSE	+14.42%	+24.73%	(P260)	(P846)
	-14.42%	-24.73%	260	846
Others	+47.89%	+8.65%	67,604	8,384
	-47.89%	-8.65%	(67,604)	(8,384)

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 14.42% and 47.89% in 2018 and 24.73% and 8.65% in 2017, respectively.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.



The impact of sensitivity of equity prices on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

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):

	2018	2017
Domestic market	43.67%	33.51%
Export market	56.33%	66.49%
	100.00%	100.00%



The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2018 and 2017 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 2018 and 2017.

	Effect on income before income tax	
Change in coal price	2018	2017
<i>Based on ending coal inventory</i>		
Increase by 21% in 2018 and 19% in 2017	₱394,955	₱182,729
Decrease by 21% in 2018 and 19% in 2017	(394,955)	(182,729)
<i>Based on coal sales volume</i>		
Increase by 21% in 2018 and 19% in 2017	₱1,835,205	₱2,814,557
Decrease by 21% in 2018 and 19% in 2017	(1,835,205)	(2,814,557)

WESM Price Risk

This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences discussed in Note 5.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.35, with all variables held constant of the Group's income before taxes.

	2018	2017
Increase by 2% in average WESM price	(₱481,800)	(₱77,381)
Decrease by 2% in average WESM price	219,000	114,619

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	2018		
	Change in basis points	Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	₱23,251	₱16,276
	-100 bps	(23,251)	(16,276)
Peso floating rate borrowings	+100 bps	321,809	225,266
	-100 bps	(321,809)	(225,266)



	2017		
	Change in basis points	Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	(P35,695)	(P24,986)
	-100 bps	35,695	24,986
Peso floating rate borrowings	+100 bps	(358,171)	(250,720)
	-100 bps	358,171	250,720

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 2018 and 2017. 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, 2018 and 2017.

The Group does not have any foreign currency hedging arrangements.

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Increase (decrease) in foreign currency rate		Effect on income before income tax (in PHP)	
	2018	2017	2018	2017
US Dollar ¹	+0.36%	+2.39%	(15,596)	(P1,524)
	-0.36%	-2.39%	15,596	1,524
Japanese Yen ²	+2.41%	+4.63%	14	52
	-2.41%	-4.63%	(14)	(52)
UK Pounds ³	+2.04%	+9.25%	151	688
	-2.04%	-9.25%	(151)	(688)
E.M.U. Euro ⁴	+2.87%	+8.14%	(651)	(58)
	-2.87%	-8.14%	651	58
Australian Dollar ⁵	+0.48%	—	(8,196)	—
	-0.48%	—	8,196	—

1. The exchange rates used were P52.80 to \$1 and P49.93 to \$1 for the year ended December 31, 2018 and 2017, respectively.

2. The exchange rates used were P0.48 to ¥1 and P0.44 to ¥1 for the year ended December 31, 2018 and 2017, respectively.

3. The exchange rates used were P66.73 to £1 and P67.12 to £1 for the year ended December 31, 2018 and 2017, respectively.

4. The exchange rates used were P60.31 to €1 and P59.61 to €1 for the year ended December 31, 2018 and 2017, respectively.

5. The exchange rates used were P37.08 to AUD 1 for the year ended December 31, 2018.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2018 and 2017 follows:

2018						
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Australian Dollar	Equivalent in PHP
Financial assets						
Cash and cash equivalents	\$9,614	¥5,882	£111	€10	\$-	₱511,063
Receivables	27,168	-	-	-	46,463	3,152,004
	36,782	5,882	111	10	46,463	3,663,067
Financial liabilities						
Accounts payable and accrued expenses	(75,520)	(4,682)	-	(386)	-	(3,918,815)
Long-term loans	(44,221)	-	-	-	-	(2,325,138)
	(119,741)	(4,682)	-	(386)	-	(6,243,953)
	(\$82,959)	¥1,200	£111	(€376)	\$46,463	(₱2,550,886)

2017						
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Australian Dollar	Equivalent in PHP
Financial assets						
Cash and cash equivalents	\$71,221	¥2,548	£111	€17	-	₱3,565,150
Receivables	17,430	-	-	-	-	870,206
	88,651	2,548	111	17	-	4,435,356
Financial liabilities						
Accounts payable and accrued expenses	(15,848)	(9)	-	(29)	-	(793,023)
Long-term loans	(74,077)	-	-	-	-	(3,367,650)
	(89,925)	(9)	-	(29)	-	(4,160,673)
	(\$1,274)	¥2,539	£111	(€12)	-	₱274,683

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, 2018 and 2017.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at December 31, 2018 and 2017 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, 2018 and 2017, the Group's exposure to bad debts is significant for the power on-grid segment and those with doubtful of collection had been provided with allowance as discussed in Note 7.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis starting 2018 is performed at each reporting date using a provision matrix to measure expected credit losses (using incurred loss model prior to adoption of PFRS 9). The provision rates are based on days past due for groupings of various customer segments with



similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 2. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor's lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor's lien is the legal right of the Group to 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.



The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are written off when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix and the credit quality of other financial assets is as follows:

	2018				Total
	Neither past due nor impaired			Past due or Individually Impaired	
	Grade A	Grade B	Grade C		
Cash in bank and cash equivalents	₱15,465,119	₱—	₱—	₱—	₱15,465,119
Equity investment designated at FVOCI					
Quoted	—	128,037	—	—	128,037
Unquoted	—	2,177	—	108,211	110,388
Receivables					
Trade					
Real estate	2,075,202	—	—	537	2,075,739
Electricity sales	4,388,826	57,890	327,022	2,503,977	7,277,715
General construction	3,237,753	—	—	1,120,522	4,358,275
Coal mining	2,196,589	—	—	208,113	2,404,702
Nickel mining	58,563	—	—	95,670	154,233
Merchandising	72,117	—	—	—	72,117
Receivable from related parties	202,624	—	—	—	202,624
Other receivables	1,887,422	—	—	—	1,887,422
Security deposits	5,436	—	—	—	5,436
Refundable deposits	318,165	—	—	—	318,165
Financial asset at FVTPL	245,444	—	—	—	245,444
Total	30,143,260	188,104	327,022	4,037,030	34,705,416
Allowance for expected credit losses:					
Real estate	—	—	—	537	537
General construction	—	—	—	36,092	36,092
Electricity sales	—	—	—	1,541,835	1,541,835
Coal mining	—	—	—	41,927	41,927
Nickel mining	—	—	—	67,010	67,010
Total allowance	—	—	—	1,687,401	1,687,401
Net amount	₱30,143,260	₱188,104	₱327,022	₱2,349,629	₱33,018,015



	2017				Total
	Neither past due nor impaired			Past due or Individually Impaired	
	Grade A	Grade B	Grade C		
Cash in bank and cash equivalents	P25,291,895	P—	P—	P—	P25,291,895
Equity investment designated at FVOCI					
Quoted	—	91,577	—	—	91,577
Unquoted	—	3,874	—	108,211	112,085
Receivables					
Trade					
Real estate	13,009,687	765,567	73,661	1,521,855	15,370,770
Electricity sales	2,544,215	354,592	374,863	2,978,179	6,251,849
General construction	1,811,856	—	—	3,310,814	5,122,670
Coal mining	1,908,687	—	—	183,182	2,091,869
Nickel mining	4,340	—	—	95,670	100,010
Merchandising	63,369	—	—	—	63,369
Receivable from related parties	152,998	—	—	—	152,998
Other receivables	923,029	—	—	—	923,029
Security deposits	5,335	—	—	—	5,335
Refundable deposits	318,656	—	—	—	318,656
Financial asset at FVTPL	219,668	—	—	—	219,668
Total	46,253,735	1,215,610	448,524	8,197,911	56,115,780
Allowance for expected credit losses:					
Real estate	—	—	—	537	537
General construction	—	—	—	30,673	30,673
Electricity sales	—	—	—	1,516,504	1,516,504
Coal mining	—	—	—	41,927	41,927
Nickel mining	—	—	—	66,935	66,935
Total allowance	—	—	—	1,656,576	1,656,576
Net amount	P46,253,735	P1,215,610	P448,524	P6,541,335	P54,459,204

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 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.

Equity investment designated at FVOCI

The Group's Equity investment designated at FVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues or due to government actions or regulations. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.



For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Starting 2018, an impairment analysis (using incurred loss model prior to adoption of PFRS 9 as discussed in Note 2) is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Security and Refundable Deposits

Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of December 31, 2018 and 2017, the aging analysis of the Group's past due financial assets presented per class follows:

2018							
	Past due but not impaired					Past due and impaired	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	P-	P-	P-	P-	P-	P537	P537
General							
construction	99,271	48,559	31,423	53,050	852,127	36,092	1,120,522
Electricity sales	510,467	61,989	89,281	37,159	263,246	1,541,835	2,503,977
Coal mining	112,305	-	-	53,880	-	41,927	208,112
Nickel mining	20,655	-	-	8,005	-	67,010	95,670
	P742,698	P110,548	P120,704	P152,094	P1,115,373	P1,687,401	P3,928,818
2017							
	Past due but not impaired					Past due and impaired	Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	P172,672	P12,651	P31,924	P543,412	P760,659	P537	P1,521,855
General							
construction	3,191,811	30,614	10,719	46,997	-	30,673	3,310,814
Electricity sales	547,767	51,089	53,048	28,768	781,003	1,516,504	2,978,179
Coal mining	40,233	-	-	101,022	-	41,927	183,182
Nickel mining	5,054	-	3,617	20,064	-	66,935	95,670
	P3,957,537	P94,354	P99,308	P740,263	P1,541,662	P1,656,576	P8,089,700

The repossessed lot 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 P290.94 million and P105.37 million at December 31, 2018 and 2017, 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, 2018 and 2017:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash in banks	₱6,315,956	₱6,315,956	₱7,131,799	₱7,131,799
Cash equivalents	9,149,163	9,149,163	18,160,096	18,160,096
Receivables - net				
Trade				
Real estate	2,075,202	2,075,202	15,370,233	15,201,104
General construction	4,322,183	4,322,183	5,091,997	5,091,997
Electricity sales	5,735,880	5,735,880	4,735,345	4,735,345
Coal mining	2,362,775	2,362,775	2,049,942	2,049,942
Nickel mining	87,223	87,223	33,075	33,075
Merchandising and others	72,117	72,117	63,369	63,369
Receivable from related parties	202,624	202,624	152,998	152,998
Other receivables	1,887,422	1,887,422	923,029	923,029
Security deposits	5,436	5,436	5,335	5,335
Refundable deposits	318,165	318,165	318,656	318,656
	32,534,146	32,534,146	54,035,874	53,866,745
Financial assets at FVTPL				
Financial assets at FVTPL	245,443	245,443	219,668	219,668
Equity investment designated at FVOCI				
Quoted securities	128,037	128,037	91,577	91,577
Unquoted securities	2,177	2,177	3,874	3,874
	375,657	375,657	315,119	315,119
	₱32,909,803	₱32,909,803	₱54,350,993	₱54,181,864
Other Financial Liabilities				
Accounts and other payables	₱24,567,139	₱24,567,139	₱16,251,920	₱16,251,920
Liabilities for purchased land	2,002,143	1,748,219	2,220,146	2,092,414
Short-term and long-term debt	41,521,332	40,083,445	39,508,682	44,196,501
	₱68,090,614	₱66,398,803	₱57,980,748	₱62,540,835

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 3.05% to 4.91% in 2017.

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 equity investment designated at FVOCI 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 3.05% to 4.91% in 2018 and 2017. The discount rates used for liabilities for purchased land range from 6.80% to 7.02% in 2018 and 3.03% to 4.92% in 2017.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from level 1 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2018 and 2017.

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 Group (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.

During the preliminary conference scheduled on November 25, 2010, the ERC’s hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.



In 2010, SCPC wrote-off 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-net' account upon collection of the said receivable.

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 10 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.

On July 18, 2017, the ERC issued an Order granting PSALM's Motion for Reconsideration (MR) and setting aside its Order dated 23 June 2014. In the said Order, the ERC stated that the grant of PSALM's motion is without prejudice to the filing of SCPC of the appropriate money claims with Commission on Audit (COA).

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 (Court).

Subsequently the 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.

On December 16, 2016, the 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, SCPC 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.

Petition for Money Claim versus PSALM before the Commission on Audit (COA)

On November 27, 2017, SCPC filed before the COA a Petition for Money Claim against PSALM for the enforcement of the Decision dated July 6, 2011 and Order dated February 13, 2012 issued by the ERC in ERC Case No. 2010-058MC, as affirmed by the Court of Appeals in its Decision dated September 4, 2012 in CA-C.R. No. 123997, and by the Supreme Court in its Decision dated December 5, 2016 in G.R. No. 204719.

On December 11, 2017, SCPC received a copy of the Order dated November 29, 2017 issued by COA directing PSALM to submit its answer to SCPC's Petition dated November 27, 2017 within fifteen (15) days from receipt thereof. Upon confirmation from the Philippine Post Office - Quezon City, PSALM received a copy of the foregoing Order on December 14, 2017. PSALM has until December 29, 2017 within which to file its answer.

As of December 31, 2017, since this case involves issues which have been settled by no less than the Supreme Court in a final and executory judgment, i.e., PSALM's liability in the principal amount of ₱ 476.70 million inclusive of VAT, the recovery of SCPC's money claim is certain. The filing of Petition with COA is for the purpose of executing the money judgment since the ERC refused to execute the same based on the rule that all money claims against the government must first be filed with the COA.

On February 7, 2018, SCPC filed with COA a Motion to Declare Respondent Power Sector Assets and Liabilities Management Corporation in Default in view of PSALM's failure to file Answer within the period provided by COA in the Order dated November 29, 2017. However, on February 15, 2018, SCPC received a copy of PSALM's Motion to Admit Attached Answer with Answer both dated February 12, 2018. In its Answer, PSALM confirmed that it had not made any payments in connection with the ERC Decision dated July 6, 2011 but contended that SCPC's prayer for payment of interest should be denied because allegedly, SCPC's Petition dated



November 27, 2017 and the ERC decision failed to state as to when the interest should be counted from. On March 1, 2018, SCPC filed its reply to PSALM's answer and refuted PSALM's claim regarding imposition of interest.

On November 29, 2018, SCPC filed an Urgent Motion for Resolution with the COA praying for immediate resolution of the case. On December 14, 2018, PSALM filed its comment to SCPC Urgent Motion for Resolution raising the same arguments raised in its Answer. On January 4, 2019, SCPC filed its reply to PSALM's comment to the Urgent Motion for Resolution,

To date, the case is pending for decision with the COA.

Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the ERC against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies 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 claimed by MERALCO against SCPC representing line loss amounts allegedly received by SCPC beginning 2009 amounts to ₱265.54 million.

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, 2018 the Joint Motion to Dismiss has yet to be resolved.

Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.



On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including Philippine Electricity Market Corporation (PEMC), the operator of the WESM, as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof.

PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Distribution Utilities (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.



Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

On December 14, 2017, SCPC received Meralco's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8 and 12, 2017, respectively. Likewise, SCPC received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

On July 30, 2018, SCPC filed its Consolidated Comment on MERALCO's and ERC's Motion for Reconsideration. On November 29, 2018, the CA directed SCPC to comment on the Motion for Leave to Intervene and to Admit Motion for Reconsideration in Intervention of the CA's decision filed by movant-intervenors PRHC Property Managers Inc. and the Philippine Stock Exchange Centre Condominium Corporation. On December 2018, SCPC instead submitted a Manifestation in lieu of a comment since the grounds relied upon by the movants are similar to the grounds to the other movants already addressed by SCPC in its Consolidated Comment and duly passed upon by the CA in its Resolution dated March 22, 2018.

In a decision dated November 7, 2018, the Court of Appeals granted SCPC's Petition and declared the ERC's Orders dated March 3, 2014, March 27, 2014 and October 15, 2014 in ERC Case No. 2014-021 as null and void for being issued in violation of the Constitution and the applicable laws.

To date, the CA has yet to resolve ERC and MERALCO'S Motion for Reconsideration.

Please see judgments and estimates in Note 3 and the related disclosures on allowance for expected credit loss in Note 7.

Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO which took effect on December 26, 2011 and shall have a term of seven (7) years, extendable upon mutual agreement by the parties for another three (3) years. Based on this agreement, SCPC shall provide MERALCO with an initial contracted capacity of 210MW and shall be increased to 420MW upon commercial operation of the plant's Unit 1. Commercial operation of plant's Unit 1 started in June 2013. On May 5, 2017, the parties mutually agreed to extend the agreement for a contracted capacity of 250MW which shall be made available by SCPC to MERALCO from December 26, 2018 to December 25, 2019 or the date of the commencement of the Major Rehabilitation of Unit 2 of the plant, whichever is earlier.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.



On December 17, 2012, ERC issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of ₱4,785.12/Kw/year. On February 8, 2013, MERALCO filed its Supplemental Motion for Partial Reconsideration with Motion for Clarification (Supplemental Motion) to include the recovery of cost of diesel not as part of the variable O&M Fee.

On May 2, 2018, the ERC issued an Order of even date, requiring submission of documentary requirements to support its Motion for Partial Reconsideration and the Supplemental Motion. On May 23, 2018, SCPC submitted its Compliance with Motion for Early Resolution to the ERC. On May 29, 2018, SCPC received an Order from the ERC allowing recovery of the Cost of Diesel during Power Plant's Startup and Shutdown under Reimbursable Cost but deferred MERALCO's prayer to adjust the approved FOM of ₱4,785.12/kW-Year to ₱4,977.45/kW-Year. On July 17, 2018, further to ERC Order dated May 29, 2018, SCPC issued a Debit Memo to MERALCO and MERALCO RES in the amounts of ₱1,170.44 million and ₱407.46 million, respectively.

On August 20, 2018, SCPC received a copy of MERALCO's Motion for Clarification with Manifestation seeking to clarify the details of the approved components of the Fixed O&M Fee, including the amounts pertaining to diesel and bunker oil. MERALCO also sought to clarify that the ERC grant of the Power Plant's Startup and Shutdown under Reimbursable Cost refers to Component E of the Payment Structure discussed in Appendix E of the PSA to avert any erroneous/invalid billing from SCPC regarding Reimbursable Costs. On August 30, 2018 MERALCO filed with the ERC its Urgent Motion for Resolution of its earlier Motion for Clarification with Manifestation.

To date, ERC has yet to resolve the pending motions filed by MERALCO.

Power Supply Agreement with MERALCO RES

On May 5, 2017, SCPC entered into a new power supply agreement with MERALCO through its retail electricity supply business segment which will take effect on June 26, 2019 and shall have a term of ten years extendable upon mutual agreement by the parties for another four years.

SCPC will be providing MERALCO RES with an initial contracted capacity of 170MW from June 26, 2019 until December 25, 2019 and will be increased to 420MW from December 26, 2019 until the end of the term.

SLPGC - Application for Approval on the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP)

On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.

Both Companies filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.



As of this date, no decision or resolution from the ERC with regard to the parties' prayer for the issuance of Provisional Authority or the application was received.

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 PDI 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.

On April 25, 2017, the SC, in its en banc session, has dismissed the petition filed by the Order of the Knights of Rizal (OKOR) against the construction of Torre de Manila and has lifted the TRO issued on June 16, 2015. With the dismissal of OKOR's petition, PDI resumed selling and construction of the project in 2017.

Lease Commitments

Operating Lease - As Lessor

The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 12). The lease agreements provide for a fixed monthly rental with an escalation of 3.00% to 10.00% annually and are renewable under the terms and condition agreed with the lessees.

As of December 31, 2018 and 2017, future minimum lease receivables under the aforementioned operating lease are as follows:

	2018	2017
Within one year	₱17,527	₱27,153
After one year but not more than five years	28,608	55,156
More than five years	22,979	32,605
	₱69,114	₱114,914

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, 2018 and 2017, future minimum lease payments under the above mentioned operating lease are as follows:

	2018	2017
Within one year	₱74,560	₱90,521
After one year but not more than five years	63,277	147,746
More than five years	12,613	28,574
	₱150,450	₱266,841



LLA with PSALM

As discussed in Note 14, SCPC entered into a LLA with PSALM for the lease of land in which its plant is situated, for a period of 25 years, renewable for another 25 years, with the mutual agreement of both parties. 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 (1) 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 buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

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 parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the “Option” and paid the Option Price amounting to US\$0.32 million (₱14.72 million), exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of ‘Property, plant and equipment’ (see Note 13).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of CTS between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM’s Board approved SCPC’s request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.



As of the December 31, 2018, 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 ₱6,670 million and ₱9,750 million as at December 31, 2018 and 2017, respectively.

Standby Letters of Credit

The Group has outstanding irrevocable standby letters of credit amounting to ₱6,670 million and ₱5,450 million, respectively in 2018 and 2017, from local banks which are used as bid security, performance securities and downpayments received from ongoing construction projects.

Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law introduced changes in capital income taxes, raised the excise tax rates on domestic and imported coal and made amendments to other taxes (e.g. documentary stamp tax, personal income tax).

Contingent Assets and Contingent 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 Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made in 2018, 2017 and 2016 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 Group (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that SMPC, its parent company, is a publicly listed Company.

WESM

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.



In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, “Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market”. This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole that need to be complied within 44 months from the effectivity date, subject to the approval by DENR. The Group’s power plant uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group’s assessment of its existing power plant facilities, the Group believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

c. Contract for the Fly Ash of the Power Plant

On April 30, 2012, SCPC and Pozzolanica Australia Pty, Ltd. (“Pozzolanica”) executed the Contract for the Purchase of Fly Ash of the Power Plant (the “Pozzolanica Contract”). The Pozzolanica contract is valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanica, as agreed, shall purchase 100 % percent of fly ashes produced or generated by the Power Plant of SCPC.

d. 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 Guaranteed Dependable Capacity (GDC) under the PSA.

On November 23, 2016, the BOI issued the Certificate of Registration (COR) for the Group 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).

- e. Energy Supply Agreement (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 Oriental Mindoro Electric Cooperative (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.

- f. SMPC - Special Order (SO) No. 2018-042, 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. 2018-042, 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 SMPC'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. On March 13, 2017, the DENR-EMB Region 6 provided the Parent Company with the results of the investigation without adverse findings in particularly the report noted that the Parent Company was in compliant with its ECC conditions.

- g. ZDMC - Status of Mineral Production Sharing Agreements (MPSA)

On February 8, 2017, the secretary of the DENR issued an order cancelling ZDMC's MPSA. On March 2, 2017, ZDMC filed a for motion for reconsideration (MR) with the DENR from which the DENR failed to act promptly upon the lapse of substantial period. Consequently, ZDMC filed a Notice of Appeal before the Office of the President (OP) on March 31, 2017 to question the cancellation of its MPSA.

On November 12, 2018, the DENR issued a resolution modifying the order of cancellation of ZDMC's MPSA into an order suspending the mining production and shipment of ores of ZDMC subject to fulfillment of corrective measure. On November 27, 2018, ZDMC submitted the detailed action plan to DENR and was evaluated, reviewed, and approved on November 28, 2018. Upon completion of all activities stated in the action plan, and verification/acceptance thereof by DENR, the suspension of ZDMC'S operations and shipment of ores shall be lifted.



h. BNC – Updates on suspension of nickel mining operations

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 the Berong Bay.

On February 8, 2017, the DENR issued an order to BNC maintaining the suspension of its mining operations. BNC filed a motion before the Office of DENR Secretary on February 28, 2017 from which the DENR failed to act promptly upon the lapse of substantial period. Consequently, BNC filed a Notice of Appeal before the Office of the President (OP) on March 31, 2018 to question the order maintaining the suspension of its mining operations.

On July 9, 2018, the Company received a Memorandum from the DENR-EMB with regard to the issuance of a formal lifting order on BNC violation of R.A 9275 and its implementing rules and regulations upon settlement of imposed fines.

On September 14, 2018, BNC received a letter from DENR-MGB lifting the regional suspension order No. 2016-01. Through a resolution dated November 12, 2018, DENR had set aside and lifted its earlier order dated February 8, 2017 suspending BNC'S mine operations. BNC resumes its operations on the 4th quarter of 2018. .

i. Sales Agreement

BNC and ZDMC entered into various sales agreements with different customers to sell and deliver existing inventory of nickel laterite ores, which the DENR ordered to be removed to avoid environmental hazard. The selling price of the nickel laterite ores depends on its ore grading.

High grade (1.8%) and mid -grade (1.5%) are priced at US\$43 and US\$26, respectively. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. With the permission and upon directive of DENR, BNC and ZDMC exported a total of 0.64 million WMT and 0.53 million WMT of nickel laterite ores in 2018 and 2017, respectively.

Provisional payment covering 90% of the total amount as reflected in provisional invoice and final settlement can be made upon receipt of final invoice.

39. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2018	2017	2016
Depreciation capitalized in inventory (Note 24)	₱892,219	₱258,666	₱157,309
Depreciation capitalized as Mine properties, mining tools and other equipment (Note 24)	—	—	486,141
Transfer from Exploration and evaluation asset to Property, plant and equipment (Notes 13 and 14)	—	—	4,967,882



Changes in liabilities arising from financing activities

	December 31, 2017	Cash flows	Foreign exchange movement	Other	December 31, 2018
Short-term debt	₱1,071,101	₱5,983,232	₱—	(₱39,057)	₱7,015,276
Long-term debt*	38,437,581	(3,877,398)	22,764	(76,890)	34,506,057
Dividends	41,562	(16,767,832)	—	16,815,375	89,105
Other noncurrent liabilities	2,603,184	(3,318,122)	—	(2,056,894)	2,771,832
	December 31, 2016	Cash flows	Foreign exchange movement	Other	December 31, 2017
Short-term debt	₱2,621,109	(₱1,550,008)	₱—	₱	₱1,071,101
Long-term debt*	34,264,260	4,119,862	15,070	38,389	38,437,581
Dividends	24,476	(10,982,121)	—	10,999,207	41,562
Other noncurrent liabilities	2,969,204	(508,017)	—	(169,377)	2,603,184

**Includes current portion*

Other changes in liabilities above includes amortization of debt issuance cost, accretion of unamortized discount and effect of change in estimate on provision for decommissioning and site rehabilitation, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to non-controlling interest.



DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in thousands)**

Unappropriated Retained Earnings, beginning	₱8,115,400,740
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	8,324,002,342
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	3,831,282
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)	3,831,282
Net income actually earned during the period	16,443,234,364
Add (Less):	
Dividend declarations during the period	12,746,371,200
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	₱3,696,863,164

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, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	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: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine	✓		
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation 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, 2018.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2018. The Group will adopt the Standards and Interpretations when these become effective.

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DMCI HOLDINGS, INC. AND SUBSIDIARIES**SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED
DECEMBER 31, 2018**

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
Gold and Club Shares*	38	₱115,247,190	₱115,247,190	
Manila Electric Company	38,533	14,819,792	14,819,792	
Mabuhay Vinyl Corp.	34,889	110,249	110,249	
Others	1	37,258	37,258	
TOTAL	73,461	₱130,214,489	₱130,214,489	

* Includes shares of stocks from golf and country clubs memberships

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
Semirara Mining and Power Corporation	Sem-Calaca Power Corporation	1,376,964,005	(1,376,964,005)
DMCI Holdings, Inc.	DMCI Mining Corporation	1,517,719,511	(1,517,719,511)
DMCI Mining Corporation	Fil-Euro Asia Nickel Corporation	1,154,120,932	(1,154,120,932)
Fil-Euro Asia Nickel Corporation	Zambales Diversified Metals Corporation	1,065,541,781	(1,065,541,781)
DMCI Mining Corporation	Fil-Asian Strategic Resources & Properties Corporation	1,006,030,392	(1,006,030,392)
D.M. Consunji, Inc.	Semirara Mining and Power Corporation	98,910,148	(98,910,148)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Diversified Metals Corporation	507,066,425	(507,066,425)
Semirara Mining and Power Corporation	Southwest Luzon Power Generation Corporation	485,896,746	(485,896,746)
DMCI Mining Corporation	Berong Nickel Corporation	213,406,710	(213,406,710)
D.M. Consunji, Inc.	DMCI Project Developers, Inc.	260,357,133	(260,357,133)
D.M. Consunji, Inc.	Southwest Luzon Power Generation Corporation	311,714,285	(311,714,285)
Semirara Mining and Power Corporation	Semirara Claystone, Inc.	200,051,888	(200,051,888)
DMCI Project Developers, Inc.	DMCI Homes, Inc.	194,694,891	(194,694,891)
Riviera Land Corporation	DMCI Project Developers, Inc.	123,389,507	(123,389,507)
Beta Electromechanical Corporation	D.M. Consunji, Inc.	224,821,091	(224,821,091)
Fil-Euro Asia Nickel Corporation	Zambales Chromite Mining Group Inc.	96,016,882	(96,016,882)
Hampstead Gardens Corporation	DMCI Project Developers, Inc.	84,391,066	(84,391,066)
Fil-Asian Strategic Resources & Properties Corporation	Montemina Resources Corporation	75,271,523	(75,271,523)
D.M. Consunji, Inc.	Sem-Calaca Power Corporation	183,595,777	(183,595,777)
DMCI Project Developers, Inc.	DMCI Homes Property Management Corporation	75,102,086	(75,102,086)
Zambales Diversified Metals Corporation	D.M. Consunji, Inc.	52,396,940	(52,396,940)
D.M. Consunji, Inc.	DMCI Masbate Power Corporation	50,505,044	(50,505,044)
Semirara Mining and Power Corporation	DMCI Power Corporation	69,708	(69,708)
Sem-Calaca Power Corporation	Southwest Luzon Power Generation Corporation	2,465,158	(2,465,158)
Fil-Asian Strategic Resources & Properties Corporation	Montague Resources Philippines Corporation	41,845,665	(41,845,665)
Fil-Euro Asia Nickel Corporation	Zamnorth Holdings Corporation	35,003,159	(35,003,159)

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
Zambales Diversified Metals Corporation	Zambales Chromite Mining Group Inc.	29,064,608	(29,064,608)
DMCI Power Corportion	Sem-Calaca Power Corporation	25,156,082	(25,156,082)
Berong Nickel Corporation	Ulugan Nickel Corporation	23,346,386	(23,346,386)
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	17,756,431	(17,756,431)
DMCI Project Developers, Inc.	DMCI Mining Corporation	5,760,622	(5,760,622)
DMCI Mining Corporation	DMCI Power Corportion	8,913,290	(8,913,290)
Semirara Mining and Power Corporation	DMCI Masbate Power Corporation	10,277,127	(10,277,127)
DMCI Mining Corporation	TMM Management, Inc.	4,239,722	(4,239,722)
Semirara Mining and Power Corporation	DMCI Mining Corporation	3,872,518	(3,872,518)
Fil-Asian Strategic Resources & Properties Corporation	ZDMC Holdings Corporation	2,774,881	(2,774,881)
Montemina Resources Corporation	Zamnorth Holdings Corporation	2,753,502	(2,753,502)
Zamnorth Holdings Corporation	Zambales Chromite Mining Group Inc.	2,738,271	(2,738,271)
Montemina Resources Corporation	Zambales Chromite Mining Group Inc.	2,291,646	(2,291,646)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Chromite Mining Group Inc.	2,118,242	(2,118,242)
Wire Rope Corporation of the Philippines	D.M. Consunji, Inc.	6,746,712	(6,746,712)
DMCI Mining Corporation	Zambales Chromite Mining Group Inc.	1,986,639	(1,986,639)
DMCI Mining Corporation	D.M. Consunji, Inc.	(98,590)	98,590
Zambales Diversified Metals Corporation	Berong Nickel Corporation	(1,476,072)	1,476,072
Berong Nickel Corporation	Ulugan Resouces Holdings, Inc.	730,763	(730,763)
Wire Rope Corporation of the Philippines	DMCI Project Developers, Inc.	713,296	(713,296)
Semirara Mining and Power Corporation	Semirara Energy Utilities, Inc.	538,845	(538,845)
Fil-Asian Strategic Resources & Properties Corporation	Zamnorth Holdings Corporation	172,358	(172,358)
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	17,542,224	(17,542,224)
Semirara Mining and Power Corporation	Sem-Calaca Industrial Park Developers, Inc.	201,360	(201,360)
Montemina Resources Corporation	Zambales Nickel Processing Corporation	100,889	(100,889)
Berong Nickel Corporation	TMM Management, Inc.	2,192,611	(2,192,611)
Fil-Asian Strategic Resources & Properties Corporation	Mt. Lanat Metals Corporation	172,508	(172,508)
DMCI Project Developers, Inc.	DMCI-PDI Hotels, Inc.	120,109	(120,109)
DMCI-PDI Hotels, Inc.	DMCI Homes, Inc.	46,327	(46,327)
Zambales Chromite Mining Group Inc.	Montague Resources Philippines Corporation	86,069	(86,069)
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 Project Developers, Inc.	DMCI Power Corporation	2,104	(2,104)

As of December 31, 2018, 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 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, 2018:

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	₱77,598,334	₱46,460,000	(₱48,109,945)	—	—	₱75,948,389

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
Peso denominated loans	₱7,456,736,683	Floating PDST-R2 + spread; 4.73% - 15.16%	Various maturities from 2017 to 2025	Amortized/ Bullet	₱1,453,000	₱7,455,283,683
Dollar-denominated Bank loans	2,325,138,237	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	2017 and 2019	Amortized	—	2,325,138,237
Mortgage payable	5,952,694,023	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Various quarterly maturities starting 2015 until 2022	Amortized	1,703,703,704	4,248,990,319
Fixed rate corporate notes	17,979,008,548	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	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.	1,787,471,217	16,191,551,331
HomeSaver Bonds	792,478,894	4.5%-5% p.a.	Various maturities from 2017 to 2020	Tranche A, C, D, and F are payable 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date. Interest payable every 3 months, principal to be paid on maturity date	— 2,850,138,000	₱792,478,894 —
					₱6,342,765,921	₱28,163,290,464
₱34,506,056,385						

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	960	—	—	—	960
Common stock - ₱1 par value	19,900,000,000	13,277,470,000	—	9,220,612,094	392,770,176	3,664,087,730
	20,000,000,000	13,277,477,960	—	9,220,612,094	392,770,176	3,664,088,690

See Note 22 of the Consolidated Financial Statements

DMCI HOLDINGS, INC. AND SUBSIDIARIES**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS****FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017**

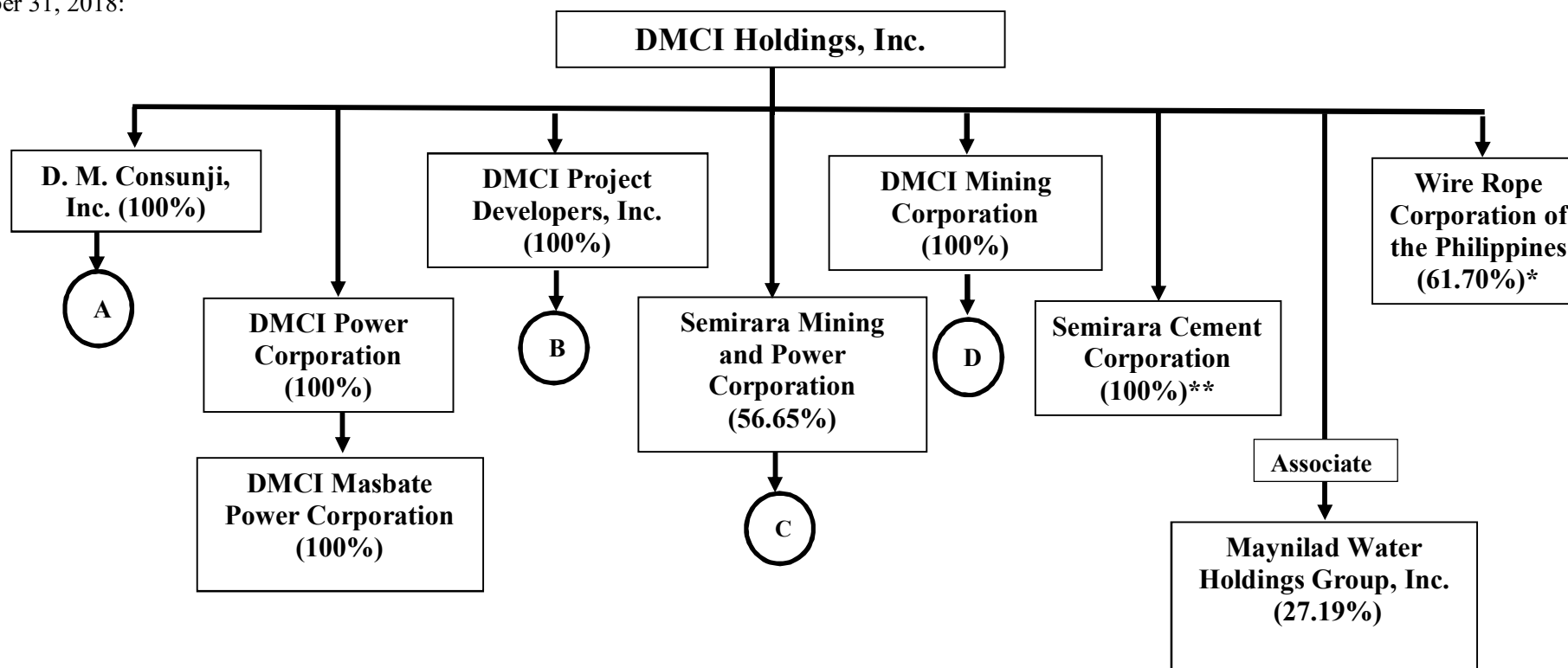
Financial Soundness Indicator	December 31, 2018	December 31, 2017
i. Liquidity ratios:		
Current ratio	212%	260%
ii. Leverage ratios:		
Net Debt-to-equity ratio	27%	15%
Interest coverage ratio	12 times	14 times
iii. Management ratios:		
Return on assets ratio	12%	13%
Return on Parent equity ratio	19%	20%
iv. Asset-to-equity ratio	188%	184%
v. Profitability ratios:		
Gross margin ratio	37%	43%
Net profit margin ratio	24%	26%

DMCI HOLDINGS, INC.

MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

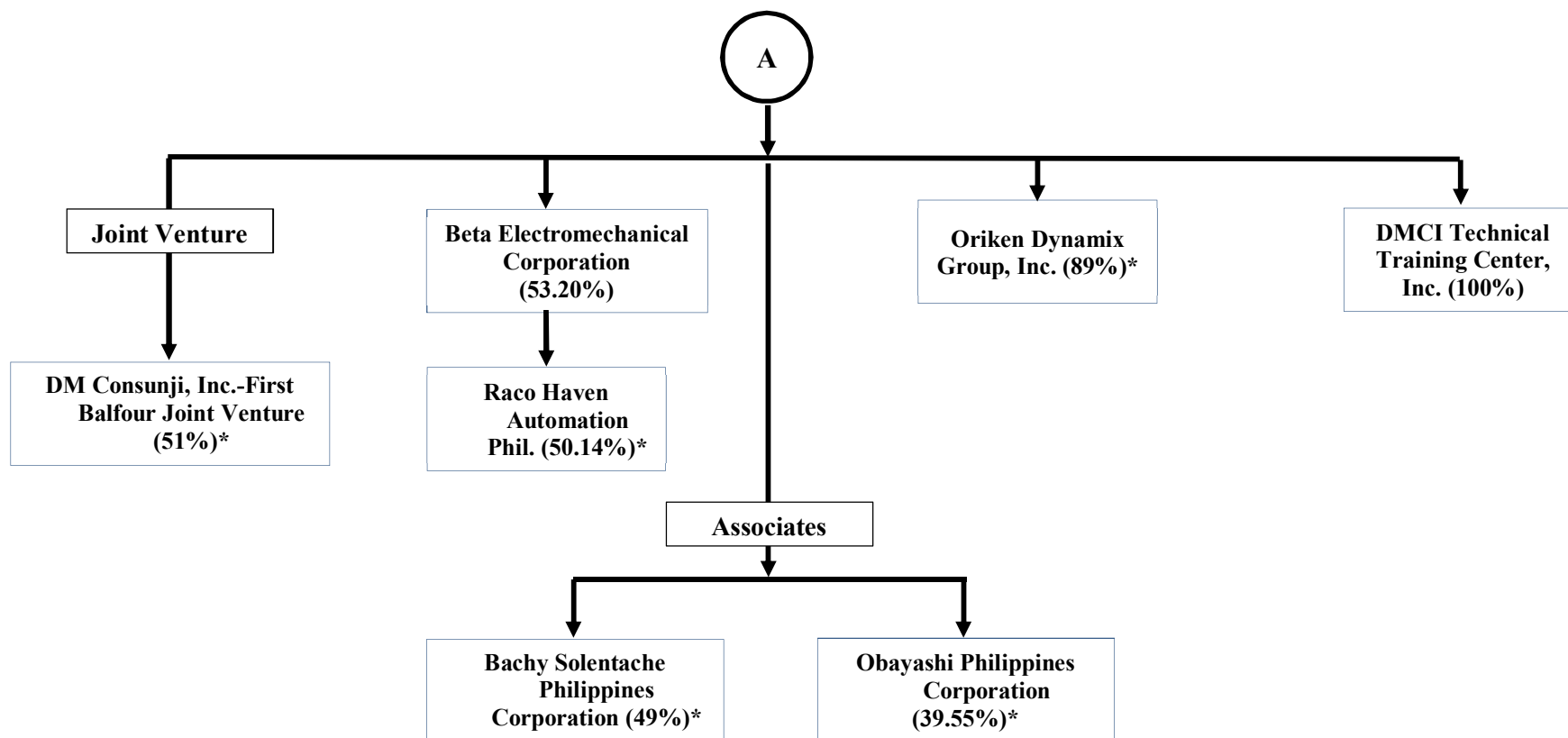
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of December 31, 2018:

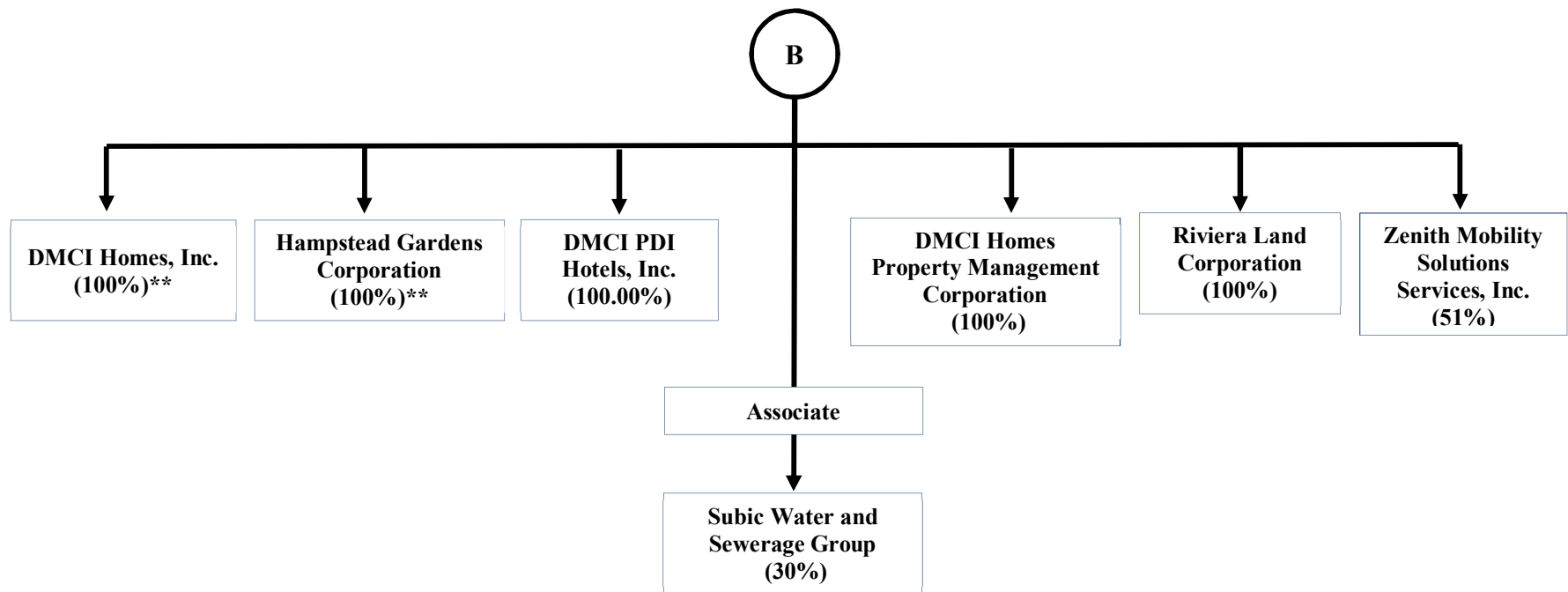


* Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.

**Non-operating entities

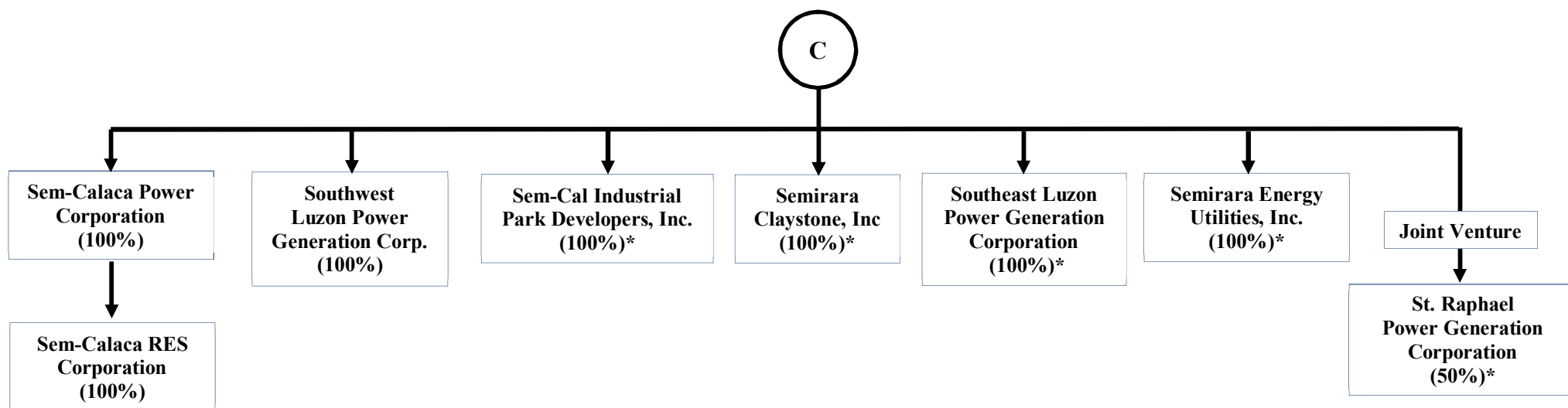


**Non-operating entities*

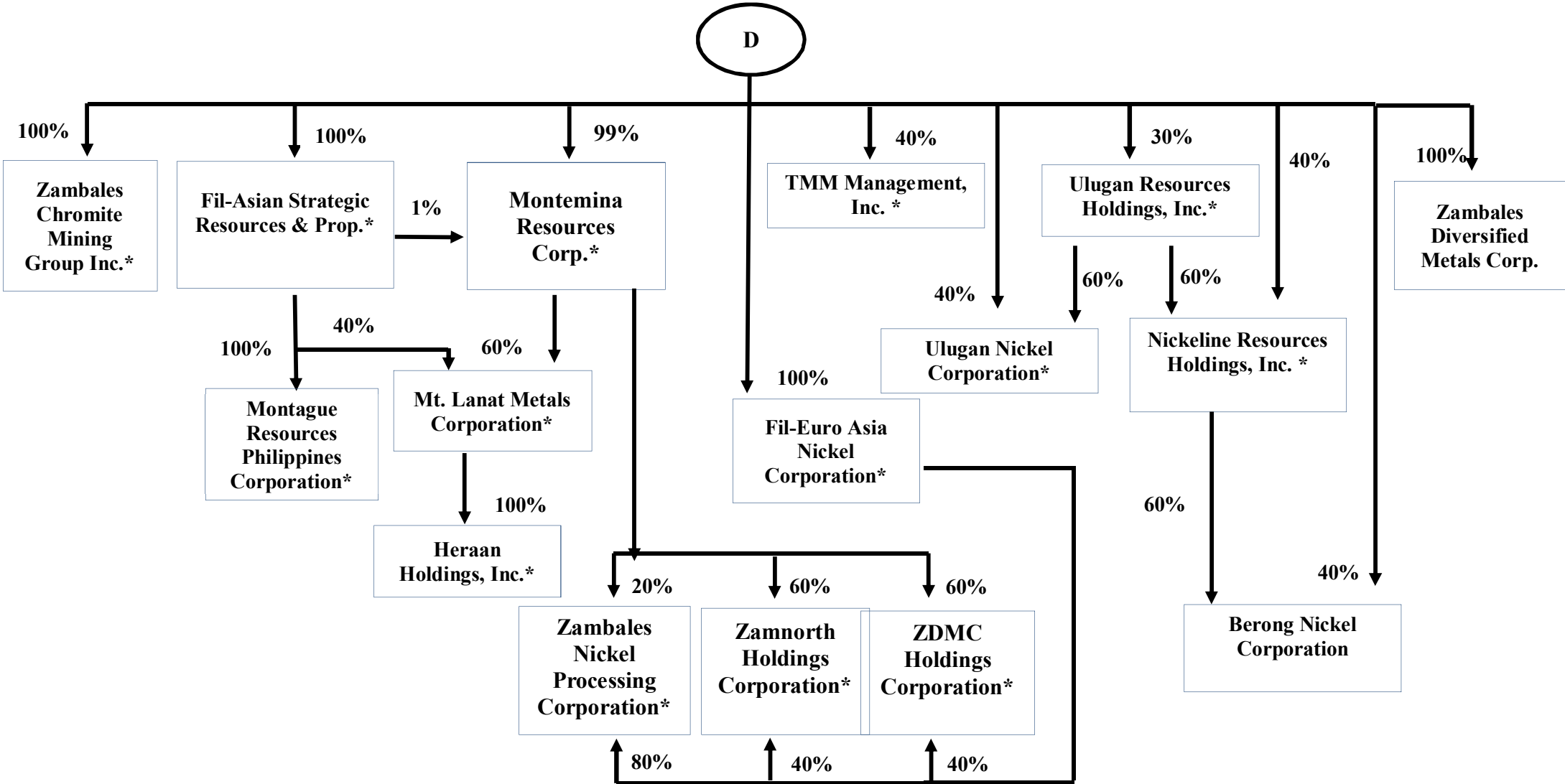


**Includes 34.12% investment of DMCI to Riviera Land.*

***Liquidating as of December 31, 2018*



**Non-operating entities*



**Non-operating entities*