

COVER SHEET

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

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

(Company's Full Name)

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

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

M A K A T I C I T Y

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

HERBERT M. CONSUNJI  
Contact Person

(632) 8888-3000  
Company Telephone Number

(Third Tuesday of May)

1 2 3 1  
Month Day

SEC Form 17-A  
FORM TYPE

0 5 1 9  
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, 2019
2. SEC Identification Number ASO95-002283 3. BIR Tax Identification No. 004-703-376
4. Exact name of issuer as specified in its charter DMCI Holdings, Inc.
5. Philippines  
Province, Country or other jurisdiction  
of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 3<sup>rd</sup> Floor, Dacon Building, 2281 Chino Roces Avenue, Makati City 1231  
Address of principal office Postal Code
8. Tel. (632) 8888-3000 Fax: None  
Issuer's telephone number, including area code
9. Not applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

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

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

Yes [ X ] No [ ]

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

12. Check whether the issuer:

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

Yes [ X ]

No [ ]

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

Yes [ X ]

No [ ]

13. **Php24,445,152,202.95**

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, 2019 (Part II C)

(b) Exhibits and Schedules (Part V)

**DMCI HOLDINGS, INC.**  
**ANNUAL REPORT ENDING DECEMBER 31, 2019**

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## **ATTACHMENTS**

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

### **B. SPECIAL FORMS FOR FINANCIAL STATEMENTS (SFFS)**

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

### **C. CONSOLIDATED AUDITED FINANCIAL STATEMENTS**

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

### **D. INDEPENDENT AUDITORS’ REPORT ON SUPPLEMENTARY SCHEDULES**

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

### **E. SUSTAINABILITY REPORT**

## 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 high-rise buildings, toll roads, bridges, power plants and water facilities of varying scale and complexity. DMCI is at the forefront of building important and technically challenging structures that will improve lives, sustain communities and enable growth in the Philippines.

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

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

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

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

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

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

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

**Any bankruptcy, receivership or similar proceeding**

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

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

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

***Business of Issuer***

**Principal products or services and their markets**

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

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

Except for coal and nickel segments, revenues of the Group were primarily derived from sales within the Philippines. Excluding sales from its own power plant, export sales from coal segment accounted for 79%, 56% and 66% of coal sales in 2019, 2018 and 2017, respectively. For nickel segment, 100% are export sales.

**Distribution methods of the products or services**

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

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

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

**Competition**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **Total Number of Employees**

The total number of full-time employees of the Company is 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 34 of the accompanying Notes to the Consolidated Financial Statements for further details on lease agreements.

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

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

## SEMIRARA MINING AND POWER CORPORATION

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

<b>a. Building/Offices</b>	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
Refo Office	1	Oxygen/Acetylene Building	2
Genset Shed at CPP	1	Molave Pit Office	1
IMS Office & Library	1	Molave Pitshop	1
Lime Plant	1	Narra Pit Office	1
Magazine Building	3	Product Office	1
Main Workshop	1	RMO Office	1
Warehouse	1	Sandblasting & Painting	3
Coal Shed at Product	1	Shipping Mayflower Office	1
HRD Building	1	Shipping Shipyard Office	1
Diesel Power Plant	1	Tire Shop at MWS	1
<b>b. Housing</b>			
Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	1,022
Group Staff House	2	Pinatubo Housing	51
Individual Staff House	3	Molave Phase 1 Extension	69
Kalamansig Housing	103	Waffle Crete Building	2
Laborer's Clusters 1-8	78	IS Extension	59
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3
Lebak Housing	154	Phase 7 Housing	153
<b>c. Others</b>			
Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Aviary	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1
Desalination Plant	1		

These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment used in its coal mining operations.

On the other hand, its power subsidiary, SCPC owns the following equipment, structures, buildings and improvements located over parcels of land subject of a lease contract for 25 years from the Power Sector Assets Liabilities and Management Corporation (PSALM) at Calaca, Batangas:

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

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

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

<b>CONSTRUCTION EQUIPT &amp; TOOLS</b>	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
<b>TRANSPO. EQUIPT.</b>	SERVICE CAR SERVICE PICK-UP OTHER VEHICLES
<b>OFFICE FURN., FIXTURES &amp; EQUIPT.</b>	OFFICE FURNITURE & FIXTURES OFFICE EQUIPMENT COMPUTER EQUIPMENT COMMUNICATION EQUIPMENT
<b>OTHERS</b>	LAND LAND IMPROVEMENTS LEASEHOLD IMPROVEMENTS BUILDING BUILDING IMPROVEMENTS

	PLANTS COMPUTER SOFTWARE CLEARING - ASSET ACQUISITION OTHER MISCELLANEOUS EQUIPMENT ASSET UNDER CONSTRUCTIONS MARINE EQUIPMENT KITCHEN EQUIPMENT
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### DMCI POWER

DMCI Power and its subsidiary owns the following power plants as of December 31, 2019:

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

### DMCI PROJECT DEVELOPERS, INC.

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

(4) Agham Party List, represented by its President, Angelo B. Palmones v. DMCI Holdings, Inc., et al., G.R. No. 221960, Supreme Court en banc. - 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. On appeal before the Supreme Court, the Supreme Court, through an en banc Resolution dated 18 June 2019, affirmed and upheld the dismissal of the case by CA.

#### **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 2020 are set forth below.

#### Common Share Prices

		High	Low
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
2019	First Quarter	13.00	11.08
	Second Quarter	12.42	9.71
	Third Quarter	10.74	8.31
	Fourth Quarter	9.10	4.95
2020	First Quarter	7.16	3.10

#### Preferred Share Prices

		High	Low
2018	First Quarter	–	–
	Second Quarter	–	–
	Third Quarter	–	–
	Fourth Quarter	–	–
2019	First Quarter	–	–
	Second Quarter	–	–
	Third Quarter	–	–
	Fourth Quarter	–	–

		High	Low
2020	First Quarter	–	–

Price information as of the latest practicable trading date: As of **March 31, 2019**:

	High	Low	Close	Volume
Common Shares	3.89	3.66	3.77	9.7 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, 2020, the Company had a total of 716 shareholders of which 705 were holders of common shares and 11 were holders of preferred shares.

**Common Shares:** 13,277,470,000 - Of the total outstanding common shares, 1,235,523,997 common shares representing 9.30% of the outstanding common shares are owned by foreign shareholders as of December 31, 2019.

Title of Class	Name	Citizenship	Number of Shares Held	Percent of Class
Common	DACON Corporation	Filipino	6,838,807,440	51.51%
Common	Philippine Central Depository, Inc. (PCD)	Filipino	2,437,412,305	18.36%
Common	DFC Holdings, Inc.	Filipino	2,379,799,910	17.92%
Common	Philippine Central Depository, Inc. (PCD)	Foreigner	1,226,119,146	9.23%

Top 20 Common Shareholders: The list of the Top 20 common shareholders as of December 31, 2019 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 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 P6.37 billion.
2. 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 P6.37 billion.
3. On April 10, 2019, the BOD of the Parent Company declared cash dividends amounting P0.28 regular dividends and P0.20 special cash dividends per outstanding common shares in favor of the common stockholders of record as of April 29, 2019. This was paid on May 10, 2019 with a total amount of P6.37 billion.
4. On March 5, 2020, the BOD of the Parent Company declared cash dividends amounting P0.23 regular dividends and P0.25 special cash dividends per outstanding common shares in favor of the common stockholders of record as of March 23, 2020. This was paid on April 3, 2020 with a total amount of P6.37 billion.

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, 2019

#### Full Year 2019 vs Full Year 2018

#### I. RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **SEMIRARA MINING AND POWER CORPORATION**

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

### **COAL**

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

### **POWER**

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

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

## **PROFITABILITY**

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

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

## **DMCI HOMES**

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

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

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

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

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

## **MAYNILAD**

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

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

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

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

In September 2019, Maynilad received a copy of a Supreme Court decision that the water concessionaires and MWSS are jointly and severally liable for violating Section 8 of Clean Water Act. In October 2019, Maynilad filed a Motion for Reconsideration of the decision to the Supreme Court. Before Maynilad was re-privatized in 2007, there were only two operating sewage treatment plants ("STPs"), sewerage coverage in the West Zone was only 6% of the then 677,930 water-served domestic accounts. Maynilad has since built several new STPs, and, as of December 2019, it has expanded its sewerage coverage to 21.2% of the now 9.7 million water-served population.

Despite excellent record of service delivery, Maynilad continues to face uncertainties from the review of the concession agreement. Nevertheless, Maynilad remains focused on programs to maximize water distribution from the limited resources provided by the Angat Dam, where water levels have declined to disturbing lows. Maynilad will continue its mission to provide safe, affordable and sustainable water solutions for healthier, safer, and more comfortable life.

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

Earnings from construction business in 2019 amounted to P906 million, 25% down from P1.2 billion earnings in 2018.

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

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

## **DMCI POWER (SPUG)**

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

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

Sales volume for 2019 in Masbate (120.38 GWh), Palawan (148.33 GWh) and Mindoro (61.23 GWh) totaled 329.94 GWh, a 7% growth from last year. Electricity dispatch in favor of hydropower plants in Oriental Mindoro during the second half of 2019 were offset by higher power demand in Masbate and Palawan. On the other hand, average selling prices increased by 5% from P13.14/kWh to P13.76/kWh due to its higher pass-through fuel component and the effect of tariff adjustment for the Aborlan bunker. As a result, total off-grid generation revenue rose by 11% to P4.5 billion from P4.1 billion last year. On the other hand, total costs (under cost of sales and operating expenses) went up by 9% to P3.8 billion driven by higher fuel prices, genset rentals and taxes.

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

## **DMCI MINING**

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

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

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

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

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

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

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

##### Revenue

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

##### Cost of Sales and Services

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

##### Operating Expenses

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

##### Equity in Net Earnings

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

##### Finance Costs

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

##### Finance Income

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

### Impairment of Goodwill

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

### Other Income (Expense) – net

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

### Provision for Income Tax

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

## **II. CONSOLIDATED FINANCIAL CONDITION**

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

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

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

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

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

Consolidated inventories jumped by 11% from P44.7 billion to P50.0 billion following the land acquisitions of the real estate business.

Other current assets slipped by 28% to P7.3 billion due mainly to recoupment of advances to suppliers for equipment and spare parts.

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

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

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

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

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

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

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

Other noncurrent assets expanded by 46% due to additional advances to suppliers and subcontractors which are expected to be recouped more than 12 months.

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

Contract liabilities (current and non-current) rose by 17% from last year due mainly to the excess of customer's deposit/billed accomplishments over progress of work.

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

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

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

Other noncurrent liabilities stood at P5.4 billion, more than doubled than last year due to the reclassification of noncurrent trade payables which will be settled after 12 months.

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

Other equity increased by 53% which pertains to the additional share in other comprehensive loss in associates.

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

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

### III. KEY RESULT INDICATORS

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

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

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

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

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

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

## **EARNINGS PER SHARE**

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

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

## **RETURN ON COMMON EQUITY**

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

## **NET DEBT TO EQUITY RATIO**

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

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

## **FINANCIAL SOUNDNESS RATIOS**

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

## PART II--OTHER INFORMATION

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

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

### Full Year 2018 vs Full Year 2017

#### I. RESULTS OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **SEMIRARA MINING AND POWER CORPORATION**

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

### **COAL**

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

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

## **POWER**

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

## **PROFITABILITY**

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

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

## **DMCI HOMES**

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

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

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

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

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

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

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

## **MAYNILAD**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### III. KEY RESULT INDICATORS

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

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

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

#### NET INCOME AFTER NON-CONTROLLING INTERESTS

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

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

### **EARNINGS PER SHARE**

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

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

### **RETURN ON COMMON EQUITY**

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

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

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

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

### **FINANCIAL SOUNDNESS RATIOS**

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

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

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

## C. FINANCIAL STATEMENTS

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

## 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:

	2019	2018
Audit and audit related fees	P18,104,870	P19,033,074
Non-audit	120,000	100,000

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 2019 and 2018. The audit-related fees include assurance and services that are reasonably related to the performance of the audit or review of the Company's financial statements pursuant to the regulatory requirements.

### Tax fees

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

### Non-audit fees

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

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

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

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

### **A. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER**

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

<b>Name</b>	<b>Position</b>	<b>Age</b>	<b>Citizenship</b>
Isidro A. Consunji	Chairman of the Board President/Chief Executive Officer	71	Filipino
Cesar A. Buenaventura	Vice-Chairman of the Board	90	Filipino
Herbert M. Consunji	Director/Executive Vice President & Chief Finance Officer/Chief Compliance Officer/Chief Risk Officer	67	Filipino
Ma. Edwina C. Laperal	Director/Treasurer	58	Filipino
Maria Cristina C. Gotianun	Director/Assistant Treasurer	65	Filipino
Jorge A. Consunji	Director	68	Filipino
Luz Consuelo A. Consunji	Director	66	Filipino
Antonio Jose U. Periquet	Director (Independent)	58	Filipino
Honorio O. Reyes-Lao	Director (Independent)	75	Filipino
Victor S. Limlingan	Managing Director	76	Filipino
Noel A. Laman	Corporate Secretary	80	Filipino
Ma. Pilar P. Gutierrez	Asst. Corporate Secretary	43	Filipino
Brian T. Lim	Vice President & Senior Finance Officer	34	Filipino

Name	Position	Age	Citizenship
Cherubim O. Mojica	Vice President & Corporate Communications Head	42	Filipino
Tara Ann C. Reyes	Investor Relations Officer	42	Filipino

## REGULAR DIRECTORS

**Isidro A. Consunji** – is 71 years old; has served the Corporation as a regular director for twenty five (25) 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 90 years old; has served the Corporation as a regular director for twenty five (25) 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 67 years old; has served the Corporation as a regular director for twenty five (25) years since March 1995; is a regular Director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** D.M. Consunji, Inc., Subic Water and Sewerage Company, Inc., DMCI Mining Corp., Sem-Calaca Res Corporation, DMCI Power Corp., Sem-Calaca Power Corp., Southwest Luzon Power Generation Corp., Sem-Cal Industrial Park Developers, Inc. **Education.** Top Management

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

**Jorge A. Consunji** – is 68 years old; has served the Corporation as a regular director for twenty five (25) 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 58 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 (12 years); is a regular Director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** D.M. Consunji, Inc., DMCI Project Developers, Inc., Dacon Corporation, DMCI Urban Property Developers, Inc, Sem-Calaca Power Corp., DFC Holdings, Inc. **Education.** BS Architecture (University of the Philippines), Masters in Business Administration (University of the Philippines). **Civic Affiliations.** UP College of Architecture Alumni Foundation Inc., *Member*; United Architects of the Philippines, *Member*; Guild of Real Estate Entrepreneurs And Professionals (GREENPRO) formerly Society of Industrial-Residential-Commercial Realty Organizations, *Member*; Institute of Corporate Directors, *Fellow.*

**Luz Consuelo A. Consunji** – is 66 years old; has served the Corporation as a regular director for four (4) years since 2016. She is a regular director of the following: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** South Davao Development Corp., Dacon Corp. and Zanorte Palm-Rubber Plantation, Inc.; **Education.** Bachelor's Degree in Commerce, Major in Management (Assumption College), Master's in Business Economics (University of Asia and the Pacific). **Civic Affiliations.** Mary Mother of the Poor Foundation, Treasurer (May 2012-July 2014), Missionaries of Mary Mother of the Poor, Treasurer (May 2012 – present).

**Maria Cristina C. Gotianun** is 65 years old; has served the Corporation as a regular director for one year since 2019 and as Assistant Treasurer for twenty five (25) years. She is a regular director the following positions: **(Listed)** Semirara Mining and Power Corporation; **(Non-listed)** Dacon Corporation, D.M. Consunji, Inc., DMCI Power Corporation, Sem-Calaca Power Corp., Southwest Luzon Power

Generation Corp., Sirawan Food Corporation, Sem-Cal Industrial Park Development Corp., St. Raphael Power Generation Corp., Semirara-Energy Utilities, Inc., Semirara Claystone, Inc., Sem Calaca Res Corp. **Education.** Bachelor of Science in Business Economics (University of the Philippines), Major in Spanish - Instituto de Cultura Hispanica, Madrid, Spain; Special Studies in Top Management Program, AIM ACCEED; and Strategic Business Economics Program, University of Asia & the Pacific. **Civic Affiliations.** Institute of Corporate Directors, *Fellow*.

## INDEPENDENT DIRECTORS

**Honorio O. Reyes-Lao** - is 75 years old; has served the Corporation as an Independent Director for ten (10) years 2009. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Lao is deemed to have been an independent director of the Company for eight (8) years since 2012. Mr. Lao is also an independent director of Semirara Mining and Power Corporation and a director of Philippine Business Bank (Listed); **(Non-Listed)** DMCI Project Developers, Inc. (independent director from 2016-present), Southwest Luzon Power Generation Corp. (2017-present), Sem-Calaca Power Corp. (2017-present), Gold Venture Lease and Management Services Inc. (2008-2009), First Sovereign Asset Management Corporation (2004-2006), CBC Forex Corporation (1998-2002), CBC Insurance Brokers, Inc. (1998-2004), CBC Properties and Computers Center, Inc. (1993-2006); **Education.** Bachelor of Arts, Major in Economics (De La Salle University), Bachelor of Science in Commerce, Major in Accounting (De La Salle University), Masters Degree in Business Management (Asian Institute of Management); **Civic Affiliations.** Institute of Corporate Directors, Fellow, Rotary Club of Makati West, Member/Treasurer, Makati Chamber of Commerce and Industries, Past President.

**Antonio Jose U. Periquet** - is 58 years old; Mr. Periquet has been an Independent Director of the company since August 2010. Pursuant to SEC Memorandum Circular No. 4-2017, an independent director shall serve for a maximum cumulative term of nine (9) years, and that the reckoning of the cumulative nine-year term is from the year 2012. Pursuant to the said SEC circular, Mr. Periquet is deemed to have been an independent director of the Company for eight (8) years since 2012. Mr. Periquet is also a director of the following: **(Listed)** ABS-CBN Corporation, Ayala Corporation, Bank of the Philippine Islands, The Max's Group of Companies, Philippine Seven Corporation, Inc. Semirara Mining and Power Corporation; **(Non-listed)** ABS-CBN Holdings Corporation (Independent Director), Albizia ASEAN Tenggara Fund, Campden Hill Group, Inc. (Chairman), Campden Hill Advisors, Inc., Pacific Main Properties and Holdings (Chairman), Lyceum of the Philippines University, BPI Capital Corporation, BPI Family Savings Bank, Inc., BPI Asset Management and Trust Corporation (Chairman), The Straits Wine Company, Inc.; **Education.** Mr. Periquet is a graduate of the Ateneo de Manila University (AB Economics). He also holds an MSc in Economics from Oxford University and an MBA from the University of Virginia. **Civic Affiliations.** Global Advisory Council, Darden Graduate School of Business Administration, University of Virginia, Member; Finance and Budget Committee of the Board, Ateneo de Manila University, Member; Finance Committee, Philippine Jesuit Provincial, Member.

## KEY OFFICERS

**Noel A. Laman** is 80 years old; has been the Corporate Secretary for twenty five (25) years since March 1995; he holds the following positions: **(Non-listed)** Castillo Laman Tan Pantaleon & San Jose Law Offices, Founder/Senior Partner; Co-founder, DCL Group of Companies; President, DCL Management Ventures, Inc. **Education.** Bachelor of Science, Jurisprudence (University of the Philippines); Bachelor of Laws (University of the Philippines); Master of Laws (University of Michigan Law School); **Civic Affiliations.** Integrated Bar of the Philippines, Past Secretary, Treasurer, Vice President, Makati Chapter; Rotary Club Makati West, Past President; Intellectual Property Association of the Philippines (IPAP), Past President; Asian Patent Attorneys Association (APAA), Past Council Member; Firm Representative to the German Philippine Chamber of Commerce, Inc., Member.

**Ma. Pilar P. Gutierrez** is 43 years old; has served the Corporation as Assistant Corporate Secretary for ten (10) years since 2010; she holds the following positions: **(Listed)** National Reinsurance Corporation of the Philippines, Assistant Corporate Secretary; **(Non-listed)** Castillo Laman Tan Pantaleon & San Jose Law Firm, Senior Partner. She serves as Assistant Corporate Secretary of the following affiliates of the Corporation: D.M. Consunji, Inc., DMCI Project Developers, Inc., Dacon Insurance Brokers, Inc., Wire Rope Corporation of the Philippines, and DM Consunji Technical Training Center Inc. She is also the Corporate Secretary of the following companies: Pricon Microelectronics, Inc., Test Solution Services, Inc., Manpower Resources of Asia, Inc., Sealanes Marine Services, Inc., Software AG Philippines, Inc., Mercury Battery Industries, Inc., Philippine Advanced Processing Technology, Inc., Rentokil Initial Philippines, Inc., Draeger Philippines Corporation and Jacobs Projects Philippines, Inc. She is likewise the Assistant Corporate Secretary of the following companies: Honeywell CEASA (Subic Bay) Company, Inc., IQVIA Solutions Philippines, Inc., IQVIA Solutions Operations Center Philippines, Inc., SingTel Philippines, Inc., and JTEKT Philippines Corporation. **Education.** Bachelor of Laws, University of the Philippines (2001); Bachelor of Science in Management, Major in Legal Management (B.S.L.M.), Ateneo de Manila University (1997).

**Victor S. Limlingan** is 75 years old; has served the Corporation as Managing Director for eleven (11) 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.*

**Brian T. Lim** is 34 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 42 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	42

- (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 seven (7) 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 Jorge A. Consunji, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun
Herbert M. Consunji	Cousin of Isidro A. Consunji, Jorge A. Consunji, Luz Consuelo A. Consunji, Ma. Edwina C. Laperal and Maria Cristina C. Gotianun

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

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

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

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

## 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 <sup>1</sup>	Treasurer				
Maria Cristina C. Gotianun <sup>2</sup>	Asst. Treasurer				
Victor S. Limlingan	Managing Director				
	YEARS				
	2017	P 10,634,322.22		P 1,520,000.00	
	2018	P 10,634,322.22		P 1,520,000.00	
	2019	P 11,120,190.25		P 1,360,000.00	
	2020*	P 11,120,190.25		P 1,360,000.00	
	<b>TOTAL:</b>	<b>P 43,509,024.94</b>		<b>P 5,760,000.00</b>	
	YEARS				
All other directors and executive officers as a group unnamed	2017	P 4,136,665.00		P 3,920,000.00	
	2018	P 4,136,665.00		P 3,920,000.00	
	2019	P 4,267,289.17		P 2,880,000.00	
	2020*	P 4,267,289.17		P 2,480,000.00	
	<b>TOTAL:</b>	<b>P 16,807,908.34</b>		<b>P13,200,000.00</b>	

*\*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.

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

<sup>2</sup> The Assistant Treasurer does not receive any compensation as Assistant Treasurer of the Corporation.

**C. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

**a. Beneficial Ownership of Directors of the Corporation as of March 31, 2020.**

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	61,000	Direct	Filipino	0.0005%
Common	Maria Cristina C. Gotianun	5,500	Direct	Filipino	0.0000%
Common	Antonio Jose U. Periquet	125,000	Direct	Filipino	0.0009%
Common	Honorio O. Reyes-Lao	175,000	Direct	Filipino	0.0013%
<b>Aggregate Ownership</b>		<b>4,614,000</b>			<b>0.0147%</b>

**b. Owners owning 5% or more of the voting stocks of the Corporation as of March 31, 2020**

Title of Class	Name and Address of Beneficial Owner	Amount/Nature of Beneficial Ownership	Percent of Class
Common	Dacon Corporation (Fil) 2281 Chino Roces Avenue Makati City	6,838,807,440	51.51%
Common	PCD Nominee Corp. (Fil) 6764 Ayala Avenue Legaspi Village, Makati City	2,670,797,412	20.12%
Common	DFC Holdings, Inc. (Fil) 2281 Chino Roces Avenue Makati City	2,379,799,910	17.92%
Common	PCD Nominee Corp. (For) 6764 Ayala Avenue Legaspi Village, Makati City	992,380,839	7.47%

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

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

**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 2019 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, Material Related Party Transactions (*revised*), 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](http://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.
9. For a detailed report on 2019 Corporate Governance, please refer to this link.

[http://www.dmciholdings.com/corporate\\_governance/page/corporate-governance-report/2019](http://www.dmciholdings.com/corporate_governance/page/corporate-governance-report/2019)

## **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 ending December 31, 2019 is herein incorporated by reference.

**LIST OF TOP 20 STOCKHOLDERS  
AS OF DECEMBER 31, 2019**

<b>Rank</b>	<b>Last Name</b>	<b>Shareholdings</b>	<b>Percentage</b>
1	DACON CORPORATION	6,838,807,440	51.51%
2	PCD NOMINEE CORPORATION (FILIPINO)	2,437,412,305	18.36%
3	DFC HOLDINGS INC.	2,379,799,910	17.92%
4	PCD NOMINEE CORPORATION (FOREIGN)	1,226,119,146	9.23%
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	DOUBLE SPRING INVESTMENTS CORPORATION	20,499,130	0.15%
9	AUGUSTA HOLDINGS INC.	19,140,975	0.14%
10	DMCI RETIREMENT FUND	13,000,000	0.10%
11	REYES, JOSEFA CONSUNJI	5,650,000	0.04%
12	LAPERAL MA. EDWINA/MIGUEL DAVID C.	2,750,000	0.02%
13	YNTALCO REALTY DEVT. CORPORATION	2,500,000	0.02%
14	DELA VEGA, BENIGNO	2,050,000	0.02%
15	WINDERMERE HOLDINGS INC.	1,905,715	0.01%
16	GREAT TIMES HOLDINGS CORPORATION	1,898,565	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 2019**

Date	Nature of Report
January 2, 2019	Redemption of Preferred Shares
January 10, 2019	Advisory on Board of Directors' Meeting Attendance
February 4, 2019	Redemption of Preferred Shares
March 1, 2019	Directors' Training Attendance
March 1, 2019	Notice of Analysts' Briefing
March 1, 2019	Notice of Media Briefing
March 1, 2019	Redemption of Preferred Shares
March 7, 2019	Board Meeting Results
March 7, 2019	Notice of Annual Stockholders' Meeting
March 7, 2019	Press Release: MRT Line 2 Extension Project
March 8, 2019	Press Release: DMCI Holdings nets P14.5 billion
March 12, 2019	Press Release: DMCI Orderbook up 12% in 2018
March 17, 2019	Press Release: DMCI Power sets record sales volume
March 19, 2019	Press Release: DMCI Homes eyes 10 project launches for 2019
March 21, 2019	Press Release: DMCI Mining braces for tough 2019
March 25, 2019	Board Meeting Results
March 25, 2019	Amendments to the Articles of Incorporation
March 25, 2019	Notice of Annual Stockholders' Meeting and Agenda Rationale
April 1, 2019	Redemption of Preferred Shares
April 10, 2019	Declaration of Cash Dividends
April 10, 2019	Joint Venture between Robinsons Land Corporation ("RLC") and DMCI Project Developers, Inc. ("DMCI PDI")
May 2, 2019	Redemption of Preferred Shares
May 7, 2019	Notice of Analysts' Briefing
May 9, 2019	Notice of Media Briefing
May 16, 2019	Board Meeting Results
May 16, 2019	Press Release: DMCI HOLDINGS NETS P2.9B

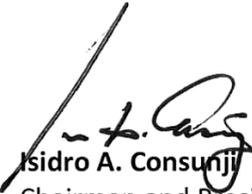
Date	Nature of Report
May 20, 2019	Press Release: DMCI infra revenues up 74% in Q1
May 21, 2019	Results of the Annual Stockholders' Meeting
May 21, 2019	Results of the Organizational Meeting
May 21, 2019	Press Release: DMCI gears up for North South Commuter Railway project
May 29, 2019	Press Release: DMCI Power posts 20% sales growth in Q1
June 3, 2019	Redemption of Preferred Shares
June 3, 2019	Press Release: DMCI Mining Q1 shipments double
June 6, 2019	Press Release: DMCI Homes continues land bank expansion; posts higher Q1 net income
June 7, 2019	DMC Share transaction of an Officer/Director
July 1, 2019	Redemption of Preferred shares
August 1, 2019	Redemption of Preferred shares
August 6, 2019	Notice of Analysts' Briefing
August 6, 2019	Notice of Media Briefing
August 13, 2019	Board Meeting Results
August 13, 2019	Press Release: DMCI HOLDINGS BOOKS P6.7B IN H1
August 19, 2019	Press Release: DMCI Homes expects sales boost from QC projects
August 22, 2019	Press Release: DMCI Power sales volume up 19% in H1
August 24, 2019	Press Release: DMCI Mining shipment rises 41% in H1
August 28, 2019	DMC share transaction by an Officer/Director
August 29, 2019	DMC share transaction by an Officer/Director
August 30, 2019	Press Release: DMCI works double time on infra projects
September 3, 2019	Redemption of Preferred Shares
September 18, 2019	Maynilad's receipt of the Supreme Court En Banc decision in the case of Maynilad v. The Secretary of DENR, et al.
September 19, 2019	Amended: Maynilad's receipt of the Supreme Court En Banc decision in the case of Maynilad v. The Secretary of DENR, et al.
October 1, 2019	Redemption of Preferred Shares
October 4, 2019	Change in Corporate Contact details
October 10, 2019	Lifting of ZDMC suspension
October 23, 2019	Notice of Analysts' Briefing
October 30, 2019	DMC Share transaction of Director

Date	Nature of Report
October 30, 2019	DMC Share transaction by a significant stockholder
October 31, 2019	DMC Share transaction by a Director
October 31, 2019	DMC Share transaction by a Director/Officer
October 31, 2019	DMC Share transaction by a significant stockholder
November 4, 2019	Redemption of Preferred Shares
November 4, 2019	DMC Share transaction by a Director/Officer
November 4, 2019	DMC Share transaction by a Director/Officer
November 4, 2019	DMC Share transaction by a Director/Officer
November 5, 2019	DMC Share transaction by a Director/Officer
November 5, 2019	DMC Share transaction by a Director/Officer
November 5, 2019	DMC Share transaction by a significant stockholder
November 6, 2019	DMCI bags NLEX-SLEX connector road project
November 12, 2019	Board Meeting Results
November 12, 2019	Press Release: DMCI Holdings profit down 11% to P9.3B
November 28, 2019	DMC Share transaction by a Director
November 28, 2019	DMC Share transaction by a Director/Officer
November 28, 2019	DMC Share transaction by a Director/Officer
December 2, 2019	DMC Share transaction by an Officer
December 2, 2019	Redemption of Preferred Shares
December 4, 2019	DMC Share transaction by an Officer
December 13, 2019	DMC Share transaction by a Director/Officer
December 16, 2019	DMC Share transaction by a Director
December 20, 2019	DMC Share transaction by a Director
December 20, 2019	DMC Share transaction by a Director/Officer
December 23, 2019	DMC Share transaction by a Director/Officer

**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 \_\_\_\_\_.

By:

  
**Isidro A. Consunji**  
 Chairman and President

  
**Herbert M. Consunji**  
 Executive Vice President & Chief Finance Officer

  
**Brian T. Lim**  
 Vice President & Senior Finance Officer

  
**Atty. Noel A. Laman**  
 Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of \_\_\_\_\_ 2020 affiants exhibiting to me his/their Passport details, as follows:

<b>NAMES</b>	<b>Passport No.</b>	<b>DATE OF ISSUE</b>	<b>PLACE OF ISSUE</b>
Isidro A. Consunji	P2690001B	07-31-19	DFA Manila
Herbert M. Consunji	P9195543A	10-17-18	DFA NCR North East
Brian T. Lim	P1904934B	06-10-19	DFA Manila
Atty. Noel A. Laman	P0578138B	02-07-19	DFA Manila

\_\_\_\_\_  
**Notary Public**

Doc. No. \_\_\_\_\_  
 Page No. \_\_\_\_\_  
 Book No. \_\_\_\_\_  
 Series of 2020



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

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

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

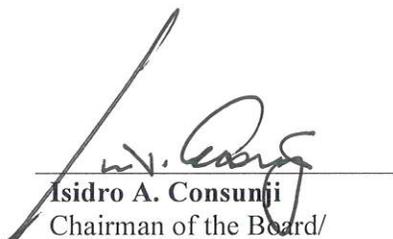
The management of **DMCI HOLDINGS, INC. AND SUBSIDIARIES** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated 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.

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

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

*Signed this March 05, 2020*



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

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in  
MAKATI CITY, this MAR 06 2020 day of 2020.

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

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

Doc No. 244  
Page No. 50  
Book No. 126  
Series No. 2020

  
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. 100581/01-02-2020/Pasig City  
PTR NO MKT 8116095/01-02-2020/Makati City  
MCLE 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 Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

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

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2019 ( in P'000 )	2018 ( in P'000 )
<b>A. ASSETS (A.1 + A.2 + A.3 + A.4 + A.5 + A.6 + A.7 + A.8 + A.9 + A.10)</b>	<b>200,787,001</b>	<b>182,404,715</b>
A.1 Current Assets (A.1.1 + A.1.2 + A.1.3 + A.1.4 + A.1.5)	108,850,800	95,890,197
A.1.1 Cash and cash equivalents (A.1.1.1 + A.1.1.2 + A.1.1.3)	21,597,823	15,481,964
A.1.1.1 On hand	22,703	16,845
A.1.1.2 In domestic banks/entities	6,894,723	6,315,956
A.1.1.3 Short-term investments	14,680,397	9,149,163
A.1.2 Trade and Other Receivables (A.1.2.1 + A.1.2.2)	16,259,523	16,745,426
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)	16,259,523	16,745,426
A.1.2.1.1 Due from customers (trade)	15,457,027	16,342,781
A.1.2.1.2 Due from related parties	493,464	202,624
A.1.2.1.3 Others, specify	2,003,520	1,887,422
A.1.2.1.3.1 Other receivables	2,003,520	1,887,422
A.1.2.1.4 Allowance for doubtful accounts (negative entry)	(1,694,488)	(1,687,401)
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)	49,666,453	44,691,520
A.1.3.1 Real estate held for sale and development	37,598,020	30,253,435
A.1.3.2 Coal inventory	2,245,131	3,334,518
A.1.3.3 Equipment parts, materials & supplies in transit	9,497,878	10,813,357
A.1.3.4 Nickle Ore	325,424	290,210
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)	147,877	130,214
A.1.4.1 Financial Assets at Fair Value through Profit or Loss - issued by domestic entities:	-	-
A.1.4.1.1 National Government	-	-
A.1.4.1.2 Public Financial Institutions	-	-
A.1.4.1.3 Public Non-Financial Institutions	-	-
A.1.4.1.4 Private Financial Institutions	-	-
A.1.4.1.5 Private Non-Financial Institutions	-	-
A.1.4.2 Held to Maturity Investments - issued by domestic entities:	-	-
A.1.4.2.1 National Government	-	-
A.1.4.2.2 Public Financial Institutions	-	-
A.1.4.2.3 Public Non-Financial Institutions	-	-
A.1.4.2.4 Private Financial Institutions	-	-
A.1.4.2.5 Private Non-Financial Institutions	-	-

NOTE:

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

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

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

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

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

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

Table 1. Consolidated Balance Sheet

FINANCIAL DATA	2019 ( in P'000 )	2018 ( 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:	147,877	130,214
A.1.4.4.1 National Government	-	-
A.1.4.4.2 Public Financial Institutions	-	-
A.1.4.4.3 Public Non-Financial Institutions	145,700	128,037
A.1.4.4.4 Private Financial Institutions	-	-
A.1.4.4.5 Private Non-Financial Institutions	2,177	2,177
A.1.4.5 Financial Assets issued by foreign entities: (A.1.4.5.1+A.1.4.5.2+A.1.4.5.3+A.1.4.5.4)	-	-
A.1.4.5.1 Financial Assets at Fair Value through Profit or Loss	-	-
A.1.4.5.2 Held-to-maturity Investments	-	-
A.1.4.5.3 Loans and Receivables	-	-
A.1.4.5.4 Available-for-sale Financial Assets	-	-
A.1.4.6 Allowance for decline in market value (negative entry)	-	-
A.1.5 Other Current Assets (state separately material items) (A.1.5.1 + A.1.5.2)	21,179,124	18,841,073
A.1.5.1 Contract assets (including costs and estimated earnings in excess of billings on uncompleted contracts)	14,013,673	8,868,598
A.1.5.2 Other current assets	7,165,451	9,972,475
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)	63,216,452	57,086,944
A.2.1 Land and Land Improvements	2,609,173	2,406,257
A.2.2 Power Plant, Buildings and Building Improvements	55,011,776	48,515,299
A.2.3 Coal Mining Properties and Equipment	32,848,156	29,517,292
A.2.4 Construction Equipment, Machinery and Tools	12,465,908	10,124,926
A.2.5 Nickel Mining Properties and Equipment	5,602,684	5,617,955
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)	9,710,769	7,252,294
A.2.5.1 Office Furniture, Fixtures and Equipment	745,449	693,343
A.2.5.2 Transportation Equipment	688,851	651,572
A.2.5.3 Leasehold Improvements	359,399	342,801
A.2.5.4 Construction in Progress	7,917,070	5,564,578
A.2.5.5 Others	-	-
A.2.7 Appraisal increase, specify (A.2.6.1 + A.2.6.2 + A.2.6.3)	-	-
A.2.6.1	-	-
A.2.6.2	-	-
A.2.6.3	-	-
A.2.8 Accumulated Depreciation (negative entry)	(55,032,014)	(46,347,079)
A.2.9 Impairment Loss or Reversal (if loss, negative entry)	-	-
A.3 Investments accounted for using the equity method (A.3.1)	15,214,358	14,230,651
A.3.1 Others, specify (A.3.1.1 + A.3.1.2 + A.3.1.3 + A.3.1.4)	15,214,358	14,230,651
A.3.1.1 Investment cost	1,004,391	504,391
A.3.1.2 Accumulated Equity in net earnings (losses)	14,280,056	13,774,449
A.3.1.3 Accumulated impairment loss (negative entry)	(6,798)	(6,798)
A.3.1.4 Share in other comprehensive income (loss)	(63,291)	(41,391)
A.4 Investment Property	141,927	156,721
A.5 Biological Assets	-	-
A.6 Intangible Assets (A.6.1 + A.6.2)	73,113	75,948
A.6.1 Major item/s, specify (A.6.1.1 + A.6.1.2)	73,113	75,948
A.6.1.1 Software Cost	73,113	75,948
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.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

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

**Table 1. Consolidated Balance Sheet**

FINANCIAL DATA	2019 ( in P'000 )	2018 ( in P'000 )
A.9 Long-term receivables (net of current portion) (A.9.1 + A.9.2 + A.9.3)	5,104,621	7,583,336
A.9.1 From domestic entities, specify (A.9.1.1 + A.9.1.2 + A.9.1.3)	5,104,621	7,583,336
A.9.1.1 Contract assets	5,104,621	7,583,336
A.9.1.2	-	-
A.9.1.3	-	-
A.9.2 From foreign entities, specify (A.9.2.1 + A.9.2.2 + A.9.2.3)	-	-
A.9.2.1	-	-
A.9.2.2	-	-
A.9.2.3	-	-
A.9.3 Allowance for doubtful accounts, net of current portion (negative entry)	-	-
A.10 Other Assets (A.10.1 + A.10.2 + A.10.3 + A.10.4)	8,185,730	7,380,918
A.10.1 Deferred Tax Assets - net	1,114,735	606,877
A.10.2 Pension Assets	726,754	915,400
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)	6,344,241	5,858,641
A.10.3.1 Exploration and evaluation asset	226,319	226,319
A.10.3.2 Right of use asset	266,415	-
A.10.3.3 Goodwill	-	1,637,430
A.10.3.4 Other Noncurrent Assets	5,851,507	3,994,892
A.10.3.5	-	-
A.10.4 Allowance for write-down of deferred charges/bad accounts (negative entry)	-	-
<b>B. LIABILITIES (B.1 + B.2 + B.3 + B.4 + B.5)</b>	<b>97,948,927</b>	<b>85,325,256</b>
B.1 Current Liabilities (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5 + B.1.6)	49,874,263	45,312,599
B.1.1 Trade and Other Payables to Domestic Entities (B.1.1.1 + B.1.1.2 + B.1.1.3 + B.1.1.4)	24,558,551	22,040,880
B.1.1.1 Suppliers and Subcontractors	13,353,090	12,526,598
B.1.1.2 Other Trade Payables	1,234,576	313,516
B.1.1.3 Accruals, specify material items (B.1.1.3.1 + B.1.1.3.2 + B.1.1.3.3)	5,285,220	4,837,622
B.1.1.3.1 Project costs	2,986,127	3,040,487
B.1.1.3.2 Payable to Department of Energy	855,902	713,351
B.1.1.3.3 Others	1,443,191	1,083,784
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)	4,685,665	4,363,144
B.1.1.4.1 Output VAT Payable	2,349,601	2,095,138
B.1.1.4.2 Commission Payable	1,624,865	1,462,770
B.1.1.4.3 Payable to Related Parties	254,466	438,359
B.1.1.4.4 Others	456,733	366,877
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)	14,603,859	13,860,633
B.1.4.1 Short-term Debt	2,492,122	7,015,276
B.1.4.2 Current Portion of Long-term Debt	11,438,712	6,342,766
B.1.4.3 Current Portion of Liabilities for Purchased Land	673,025	502,591
B.1.5 Liabilities for Current Tax	342,820	456,730
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)	10,369,033	8,954,356
B.1.6.1 Contract liabilities (including billings in excess of costs and estimated earnings on uncompleted contracts)	7,097,318	6,030,503
B.1.6.2 Other customers' advances and deposits	3,271,715	2,923,853
B.1.6.3 Any other current liability in excess of 5% of Total Current Liabilities, specify: (B.1.6.3.1 + B.1.6.3.2 + B.1.6.3.3)	-	-
B.1.6.3.1	-	-
B.1.6.3.2	-	-
B.1.6.3.3	-	-

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

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

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

Table 1. Consolidated Balance Sheet

FINANCIAL DATA		2019 ( in P'000 )	2018 ( 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)		32,974,892	28,163,290
B.2.1 Domestic Public Financial Institutions		-	-
B.2.2 Domestic Public Non-Financial Institutions		-	-
B.2.3 Domestic Private Financial Institutions		32,974,892	28,163,290
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 )		15,099,772	11,849,367
B.5.1 Liabilities for Purchased Land - net of current portion		1,223,138	1,499,552
B.5.2 Contract Liabilities		2,789,396	2,298,983
B.5.3 Deferred Tax Liabilities		5,211,488	5,279,000
B.5.4 Others, specify (B.5.4.1 + B.5.4.2)		5,875,750	2,771,832
B.5.4.1 Pension		502,661	268,046
B.5.4.2 Other Noncurrent Liabilities		5,373,089	2,503,786
<b>C. EQUITY (C.3 + C.4 + C.5 + C.6 + C.7 + C.8 + C.9+C.10)</b>		<b>102,838,074</b>	<b>97,079,459</b>
C.1 Authorized Capital Stock (no. of shares, par value and total value; show details) (C.1.1+C.1.2+C.1.3)		20,000,000	20,000,000
C.1.1 Common shares <b>19,900,000,000 shares, P1.00 par value</b>		19,900,000	19,900,000
C.1.2 Preferred Shares <b>100,000,000 shares, P1.00 par value</b>		100,000	100,000
C.1.3 Others		-	-
C.2 Subscribed Capital Stock (no. of shares, par value and total value) (C.2.1 + C.2.2 + C.2.3)		-	-
C.2.1 Common shares		-	-
C.2.2 Preferred Shares		-	-
C.2.3 Others		-	-
C.3 Paid-up Capital Stock (C.3.1 + C.3.2)		13,277,474	13,277,474
C.3.1 Common shares <b>13,277,470,000 issued and outstanding</b>		13,277,470	13,277,470
C.3.2 Preferred Shares <b>3,780 issued shares, 960 shares outstanding</b>		4	4
C.4 Additional Paid-in Capital / Capital in excess of par value / Paid-in Surplus		4,672,394	4,672,394
C.5 Non-controlling Interests		20,434,427	18,536,936
C.6 Others, specify (C.6.1 + C.6.2 + C.6.3 + C.6.4)		(445,222)	(146,401)
C.6.1 Premium on Acquisition of Non-controlling Interests		(817,958)	(817,958)
C.6.2 Remeasurements on Retirement Plans - net of tax		344,568	636,260
C.6.3 Net Accumulated Unrealized Gains on AFS Financial Assets		91,459	76,688
C.6.4 Other equity		(63,291)	(41,391)
C.7 Appraisal Surplus/Revaluation Increment in Property/Revaluation Surplus		-	-
C.8 Retained Earnings (C.8.1 + C.8.2)		64,906,070	60,746,125
C.8.1 Appropriated		-	-
C.8.2 Unappropriated		64,906,070	60,746,125
C.9 Head / Home Office Account (for Foreign Branches only)		-	-
C.10 Cost of Preferred Stocks Held in Treasury ( <b>negative entry</b> )		(7,069)	(7,069)
<b>TOTAL LIABILITIES AND EQUITY (B + C)</b>		<b>200,787,001</b>	<b>182,404,715</b>

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

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati CityTEL. NO.: 8888-3000

FAX NO.: \_\_\_\_\_

COMPANY TYPE: Holding Company

PSIC: \_\_\_\_\_

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

Table 2. Consolidated Income Statement

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
<b>A. REVENUE / INCOME (A.1 + A.2 + A.3 + A.4)</b>	<b>91,978,177</b>	<b>87,721,894</b>	<b>84,280,699</b>
A.1 Net Sales or Revenue / Receipts from Operations (manufacturing, mining, utilities, trade, services, etc.) (from Primary Activity)	87,761,221	82,842,860	80,702,740
A.2 Share in the Profit or Loss of Associates and Joint Ventures accounted for using the Equity Method	1,802,385	1,825,657	1,694,046
A.3 Other Revenue (A.3.1 + A.3.2 + A.3.3 + A.3.4 + A.3.5)	1,448,417	1,208,762	1,015,291
A.3.1 Forfeitures and cancellation of contracts	1,070,414	770,951	607,216
A.3.2 Rental income	109,833	184,076	123,521
A.3.3 Others, specify (A.3.3.1 + A.3.3.2 + A.3.3.3)	268,170	253,735	284,554
A.3.3.1 Sale of fly ash	166,197	189,762	178,932
A.3.3.2 Others	101,973	63,973	105,622
A.3.3.3	-	-	-
A.4 Other Income (non-operating) (A.4.1 + A.4.2 + A.4.3 + A.4.4)	966,154	1,844,616	868,622
A.4.1 Interest Income	996,537	794,398	450,847
A.4.2 Recoveries from insurance claims	668,393	287,766	380,079
A.4.3 Gain / (Loss) from selling of Assets, specify (A.4.3.1 + A.4.3.2)	(658,323)	1,150,624	401,204
A.4.3.1 Gain on sale of underdeveloped land	-	1,021,763	-
A.4.3.2 Gain on sale of property, plant and equipment - net	(14,847)	37,269	144,934
A.4.3.3 Gain on Financial Asset at Fair Value	(643,476)	91,592	256,270
A.4.4 Others, specify	(40,453)	(388,172)	(363,508)
A.4.4.1 Foreign exchange gain (loss)	(40,453)	(388,172)	(363,508)
<b>B. COST OF GOODS SOLD (B.1 + B.2 + B.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
B.1 Cost of Goods Manufactured (B.1.1 + B.1.2 + B.1.3 + B.1.4 + B.1.5)	-	-	-
B.1.1 Direct Material Used	-	-	-
B.1.2 Direct Labor	-	-	-
B.1.3 Other Manufacturing Cost / Overhead	-	-	-
B.1.4 Goods in Process, Beginning	-	-	-
B.1.5 Goods in Process, End (negative entry)	-	-	-
B.2 Finished Goods, Beginning	-	-	-
B.3 Finished Goods, End (negative entry)	-	-	-
<b>C. COST OF SALES (C.1+ C.2 +C.3+ C.4+ C.5+ C.6 +C.7 +C.8 +C.9 +C.10 +C.11)</b>	<b>33,142,853</b>	<b>28,115,292</b>	<b>24,657,230</b>
C.1 Cost of real estate inventory	12,116,532	13,405,859	12,117,873
C.2 Fuel and lubricants	5,766,840	3,192,436	2,677,270
C.3 Materials and supplies	5,407,241	3,672,345	3,602,912
C.4 Depreciation and amortization	4,242,780	3,347,696	2,888,171
C.5 Production overhead	1,620,517	1,023,793	611,404
C.6 Direct labor	1,426,917	973,100	964,537
C.7 Outside services	1,266,387	851,188	1,333,889
C.8 Commission	833,405	1,119,930	-
C.9 Hauling, shiploading and handling costs	390,335	18,594	145,016
C.10 Provision for decommissioning and site rehabilitaton	-	436,523	147,270
C.11 Others	71,899	73,828	168,888
<b>D. COST OF SERVICES (D.1 + D.2 + D.3 + D.4 + D.5 + D.6 + D.7 + D.8 + D.9)</b>	<b>26,911,808</b>	<b>23,773,039</b>	<b>21,575,451</b>
D.1 Materials and supplies	9,275,096	9,093,678	8,073,780
D.2 Direct labor	3,738,171	3,432,717	2,892,880
D.3 Depreciation and amortization	3,668,845	4,381,879	3,541,100
D.4 Outside services	3,278,855	2,301,411	2,144,059
D.5 Spot purchases of electricity	2,826,761	1,203,199	1,252,555
D.6 Production overhead	2,119,996	1,105,418	1,363,895
D.7 Fuel and lubricants	1,482,606	1,452,632	1,796,344
D.8 Hauling, shiploading and handling costs	288,458	278,321	283,496
D.9 Others	233,020	523,784	227,342
<b>E. GROSS PROFIT (A - B - C - D)</b>	<b>31,923,516</b>	<b>35,833,563</b>	<b>38,048,018</b>

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

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

NAME OF CORPORATION: DMCI HOLDINGS, INC. AND SUBSIDIARIES (Consolidated)  
CURRENT ADDRESS: 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City  
TEL. NO.: 8888-3000 FAX NO.: \_\_\_\_\_  
COMPANY TYPE : Holding Company PSIC: \_\_\_\_\_

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

Table 2. Consolidated Income Statement

FINANCIAL DATA	2019 ( in P'000 )	2018 ( in P'000 )	2017 ( in P'000 )
<b>F. OPERATING EXPENSES (F.1 + F.2 + F.3 + F.4)</b>	<b>12,158,269</b>	<b>11,640,661</b>	<b>12,993,825</b>
F.1 Government share	3,927,055	3,569,015	4,306,811
F.2 Salaries, wages and employee benefits	1,966,441	1,905,353	1,552,390
F.3 Depreciation and amortization	1,290,458	1,702,225	1,625,490
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)	4,974,315	4,464,068	5,509,134
F.4.1 Taxes and licenses	1,411,869	1,270,078	1,269,111
F.4.2 Repairs and maintenance	726,923	844,949	753,741
F.4.3 Outside services	560,858	306,854	507,743
F.4.4 Insurance	362,608	179,835	168,074
F.4.5 Advertising and marketing	320,657	311,480	411,894
F.4.6 Rent	179,788	230,045	271,773
F.4.7 Communication, light and water	153,876	166,778	155,425
F.4.8 Transportation and travel	150,442	152,507	120,221
F.4.9 Entertainment, amusement and recreation	141,566	151,683	126,957
F.4.10 Allowance for expected credit losses and probable losses assets	135,749	30,825	6,315
F.4.11 Supplies	108,574	100,621	95,767
F.4.12 Loss on writedown of ppe and other noncurrent assets	83,536	-	183,897
F.4.13 Association dues	56,457	72,928	65,866
F.4.14 Commission	6,389	2,182	995,327
F.4.15 Miscellaneous	575,023	643,303	377,023
<b>G. FINANCE COSTS</b>	<b>1,523,452</b>	<b>1,138,578</b>	<b>876,921</b>
<b>H. OTHER EXPENSES</b>			
H.1 Impairment of goodwill	1,637,430	-	-
<b>I. NET INCOME (LOSS) BEFORE TAX (E - F - G - H)</b>	<b>16,604,365</b>	<b>23,054,324</b>	<b>24,177,272</b>
<b>J. INCOME TAX EXPENSE (negative entry)</b>	<b>(1,758,909)</b>	<b>(3,205,239)</b>	<b>(3,261,802)</b>
<b>J. INCOME (LOSS) AFTER TAX</b>	<b>14,845,456</b>	<b>19,849,085</b>	<b>20,915,470</b>
<b>K. Amount of (i) Post-Tax Profit or Loss of Discontinued Operations; and (ii) Post-Tax Gain or Loss Recognized on the Measurement of Fair Value less Cost to Sell or on the Disposal of the Assets or Disposal Group(s) constituting the Discontinued Operation (if any)</b>	-	-	-
<b>L. PROFIT OR LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>4,312,325</b>	<b>5,336,146</b>	<b>6,150,913</b>
<b>M. PROFIT OR LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>10,533,131</b>	<b>14,512,939</b>	<b>14,764,557</b>
<b>N. EARNINGS (LOSS) PER SHARE</b>			
N.1 Basic	0.79	1.09	1.11
N.2 Diluted	0.79	1.09	1.11

## 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 CityTEL. NO.: 8888-3000

FAX NO.:

COMPANY TYPE: HOLDING COMPANY

PSIC:

PSIC:

PSIC:

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

Table 4. Statement of Changes in Equity

FINANCIAL DATA	(Amount in P'000)											
	Capital Stock	Additional Paid-in Capital	Treasury Shares Preferred	Unappropriated Retained Earnings	Appropriated Retained Earnings	Premium on Acquisition of Non-controlling Interest	Remeasurements on Retirement Plans	Net Accumulated Gains (Loss) on equity investments (FVOCI)	Other Equity	TOTAL	Attributable to Non-controlling Interests	TOTAL
<b>A. Balance, 2016</b>	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
<b>B. Comprehensive Income</b>	-	-	-	14,764,557	-	-	86,523	8,488	(43,670)	14,815,898	6,124,478	20,940,376
B.1 Net Income (Loss) for the Period	-	-	-	14,764,557	-	-	-	-	-	14,764,557	6,150,913	20,915,470
B.2 Other Comprehensive income	-	-	-	-	-	-	86,523	8,488	(43,670)	51,341	(26,435)	24,906
<b>C. Dividends (negative entry)</b>	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(4,604,862)	(10,978,048)
<b>D. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-
M.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
M.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
<b>E. Others</b>	-	-	-	-	-	(76,179)	-	-	-	(76,179)	(24,193)	(100,372)
T.1 Acquisition of Non-controlling interest	-	-	-	-	-	(76,179)	-	-	-	(76,179)	(24,193)	(100,372)
<b>F. Balance, 2017</b>	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
<b>G. Balance</b>	13,277,474	4,672,394	-	58,979,558	-	(599,082)	708,374	35,699	(41,391)	77,033,026	17,244,144	94,277,170
G.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
G.2 Effect of adoption of PFRS 15	-	-	-	670,616	-	-	-	-	-	670,616	-	670,616
<b>H. Comprehensive Income</b>	-	-	-	14,512,939	-	-	(72,114)	40,989	-	14,481,814	5,336,146	19,817,960
H.1 Net Income (Loss) for the Period	-	-	-	14,512,939	-	-	-	-	-	14,512,939	5,336,146	19,849,085
H.2 Other Comprehensive income	-	-	-	-	-	-	(72,114)	40,989	-	(31,125)	-	(31,125)
<b>I. Dividends (negative entry)</b>	-	-	-	(12,746,372)	-	-	-	-	-	(12,746,372)	(4,010,623)	(16,756,995)
<b>J. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-
I.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
I.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
<b>K. Others</b>	-	-	(7,069)	-	-	(218,876)	-	-	-	(225,945)	(32,731)	(258,676)
K.1 Acquisition of Non-controlling interest	-	-	-	-	-	(218,876)	-	-	-	(218,876)	(32,731)	(251,607)
K.2 Redemption of preferred shares	-	-	(7,069)	-	-	-	-	-	-	(7,069)	-	(7,069)
<b>L. Balance, 2018</b>	13,277,474	4,672,394	(7,069)	60,746,125	-	(817,958)	636,260	76,688	(41,391)	78,542,523	18,536,936	97,079,459
<b>M. Comprehensive Income</b>	-	-	-	10,533,131	-	-	(291,692)	14,771	(21,900)	10,234,310	4,287,736	14,522,046
M.1 Net Income (Loss) for the Period	-	-	-	10,533,131	-	-	-	-	-	10,533,131	4,312,325	14,845,456
M.2 Other Comprehensive income (loss)	-	-	-	-	-	-	(291,692)	14,771	(21,900)	(298,821)	(24,589)	(323,410)
<b>N. Dividends (negative entry)</b>	-	-	-	(6,373,186)	-	-	-	-	-	(6,373,186)	(2,390,245)	(8,763,431)
<b>O. Appropriation for (specify)</b>	-	-	-	-	-	-	-	-	-	-	-	-
P.1 Capacity expansion and additional investment	-	-	-	-	-	-	-	-	-	-	-	-
P.2 Reversal of appropriation	-	-	-	-	-	-	-	-	-	-	-	-
<b>P. Others</b>	-	-	-	-	-	-	-	-	-	-	-	-
<b>Q. Balance, 2019</b>	13,277,474	4,672,394	(7,069)	64,906,070	-	(817,958)	344,568	91,459	(63,291)	82,403,647	20,434,427	102,838,074

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

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

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

TEL. NO.: 8888-3000

FAX NO.: \_\_\_\_\_

COMPANY TYPE: Holding Company

PSIC: \_\_\_\_\_

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

Table 3. Consolidated Cash Flow Statements

FINANCIAL DATA	2019 (in P'000)	2018 (in P'000)	2017 (in P'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income (Loss) Before Tax	16,604,365	23,054,324	24,177,272
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities</b>			
Depreciation, depletion and amortization	9,202,083	9,431,800	8,054,761
Amortization, specify:			
Others, specify: Impairment of goodwill	1,637,430	-	-
Finance costs	1,523,452	1,138,578	876,921
Unrealized market loss (gain) on financial assets at FVPL	245,444	(25,775)	(219,668)
Net movement in retirement asset	131,569	125,348	(274,278)
Loss on writedown of ppe and other noncurrent assets	83,536	-	183,897
Loss (Gain) on sale property, plant and equipment	14,847	(37,269)	(144,934)
Equity in net earnings of associates and joint ventures	(1,802,385)	(1,825,657)	(1,694,046)
Finance income	(996,537)	(794,398)	(450,847)
Net unrealized foreign exchange loss (gain)	(236,020)	(155,266)	(41,190)
Gain on sale of undeveloped land	-	(1,021,770)	-
Changes in Assets and Liabilities:			
Decrease (Increase) in:			
Receivables and contract assets	(1,947,484)	(3,585,049)	(6,794,813)
Inventories	(3,814,532)	(6,502,314)	17,545
Other current assets	2,316,342	(3,674,518)	(1,755,770)
Others, specify:			
Increase (Decrease) in:			
Accounts payable and accrued expenses	2,499,305	4,390,015	581,172
Others, specify: Contract liabilities and other customers' advances and deposits	1,905,090	729,951	2,706,464
Liabilities for purchased land	(105,980)	(218,002)	690,373
Others, specify:			
Interest received	996,176	785,503	449,861
Income taxes paid	(1,938,770)	(2,729,826)	(3,148,539)
Interest paid and capitalized as cost of inventory	(1,186,166)	(1,023,271)	(1,082,951)
<b>A. Net Cash Provided by Operating Activities (sum of above rows)</b>	<b>25,131,765</b>	<b>18,062,404</b>	<b>22,131,230</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property, plant and equipment	(15,183,170)	(13,044,069)	(8,152,503)
Investments in associates, jointly controlled entity and others	(500,000)	-	-
Exploration and evaluation asset	-	(784)	(890)
Available-for-sale financial assets	-	-	(2,950)
Proceeds from disposals of:			
Undeveloped land	-	1,901,250	-
Property and equipment	-	420,314	151,645
Investment properties	-	24,380	-
Available-for-sale financial assets	-	4,475	-
Others, specify: Dividends received	1,286,086	798,972	793,472
Decrease (Increase) in other noncurrent assets	(2,256,727)	1,196,265	1,437,052
Interest paid and capitalized as cost of property, plant and equipment	(85,228)	(44,707)	(4,837)
<b>B. Net Cash Provided by Investing Activities (sum of above rows)</b>	<b>(16,739,039)</b>	<b>(8,743,904)</b>	<b>(5,779,011)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from:			
Short-term debt	35,882,500	9,622,849	1,583,992
Long-term debt	23,564,500	1,223,488	8,103,812
Payments of:			
Short-term debt	(40,405,654)	(3,639,617)	(3,134,000)
Long-term debt	(13,574,242)	(5,100,886)	(3,983,950)
Dividends paid to equity holders of DMCI Holdings, Inc	(6,373,186)	(12,746,372)	(6,377,259)
Dividends paid to non-controlling interests	(2,390,245)	(4,010,623)	(4,604,862)
Interest	(1,586,134)	(987,757)	(740,382)
Lease liabilities	(67,268)	-	-
Others, specify (negative entry):			
Purchase of non-controlling interest	-	(251,607)	(101,856)
Redemption of preferred shares	-	(7,069)	-
Increase (Decrease) in Other noncurrent liabilities	2,651,082	(3,318,122)	(508,017)
<b>C. Net Cash Used in Financing Activities (sum of above rows)</b>	<b>(2,298,647)</b>	<b>(19,215,716)</b>	<b>(9,762,522)</b>
<b>D. Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>21,780</b>	<b>55,406</b>	<b>(4,029)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A + B + C + D)</b>	<b>6,115,859</b>	<b>(9,841,810)</b>	<b>6,585,668</b>
Cash and Cash Equivalents			
Beginning of year	15,481,964	25,323,774	18,738,106
End of year	21,597,823	15,481,964	25,323,774

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.

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

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

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

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

Department requiring the report  
S E C

Secondary License Type, If Applicable  
N / A

### COMPANY INFORMATION

Company's Email Address <b>www.dmciholdings.com</b>	Company's Telephone Number <b>8888-3000</b>	Mobile Number <b>N/A</b>
No. of Stockholders <b>718</b>	Annual Meeting (Month / Day) <b>Third Tuesday of May</b>	Fiscal Year (Month / Day) <b>December 31</b>

### CONTACT PERSON INFORMATION

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

Name of Contact Person <b>Herbert M. Consunji</b>	Email Address <b>hmc@dmcinet.com</b>	Telephone Number/s <b>8888-3000</b>	Mobile Number <b>N/A</b>
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### 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

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



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

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

For real estate contracts, the following matters are significant to our audit because these involve the application of significant judgment and estimation around the: (a) assessment of the probability that the entity will collect the consideration from the buyer; (b) determination of the transaction price; (c) application of the output method as the measure of progress in determining real estate revenue; (d) determination of the actual costs incurred as cost of sales; and (e) 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 (buyer's equity). Management regularly evaluates the historical sales cancellations and back-outs as support of 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).

The Group's cost of sales are determined based on the actual costs incurred on materials, labor and overhead.

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

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

Relevant disclosures related to this matter are provided in Notes 3 and 35 to the consolidated financial statements.



### *Audit Response*

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

#### *Real estate contracts*

For the buyer's equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We 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.

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

#### *Construction contracts*

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



For the measurement of progress of the construction projects, we obtained an understanding of the Group's processes to accumulate actual costs incurred and to estimate the expected cost to complete and tested the relevant controls. We considered the competence, capabilities and objectivity of the Group's engineers by referencing their qualifications, experience and reporting responsibilities. We examined the approved total estimated completion costs, any revisions thereto, and the cost report and cost-to-complete analysis. On a sampling basis, we tested actual costs incurred through examination of invoices and other supporting customer correspondences. We conducted ocular inspections on selected projects and inquired the status of the projects under construction with the Group's project engineers. We also inspected the associated project documentation, such as accomplishment reports and variation orders, and inquired about the significant deviations from the targeted completion. We also performed test computation of the POC calculation of management.

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

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. Also, if there are indicators of impairment, the Group is required to test the recoverability of its nonfinancial assets such as mining properties, power plant and other property and equipment.

The Group has goodwill attributable to Zambales Diversified Metals Corporation (ZDMC) and Zambales Chromite Mining Company, Inc. (ZCMC) amounting to ₱1,637.43 million, and mining properties and equipment with carrying value of ₱736.67 million as of December 31, 2019. The suspension order in ZDMC was lifted in September 2019. However, despite the lifting of its suspension, ZDMC was still unable to commence full commercial production as it needed to secure ancillary permits in other areas. On the other hand, ZCMC has an ongoing renewal of its Mineral Production Sharing Agreement (MPSA) before its term ended in 2016. Moreover, in 2019, the Group withdrew on an ancillary contract of its gas turbine plant which has a carrying value of ₱1.29 billion as of December 31, 2019. These matters are significant to our audit because the amounts are material to the consolidated financial statements and the assessment of recoverability of goodwill, property, plant and equipment and mining properties requires significant management judgment and assumptions, such as estimated timing of resumption of operations, mine production, nickel prices, future electricity demand, electricity prices, diesel costs, price inflation and discount rate.

Relevant information on these matters are disclosed in Notes 3, 13, 33 and 37 to the consolidated financial statements.

### ***Audit Response***

We involved our internal specialists in evaluating the methodologies and the assumptions used in the estimation of recoverable amounts. These assumptions include the estimated timing of resumption of operations, mine production, nickel prices, price inflation, commodity prices, foreign exchange rates, future electricity demand, diesel costs and discount rates. With respect to mineral production, we compared the forecasted mine production with the three-year work program submitted by the Group to the Mines and Geosciences Bureau and with the historical mine production output. We compared the nickel prices, price inflation, foreign exchange rate and discount rate with externally published data.



We also discussed with management the status of renewal of the MPSA and obtained management assessment of the potential impact of the remaining pending permits and timing of resumption of the Group's mining operations, particularly the recoverability of the affected assets and any potential liabilities. With respect to future electricity demand, we tested the reasonableness of the inputs to the forecasted revenue based on current and historical dependable capacity, electricity prices and growth rate. We compared the electricity prices, diesel costs and inflation rate with externally published data. We tested the parameters used in the determination of the discount rate by comparing it with the discount rates of comparable companies.

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

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

The Group has recognized provision for decommissioning and mine site rehabilitation costs for the open pit mines of its coal mining activities amounting to ₱500.09 million as of December 31, 2019. 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 mine site rehabilitation costs are disclosed in Notes 3 and 20 to the consolidated financial statements.

#### ***Audit response***

We evaluated the competence, capabilities and objectivity of the engineers and reviewed the relevant comprehensive mine rehabilitation plans prepared by the Group's Safety and Environment 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 ₱4,338.74 million as of December 31, 2019 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's 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.

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

As at December 31, 2019, the carrying value of the investment in Maynilad Water Holdings Company, Inc. (MWHCI) amounting to ₱14.28 billion comprises 94% of the Group's investments in associates and joint ventures and the Group's equity in net earnings of MWHCI amounting to ₱1.74 billion represents 17% of the 2019 net income attributable to the parent company. These are considered material to the Group's consolidated financial statements as of and for the year then ended. In December 2019, Maynilad Water Services, Inc. (MWSI), which accounts for more than 90% of MWHCI's 2019 net income, has agreed to and started discussions with the Metropolitan Waterworks and Sewerage System on the provisions of the Concession Agreement identified for renegotiation and amendment. Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, this event is an impairment indicator which requires the assessment of the recoverability of the Group's investment in MWHCI. This matter is significant to our audit because the net income recognized by MWHCI and the determination of the recoverable amount of the investment in MWHCI require the use of significant judgments, estimates, and assumptions about the future results of business such as concession period, tariff rate, revenue growth, billed water volume, and discount rate.

The Group's disclosures regarding this matter are included in Notes 3 and 11 to the consolidated financial statements.

*Audit Response*

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

We involved our internal specialist in evaluating the methodology and the assumptions used in the determination of the recoverable amount of the investment. These assumptions include the concession period, tariff rate, revenue growth, billed water volume, and discount rate. We compared the forecast revenue growth against the historical data of the investee and inquired from management about the plans to support the forecasted revenue, concession period and tariff rate assumed. We also compared the Group's key assumptions such as water volume against historical data. We tested the discount rate used



in the impairment test by comparing it with the weighted average cost of capital (WACC) of other comparable companies in the region. Furthermore, we reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on determining the recoverable amount of the investment.

### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, 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, 2019 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. 8125303, January 7, 2020, Makati City

March 5, 2020



## **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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated March 5, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Dyonabee 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. 8125303, January 7, 2020, Makati City

March 5, 2020



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

(Amounts in Thousands of Pesos)

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 4 and 36)	₱21,597,823	₱15,481,964
Receivables - net (Notes 7, 21 and 36)	16,259,523	16,745,426
Current portion of contract assets (Note 8)	14,013,673	8,868,598
Inventories (Note 9)	49,666,453	44,691,520
Other current assets (Notes 5, 6, 10 and 36)	7,313,328	10,102,689
Total Current Assets	<b>108,850,800</b>	95,890,197
<b>Noncurrent Assets</b>		
Contract assets - net of current portion (Note 8)	5,104,621	7,583,336
Investments in associates and joint ventures (Note 11)	15,214,358	14,230,651
Investment properties (Note 12)	141,927	156,721
Property, plant and equipment (Note 13)	63,216,452	57,086,944
Exploration and evaluation asset (Note 14)	226,319	226,319
Pension assets - net (Note 23)	726,754	915,400
Deferred tax assets - net (Notes 2 and 29)	1,114,735	606,877
Goodwill (Notes 3 and 33)	-	1,637,430
Right-of-use assets (Notes 2 and 34)	266,415	-
Other noncurrent assets (Notes 2, 5, 14 and 36)	5,924,620	4,070,840
Total Noncurrent Assets	<b>91,936,201</b>	86,514,518
	<b>₱200,787,001</b>	₱182,404,715

**LIABILITIES AND EQUITY****Current Liabilities**

Short-term debt (Notes 15 and 36)	₱2,492,122	₱7,015,276
Current portion of liabilities for purchased land (Notes 16 and 36)	673,025	502,591
Accounts and other payables (Notes 2, 17, 21 and 36)	24,558,551	22,040,880
Current portion of contract liabilities and other customers' advances and deposits (Note 18)	10,369,033	8,954,356
Current portion of long-term debt (Notes 19 and 36)	11,438,712	6,342,766
Income tax payable	342,820	456,730
Total Current Liabilities	<b>49,874,263</b>	45,312,599

(Forward)



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Noncurrent Liabilities</b>		
Contract liabilities - net of current portion (Note 18)	<b>₱2,789,396</b>	₱2,298,983
Long-term debt - net of current portion (Notes 19 and 36)	<b>32,974,892</b>	28,163,290
Liabilities for purchased land - net of current portion (Notes 16 and 36)	<b>1,223,138</b>	1,499,552
Deferred tax liabilities - net (Notes 2 and 29)	<b>5,211,488</b>	5,279,000
Pension liabilities - net (Note 23)	<b>502,661</b>	268,046
Other noncurrent liabilities (Notes 20 and 34)	<b>5,373,089</b>	2,503,786
Total Noncurrent Liabilities	<b>48,074,664</b>	40,012,657
Total Liabilities	<b>97,948,927</b>	85,325,256
<b>Equity</b>		
Equity attributable to equity holders of the Parent Company:		
Paid-in capital (Note 22)	<b>17,949,868</b>	17,949,868
Treasury shares - Preferred (Note 22)	<b>(7,069)</b>	(7,069)
Retained earnings (Note 22)	<b>64,906,070</b>	60,746,125
Premium on acquisition of noncontrolling-interests (Note 32)	<b>(817,958)</b>	(817,958)
Remeasurements on retirement plans - net of tax (Note 23)	<b>344,568</b>	636,260
Net accumulated unrealized gains on equity investments designated at fair value through other comprehensive income (Note 6)	<b>91,459</b>	76,688
Other equity (Note 11)	<b>(63,291)</b>	(41,391)
	<b>82,403,647</b>	78,542,523
Noncontrolling-interests (Note 32)	<b>20,434,427</b>	18,536,936
Total Equity	<b>102,838,074</b>	97,079,459
	<b>₱200,787,001</b>	₱182,404,715

*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)**

	<b>Years Ended December 31</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REVENUE</b> (Note 35)			
Coal mining	<b>₱29,085,433</b>	₱23,185,658	₱23,489,591
Electricity sales	<b>19,710,544</b>	22,861,930	23,166,558
Real estate sales	<b>18,519,744</b>	20,572,250	19,903,980
Construction contracts	<b>18,302,491</b>	14,581,411	13,066,376
Nickel mining	<b>1,610,297</b>	1,211,751	759,267
Merchandise sales and others	<b>532,712</b>	429,860	316,968
	<b>87,761,221</b>	82,842,860	80,702,740
<b>COSTS OF SALES AND SERVICES</b> (Note 24)			
Coal mining	<b>17,783,786</b>	12,262,084	11,910,436
Electricity sales	<b>11,787,026</b>	11,849,072	10,219,687
Real estate sales	<b>13,176,975</b>	14,703,529	12,367,038
Construction contracts	<b>16,254,733</b>	12,370,176	11,176,468
Nickel mining	<b>680,480</b>	392,262	322,946
Merchandise sales and others	<b>371,661</b>	311,208	236,106
	<b>60,054,661</b>	51,888,331	46,232,681
<b>GROSS PROFIT</b>	<b>27,706,560</b>	30,954,529	34,470,059
<b>OPERATING EXPENSES</b> (Note 25)	<b>12,158,269</b>	11,640,661	12,993,825
	<b>15,548,291</b>	19,313,868	21,476,234
<b>OTHER INCOME (EXPENSES)</b>			
Equity in net earnings of associates and joint ventures (Note 11)	<b>1,802,385</b>	1,825,657	1,694,046
Finance income (Note 26)	<b>996,537</b>	794,398	450,847
Finance costs (Note 27)	<b>(1,523,452)</b>	(1,138,578)	(876,921)
Impairment of goodwill (Note 33)	<b>(1,637,430)</b>	—	—
Other income - net (Note 28)	<b>1,418,034</b>	2,258,979	1,433,066
	<b>1,056,074</b>	3,740,456	2,701,038
<b>INCOME BEFORE INCOME TAX</b>	<b>16,604,365</b>	23,054,324	24,177,272
<b>PROVISION FOR INCOME TAX</b> (Note 29)	<b>1,758,909</b>	3,205,239	3,261,802
<b>NET INCOME</b> (Note 35)	<b>₱14,845,456</b>	₱19,849,085	₱20,915,470
<b>NET INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	<b>₱10,533,131</b>	₱14,512,939	₱14,764,557
Noncontrolling-interests (Note 32)	<b>4,312,325</b>	5,336,146	6,150,913
	<b>₱14,845,456</b>	₱19,849,085	₱20,915,470
<b>Basic/diluted earnings per share attributable to equity holders of the Parent Company</b> (Note 30)	<b>₱0.79</b>	₱1.09	₱1.11

*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		
	2019	2018	2017
<b>NET INCOME</b>	<b>₱14,845,456</b>	₱19,849,085	₱20,915,470
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<b>Item that will be reclassified to profit or loss in subsequent periods</b>			
Changes in fair values of investments in equity instruments designated at FVOCI (Note 6)	17,663	40,989	8,488
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>			
Net remeasurement gains (losses) on pension plans - net of tax (Note 23)	(319,173)	(72,114)	60,088
Share in other comprehensive loss of associates (Note 11)	(21,900)	-	(43,670)
	(341,073)	(72,114)	16,418
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>(323,410)</b>	(31,125)	24,906
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱14,522,046</b>	₱19,817,960	₱20,940,376
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity holders of the Parent Company	₱10,234,310	₱14,481,814	₱14,815,898
Noncontrolling-interests	4,287,736	5,336,146	6,124,478
	<b>₱14,522,046</b>	₱19,817,960	₱20,940,376

*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 (Note 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 (Note 11)	Total	Noncontrolling -Interests (Note 32)	Total Equity
<b>For the Year Ended December 31, 2019</b>												
<b>Balances as of January 1, 2019</b>	<b>₱13,277,474</b>	<b>₱4,672,394</b>	<b>₱17,949,868</b>	<b>(₱7,069)</b>	<b>₱60,746,125</b>	<b>(₱817,958)</b>	<b>₱636,260</b>	<b>₱76,688</b>	<b>(₱41,391)</b>	<b>₱78,542,523</b>	<b>₱18,536,936</b>	<b>₱97,079,459</b>
<b>Comprehensive income</b>												
Net income	–	–	–	–	10,533,131	–	–	–	–	10,533,131	4,312,325	14,845,456
Other comprehensive income (loss)	–	–	–	–	–	–	(291,692)	14,771	(21,900)	(298,821)	(24,589)	(323,410)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,533,131</b>	<b>–</b>	<b>(291,692)</b>	<b>14,771</b>	<b>(21,900)</b>	<b>10,234,310</b>	<b>4,287,736</b>	<b>14,522,046</b>
Cash dividends declared (Note 22)	–	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(2,390,245)	(8,763,431)
<b>Balances at December 31, 2019</b>	<b>₱13,277,474</b>	<b>₱4,672,394</b>	<b>₱17,949,868</b>	<b>(₱7,069)</b>	<b>₱64,906,070</b>	<b>(₱817,958)</b>	<b>₱344,568</b>	<b>₱91,459</b>	<b>(₱63,291)</b>	<b>₱82,403,647</b>	<b>₱20,434,427</b>	<b>₱102,838,074</b>

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	–	–	–	–	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
<b>Comprehensive income</b>												
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)
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,512,939</b>	<b>–</b>	<b>(72,114)</b>	<b>40,989</b>	<b>–</b>	<b>14,481,814</b>	<b>5,336,146</b>	<b>19,817,960</b>
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)
<b>Balances at December 31, 2018</b>	<b>₱13,277,474</b>	<b>₱4,672,394</b>	<b>₱17,949,868</b>	<b>(₱7,069)</b>	<b>₱60,746,125</b>	<b>(₱817,958)</b>	<b>₱636,260</b>	<b>₱76,688</b>	<b>(₱41,391)</b>	<b>₱78,542,523</b>	<b>₱18,536,936</b>	<b>₱97,079,459</b>



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 (Note 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 (Note 11)	Total	Noncontrolling -Interests (Note 32)	Total Equity
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

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2019	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱16,604,365</b>	₱23,054,324	₱24,177,272
Adjustments for:			
Depreciation, depletion and amortization (Notes 12, 13, 14, 24 and 25)	<b>9,202,083</b>	9,431,800	8,054,761
Impairment of goodwill	<b>1,637,430</b>	–	–
Finance costs (Note 27)	<b>1,523,452</b>	1,138,578	876,921
Unrealized market loss (gain) on financial assets at FVPL (Note 5)	<b>245,444</b>	(25,775)	(219,668)
Loss (Gain) on sale of property, plant and equipment and investment properties - net (Notes 12, 13 and 28)	<b>14,847</b>	(37,269)	(144,934)
Equity in net earnings of associates and joint ventures (Note 11)	<b>(1,802,385)</b>	(1,825,657)	(1,694,046)
Finance income (Note 26)	<b>(996,537)</b>	(794,398)	(450,847)
Net movement in net pension asset	<b>131,569</b>	125,348	(274,278)
Net unrealized foreign exchange gain	<b>(236,020)</b>	(155,266)	(41,190)
Gain on sale of undeveloped parcel of land (Notes 9 and 28)	–	(1,021,770)	–
Loss on write-down of property, plant and equipment and noncurrent assets (Notes 13, 14 and 25)	<b>83,536</b>	–	183,897
Operating income before changes in working capital	<b>26,407,784</b>	29,889,915	30,467,888
Decrease (increase) in:			
Receivables and contract assets	<b>(1,947,484)</b>	(3,585,049)	(6,794,813)
Inventories	<b>(3,814,532)</b>	(6,502,314)	17,545
Other current assets	<b>2,316,342</b>	(3,674,518)	(1,755,770)
Increase (decrease) in:			
Accounts and other payables	<b>2,499,305</b>	4,390,015	581,172
Liabilities for purchased land	<b>(105,980)</b>	(218,002)	690,373
Contract liabilities and other customers' advances and deposits	<b>1,905,090</b>	729,951	2,706,464
Cash generated from operations	<b>27,260,525</b>	21,029,998	25,912,859
Interest received	<b>996,176</b>	785,503	449,861
Income taxes paid	<b>(1,938,770)</b>	(2,729,826)	(3,148,539)
Interest paid and capitalized as cost of inventory (Notes 9 and 19)	<b>(1,186,166)</b>	(1,023,271)	(1,082,951)
Net cash provided by operating activities	<b>25,131,765</b>	18,062,404	22,131,230

(Forward)



	<b>Years Ended December 31</b>		
	<b>2019</b>	2018	2017
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Dividends received	<b>₱1,286,086</b>	₱798,972	₱793,472
Additions to:			
Property, plant and equipment (Notes 3 and 13)	<b>(15,183,170)</b>	(13,044,069)	(8,152,503)
Investments in associates and joint ventures (Note 11)	<b>(500,000)</b>	–	–
Exploration and evaluation asset (Note 14)	–	(784)	(890)
Equity investments designated at FVOCI (Note 6)	–	–	(2,950)
Interest paid and capitalized as cost of property, plant and equipment (Note 13)	<b>(85,228)</b>	(44,707)	(4,837)
Proceeds from disposals of:			
Undeveloped land (Note 9)	–	1,901,250	–
Property, plant and equipment	–	420,314	151,645
Investment properties (Note 12)	–	24,380	–
Equity investments designated at FVOCI (Note 6)	–	4,475	–
Decrease (increase) in other noncurrent assets	<b>(2,256,727)</b>	1,196,265	1,437,052
<b>Net cash used in investing activities</b>	<b>(16,739,039)</b>	(8,743,904)	(5,779,011)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>ACTIVITIES</b>			
Proceeds from availment of:			
Short-term debt (Note 39)	<b>35,882,500</b>	9,622,849	1,583,992
Long-term debt (Note 39)	<b>23,564,500</b>	1,223,488	8,103,812
Payments of:			
Short-term debt (Note 39)	<b>(40,405,654)</b>	(3,639,617)	(3,134,000)
Long-term debt (Note 39)	<b>(13,574,242)</b>	(5,100,886)	(3,983,950)
Dividends to equity holders of the Parent Company (Notes 22 and 39)	<b>(6,373,186)</b>	(12,746,372)	(6,377,259)
Dividends to noncontrolling-interests (Notes 22 and 39)	<b>(2,390,245)</b>	(4,010,623)	(4,604,862)
Interest	<b>(1,586,134)</b>	(987,757)	(740,382)
Lease liabilities (Note 34)	<b>(67,268)</b>	–	–
Increase (decrease) in other noncurrent liabilities (Note 39)	<b>2,651,082</b>	(3,318,122)	(508,017)
Acquisition of noncontrolling-interests	–	(251,607)	(101,856)
Redemption of preferred shares	–	(7,069)	–
<b>Net cash used in financing activities</b>	<b>(2,298,647)</b>	(19,215,716)	(9,762,522)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>₱21,780</b>	<b>₱55,406</b>	<b>(₱4,029)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,115,859</b>	<b>(9,841,810)</b>	<b>6,585,668</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>15,481,964</b>	<b>25,323,774</b>	<b>18,738,106</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱21,597,823</b>	<b>₱15,481,964</b>	<b>₱25,323,774</b>

*See accompanying Notes to Consolidated Financial Statements.*



# DMCI HOLDINGS, INC. AND SUBSIDIARIES

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 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 5, 2020.

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### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for financial assets at fair value through profit or loss (FVPL) and 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 the availment of the relief granted by the SEC under Memorandum Circular No. 14, Series of 2018, Memorandum Circular No. 3, Series of 2019 and Memorandum Circular No. 4, Series of 2020.

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

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019.

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 these result 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 loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

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

Nature of Business	2019		Effective Interest		2018		Effective Interest
	Direct	Indirect	Direct	Indirect	Direct	Indirect	(In percentage)
<u>General Construction:</u>							
<b>D.M. Consunji, Inc. (DMCI)</b>							
Beta Electromechanical Corporation	General Construction	100.00	–	100.00	100.00	–	100.00
(Beta Electric) <sup>1</sup>	General Construction	–	53.95	53.95	–	53.95	53.95
Raco Haven Automation Philippines, Inc.	Non-operational	–	50.14	50.14	–	50.14	50.14
(Raco) <sup>1</sup>	Non-operational	–	89.00	89.00	–	89.00	89.00
Oriken Dynamix Company, Inc. (Oriken) <sup>1</sup>							

(Forward)



Nature of Business	2019			2018		
	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
	(In percentage)					
DMCI Technical Training Center (DMCI Training) <sup>1</sup>	Services	–	100.00	100.00	–	100.00
Bulakan North Gateway Holdings Inc (Bulakan North) <sup>1</sup>	Services	–	100.00	100.00	–	–
<b>Real Estate:</b>						
<b>DMCI Project Developers, Inc. (PDI)</b>	Real Estate Developer	100.00	–	100.00	100.00	–
DMCI-PDI Hotels, Inc. (PDI Hotels) <sup>2</sup>	Hotel Operator	–	100.00	100.00	–	100.00
DMCI Homes Property Management Corporation (DPMC) <sup>2</sup>	Property Management Services	–	100.00	100.00	–	100.00
Zenith Mobility Solutions Services, Inc. (ZMSSI) <sup>2</sup>	Services	–	51.00	51.00	–	51.00
Riviera Land Corporation (Riviera) <sup>2</sup>	Real Estate Developer	–	100.00	100.00	–	100.00
Hampstead Gardens Corporation (Hampstead) <sup>2*</sup>	Real Estate Developer	–	100.00	100.00	–	100.00
DMCI Homes, Inc. (DMCI Homes) <sup>2*</sup>	Marketing Arm	–	100.00	100.00	–	100.00
<b>Coal Mining:</b>						
<b>Semirara Mining and Power Corporation (SMPC)</b>	Mining	56.65	–	56.65	56.65	–
<b>On-Grid Power:</b>						
Sem-Calaca Power Corporation (SCPC) <sup>3</sup>	Power Generation	–	56.65	56.65	–	56.65
Southwest Luzon Power Generation Corporation (SLPGC) <sup>3</sup>	Power Generation	–	56.65	56.65	–	56.65
Sem-Calaca RES Corporation (SCRC) <sup>3</sup>	Retail	–	56.65	56.65	–	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65
Semirara Energy Utilities, Inc. (SEUI) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65
Southeast Luzon Power Generation Corporation (SeLPGC) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65
Semirara Claystone, Inc. (SCI) <sup>3</sup>	Non-operational	–	56.65	56.65	–	56.65
<b>Off-Grid Power:</b>						
<b>DMCI Power Corporation (DPC)</b>	Power Generation	100.00	–	100.00	100.00	–
DMCI Masbate Power Corporation (DMCI Masbate) <sup>4</sup>	Power Generation	–	100.00	100.00	–	100.00
<b>Nickel Mining:</b>						
<b>DMCI Mining Corporation (DMC)</b>	Mining	100.00	–	100.00	100.00	–
Berong Nickel Corporation (BNC) <sup>5</sup>	Mining	–	74.80	74.80	–	74.80
Ulugan Resources Holdings, Inc. (URHI) <sup>5</sup>	Holding Company	–	30.00	30.00	–	30.00
Ulugan Nickel Corporation (UNC) <sup>5</sup>	Holding Company	–	58.00	58.00	–	58.00
Nickeline Resources Holdings, Inc. (NRHI) <sup>5</sup>	Holding Company	–	58.00	58.00	–	58.00
TMM Management, Inc. (TMM) <sup>5</sup>	Services	–	40.00	40.00	–	40.00
Zambales Diversified Metals Corporation (ZDMC) <sup>5</sup>	Mining	–	100.00	100.00	–	100.00
Zambales Chromite Mining Company Inc. (ZCMC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Montague Resources Philippines Corporation (MRPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Montemina Resources Corporation (MRC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Mt. Lanat Metals Corporation (MLMC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Fil-Euro Asia Nickel Corporation (FEANC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Heraan Holdings, Inc. (HHI) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00
Zambales Nickel Processing Corporation (ZNPC) <sup>5</sup>	Non-operational	–	100.00	100.00	–	100.00
Zamnorth Holdings Corporation (ZHC) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00
ZDMC Holdings Corporation (ZDMCHC) <sup>5</sup>	Holding Company	–	100.00	100.00	–	100.00

(Forward)



Nature of Business	2019			2018			
	Direct	Indirect	Effective Interest (In percentage)	Direct	Indirect	Effective Interest	
<u>Manufacturing:</u>							
<b>Semirara Cement Corporation (SemCem)</b>	Non-operational	100.00	–	100.00	100.00	–	100.00
<b>Wire Rope Corporation of the Philippines (Wire Rope)</b>	Manufacturing	45.68	16.03	61.70	45.68	16.02	61.70

\*Liquidating as of December 31, 2019

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

<sup>2</sup> PDI's subsidiaries

<sup>3</sup> SMPC's subsidiaries

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

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

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

### Noncontrolling-Interests

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

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

The proportion of ownership interest held by noncontrolling-interests on the consolidated subsidiaries are presented below.

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

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



### Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements which became effective 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.

These amendments have no impact to the consolidated financial statements of the Group.

- PFRS 16, *Leases*  
PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the consolidated statement of financial position.

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 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease



The effect of adopting PFRS 16 in the consolidated statement of financial position as of January 1, 2019 are as follows:

	Increase (Decrease)
Right-of-use assets	P330,336
Deferred tax assets	19,706
Prepaid rent (under other noncurrent assets)	(69,240)
<b>Total assets</b>	<b>P280,802</b>
Lease liabilities (under other noncurrent liabilities)	P261,096
Deferred tax liabilities	19,706
<b>Total liabilities</b>	<b>P280,802</b>

The lease liabilities as at January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

Operating lease commitments as at December 31, 2018 (Note 34)	P337,257
Weighted average incremental borrowing rate at January 1, 2019	6.38% to 7.88%
Discounted operating lease commitments at January 1, 2019	302,201
Less: Commitments relating to short-term leases	41,105
<b>Lease liabilities as at January 1, 2019</b>	<b>P261,096</b>

With the adoption of PFRS 16 in 2019, the Group's operating profit and interest expense increased. This is due to the change in the accounting for rent expense related to leases that were previously classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have an impact on equity at January 1, 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments relating to these leases recognized in the consolidated statement of financial position immediately before the date of initial application.

Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid lease payments previously recognized. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rates at the date of initial application.

- 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:
  - a. 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.

- b. 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 did not have an impact on the 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.



The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have a significant on the consolidated financial statements of the Group.

- 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.

Upon adoption, the amendment did not have an impact of the Group's 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, 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. The Group does not expect the amendments to have significant impact to the consolidated financial statements.

#### *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.

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

- *PIC updates on PFRS 15 implementation issues*

On August 27, 2019, the real estate industry sent a position paper to PIC requesting the latter to revisit its position on certain issues relating to the adoption of PFRS 15 and some other industry issues. In line with this, the PIC issued two (2) response letters to the industry dated September 13 and 27, 2019. While the PIC finalizes its position on the matters raised by the industry, PIC has provided the following options for accounting treatment or financial statement presentation on the following:

- Conclusion of PIC Q&A 2018-12H, *Accounting for Common Usage Service Area (CUSA)*, recommends the industry to consider an alternative presentation wherein CUSA may be presented outside of topline revenues if these are not considered as main source of revenue and are not material. This is not applicable to the Group as the entity does not earn revenues from CUSA.

- *March 2019 IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry*

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

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

On February 11, 2020, the Philippine SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, real estate companies shall adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

For real estate companies that avail of the deferral, the SEC requires disclosure in the notes to the consolidated financial statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC agenda decision been adopted.



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

#### Current versus Noncurrent Classification

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

An asset is current when:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

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

#### Fair Value Measurement

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

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

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

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

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



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

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

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

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

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

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

#### Cash and Cash Equivalents

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

#### Recognition and Measurement of Financial Instruments (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.

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

b. Subsequent measurement – Financial assets at amortized cost

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

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

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

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

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

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

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

The Group elected to classify irrevocably its quoted and non-listed equity investments under this category (see Note 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 statement of income (see Note 5).

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.

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

b. **Subsequent measurement – Payables, loans and borrowings**

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



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

c. Derecognition

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

Impairment of Financial Assets

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

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

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

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

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

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



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

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

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

#### Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the effective interest method over the term of the related debt.

#### Offsetting of Financial Instruments

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

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

##### 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.

#### 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.

#### 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 statement of income when consumed.

NRV for supplies and fuel is the current replacement cost. For supplies and fuel, cost is also determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

#### Other assets

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

#### *Advances to Suppliers and Contractors*

Advances to suppliers and contractors are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets has cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Current and noncurrent classification is determined based on the determined usage/realization of the asset to which it is intended for (e.g., inventory, investment property, property plant and equipment).



*Value-added Tax (VAT)*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. 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 are 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 noncontrolling-interests in the subsidiaries of the associate or joint venture. If the Group's share of losses of an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share to the extent of the interest in associate or joint venture.



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

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

#### Investment Properties

Investment properties comprise completed property and property under construction or redevelopment that are held to earn rentals or capital appreciation or both and that are not occupied by the Group.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties, except land, are stated at cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.

Depreciation and amortization of investment properties are computed using the straight-line method over the estimated useful lives (EUL) of assets of 12 to 25 years.

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

A transfer is made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. A transfer is made from investment property when and only when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. A transfer between investment property, owner-occupied property and inventory does not change the carrying amount of the property transferred nor does it change the cost of that property for measurement or disclosure purposes.

#### Exploration and Evaluation 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
Coal mining properties and equipment	2-13
Nickel mining properties and equipment	2-5
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Leasehold improvements	5-7

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

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

Coal and nickel mining properties are amortized using the units-of-production method. Coal and nickel mining properties consists of mine development costs, capitalized cost of mine rehabilitation and decommissioning (refer to accounting policy on “Provision for mine rehabilitation and decommissioning”), stripping costs (refer to accounting policy on “Stripping Costs”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Exploration and Evaluation 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, right-of-use assets and intangible assets.

#### *Property, Plant and Equipment, Investment Properties, Right-of-Use Assets and Intangible Assets*

The Group assesses at each reporting date whether there is an indication that these assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash generating unit’s fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their



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

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

#### *Exploration and evaluation assets*

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation 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.

#### *Investments in associates and joint ventures*

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

#### Liabilities for Purchased Land

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

#### Equity

##### *Capital Stock*

Capital stock consists of common and preferred shares which are measured at par value for all shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to 'Additional paid-in capital' account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to 'Additional paid-in capital' account.



#### *Treasury Shares*

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

#### *Retained Earnings*

Retained earnings represent accumulated earnings of the Group, and any other adjustments to it as required by other standards, less dividends declared. The individual accumulated earnings of the subsidiaries are available for dividend declaration when these are declared as dividends by the subsidiaries as approved by their respective BOD.

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

#### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are charged to expense and included in operating expenses in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of income. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PFRS 9 either in consolidated statement of income or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not measured and subsequent settlement is accounted for within equity.

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



After initial recognition, goodwill is measured at costs less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

#### Revenue and Cost 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 services are recognized when the related sales and services are rendered.

- *Merchandise Sales*

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

*Revenue recognized over time using output method*

- *Real Estate Sales*

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period - 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 these costs that give rise to resources that will be used in satisfying performance obligations in the future and that are expected to be recovered.



- *Electricity Sales*

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

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

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

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

*Revenue recognized over time using input method*

- *Construction Contracts*

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

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

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts", which is presented under "Contract assets", represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated



earnings on uncompleted contracts”, which is presented under “Contract liabilities”, represents billings in excess of total costs incurred and estimated earnings recognized. Contract retention receivables are presented as part of “Trade receivables” under the “Receivables” account in the consolidated statement of financial position.

### Contract Balances

#### *Receivables*

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

#### *Contract assets*

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

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

For the Group’s construction segment, contract asset arises from the total contract costs incurred and estimated earnings recognized in excess of amounts billed.

A receivable (e.g., ICR, receivable from construction contracts), represent the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of consideration is due).

#### *Costs to obtain contract*

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

#### *Contract liabilities*

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

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



For the Group's construction segment, contract liability arises from billings in excess of total costs incurred and estimated earnings recognized.

*Contract fulfillment assets*

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

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

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

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

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

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

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

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

Where a contract is anticipated to make a loss, 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 multi-employer retirement plan.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

#### *Termination Benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee Leave Entitlement*

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

#### Leases

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

A reassessment is made after inception of the lease only if one of the following applies:

- (a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

#### *The Group as a 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.

#### *Effective January 1, 2019 (Upon Adoption of PFRS 16)*

#### *The Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.



#### *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets.

“Right-of-use assets” are presented under noncurrent assets in the consolidated statement of financial position and are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### *Short-term leases*

The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

#### *Effective before January 1, 2019 (Prior to Adoption of PFRS 16)*

##### *The Group as a lessee*

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

#### 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 statement of income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

#### Contingencies

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

#### Events After the Reporting Period

Post year-end events up to the date of the auditor's report that provide additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end events that are not adjusting events are disclosed in the consolidated financial statements when material.

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### **3. Significant Accounting Judgments and Estimates**

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



Judgments 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:

##### *Determining the Lease Term of Contracts with Renewal and Termination options - Group as lessee (Upon Adoption of PFRS 16)*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable (see Note 34).

##### *Property Lease Classification - Group as lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

#### Revenue Recognition (Effective January 1, 2018)

##### *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.



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 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.

##### *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.

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.

DPDI ownership interest of 4.62% in Celebrity Sports Plaza, Inc. (CSPI) is accounted for as an investment in associate. DPDI exercises significant influence in CSPI as its key management personnels are members of the BOD and participates in the policy-making processes of CSPI.

DPDI entered into a joint venture agreement with Robinsons Land Corporation (RLC) in which RLC DMCI Property Ventures, Inc. (RDPVI) was incorporated and each party held 50% ownership interest in the RDPVI. The investment was accounted as joint venture using equity method of accounting as the contractual arrangement between the parties establishes joint control.

#### 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 ₱29,085.43 million, ₱23,185.66 million and ₱23,489.59 million in 2019, 2018 and 2017, respectively. Revenue from nickel mining amounted to ₱1,610.30 million, ₱1,211.75 million and ₱759.27 million in 2019, 2018 and 2017, 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 statement of financial position amounted to ₱9,029.43 million and ₱9,359.08 million in 2019 and 2018, 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, 2019 and 2018 amounted to ₱2,245.13 million and ₱3,334.52 million, respectively (see Note 9).

#### *Estimating Provision for Decommissioning and Mine Site Rehabilitation Costs*

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 and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., 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, 2019 and 2018, the provision for decommissioning and mine site rehabilitation for coal mining activities amounted to ₱500.09 million and ₱402.48 million, respectively. As at December 31, 2019 and 2018, provision for decommissioning and mine site rehabilitation costs for the nickel mining activities amounted to ₱30.35 million and ₱43.14 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 2019 and 2018. There is no assurance that the use of estimates may not result in material adjustments in future periods. Revenue from construction contracts amounted to ₱18,302.49 million, ₱14,581.41 million and ₱13,066.38 million in 2019, 2018 and 2017, 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 ₱18,519.74 million, ₱20,572.25 million and ₱19,903.98 million in 2019, 2018 and 2017, respectively (see Note 35).

d. Power

*Estimating Provision for Decommissioning and Site Rehabilitation Costs*

The Group is contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the property, plant and equipment and increase noncurrent liabilities.



The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the provision for decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2019 and 2018, the estimated provision for decommissioning and site rehabilitation costs amounted to ₱22.72 million and ₱20.92 million, respectively (see Note 20).

#### *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.

##### *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 ₱12.22 million and ₱30.83 million in 2019 and 2018, respectively (see Notes 7 and 25).

Receivables of the Group that were impaired and fully provided with allowance amounted to ₱1,697.30 million and ₱1,687.40 million as of December 31, 2019 and 2018, respectively (see Note 7).



*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 ₱41,442.68 million and ₱35,484.42 million as of December 31, 2019 and 2018, respectively. Inventories carried at NRV amounted to ₱8,223.78 million and ₱9,207.10 million as of December 31, 2019 and 2018, respectively (see Note 9).

*Estimating Useful Lives of Property, Plant and Equipment (see 'Estimation of Minable Ore Reserves' for the Discussion of Amortization of Coal Mining Properties)*

The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.

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 ₱83.54 million in 2019 (nil in 2018; see Notes 13 and 25).

In 2017, the BOD approved the rehabilitation of SCPC's Units 1 and 2 coal-fired thermal power plant. The rehabilitation of Units 1 and 2 coal fired power plant resulted to the recording of accelerated depreciation amounting to ₱549.95 million and ₱1,210.10 million in 2019 and 2018, 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 ₱63,216.45 million and ₱57,086.94 million as of December 31, 2019 and 2018, respectively (see Note 13).



*Impairment Testing of Goodwill*

The Group reviews the carrying values of goodwill for impairment if events or changes in circumstances indicate that the carrying value may be impaired. The Group performed its annual impairment test of goodwill as of December 31, 2019. The goodwill of ₱1,637.43 million is attributable to the acquisition of ZDMC and ZCMC. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates, judgements and assumptions on certain events and circumstances such as the estimated timing of resumption of operations, mine production, nickel prices, price inflation and discount rate. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized.

In 2019, the Group wroteoff goodwill amounting to ₱1.64 billion as prevalent market conditions and regulatory restrictions no longer support its previous assessment and valuation (see Note 33).

*Impairment Assessment of Nonfinancial Assets*

The Group assesses impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important and which could trigger an impairment review include the following:

- significant underperformance relative to projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and,
- significant negative industry or economic trends or change in technology.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	<b>2019</b>	2018
Investments in associates and joint ventures (Note 11)	<b>₱15,214,358</b>	₱14,230,651
Property, plant and equipment (Note 13)	<b>63,216,452</b>	57,086,944
Other current assets (Note 10)	<b>6,627,445</b>	9,592,504
Other noncurrent assets (Note 14)	<b>5,853,254</b>	3,833,723

In 2019, the Group assessed that an indicator of impairment exists for the ancillary gas turbine plant of SLPGC due to its withdrawal on ancillary contract with NGCP (see Note 37). However, no impairment was recognized by the Group since management estimated that the recoverable amount exceeds the carrying value of ancillary gas turbine plant as of December 31, 2019. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions, such as future electricity demand, electricity prices, diesel costs, inflation rate and discount rate. As of December 31, 2019, the carrying value of ancillary gas turbine recorded as part of property, plant and equipment amounted to ₱1.29 billion and ₱1.20 billion, respectively (see Note 13).

In December 2019, Maynilad Water Services, Inc. (MWSI), a subsidiary of Maynilad Water Holdings Company, Inc. (MWHCI), has agreed to and started discussions with the Metropolitan Waterworks and Sewerage System on the provisions of the Concession Agreement identified for renegotiation and amendment. This event was considered an impairment indicator which requires the assessment of the recoverability of the Group's investment in MWHCI. The determination of the recoverable amount



of the investment in MWHCI was determined using assumptions such as future tariff rates, revenue growth, billed water volume, and discount rate. No impairment loss was recognized as a result of the test. As of December 31, 2019 and 2018, the carrying value of the investment in MWHCI amounted to ₱14.28 billion and ₱13.83 billion, respectively (see Note 11).

In addition, management also recognized provision for impairment loss on other current assets amounting to ₱123.53 million in 2019, since management assessed that the carrying amount of these assets are not recoverable (nil in 2018 and 2017, see Note 25). Allowance for impairment losses as of December 31, 2019 and 2018 amounted to ₱142.68 million and ₱19.15 million, respectively.

Management believes that no impairment indicator exists for the Group's other nonfinancial assets.

#### *Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

The Group's lease liabilities amounted to ₱218.22 million as of December 31, 2019 (see Notes 20 and 34).

#### *Deferred Tax Assets*

The Group reviews the carrying amounts of deferred taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The deferred tax assets recognized amounted to ₱1,248.87 million and ₱946.16 million as of December 31, 2019 and 2018, respectively. The unrecognized deferred tax assets of the Group amounted to ₱162.20 million and ₱740.17 million as of December 31, 2019 and 2018, 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, 2019 and 2018 amounted to ₱502.66 million and ₱268.05 million, respectively (see Note 23). Net pension assets amounted to ₱726.75 million and ₱915.40 million as of December 31, 2019 and 2018, respectively (see Note 23).



In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

#### *Contingencies*

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

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#### 4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	<b>₱6,917,426</b>	₱6,332,801
Cash equivalents	<b>14,680,397</b>	9,149,163
	<b>₱21,597,823</b>	₱15,481,964

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 1.75% to 7.00% and 1.10% to 7.75% in 2019 and 2018, respectively.

Total finance income earned on cash in banks and cash equivalents amounted to ₱503.72 million, ₱512.91 million and ₱281.03 million in 2019, 2018 and 2017, respectively (see Note 26).

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#### 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 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:

	2019	2018
WESM prices per kilowatt hour (kWh)	<b>₱3.27 to ₱3.93</b>	₱2.63 to ₱3.63
Philippine peso to US\$ exchange rate	<b>₱49.77 to ₱54.34</b>	₱45.92 to ₱54.35
Consumer price index	<b>67.77</b>	101.81
Coal price index	<b>121.10</b>	119.60
Basis of risk free rate as of December 31*	<b>3.74%</b>	6.94%

\*Based on Bloomberg Valuation Service (BVAL)

The fair value of the derivative was determined using the market data approach, Monte Carlo simulation (MCS) valuation, which is categorized within Level 3 of the fair value hierarchy. Because of the complexities in the option agreement such as the optionality of the payoff and variability of strike price, the MCS methodology is deemed appropriate for the valuation. Management uses published BVAL reference rates by the Bankers Association of the Philippines (BAP) in interpolation of discount rate.

The Group is finalizing its discussion with the RES to pre-terminate the agreement. The pre-termination will not constitute any default of either party and shall not give rise to any termination fee.

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

	2019	2018
Financial asset at FVPL (Notes 10 and 14)	<b>₱-</b>	₱245,444
Realized gain (loss) (Note 28)	<b>(398,032)</b>	65,817
Unrealized gain (loss) (Note 28)	<b>(245,444)</b>	25,775

## 6. Equity investments designated at FVOCI

This account consists of:

	2019	2018
<b>Quoted securities</b>		
Cost at beginning of year	<b>₱50,747</b>	₱55,276
Disposal	-	(4,529)
Cost at end of year	<b>50,747</b>	50,747
Cumulative unrealized gains recognized in OCI	<b>94,953</b>	77,290
	<b>145,700</b>	128,037
<b>Unquoted securities</b>		
Balance at beginning of year	<b>₱110,388</b>	₱112,085
Disposal	-	(1,697)
Balance at end of year	<b>110,388</b>	110,388
Less allowance for probable loss	<b>108,211</b>	108,211
	<b>2,177</b>	2,177
	<b>₱147,877</b>	₱130,214



*Quoted securities*

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

	2019	2018
Balance at beginning of year	₱77,290	₱36,301
Changes in fair values of equity investments designated at FVOCI	17,663	40,989
Balance at end of year	<b>₱94,953</b>	<b>₱77,290</b>

*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, 2019 and 2018.

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**7. Receivables**

This account consists of:

	2019	2018
Trade:		
General construction	<b>₱6,499,785</b>	₱4,358,275
Electricity sales	<b>4,646,055</b>	7,277,715
Real estate	<b>3,233,500</b>	2,075,739
Coal mining	<b>855,343</b>	2,404,702
Nickel mining	<b>116,907</b>	154,233
Merchandising and others	<b>105,437</b>	72,117
	<b>15,457,027</b>	16,342,781
Receivables from related parties (Note 21)	<b>493,464</b>	202,624
Other receivables	<b>2,003,520</b>	1,887,422
	<b>17,954,011</b>	18,432,827
Less allowance for expected credit losses	<b>1,694,488</b>	1,687,401
	<b>₱16,259,523</b>	<b>₱16,745,426</b>

Trade receivables

*Real estate*

Real estate receivables consist of accounts collectible in equal monthly principal installments with various terms up to a maximum of 10 years. These are recognized at amortized cost using the EIR method. The corresponding titles to the residential units sold under this arrangement are transferred to the buyers only upon full payment of the contract price. Installment contracts receivable are collateralized by the related property sold. In 2019 and 2018, annual interest rates on installment contracts receivable range from 9.00% to 19.00%. Interest on installment contracts receivable amounted to ₱277.66 million, ₱253.29 million and ₱169.13 million in 2019, 2018 and 2017, respectively (see Note 26).



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 ₱8,427.55 million.

The Group retains the assigned receivables in the “real estate receivables” account and records the proceeds from these sales as long-term debt (see Note 19). The carrying value of installment contracts receivable sold with recourse amounted to ₱118.91 million and ₱372.44 million as of December 31, 2019 and 2018, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained.

#### *Electricity sales*

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts, less discounts and rebates.

In December 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 consolidated statement of income in 2018. 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 in January 2019.

#### *Construction contracts*

Receivables from construction contracts principally consist of receivables arising from third-party construction projects. These also include retention receivables on uncompleted contracts amounting to ₱2,631 million and ₱2,799 million as of December 31, 2019 and 2018, respectively. Retention receivables pertain to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated.

#### *Coal and nickel mining*

Receivable from mining pertains to receivables from the sale of coal and nickel ore both to domestic and international markets. These receivables are noninterest-bearing and generally have 30 to 45-day credit terms.

#### *Merchandising and others*

Receivables from merchandise sales and others arise from the sale of wires, services rendered and others to various local companies. These receivables are noninterest-bearing and generally have a 30 to 60-day credit terms.

#### Other receivables

Other receivables include 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 (see Note 37). The claim amounting to ₱476.70 million was recognized by the Group as other income in 2017 after the Supreme Court has issued an Entry of Judgement in favor of the Group (see Note 28). In 2019, the related interest income amounting to ₱180.19 million was also granted to SCPC. The total receivable was collected in full in 2019.



Other receivables also include the Group's receivables from condominium corporations and sale of undeveloped land. These receivables are noninterest-bearing and are generally collectible within one (1) year from the reporting date.

*Allowance for expected credit losses*

Receivables amounting to ₱1,697.30 million and ₱1,687.40 million as of December 31, 2019 and 2018, respectively, were impaired and fully provided with allowance (see Note 37).

Movements in the allowance for expected credit losses are as follows:

2019						
Trade Receivables						
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	Total
At January 1	₱537	₱36,092	₱41,927	₱67,010	₱1,541,835	₱1,687,401
Provision (Note 25)	9,979	-	-	1,182	1,062	12,223
Reversal	-	(5,136)	-	-	-	(5,136)
At December 31	<b>₱10,516</b>	<b>₱30,956</b>	<b>₱41,927</b>	<b>₱68,192</b>	<b>₱1,542,897</b>	<b>₱1,694,488</b>

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	<b>₱537</b>	<b>₱36,092</b>	<b>₱41,927</b>	<b>₱67,010</b>	<b>₱1,541,835</b>	<b>₱1,687,401</b>

## 8. Contract assets

The accounts consist of:

	2019	2018
Contract assets	<b>₱16,245,524</b>	₱14,287,002
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>2,872,770</b>	2,164,932
	<b>19,118,294</b>	16,451,934
Less: Contract assets - noncurrent portion	<b>5,104,621</b>	7,583,336
Current portion	<b>₱14,013,673</b>	₱8,868,598

### Contract Assets

For real estate segment, contract assets are initially recognized for revenue earned from property under development rendered but not yet to be billed to customers. Upon billing of invoice, the amounts recognized as contract assets are reclassified as installment contracts receivable.

For construction segment, contract assets represent total costs incurred and estimated earnings recognized in excess of amounts billed.



Costs and estimated earnings in excess of billings on uncompleted contracts are as follows:

	2019	2018
Total costs incurred	<b>₱39,586,922</b>	₱35,839,976
Add estimated earnings recognized	<b>5,154,372</b>	5,835,631
	<b>44,741,294</b>	41,675,607
Less total billings (including unliquidated advances from contract owners of ₱5.51 billion in 2019 and ₱5.11 billion in 2018)	<b>45,370,109</b>	42,630,863
	<b>(₱628,815)</b>	(₱955,256)

The foregoing balances are reflected in the consolidated statement of financial position under the following accounts:

	2019	2018
Contract assets		
Costs and estimated earnings in excess of billings on uncompleted contracts	<b>₱2,872,770</b>	₱2,164,932
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 18)	<b>(3,501,585)</b>	(3,120,188)
	<b>(₱628,815)</b>	(₱955,256)

## 9. Inventories

This account consists of:

	2019	2018
At Cost:		
Real estate held for sale and development	<b>₱37,598,020</b>	₱30,253,435
Coal inventory	<b>2,245,131</b>	3,334,518
Equipment parts, materials in transit and supplies	<b>1,274,102</b>	1,606,254
Nickel ore	<b>325,424</b>	290,210
	<b>41,442,677</b>	35,484,417
At NRV:		
Equipment parts, materials in transit and supplies (Notes 13 and 25)	<b>8,223,776</b>	9,207,103
	<b>₱49,666,453</b>	₱44,691,520

Real estate inventories recognized as cost of sales amounted to ₱12,116.53 million, ₱13,405.86 million and ₱12,117.87 million in 2019, 2018 and 2017, 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 2019, 2018 and 2017 amounted to ₱1,186.17 million, ₱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 2019, 2018 and 2017 are 5.59%, 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:

	2019	2018
Balance at beginning of year	₱30,253,435	₱27,185,364
Construction/development cost incurred	11,625,296	13,347,020
Land acquired during the year	6,649,655	2,872,017
Borrowing costs capitalized	1,186,166	1,023,271
Cost of undeveloped land sold during the year (Note 28)	-	(768,378)
Recognized as cost of sales (Note 24)	(12,116,532)	(13,405,859)
<b>Balance at end of year</b>	<b>₱37,598,020</b>	<b>₱30,253,435</b>

The costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱8,291.16 million and ₱9,274.49 million as of December 31, 2019 and 2018, respectively.

#### 10. Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers and contractors	₱3,121,807	₱5,911,897
Input VAT	1,180,567	1,332,235
Creditable withholding taxes	841,232	1,086,470
Cost to obtain a contract - current portion (Note 14)	798,668	754,701
Refundable deposits (Notes 14 and 36)	356,828	240,118
Prepaid expenses	312,731	272,330
Deposit in escrow fund (Note 36)	181,178	48,043
Equity investments designated at FVOCI (Notes 6 and 36)	147,877	130,214
Advances to officers and employees	25,307	72,824
Prepaid taxes	15,278	20,726
Financial asset at FVPL - current portion (Notes 5 and 36)	-	91,810
Others	331,855	141,321
<b>Total</b>	<b>₱7,313,328</b>	<b>₱10,102,689</b>

##### Advances to suppliers and contractors

Advances to suppliers and contractors under current assets are recouped upon rendering of services or delivery of asset within the Group's normal operating cycle. The balance, net of the related allowance, is recoverable in future periods.

##### 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.



Costs to obtain a contract

Costs to obtain a contract with a customer pertain to commissions paid to brokers and marketing agents on the sale of pre-completed real estate units.

The balances below pertain to the costs to obtain contracts included in the other current and noncurrent assets:

	2019	2018
Balance at beginning of the year	<b>₱3,204,465</b>	₱511,468
Effects of adoption of PFRS 15 as at January 1, 2018	–	1,948,806
Additions	<b>969,049</b>	1,753,836
Amortization	<b>(751,696)</b>	(1,009,645)
Balance at end of the year	<b>₱3,421,818</b>	₱3,204,465

The amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱833.41 million and ₱1,119.93 million in 2019 and 2018, respectively, are presented under ‘Cost of sales and services - real estate sales’ account in the consolidated statement of income (see Note 24).

Refundable deposits

Refundable deposits pertain to bill deposits and guaranty deposits for utilities that will be recovered within one (1) year.

Deposit in escrow fund

Deposit in escrow fund pertains to fund deposits for securing license to sell (LTS) of the Group’s real estate projects.

Prepaid expenses

Prepaid expenses consist mainly of prepayments for insurance, maintenance costs and rent.

Advances to officers and employees

Advances to officers and employees pertain to salary and other loans granted to the Group’s employees that are collectible through salary deduction. These are noninterest-bearing and are due within one (1) year.

Prepaid taxes

Prepaid taxes represent prepayment for taxes as well as local business and real property taxes.

Others

Others include prepayments on real property taxes and other charges.



## 11. Investments in Associates and Joint Ventures

The details of the Group's investments in associates and joint ventures follow:

	2019	2018
<b>Acquisition cost</b>		
Balance at beginning of year	₱504,391	₱504,391
Additional investments	500,000	–
Balance at end of year	1,004,391	504,391
Accumulated impairment loss	(6,798)	(6,798)
	997,593	497,593
<b>Accumulated equity in net earnings</b>		
Balance at beginning of year	13,774,449	13,020,452
Equity in net earnings	1,802,385	1,825,657
Dividends and others	(1,296,778)	(1,071,660)
Balance at end of year	14,280,056	13,774,449
<b>Share in other comprehensive loss</b>	(63,291)	(41,391)
	₱15,214,358	₱14,230,651

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	
	2019	2018	2019	2018
<b>Associates:</b>				
Maynilad Water Holding Company, Inc. (MWHCI)	27.19	27.19	₱14,279,097	₱13,826,646
Subic Water and Sewerage Company, Inc. (Subic Water)	30.00	30.00	309,479	275,678
Bachy Soletanche Philippines Corporation (Bachy)	49.00	49.00	43,060	43,060
Celebrity Sports Plaza	4.62	4.62	17,563	17,563
			14,649,199	14,162,947
<b>Joint Ventures:</b>				
RLC DMCI Property Ventures, Inc. (RDPVI)	50.00	50.00	498,636	–
St. Raphael Power Generation Corporation (SRPGC)	50.00	50.00	51,203	52,384
DMCI-First Balfour Joint Venture (DMFB)	51.00	51.00	15,320	15,320
			565,159	67,704
			₱15,214,358	₱14,230,651

There have been no outstanding capital commitments in 2019 and 2018.



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:

	2019	
	MWHCI	Subic Water
<b>Statement of financial position</b>		
Current assets	₱16,174,661	₱363,799
Noncurrent assets	114,398,732	1,450,315
Current liabilities	(20,671,700)	(212,657)
Noncurrent liabilities	(50,789,176)	(173,311)
Noncontrolling-interests	(3,472,690)	-
Equity attributable to parent company	55,639,827	1,428,146
Proportion of the Group's ownership	27.19%	30.00%
Equity in net assets of associates	15,128,469	428,444
Less unrealized gains	(849,372)	(118,965)
Carrying amount of the investment	<u>₱14,279,097</u>	<u>₱309,479</u>
<b>Statement of income</b>		
Revenue and other income	₱24,450,977	₱784,978
Costs and expenses	17,543,814	587,309
Net income	6,907,163	197,669
Net income attributable to NCI	493,933	-
Net income attributable to parent company	<u>₱6,413,230</u>	<u>₱197,669</u>
2018		
	MWHCI	Subic Water
<b>Statement of financial position</b>		
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)
Noncontrolling 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 gain	(849,938)	(151,053)
Carrying amount of the investment	<u>₱13,826,646</u>	<u>₱275,678</u>
<b>Statement of income</b>		
Revenue and other income	₱22,384,210	₱707,405
Costs and expenses	15,385,579	509,856
Net income	6,998,631	197,549
Net income attributable to NCI	500,572	-
Net income attributable to parent company	<u>₱6,498,059</u>	<u>₱197,549</u>

The Group's dividend income from MWHCI amounted to ₱1,260.59 million and ₱758.47 million in 2019 and 2018, respectively, while dividend income from Subic Water amounted to ₱25.50 million and ₱40.50 million in 2019 and 2018, respectively.

Equity in net earnings from MWHCI amounted to ₱1,743.76 million, ₱1,766.82 million and ₱1,647.82 million in 2019, 2018 and 2017, respectively, while equity in net earnings from Subic Water amounted to ₱59.30 million, ₱59.26 million and ₱46.23 million in 2019, 2018 and 2017, respectively.



The carrying amount of the investment in MWHCI is reduced by unrealized gains from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are 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 2019 and 2018 amounted to ₱625.78 million and ₱128.33 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:

	2019	2018
<b>Acquisition cost</b>	<b>₱390,428</b>	₱390,428
<b>Accumulated equity in net earnings</b>		
Balance at beginning of year	13,436,218	12,701,650
Equity in net earnings	1,743,757	1,766,822
Dividends received and other adjustments	(1,291,306)	(1,032,254)
Balance at end of year	13,888,669	13,436,218
	<b>₱14,279,097</b>	₱13,826,646

Subic Water

On January 22, 1997, the Group subscribed to 3.26 million shares at the par value of ₱10 per share for an aggregate value of ₱32.62 million in Subic Water, a joint venture company among Subic Bay Metropolitan Authority (SBMA), a government-owned corporation, Olongapo City Water District, and Cascal Services Limited (a company organized under the laws of England).

On April 1, 2016, PDI disposed its 10% share in Subic Water. The remaining percentage of ownership in Subic Water after the sale is 30%.

SRPGC

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity.

The Group accounted its 50% ownership interest in SRPGC as a joint venture.

RLC DMCI Property Ventures Inc. (RDPVI)

In October 2018, PDI and Robinsons Land Corporation (RLC) entered into a joint venture agreement to develop a condominium project. Each party will hold a 50% ownership interest in the joint venture. In March 2019, RDPVI, the joint venture, was incorporated to purchase, acquire and develop into a residential condominium project a portion of the parcels of land situated in Las Piñas City and to operate, manage, sell and/or lease the resulting condominium units and parking spaces therein.

The share of the Group in the other comprehensive income (loss) of the associates and joint venture is presented as “Other equity” in the consolidated statement of financial position.



## 12. Investment Properties

The movements in this account follow:

	2019			
	Land	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>	P-	P209,498	P41,616	P251,114
<b>Accumulated Depreciation and Amortization</b>				
Balances at beginning of year	-	80,084	14,309	94,393
Depreciation and amortization (Note 24)	-	12,902	1,892	14,794
Balances at end of year	-	92,986	16,201	109,187
<b>Net Book Value</b>	<b>P-</b>	<b>P116,512</b>	<b>P25,415</b>	<b>P141,927</b>

	2018			
	Land	Buildings and Building Improvements	Condominium Units	Total
<b>Cost</b>				
Balances at beginning and end of year	P21,649	P209,498	P44,347	P275,494
Disposals	-	-	(2,731)	(2,731)
Transfer	(21,649)	-	-	(21,649)
	-	209,498	41,616	251,114
<b>Accumulated Depreciation and Amortization</b>				
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
<b>Net Book Value</b>	<b>P-</b>	<b>P129,414</b>	<b>P27,307</b>	<b>P156,721</b>

The aggregate fair values of the investment properties as of December 31, 2019 and 2018 amounted to P181.43 million and P199.14 million, respectively.

The fair values of investment properties were determined using either the income approach using discounted cash flow (DCF) method or by the market data approach. These are both categorized within Level 3 of the fair value hierarchy. The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 3.42% to 4.06%, exceeds its carrying cost. The fair values of the investment properties which were arrived at using the market data approach require the establishment of comparable properties by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparables. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Rental income from investment properties (included under 'Other income - net') amounted to P32.52 million, P124.77 million and P110.01 million in 2019, 2018 and 2017, respectively (see Note 28).

Direct operating expenses (included under 'Cost of sales and services' in the consolidated statement of income) arising from investment properties amounted to P14.79 million, P14.83 million and P14.90 million in 2019, 2018, and 2017, respectively (see Note 24).

There are no investment properties as of December 31, 2019 and 2018 that are pledged as security against liabilities.



### 13. Property, Plant and Equipment

Movements in this account follow:

	2019									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year	₱2,406,257	₱48,515,299	₱29,517,292	₱5,617,955	₱10,124,926	₱693,343	₱651,572	₱342,801	₱5,564,578	₱103,434,023
Additions	202,916	244,648	3,270,919	-	2,447,357	54,375	82,200	16,446	9,291,201	15,610,062
Transfers (Note 9)	-	6,712,533	43,454	-	-	-	-	-	(6,938,709)	(182,722)
Write-down and disposals	-	(460,704)	(67,231)	-	(106,375)	(2,269)	(44,921)	152	-	(681,348)
Adjustments (Note 20)	-	-	83,722	(15,271)	-	-	-	-	-	68,451
Balances at end of year	2,609,173	55,011,776	32,848,156	5,602,684	12,465,908	745,449	688,851	359,399	7,917,070	118,248,466
<b>Accumulated Depreciation, Depletion and Amortization</b>										
Balances at beginning of year	901,778	13,777,954	21,810,635	700,441	7,865,014	652,139	406,782	232,336	-	46,347,079
Depreciation, depletion and amortization (Notes 24 and 25)	88,106	3,816,918	4,075,454	188,869	1,033,802	56,314	65,169	13,185	-	9,337,817
Write-down and disposals	-	(456,192)	(58,695)	1,024	(103,883)	(1,941)	(33,195)	-	-	(652,882)
Balances at end of year	989,884	17,138,680	25,827,394	890,334	8,794,933	706,512	438,756	245,521	-	55,032,014
<b>Net Book Value</b>	<b>₱1,619,289</b>	<b>₱37,873,096</b>	<b>₱7,020,762</b>	<b>₱4,712,350</b>	<b>₱3,670,975</b>	<b>₱38,937</b>	<b>₱250,095</b>	<b>₱113,878</b>	<b>₱7,917,070</b>	<b>₱63,216,452</b>



2018

	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year	₱2,251,386	₱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, transfers 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
<b>Accumulated Depreciation, Depletion and Amortization</b>										
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, transfers 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



The Group sold various equipment items at a net loss of ₱14.85 million in 2019 and net gains of ₱37.27 million and ₱144.93 million in 2018 and 2017, respectively (see Note 28).

In 2019, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱83.54 million due to the dismantling of the coal washing plant (see Note 25). In relation to the dismantling, the ₱182.72 million recovered parts and construction supplies that are still usable were transferred to “Equipment parts, materials in transit and supplies” (see Note 9).

Meanwhile, the loss on write-down incurred in 2017 amounting to ₱27.83 million pertains to the replacement of components of Power Plant and retirement of mining equipment (see Note 25).

‘Power Plant and Buildings’ includes the ancillary gas turbine plant which is subject to the Ancillary Services and Procurement Agreement with the NGCP. The carrying value of this plant amounted to ₱1.29 billion and ₱1.20 billion as of December 31, 2019 and 2018 (see Notes 3 and 37).

#### *Construction-in-progress*

In 2019 and 2018, there were reclassifications from “Construction in progress” to “Power Plant and Building” in the amount of ₱6,712.53 million and ₱2,775.29 million, respectively, for the ongoing regular rehabilitation of the Group’s coal-fired thermal power plant.

Interest expense incurred on long-term debts capitalized as part of ‘Construction in Progress’ amounted to ₱84.86 million and ₱10.81 million in 2019 and 2018, respectively.

#### *Coal 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, 2019 and 2018, coal mining properties included in “Coal Mining Properties and Equipment” amounted to ₱4,338.74 million and ₱4,341.36 million, respectively.

#### *Nickel mining properties*

Nickel mining properties pertains to the Acoje project located in the Municipalities of Sta. Cruz and Candelaria, Province of Zambales and the Berong project situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2019 and 2018, nickel mining properties included in “Nickel Mining Properties and Equipment” amounted to ₱4,690.69 million and ₱5,017.72 million, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, the Group created, established, and constituted a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC in favor of the Security Trustee, for the benefit of all secured parties. In 2019, the Group was released on the real estate and chattel mortgage due to the prepayment of the loan (see Note 19).



#### 14. Exploration and Evaluation Asset and Other Noncurrent Assets

##### Exploration and Evaluation Asset

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group's mining tenements. Exploration and evaluation asset amounted to ₱226.32 million in 2019 and 2018. These costs pertain to exploration activities on various nickel projects mainly in Zambales and Palawan mining areas that were covered by related exploration permits granted to the nickel mining entities.

##### Other noncurrent assets

Other noncurrent assets consists of the following:

	2019	2018
Cost to obtain a contract - net of current portion (Note 10)	<b>₱2,623,150</b>	₱2,449,764
Advances to suppliers and contractors	<b>1,641,656</b>	-
Deferred input VAT	<b>1,074,179</b>	745,873
Deposits and funds for future investment	<b>136,666</b>	136,666
Claims for refunds and tax credits - net	<b>90,729</b>	188,455
Software cost	<b>73,113</b>	75,948
Refundable deposits (Notes 10 and 36)	<b>68,491</b>	78,047
Prepaid rent (Notes 2 and 37)	<b>643</b>	76,464
Financial asset at FVPL - net of current portion (Notes 5 and 36)	-	153,634
Others (Note 36)	<b>215,993</b>	165,989
	<b>₱5,924,620</b>	₱4,070,840

##### *Advances to suppliers and contractors*

Advances to suppliers and contractors under noncurrent assets represent prepayment for the acquisition and construction of property, plant and equipment.

##### *Deferred input VAT*

This pertains to the unamortized input VAT incurred from acquisition of capital assets mostly coming from the completed coal-fired power plant and gas turbine of SLPGC and acquisition of capital goods and services for SCPC maintenance program.

##### *Deposits and funds for future investment*

In 2012 and 2014, the Group entered in to an agreement with a third party to purchase three holding companies (HoldCos) and three development companies (DevCos) with which the HoldCos have investments. The agreement sets out the intention of final ownership of the HoldCos and DevCos, where the Group will eventually own 73% of the HoldCos and 84% of the DevCos. The Group opened a bank account as required by the agreement and made available US\$2.80 million cash (bank account) from which payments of the shares will be drawn. Initial payments made for the assignment of 33% share in HoldCos and 40% share in DevCos amounted to US\$0.25 million and US\$0.75 million, respectively, which were drawn from the bank account.

The acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three HoldCos and three DevCos are resolved in their favor.



As of December 31, 2019 and 2018, the conditions set forth under the agreement has not yet been satisfied.

*Claims for refunds and tax credits - net*

These pertain to claims for refund and issuance of tax credit certificates from Bureau of Internal Revenue (BIR). The balance as of December 31, 2019 and 2018 is presented net of allowance for impairment losses amounting to ₱15.29 million.

*Software cost*

Movements in software cost account follow:

	2019	2018
<b>Cost</b>		
Balance at beginning of year	₱422,642	₱376,182
Additions	49,901	46,460
Balance at end of year	<b>472,543</b>	422,642
<b>Accumulated Amortization</b>		
Balance at beginning of year	346,694	298,584
Amortization (Notes 24 and 25)	52,736	48,110
Balance at end of year	<b>399,430</b>	346,694
<b>Net Book Value</b>	<b>₱73,113</b>	₱75,948

*Refundable deposits*

Refundable deposits pertain to utilities which are measured at cost and will be recouped against future billings. This also includes rental deposits which are noninterest-bearing and are refundable 60 days after the expiration of the lease period.

*Prepaid rent*

The Group entered into a Land Lease Agreement (LLA) with PSALM for a period of 25 years for the lease of land where the Power Plant is situated. The Group paid US\$3.19 million or its Peso equivalent of ₱150.57 million as payment for the 25-year land lease (see Note 37). On January 1, 2019, upon adoption of PFRS 16, outstanding balance of prepaid rent amounting to ₱69.24 million was adjusted against the amount of right-of-use assets recognized (see Notes 2 and 34).

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## 15. Short-term Debt

This account consists of the following:

	2019	2018
Bank loans	₱2,411,875	₱6,903,668
Acceptances and trust receipts payable	80,247	111,608
	<b>₱2,492,122</b>	₱7,015,276



*Bank loans*

The Group's bank loans consist of unsecured peso-denominated short-term borrowings from local banks which bear annual interest ranging from 3.25% to 6.13% and 3.73% to 6.75% in 2019 and 2018, respectively, and are payable on monthly, quarterly and lump-sum bases on various maturity dates within the next 12 months after the reporting date.

During 2019 and 2018, the Group obtained various short-term loans from local banks primarily to finance its capital expenditures and working capital requirements.

As discussed in Note 7, in December 2018, the Group obtained a loan secured by its receivables amounting to ₱1,272.23 million with discount rate of 5.40% per annum. The loan was paid in January 2019.

*Acceptances and trust receipts payable*

Acceptances and trust receipts payable are used by the Group to facilitate payment for importations of materials, fixed assets and other assets. These are interest-bearing and with maturity of less than one (1) year.

As of December 31, 2019 and 2018, the Group is in compliance with the loan covenants required by the creditors. Finance costs incurred on short-term borrowings and acceptances and trust receipts payable, net of capitalized borrowing cost, amounted to ₱783.03 million, ₱298.77 million and ₱228.71 million in 2019, 2018 and 2017, respectively (see Note 27).

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## 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, 2019 and 2018 follow:

	2019	2018
Current	<b>₱673,025</b>	₱502,591
Noncurrent	<b>1,223,138</b>	1,499,552
	<b>₱1,896,163</b>	₱2,002,143

Liabilities for purchased land were recorded at fair value at initial recognition. These are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 3.42% to 4.06% and 6.80% to 7.02% in 2019 and 2018, respectively, based on applicable rates for similar types of liabilities.

Accretion in 2018 and 2017 amounting to ₱0.81 million and ₱1.55 million were recorded under "Finance costs" (nil in 2019, see Note 27).



## 17. Accounts and Other Payables

This account consists of the following:

	2019	2018
Trade and other payables:		
Suppliers and subcontractors	<b>₱13,353,090</b>	₱12,526,598
Others	<b>1,234,576</b>	313,516
Accrued costs and expenses		
Project cost	<b>2,986,127</b>	3,040,487
Payable to DOE and local government		
Units (LGU) (Note 31)	<b>855,902</b>	713,351
Salaries	<b>255,657</b>	213,407
Withholding and others taxes	<b>174,265</b>	245,862
Various operating expenses	<b>1,013,269</b>	624,515
Output VAT payable-net	<b>2,349,601</b>	2,095,138
Commission payable - current portion (Note 20)	<b>1,624,865</b>	1,462,770
Refundable deposits	<b>409,893</b>	354,791
Payable to related parties (Note 21)	<b>254,466</b>	438,359
Financial benefits payable	<b>46,840</b>	12,086
	<b>₱24,558,551</b>	₱22,040,880

### Trade and other payables

#### *Suppliers*

Payable to suppliers includes liabilities to various foreign and local suppliers for open account purchases of equipment and equipment parts and supplies. These are noninterest-bearing and are normally settled on a 30 to 60-day credit terms.

#### *Subcontractors*

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 retention payable on contract payments and payable to marketing agents and nickel mine right owners. Retention on contract payments is being withheld from the contractors as guaranty for any claims against them. These are settled and paid once the warranty period has expired. Payables to marketing agents and nickel mine right owners are noninterest-bearing and are normally settled within one (1) year.

### Accrued project cost

Accrued project cost pertains to direct materials, labor, overhead and subcontractor costs for work accomplished by the suppliers and subcontractors but were not yet billed to the Group.

### *Payable to DOE and LGU*

Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract (see Note 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.

*Accrual of various operating expenses*

This include accruals for contracted services, utilities, supplies, advertising, commission and other administrative expenses.

Commission payable

Commission payable pertains to the amount payable to sales agents for each contract that they obtain for the sale of pre-completed real estate units.

Output VAT payable

Output VAT payable pertains to the VAT due on the sale of goods or services by the Group, net of input VAT.

Refundable deposits

Refundable deposits consist of deposits which are refundable due to cancellation of real estate sales as well as deposits made by unit owners upon turnover of the unit which will be remitted to its utility provider.

Financial benefits payable

As mandated by R.A. 9136 or the Electric Power Industry Reform Act (EPIRA) of 2001 and the Energy Regulations No. 1-94, issued by DOE, the BOD authorized the Group on June 10, 2010 to enter and execute a Memorandum of Agreement with the DOE relative to or in connection with the establishment of Trust Accounts for the financial benefits to the host communities equal to ₱0.01 per kilowatt hour generated.

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**18. Contract Liabilities and Other Customers' Advances and Deposits**

	<b>2019</b>	2018
Contract liabilities	<b>₱6,385,129</b>	₱5,209,298
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	<b>3,501,585</b>	3,120,188
Other customers' advances and deposits	<b>3,271,715</b>	2,923,853
	<b>13,158,429</b>	11,253,339
Less: Contract liabilities - noncurrent portion	<b>2,789,396</b>	2,298,983
Current portion	<b>₱10,369,033</b>	₱8,954,356

Contract Liabilities

Contract liabilities for real estate segment pertains to customers' advances and deposits representing reservation fees and initial collections received by Group from customers before the 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.

For construction segment, contract liabilities arises from billings, including advances from contract owners, in excess of total costs incurred and estimated earnings recognized.



Other customers' advances and 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 ₱3,239.60 million and ₱2,876.81 million as of December 31, 2019 and 2018, respectively.

These also include advances collections from the customers from coal sales contracts amounting to ₱32.12 million and ₱47.04 million as of December 31, 2019 and 2018, respectively.

## 19. Long-term Debt

Long-term debt pertains to the following obligations:

	2019	2018
Bank loans	₱44,413,604	₱34,506,056
Less noncurrent portion	32,974,892	28,163,290
Current portion	₱11,438,712	₱6,342,766

Details of the bank loans follow:

	Outstanding Balances		Maturity	Interest Rate	Payment Terms
	2019	2018			
<b>Loans from banks and other institutions</b>					
<b>Peso-denominated loans</b>	₱18,700,443	₱7,841,464	Various maturities from 2020 to 2027	Repriced every 3 months based on 3-months "PDST-R2" plus a spread of one percent (0.50% to 1.00%)	Amortized/bullet
<b>Dollar-denominated loans</b>	-	2,325,138	2019	Repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Amortized
<b>Mortgage payable</b>	-	5,962,963	Various quarterly maturities starting 2021 until 2024	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Amortized
<b>Fixed rate corporate notes</b>	25,566,668	17,684,224	Various maturities from 2016 to 2026	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 plus 1.25%, PDST-R2 issued date for 5-year and 7-year treasury securities plus 1.50%	Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance is payable at maturity

(Forward)



	<u>Outstanding Balances</u>		<u>Maturity</u>	<u>Interest Rate</u>	<u>Payment Terms</u>
	2019	2018			
<b>Liabilities on installment contracts receivable</b>	<b>₱118,910</b>	₱372,444	Interest at prevailing market rates	Payable in equal and continuous monthly payment not exceeding 120 days commencing 1 month from date of execution	Interest at prevailing market rates
<b>HomeSaver Bonds</b>	<b>210,505</b>	420,035	Various maturities from 2017 to 2023	4.75% to 5.25% p.a.	Tranche A, B, C, D, E, F, and F are payable in 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.
	<b>44,596,526</b>	34,606,268			
<b>Less: Unamortized debt issue cost</b>	<b>182,922</b>	100,212			
	<b>₱44,413,604</b>	₱34,506,056			

The movements in unamortized debt issue cost follow:

	2019	2018
Balance at beginning of year	₱100,212	₱142,871
Additions	132,750	-
Amortization (Note 27)	(50,040)	(42,659)
Balance at end of year	₱182,922	₱100,212

Interest expense on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱637.64 million, ₱674.01 million and ₱522.53 million in 2019, 2018 and 2017, respectively (see Note 27).

The schedule of repayments of loans based on existing terms are provided in Note 32.

Other relevant information on the Group's long-term borrowings are provided below:

- The loan agreements on long-term debt of certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2019 and 2018.
- In February 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. In November 2019, the Omnibus Agreement was pre-terminated and SLPGC made payment amounting to ₱4,739.64 million releasing SLPGC from all related security arrangements.



- As discussed in Note 7, the installment contracts receivable under the receivable purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱118.91 million and ₱372.44 million as of December 31, 2019 and 2018, respectively, and these represent net proceeds from sale of portion of PDI's installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates. The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers.
- Long-term debt of Beta Electromechanical are secured by a chattel mortgage on the transportation equipment purchased using the proceeds of these loans.
- Except for the above-mentioned loans, all long-term debt of the Group are clean and unsecured and are compliant with their respective loan covenants.

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## 20. Other Noncurrent Liabilities

The details of this account consist of:

	2019	2018
Commission payable - noncurrent portion (Note 17)	<b>₱1,304,305</b>	₱1,649,082
Provision for decommissioning and site rehabilitation costs	<b>553,149</b>	466,535
Lease liabilities (Note 34)	<b>218,217</b>	-
Trade and other payables (Note 17)	<b>3,297,418</b>	388,169
	<b>₱5,373,089</b>	₱2,503,786

### *Provision for decommissioning and site rehabilitation costs*

The Group makes full provision for the future cost of rehabilitating the coal mine sites on a discounted basis on the development of the coal mines. These provisions 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 mine site rehabilitation costs are from 4.46% to 8.58% in 2019, 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 costs 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 costs follows:

	2019	2018
Coal	<b>₱500,085</b>	₱402,476
Nickel	<b>30,345</b>	43,137
On-grid power	<b>22,719</b>	20,922
	<b>₱553,149</b>	₱466,535

The rollforward analysis of the provision for decommissioning and site rehabilitation costs account follows:

	2019	2018
Balance at beginning of year	<b>₱466,535</b>	₱1,727,750
Additions (Note 24)	-	436,523
Effect of change in estimates (Note 13)	<b>68,451</b>	(221,639)
Actual usage	<b>(14,545)</b>	(1,598,420)
Accretion of interest (Note 27)	<b>32,708</b>	122,321
Balance at end of year	<b>₱553,149</b>	₱466,535

In 2018, as required by DENR, the Group accelerated the rehabilitation activities of its Panian minesite. This resulted to recognition of additional provision for mine site rehabilitation costs amounting to ₱436.52 million which was charged to 'Cost of sales' (nil in 2019, see Note 24). This also prompted management to revisit procedures, practices and assumptions used in the estimation of the provision (e.g., movement of the overburden and backfill elevation level), which resulted to adjustments in the related mining assets recognized under 'Property, plant and equipment'. These adjustments amounted to ₱83.72 million and ₱218.20 million in 2019 and 2018, respectively (see Note 13).

#### *Trade and other payables*

Noncurrent trade and other payables include noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within 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.

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## 21. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, 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 parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates enumerated below which are under common control of Consunji family.



Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

	2019		
	Reference	Amount / Volume	Due from (Due to)
<b>Receivable from related parties (Note 7)</b>			
Construction contracts	(a)	₱1,076,420	₱405,639
Equipment rentals	(c)	25,953	28,907
Sale of materials and reimbursement of shared and operating expenses	(e)	38,083	58,918
			<b>₱493,464</b>
<b>Payable to related parties (Note 17)</b>			
Payable to affiliates	(f)	₱8,384	(₱11,433)
Mine exploration, coal handling and hauling services	(g)	207,050	(147,040)
Other general and administrative expense	(i)	106,806	(17,708)
Aviation services	(j)	250,337	(22,445)
Office and parking rental	(k)	76,341	(28,598)
Labor charges	(l)	-	(444)
Freight Charges	(m)	11,000	(15,604)
Nickel Delivery	(n)	-	(11,194)
			<b>(₱254,466)</b>

	2018		
	Reference	Amount / Volume	Due from (Due to)
<b>Receivable from related parties (Note 7)</b>			
Construction contracts	(a)	₱5,979	₱48,952
Receivable from affiliates	(b)	48,402	107,378
Equipment rentals	(c)	-	2,954
Payroll processing	(d)	8,126	31,478
Sale of materials and reimbursement of shared and operating expenses	(e)	379	11,862
			<b>₱202,624</b>
<b>Payable to related parties (Note 17)</b>			
Payable to affiliates	(f)	₱32	(₱15,837)
Mine exploration, coal handling and hauling services	(g)	64,800	(333,955)
Equipment rental expenses	(h)	-	(2,325)
Other general and administrative expense	(i)	2,255	(3,104)
Aviation services	(j)	25,953	(25,953)
Office and parking rental	(k)	64,983	(36,322)
Labor charges	(l)	19,363	(20,863)
			<b>(₱438,359)</b>

- (a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in “Receivables from related parties” amounted to ₱405.64 million and ₱48.95 million as of December 31, 2019 and 2018, respectively. In addition, receivables/payables of the Group from its affiliate amounting to ₱126.02 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” as of December 31, 2019 (nil as of December 31, 2018).



- (b) The Group has outstanding receivables from its affiliates amounting to ₱107.38 million as of December 31, 2018. These mainly pertain to receivable from the sale of investment in 2014 and receivables pertaining to port and arrastre charges shouldered by the Group which were all collected in 2019.
- (c) The Group rents out its equipment to its affiliates for their construction projects. Outstanding receivables for equipment rentals amounted to ₱28.91 million and ₱2.95 million as of December 31, 2019 and 2018, respectively.
- (d) The Group has outstanding receivables from its affiliates amounting to ₱31.48 million as of December 31, 2018. These were all collected in 2019.
- (e) The Group paid for the contracted services, material issuances, rental expenses and other supplies of its affiliates. The outstanding balance from its affiliates pertains to collection made by the Group on behalf of its affiliates amounted to ₱58.92 million and ₱11.86 million as of December 31, 2019 and 2018, respectively.
- (f) The Group has outstanding payable to affiliates amounting to ₱11.43 million and ₱15.84 million as of December 31, 2019 and 2018, respectively. This mainly pertains to amount of rental collections made by the Group on behalf of the affiliates.
- (g) Certain affiliates had transactions with the Group for services rendered such as shiploading, coal delivery and coal handling. The outstanding payable of the Group amounted to ₱147.04 million and ₱333.96 million as of December 31, 2019 and 2018, respectively.
- (h) The Group rents construction equipment from its affiliate for use in the construction projects. The outstanding payable amounted to ₱2.33 million as of December 31 2018 (nil as of December 31, 2019).
- (i) A shareholder of the Group provides maintenance of the Group's accounting system, Navision, which is used by some of the Group's subsidiaries. Related expenses are presented as part of "Miscellaneous" under "Operating expenses" in consolidated statement of income. Outstanding payable of the Group amounted to ₱17.71 million and ₱3.10 million as of December 31, 2019 and 2018, 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 amounted to ₱22.44 million and ₱25.95 million as of December 31, 2019 and 2018, respectively.
- (k) An affiliate had transactions with the Group for office and parking rental of units to which related expenses are presented as part of "Operating expenses" in the consolidated statement of income (see Notes 25 and 37). Outstanding payable amounted to ₱28.60 million and ₱36.32 million as at December 31, 2019 and 2018, respectively.
- (l) Outstanding payable to affiliate for labor charges incurred by the Group, which are initially paid by the affiliate in behalf of the Group, amounted to ₱0.44 million and ₱20.86 million as of December 31, 2019 and 2018, respectively.



- (m) The Group entered into an agreement with its affiliate for the delivery of construction materials purchased by the Group. Outstanding payable pertaining to freight charges amounted to ₱15.60 million and nil as of December 31, 2019 and 2018, 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 ₱11.19 million as of December 31, 2019 (nil as of December 31, 2018).

*Terms and conditions of transactions with related parties*

Outstanding balances as of December 31, 2019 and 2018, are unsecured and noninterest-bearing, and are all due within one year, normally within 30-60 day credit term. The Group has approval process and established limits when entering into material related party transactions.

As of December 31, 2019 and 2018, 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:

	2019	2018	2017
Short-term employee benefits	₱199,552	₱336,947	₱306,075
Post-employment benefits (Note 23)	14,605	39,134	21,863
	<b>₱214,157</b>	<b>₱376,081</b>	<b>₱327,938</b>

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

## 22. Equity

Capital Stock

As of December 31, 2019 and 2018, the Parent Company's capital stock consists of:

	Authorized	Outstanding	
	Capital Stocks	2019	2018
Common shares, ₱1 par value	19,900,000,000	13,277,470,000	13,277,470,000
Preferred shares, ₱1 par value	100,000,000	3,780	3,780
Less :Treasury shares		2,820	2,820
		960	960

The preferred stock is redeemable, convertible, non-voting, non-participating and cumulative with par value of ₱1.00 per share. The preferred shareholders' right of converting the preferred shares to common shares expired in March 2002.



On October 1, 2018, the BOD 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.

Below is the summary of the Parent Company’s track record of registration of securities with the SEC as of December 31, 2019:

	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2017	13.28	695
Add/(Deduct) Movement	–	1
December 31, 2018	13.28	696
Add/(Deduct) Movement	–	22
December 31, 2019	13.28	718

#### 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, 2019 and 2018 amounted to ₱3,798.87 million and ₱3,682.53 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:

	2019	2018	2017
April 10, 2019, ₱0.28 per share regular cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	<b>₱3,717,692</b>	₱–	₱–
April 10, 2019, ₱0.20 per share special cash dividend to shareholders on record as of April 29, 2019, payable on or before May 10, 2019.	<b>2,655,494</b>	–	–
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	–

(Forward)



	2019	2018	2017
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
	<b>₱6,373,186</b>	<b>₱12,746,372</b>	<b>₱6,373,186</b>

On various dates in 2019, 2018 and 2017, partially-owned subsidiaries of the Group declared dividends amounting to ₱5,637.89 million and ₱9,753.68 million and ₱10,652.86 million, respectively, of which dividends to noncontrolling interest amounted to ₱2,390.25 million, ₱4,010.62 million, and ₱4,604.86 million, respectively.

The unappropriated retained earnings include undistributed net earnings amounting to ₱61,100.13 million and ₱57,056.53 million as of December 31, 2019 and 2018, respectively, representing accumulated equity in the net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method. These are not available for dividend declaration until declared by the subsidiaries, associates and the joint ventures representing accumulated equity.

#### Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes. The Group considers total equity attributable to equity holders of the Parent Company less net accumulated unrealized gains on equity investments designated at FVOCI, as capital.

The Group is not subject to any externally imposed capital requirements.

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## 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, 2019.



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; and,
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

Under the existing regulatory framework, Republic Act No. 7641, *The New Retirement Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following table summarizes the components of net pension expense (included in "Salaries, wages and employee benefits" account) and pension income (included in "Other income" account) for the year ended December 31 (see Notes 25 and 28):

*Pension Expense*

	2019	2018	2017
Current service cost	<b>₱101,693</b>	₱115,697	₱134,628
Net interest expense on benefit obligation and plan assets	<b>6,439</b>	7,545	3,577
Effect of the asset limit	-	3,790	3,003
Settlement loss	<b>1,036</b>	-	220
Past service cost - curtailment	-	-	-
<b>Total pension expense</b>	<b>₱109,168</b>	₱127,032	₱141,428

*Pension Income*

	2019	2018	2017
Current service cost	<b>₱36,417</b>	₱38,463	₱31,172
Effect of the asset limit	<b>65,869</b>	44,362	43,402
Net interest income on benefit obligation and plan assets	<b>(126,937)</b>	(95,242)	(88,240)
<b>Total pension income</b>	<b>(₱24,651)</b>	(₱12,417)	(₱13,666)

Movements in the fair value of plan assets of the Group follow:

	2019	2018
Balance at beginning of year	<b>₱2,915,718</b>	₱2,979,366
Interest income	<b>226,179</b>	171,016
Remeasurement losses	<b>(840,688)</b>	(255,916)
Benefits paid from plan assets	<b>(40,597)</b>	(58,154)
Contributions	<b>87,711</b>	79,380
Adjustments	-	26
<b>Balance at end of year</b>	<b>₱2,348,323</b>	₱2,915,718



Changes in the present value of the defined benefit obligation follow:

	2019	2018
Balances at beginning of year	<b>₱1,369,904</b>	₱1,432,419
Current service cost	<b>138,110</b>	154,160
Interest expense	<b>100,278</b>	83,319
Benefits paid - from plan assets	<b>(40,597)</b>	(58,154)
Benefits paid - direct payments	<b>(11,717)</b>	(7,416)
Remeasurement losses (gains) arising from:		
Financial assumptions	<b>241,346</b>	(193,189)
Demographic assumptions	<b>(43,641)</b>	(30,716)
Experience adjustments	<b>68,038</b>	(1,882)
Adjustments	-	(74,040)
Balances at end of year	<b>₱1,821,721</b>	₱1,304,501

Below is the net pension asset for those entities within the Group with net pension asset position:

	2019	2018
Fair value of plan assets	<b>₱1,689,683</b>	₱2,823,690
Present value of funded defined benefit obligations	<b>(660,420)</b>	(944,427)
	<b>1,029,263</b>	1,879,263
Effect on asset ceiling	<b>(302,509)</b>	(963,863)
Net pension asset	<b>₱726,754</b>	₱915,400

Movements in the net pension asset follow:

	2019	2018
Net pension asset at beginning of year	<b>₱915,400</b>	₱1,019,687
Remeasurements gain (loss) recognized in other comprehensive income	<b>(206,579)</b>	(201,348)
Reclassification	-	68,291
Net pension expense	<b>17,933</b>	(41,875)
Contributions	-	70,645
Net pension asset at end of year	<b>₱726,754</b>	₱915,400

Movements in the effect of asset ceiling follow:

	2019	2018
Effect of asset ceiling at beginning of year	<b>₱963,863</b>	₱842,821
Interest on the effect of asset ceiling	<b>1,236</b>	48,152
Changes in the effect of asset ceiling	<b>(662,590)</b>	72,890
Effect of asset ceiling at end of year	<b>₱302,509</b>	₱963,863

Below is the net pension liability for those entities within the Group with net pension liability position:

	2019	2018
Present value of funded defined benefit obligations	<b>(₱1,161,301)</b>	(₱360,074)
Fair value of plan assets	<b>658,640</b>	92,028
Net pension liability	<b>(₱502,661)</b>	(₱268,046)



Movements in the net pension liability follow:

	2019	2018
Net pension liability at beginning of year	(P268,046)	(P315,561)
Net pension expense	103,686	72,740
Remeasurement loss recognized in other comprehensive income	(356,072)	(41,376)
Benefits paid - direct payment	7,289	7,416
Contributions	10,482	8,735
Net pension liability at end of year	<b>(P502,661)</b>	<b>(P268,046)</b>

Breakdown of remeasurements recognized in other comprehensive income in 2019 and 2018 follow:

	2019	2018
Remeasurement losses on plan assets	(P840,688)	(P255,916)
Remeasurement gains (losses) on defined benefit obligations	(277,863)	225,787
Changes in the effect of asset ceiling	662,590	(72,890)
Net remeasurement losses on pension plans	(455,961)	(103,019)
Income tax effect	136,788	30,905
Net remeasurement losses on pension plans - net of tax	<b>(P319,173)</b>	<b>(P72,114)</b>

The Group does not expect to contribute to the pension funds in 2020.

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:

	2019	2018
Cash and cash equivalents		
Cash in banks	P67,988	P39,592
Time deposits	94,588	20,048
	<b>162,576</b>	59,640
Investments in stocks		
Common shares of domestic corporations		
Quoted	P1,080,810	P2,064,130
Unquoted	67,852	28,555
Preference shares	11,894	31,338
	<b>1,160,556</b>	2,124,023
Investment in government securities		
Fixed rate treasury notes (FXTNs)	448,885	449,218
Treasury bills (T-bills)	-	11,759
Retail treasury bonds (RTBs)	233,632	33,498
	<b>682,517</b>	494,475
Investment in other securities and debt instruments		
AAA rated debt securities	328,289	213,530
Not rated debt securities	8,896	11,893
	<b>337,185</b>	225,423
Other receivables	11,791	12,674
Accrued trust fees and other payables	(592)	(517)
Benefits payable	(5,710)	-
Fair value of plan assets	<b>P2,348,323</b>	<b>P2,915,718</b>



Trust fees paid in 2019, 2018 and 2017 amounted to ₱1.78 million, ₱1.87 million and ₱1.87 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).
- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE.
- *Investment in government securities* - includes investment in Philippine RTBs and FXTNs.
- *Investments in other securities and debt instruments* - include investment in long-term debt notes and retail bonds.
- *Other receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Accrued trust fees and other payables* - pertain mainly to charges of trust or in the management of the Plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2019	2018	2017
Discount rate	<b>4.95% to 7.97%</b>	7.34% to 7.91%	5.62% to 6.22%
Salary increase rate	<b>3.00% to 10.00%</b>	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2019
Construction and others	11 years
Coal mining	5 years
Nickel mining	11 years
Real estate development	14 years
Power - On grid	10 years
Power - Off grid	11 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the year ended December 31, 2019 and 2018.



*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)	2019	2018
Discount rates	+100 basis points	<b>(P181,439)</b>	(P60,265)
	-100 basis points	<b>211,821</b>	111,864
Salary increases	+1.00%	<b>207,782</b>	111,751
	-1.00%	<b>(180,240)</b>	(62,631)

*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:

	2019	2018
Less than 1 year	<b>P565,327</b>	P472,716
More than 1 year to 5 years	<b>425,520</b>	353,401
More than 5 years to 10 years	<b>853,608</b>	792,226
	<b>P1,844,455</b>	P1,618,343



## 24. Costs of Sales and Services

Details of costs of sales and services follow:

	2019	2018	2017
<b>Cost of Sales</b>			
Cost of real estate inventory (Note 9)	<b>₱12,116,532</b>	₱13,405,859	₱12,117,873
Fuel and lubricants	<b>5,766,840</b>	3,192,436	2,677,270
Materials and supplies	<b>5,407,241</b>	3,672,345	3,602,912
Depreciation and amortization (Notes 12, 13, 14 and 34)	<b>4,242,780</b>	3,347,696	2,888,171
Production overhead	<b>1,620,517</b>	1,023,793	611,404
Direct labor	<b>1,426,917</b>	973,100	964,537
Outside services	<b>1,266,387</b>	851,188	1,333,889
Commission expense (Notes 2 and 10)	<b>833,405</b>	1,119,930	–
Hauling, shiploading and handling costs (Note 21)	<b>390,335</b>	18,594	145,016
Provision for decommissioning and site rehabilitation costs (Note 20)	–	436,523	147,270
Others	<b>71,899</b>	73,828	168,888
	<b>₱33,142,853</b>	₱28,115,292	₱24,657,230
<b>Cost of Services</b>			
Materials and supplies	<b>₱9,275,096</b>	₱9,093,678	₱8,073,780
Direct labor	<b>3,738,171</b>	3,432,717	2,892,880
Outside services	<b>3,278,855</b>	2,301,411	2,144,059
Depreciation and amortization (Notes 12, 13, 14 and 34)	<b>3,668,845</b>	4,381,879	3,541,100
Spot purchases of electricity	<b>2,826,761</b>	1,203,199	1,252,555
Production overhead	<b>2,119,996</b>	1,105,418	1,363,895
Fuel and lubricants	<b>1,482,606</b>	1,452,632	1,796,344
Hauling, shiploading and handling costs (Note 21)	<b>288,458</b>	278,321	283,496
Others	<b>233,020</b>	523,784	227,342
	<b>26,911,808</b>	23,773,039	21,575,451
	<b>₱60,054,661</b>	₱51,888,331	₱46,232,681

Cost of real estate sales presented in the consolidated statement of income includes cost of running hotel and property management operations amounting to ₱227.04 million, ₱177.74 million and ₱249.17 million for 2019, 2018 and 2017, respectively.

Related revenue from hotel and property management operations amounted to ₱445.80 million, ₱339.96 million and ₱423.50 million in 2019, 2018 and 2017, respectively.



Depreciation, depletion and amortization included in the consolidated statement of income follow:

	2019	2018	2017
Included in:			
Cost of coal mining	<b>₱3,804,839</b>	₱3,028,172	₱2,832,373
Cost of electricity sales	<b>2,937,938</b>	3,706,189	2,836,265
Cost of construction contracts and others	<b>730,907</b>	675,690	704,452
Cost of nickel mining	<b>247,733</b>	97,580	55,416
Cost of real estate development	<b>190,208</b>	221,944	765
Operating expenses (Note 25)	<b>1,290,458</b>	1,702,225	1,625,490
	<b>₱9,202,083</b>	₱9,431,800	₱8,054,761
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	<b>₱9,337,817</b>	₱10,260,534	₱8,246,600
Other noncurrent assets (Note 14)	<b>52,736</b>	48,110	51,927
Investment properties (Note 12)	<b>14,794</b>	14,826	14,900
Right-of-use assets (Note 34)	<b>68,282</b>	-	-
	<b>₱9,473,629</b>	₱10,323,470	₱8,313,427

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱271.55 million, ₱891.67 million and ₱258.67 million in 2019, 2018 and 2017, respectively.

Salaries, wages and employee benefits included in the consolidated statement of income follow:

	2019	2018	2017
Presented under:			
Costs of sales and services	<b>₱5,165,088</b>	₱4,405,817	₱3,857,417
Operating expenses (Note 25)	<b>1,996,441</b>	1,905,353	1,552,390
	<b>₱7,161,529</b>	₱6,311,170	₱5,409,807

## 25. Operating Expenses

This account consists of:

	2019	2018	2017
Government share (Note 31)	<b>₱3,927,055</b>	₱3,569,015	₱4,306,811
Salaries, wages and employee benefits (Notes 23 and 24)	<b>1,966,441</b>	1,905,353	1,552,390
Taxes and licenses	<b>1,411,869</b>	1,270,078	1,269,111
Depreciation and amortization (Notes 12, 13, 14 and 24)	<b>1,290,458</b>	1,702,225	1,625,490
Repairs and maintenance	<b>726,923</b>	844,949	753,741
Outside services	<b>560,858</b>	306,854	507,743
Insurance	<b>362,608</b>	179,835	168,074
Advertising and marketing	<b>320,657</b>	311,480	411,894
Rent (Notes 21 and 37)	<b>179,788</b>	230,045	271,773
Communication, light and water	<b>153,876</b>	166,778	155,425

(Forward)



	2019	2018	2017
Transportation and travel	₱150,442	₱152,507	₱120,221
Entertainment, amusement and recreation	141,566	151,683	126,957
Allowance for expected credit losses, probable losses assets (Notes 7 and 10)	135,749	30,825	6,315
Supplies	108,574	100,621	95,767
Loss on write-down of property, plant and equipment and other noncurrent assets (Notes 13 and 14)	83,536	–	183,897
Association dues	56,457	72,928	65,866
Commission	6,389	2,182	995,327
Miscellaneous (Note 21)	575,023	643,303	377,023
	<b>₱12,158,269</b>	<b>₱11,640,661</b>	<b>₱12,993,825</b>

In 2019, 2018 and 2017, the Group recorded accelerated depreciation for its power generation units amounting to ₱549.95 million, ₱1,210.10 million and ₱840.08 million, respectively, due to planned rehabilitation of the Group's 2x300MW coal-fired power plant in Calaca, Batangas.

Upon adoption of PFRS 15 in 2018, real estate commission expense were reclassified to cost of real estate services (see Note 24).

## 26. Finance Income

Finance income is derived from the following sources:

	2019	2018	2017
Interest on:			
Short-term placements (Note 4)	₱330,972	₱360,666	₱140,205
Installment contracts receivable (Note 7)	277,659	253,288	169,130
Bank savings accounts (Note 4)	172,745	152,248	140,825
Investment from sinking fund (Note 10)	34,973	28,196	687
Others (Note 7)	180,188	–	–
	<b>₱996,537</b>	<b>₱794,398</b>	<b>₱450,847</b>

## 27. Finance Costs

The finance costs are incurred from the following:

	2019	2018	2017
Short-term debt (Note 15)	₱783,027	₱298,773	₱228,711
Long-term debt (Note 19)	637,639	674,012	522,532
Amortization of debt issuance cost (Note 19)	50,040	42,659	38,389
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation costs (Notes 16 and 20)	32,708	123,134	87,289
Lease liabilities	20,038	–	–
	<b>₱1,523,452</b>	<b>₱1,138,578</b>	<b>₱876,921</b>



## 28. Other Income - Net

This account consists of:

	2019	2018	2017
Forfeitures and cancellation of real estate contracts	<b>₱1,070,414</b>	₱770,951	₱607,216
Recoveries from insurance claims and claims from third party settlement	<b>668,393</b>	287,766	380,079
Sales of fly ash	<b>166,197</b>	189,762	178,932
Rental income (Note 12)	<b>109,833</b>	184,076	123,521
Pension income (Note 23)	<b>24,651</b>	12,417	13,666
Reversal of allowance for doubtful accounts (Notes 7 and 14)	<b>5,136</b>	-	51,969
Gain on sale of undeveloped parcel of land (Note 9)	-	1,021,763	-
Gain (loss) on sale of property, plant and equipment - net (Note 13)	<b>(14,847)</b>	37,269	144,934
Foreign exchange losses (Note 36)	<b>(40,453)</b>	(388,172)	(363,508)
Gain (loss) on financial asset at FVPL (Note 5)	<b>(643,476)</b>	91,592	256,270
Others	<b>72,186</b>	51,555	39,987
	<b>₱1,418,034</b>	₱2,258,979	₱1,433,066

### *Gain (loss) on financial asset 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 loss of ₱398.03 million in 2019 and realized gain of ₱65.82 million in 2018 (see Note 5).

### *Recoveries from insurance claims and claims from third party settlement*

Recoveries from insurance claims amounting to ₱668.39 million and ₱287.77 million in 2019 and 2018, respectively, pertain to the amount reimbursed by the insurer on insured equipment of SLPGC that were damaged last year. The amount recognized is net of related cost of repairs incurred. Recoveries from insurance claims in 2017 pertains to the settlement agreement from the EPC contractor representing compensation for the delay in completion of 2x150 MW coal-fired thermal power plant and also includes the income on claims from PSALM and NPC.

### *Others*

Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees and others.

## 29. Income Tax

The provision for income tax shown in the consolidated statement of income consists of:

	2019	2018	2017
Current	<b>₱1,962,046</b>	₱2,733,108	₱3,081,114
Deferred	<b>(311,189)</b>	363,744	135,829
Final	<b>108,052</b>	108,387	44,859
	<b>₱1,758,909</b>	₱3,205,239	₱3,261,802



The components of net deferred tax assets as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax assets on:		
Allowance for:		
Expected credit losses	₱516,978	₱499,771
Inventory obsolescence	21,580	20,218
NOLCO	194,128	3,280
Unrealized gross loss on construction contracts	157,066	113,331
Pension liabilities - net	73,355	45,314
Impairment	47,012	4,588
Unrealized foreign exchange loss	13,390	-
Provision for decommissioning and site rehabilitation	9,147	10,787
Accruals of expenses	5,491	11,350
Others	77,885	22,465
	<b>1,116,032</b>	<b>731,104</b>
Deferred tax liabilities on:		
Pension assets - net	(1,297)	(10,143)
Recoveries from claims from third party settlement	-	(99,696)
Unrealized foreign exchange gain	-	(14,388)
	<b>(1,297)</b>	<b>(124,227)</b>
	<b>₱1,114,735</b>	<b>₱606,877</b>

The components of net deferred tax liabilities as of December 31, 2019 and 2018 follow:

	2019	2018
Deferred tax assets on:		
Pension liabilities - net	₱111,413	₱15,069
Allowance for:		
Expected credit losses	21,421	21,421
Probable losses	-	7,648
Deferred commission expense	-	165,469
Unamortized discount on payable to landowners	-	5,451
	<b>132,834</b>	<b>215,058</b>
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	(3,192,118)	(3,342,153)
Effect of business combination	(1,338,826)	(1,370,931)
Capitalized interest on real estate for sale and development deducted in advance	(380,804)	(292,745)
Unrealized gross profit on construction contracts	(128,018)	(135,472)
Unrealized foreign exchange gain - net	(77,741)	(107,651)
Deferred commission expense	(51,269)	-
Pension assets - net	(34,743)	(30,473)
Unamortized transaction cost on loans payable	(32,986)	(15,010)
Mine rehabilitation	(4,524)	(4,524)
Unrealized gain on financial assets at FVPL	-	(73,633)
Others	(103,293)	(121,466)
	<b>(5,344,322)</b>	<b>(5,494,058)</b>
	<b>(₱5,211,488)</b>	<b>(₱5,279,000)</b>



The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred tax assets have not been recognized:

	<b>2019</b>	2018
Allowance for impairment losses	<b>₱280,693</b>	₱280,693
NOLCO	<b>178,377</b>	2,104,911
Allowance for probable losses	<b>52,957</b>	52,957
Pension liabilities - net	<b>16,993</b>	16,993
MCIT	<b>3,498</b>	3,499

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
2019	₱19,983	₱221	2022
2018	157,975	728	2021
2017	419	2,549	2020
	<b>₱178,377</b>	<b>₱3,498</b>	

Rollforward analysis of the Group's NOLCO and MCIT follows:

	<b>NOLCO</b>		<b>MCIT</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
Balances at beginning of year	<b>₱2,104,911</b>	₱4,509,864	<b>₱3,499</b>	₱7,782
Additions	<b>19,983</b>	157,975	<b>221</b>	728
Expirations and usage	<b>(1,946,517)</b>	(2,562,928)	<b>(222)</b>	(5,011)
Balances at end of year	<b>₱178,377</b>	₱2,104,911	<b>₱3,498</b>	₱3,499

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	<b>2019</b>	2018
Statutory income tax rate	<b>30.00%</b>	30.00%
Adjustments for:		
Impairment of goodwill	<b>2.96</b>	-
Changes in unrecognized deferred tax assets	<b>0.98</b>	0.30
Nondeductible expenses	<b>0.90</b>	0.47
NOLCO	<b>0.12</b>	0.04
Effect of OSD	<b>(0.34)</b>	(0.73)
Excess costs of construction contracts	<b>(0.10)</b>	(0.37)
Interest income subjected to final tax at a lower rate - net	<b>(0.29)</b>	(0.22)
Nontaxable equity in net earnings of associates and jointly controlled entities	<b>(3.26)</b>	(2.38)
Income under income tax holiday	<b>(19.40)</b>	(13.73)
Others	<b>(0.98)</b>	0.52
Effective income tax rate	<b>10.59%</b>	13.90%



*Registrations with Department of Energy and BOI*

a. *Certain power generation companies - Registration with the BOI*

Certain power generation companies in the Group have been registered with the BOI. Accordingly, they are entitled, among others, to ITH incentives covering 4 to 10 years. To be able to avail of the incentives, these companies are required to maintain a minimum equity level. As of December 31, 2019 and 2018, the Group have complied with the requirements.

In 2019 and 2018, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱1,039.74 million and ₱356.73 million, respectively.

b. *SMPC - Expanding Producer of Coal Narra and Molave Minesite*

On August 31, 2012 and February 24, 2016, BOI has granted SMPC Certificate of Registration (COR) as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2017-042), respectively.

As a registered entity, SMPC is entitled to the following incentives for the two CORs, among others:

- (a) ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- (b) Income qualified for ITH availment shall not exceed by more than 10%, the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱2,313.56 million, ₱2,992.59 million and ₱2,679.13 million in 2019, 2018 and 2017, respectively.

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### 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 (amounts in thousands, except basic/diluted earnings per share):

	2019	2018	2017
Net income attributable to equity holders of Parent Company	<b>₱10,533,131</b>	₱14,512,939	₱14,764,557
Divided by weighted average number of common shares	<b>13,277,470</b>	13,277,470	13,277,470
<b>Basic/diluted earnings per share</b>	<b>₱0.79</b>	₱1.09	₱1.11

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2019, 2018 and 2017.



### 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 ₱3,927.06 million, ₱3,569.02 million and ₱4,306.81 million in 2019, 2018 and 2017, respectively, included under "Operating expenses" in the consolidated statement of income (see Note 25). Payable to DOE and LGU amounting to ₱855.90 million and ₱713.35 million as of December 31, 2019 and 2018, respectively, are included under the "Accounts and other payables" account in the consolidated statement of financial position (see Note 17).

### 32. Material Partly-Owned Subsidiary

The financial information of the Group's subsidiaries with material noncontrolling-interest are provided below. These information are based on amounts in the consolidated financial statements of the subsidiary.

#### Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2019	2018
<b>Consolidated statements of financial position</b>		
Current assets	<b>₱21,609,778</b>	₱25,688,111
Noncurrent assets	<b>50,601,763</b>	45,360,828
<b>Total assets</b>	<b>72,211,541</b>	71,048,938
Current liabilities	<b>13,995,547</b>	20,372,104
Noncurrent liabilities	<b>13,984,810</b>	10,744,148
<b>Total liabilities</b>	<b>27,980,357</b>	31,116,252
<b>Equity</b>	<b>₱44,231,184</b>	₱39,932,687
<b>Consolidated statements of comprehensive income</b>		
Revenue	<b>₱44,252,105</b>	₱41,968,513
Cost of sales	<b>26,647,797</b>	20,844,170
Gross profit	<b>17,604,308</b>	21,124,343
Operating expenses	<b>(7,369,036)</b>	(7,775,795)
Other expenses – net	<b>(856,323)</b>	(593,665)
Income before income tax	<b>9,378,949</b>	12,754,883
Provision for income tax	<b>295,126</b>	729,501
Net income	<b>9,674,075</b>	12,025,382
Other comprehensive income (loss)	<b>(62,393)</b>	50,243
<b>Total comprehensive income</b>	<b>₱9,611,682</b>	₱12,075,625

(Forward)



	2019	2018
<b>Cash flow information</b>		
Operating	<b>₱23,936,798</b>	₱9,503,159
Investing	<b>(12,291,754)</b>	(8,572,238)
Financing	<b>(7,130,144)</b>	(7,489,807)
Effect of exchange rate changes on cash and cash equivalents	<b>39,233</b>	(9,071)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>₱4,554,133</b>	<b>(₱6,567,957)</b>

The accumulated balances of material noncontrolling-interest as at December 31, 2019 and 2018 amounted to ₱19,546.85 million and ₱17,695.73 million, respectively. Dividends paid to noncontrolling interests amounted to ₱2,303.47 million and ₱4,010.62 million in 2019 and 2018, respectively.

In 2018, SMPC bought back own shares of 7,863,000 shares for ₱251.61 million. This resulted to an increase in the effective ownership of the Parent Company on SMPC and its subsidiaries by 0.11% and the recognition of premium on acquisition of non-controlling interest amounting to ₱218.88 million in 2018.

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### 33. Goodwill

Goodwill arising from business combination in the Group's consolidated statement of financial position 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. These entities were acquired by the Group to strengthen its strategic objective in the nickel mining segment.

Goodwill is tested for impairment on annual basis by assessing the recoverable amount of the CGUs based on a value in use calculation using cash flow projections from financial budgets covering the expected mine production. The calculation of the discounted cash flow of the CGUs is most sensitive to the assumptions on mine production, discount rate, nickel prices, price inflation and the estimate timing of resumption of operations.

As a result of the analysis, the Group wroteoff the ₱1,637.43 million goodwill attributable to the Zambales mining assets in 2019. The decline in global nickel prices coupled with lower estimated ore grade of reserves and certain regulatory restrictions led to the recognition of impairment loss on goodwill for the year.

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### 34. Leases

#### *The Group as a Lessee*

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore lease generally have lease terms between five (5) and 25 years, while office spaces generally have lease terms of three (3) to seven (7) years. The Group also has certain leases of office spaces, warehouse and storage spaces which have lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.



As of December 31, 2019, the movements in the Group's right-of-use assets and lease liabilities follows:

	Right-of-use Assets			Lease Liabilities
	Land	Office space	Total	
Effect of Adoption of PFRS 16 (Note 2)	₱169,010	₱161,326	₱330,336	₱261,096
Additions	4,361	–	4,361	4,361
Depreciation	(23,296)	(44,986)	(68,282)	
Payment	–	–	–	(67,278)
Accretion	–	–	–	20,038
	<b>₱150,075</b>	<b>₱116,340</b>	<b>₱266,415</b>	<b>₱218,217</b>

The following are the amounts recognized in consolidated statement of income in 2019:

Depreciation expense of right-of-use assets charged to:	
Cost of sales and services (Note 24)	₱23,296
Operating expenses (Note 25)	44,986
Expenses relating to short-term leases charged to operating expenses (Note 25)	19,742
Interest expense on lease liabilities (Note 27)	20,038
	<b>₱108,062</b>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 3).

As of December 31, 2019 and 2018, future minimum lease payments under operating lease are as follows:

	2019	2018
Within one year	<b>₱91,300</b>	₱127,260
After one year but not more than five years	<b>193,425</b>	47,776
More than five years	<b>56,690</b>	162,221
	<b>₱341,415</b>	<b>₱337,257</b>

*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 4.50% to 7.00% annually and are renewable under the terms and condition agreed with the lessees.

As of December 31, 2019 and 2018, future minimum lease receivables under the aforementioned operating lease are as follows:

	2019	2018
Within one year	<b>₱26,906</b>	₱17,527
After one year but not more than five years	<b>116,998</b>	28,608
More than five years	<b>13,155</b>	22,979
	<b>₱157,059</b>	<b>₱69,114</b>



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## 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. Reporting operating segments are as follows:

- Construction and others - engaged in various construction projects and construction-related businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.
- Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.
- Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.
- Real estate - focused in mid-income residential development carried under the brand name DMCI Homes.
- On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.
- Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.
- Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements. The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRSs.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group disaggregates its revenue information in the same manner as it reports its segment information. The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 7% and 10% of the Group's total revenue in 2019 and 2018, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

### Business Segments

The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2019, 2018 and 2017 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2019, 2018 and 2017.



Year ended December 31, 2019

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
Revenue	₱18,770,559	₱29,085,433	₱1,610,297	₱18,584,388	₱15,169,123	₱4,541,421	₱-	₱-	₱87,761,221
Equity in net earnings of associates and joint ventures	-	691	-	(1,364)	-	-	1,803,058	-	1,802,385
Other income (expense)	33,378	(14,929)	42,153	1,118,345	214,361	21,366	-	3,360	1,418,034
	18,803,937	29,071,195	1,652,450	19,701,369	15,383,484	4,562,787	1,803,058	3,360	90,981,640
Cost of sales and services (before depreciation and amortization)	15,852,434	13,855,809	432,747	13,000,136	5,961,492	2,917,280	-	-	52,019,898
Government Share (Note 25)	-	3,927,055	-	-	-	-	-	-	3,927,055
General and administrative expense (before depreciation and amortization)	750,661	648,581	575,095	2,307,468	2,079,807	642,560	-	59,722	7,063,894
	16,603,095	18,431,445	1,007,842	15,307,604	8,041,299	3,559,840	-	59,722	63,010,847
EBITDA	2,200,842	10,639,750	644,608	4,393,765	7,342,185	1,002,947	1,803,058	(56,362)	27,970,793
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(36,656)	(511,128)	7,597	331,161	(543,594)	(26,105)	-	251,810	(526,915)
Impairment of Goodwill	-	-	(1,637,430)	-	-	-	-	-	(1,637,430)
Depreciation and amortization (Notes 24 and 25)	(795,172)	(3,974,890)	(301,529)	(332,591)	(3,538,027)	(253,381)	-	(6,493)	(9,202,083)
Pretax income	1,369,014	6,153,732	(1,286,754)	4,392,335	3,260,564	723,461	1,803,058	188,955	16,604,365
Provision for income tax (Note 29)	384,914	(30,456)	100,874	1,363,867	(221,882)	112,278	-	49,314	1,758,909
Net income	₱984,100	₱6,184,188	(₱1,387,628)	₱3,028,468	₱3,482,446	₱611,183	₱1,803,058	₱139,641	₱14,845,456
Net income attributable to noncontrolling-interests	54,317	2,681,085	67,983	8,343	1,500,597	-	-	-	4,312,325
Net income attributable to equity holders of the Parent Company	₱929,783	₱3,503,103	(₱1,455,611)	₱3,020,125	₱1,981,849	₱611,183	₱1,803,058	₱139,641	₱10,533,131
Segment Assets									
Cash	₱3,392,025	₱3,243,914	₱865,148	₱5,897,157	₱3,213,170	₱46,963	₱-	₱4,939,446	₱21,597,823
Receivables and contract assets	9,710,153	1,281,338	49,645	20,192,449	2,654,612	1,483,069	-	6,551	35,377,817
Inventories	1,222,789	6,384,701	321,080	37,593,332	3,834,869	309,682	-	-	49,666,453
Investment in associates and joint venture	58,380	51,203	-	825,677	-	-	-	14,279,098	15,214,358
Fixed assets**	3,659,060	10,000,076	5,190,450	1,722,497	38,556,292	4,446,604	-	9,719	63,584,698
Others	4,052,613	1,632,117	583,995	5,433,339	2,681,923	908,722	-	53,143	15,345,852
	₱22,095,020	₱22,593,349	₱7,010,318	₱71,664,451	₱50,940,866	₱7,195,040	₱-	₱19,287,957	₱200,787,001
Segment Liabilities									
Contract liabilities	₱3,501,586	₱32,124	₱-	₱9,624,719	₱-	₱-	₱-	₱-	₱13,158,429
Short-term and long-term debt	218,562	4,900,000	-	25,786,129	13,697,035	2,304,000	-	-	46,905,726
Others	11,662,318	6,199,825	2,190,502	12,801,540	3,302,154	1,663,553	-	64,880	37,884,772
	₱15,382,466	₱11,131,949	₱2,190,502	₱48,212,388	₱16,999,189	₱3,967,553	₱-	₱64,880	₱97,948,927
Other disclosures									
Property, plant and equipment additions (Note 13)	₱1,999,822	₱3,380,166	₱92,428	₱722,283	₱8,413,577	₱999,141	₱-	₱2,645	₱15,610,062
Acquisition of land for future development (Note 9)	-	-	-	6,649,655	-	-	-	-	6,649,655

\*Revenue from construction segment includes sales and service revenue from Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation assets



Year ended December 31, 2018

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power On-Grid	Power Off-Grid	Water	Parent Company	Total
<b>Revenue</b>	₱15,011,271	₱23,185,658	₱1,211,751	₱20,572,250	₱18,782,906	₱4,079,024	₱-	₱-	₱82,842,860
<b>Equity in net earnings of associates and joint ventures</b>	-	(430)	-	-	-	-	1,826,087	-	1,825,657
<b>Other income (expense)</b>	9,685	(328,621)	31,771	1,964,492u	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
<b>Cost of sales and services</b> (before depreciation and amortization)	12,005,694	9,233,912	294,683	14,481,585	5,203,521	2,939,376	-	-	44,158,771
<b>Government Share</b> (Note 25)	-	3,569,015	-	-	-	-	-	-	3,569,015
<b>General and administrative expense</b> (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
<b>EBITDA</b>	2,381,741	9,326,659	439,174	5,791,873	12,312,326	825,850	1,826,087	(72,976)	32,830,304
<b>Other income (expenses)</b>									
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)
<b>Pretax income</b>	1,677,081	5,904,745	323,313	5,638,098	6,897,919	569,014	1,826,087	218,497	23,054,324
<b>Provision for income tax</b> (Note 29)	404,678	19,906	128,397	1,762,763	724,427	104,468	-	60,600	3,205,239
<b>Net income</b>	₱1,272,403	₱5,884,839	₱194,916	₱3,875,335	₱6,173,492	₱464,546	₱1,826,087	₱157,897	₱19,849,085
<b>Net income attributable to noncontrolling-interests</b>	₱40,079	₱2,554,605	₱77,449	₱-	₱2,664,013	₱-	₱-	₱-	₱5,336,146
<b>Net income attributable to equity holders of the Parent Company</b>	₱1,232,324	₱3,330,234	₱117,467	₱3,875,335	₱3,509,479	₱464,546	₱1,826,087	₱157,897	₱14,512,939
<b>Segment Assets</b>									
Cash	₱1,881,020	₱863,765	₱605,546	₱6,158,935	₱1,039,043	₱308,805	₱-	₱4,624,850	₱15,481,964
Receivables and contract assets	6,770,091	2,433,171	164,572	17,627,209	4,885,401	1,306,806	-	10,110	33,197,360
Inventories	1,480,882	7,799,002	290,691	30,262,122	4,564,381	294,442	-	-	44,691,520
Investment in associates and joint venture	58,380	52,384	-	293,241	-	-	-	13,826,646	14,230,651
Fixed assets**	2,403,776	11,144,571	5,568,132	1,399,443	33,235,079	3,707,894	-	11,088	57,469,983
Others	3,392,404	2,426,216	2,297,993	5,004,160	3,635,478	501,136	-	75,850	17,333,237
	₱15,986,553	₱24,719,109	₱8,926,934	₱60,745,110	₱47,359,382	₱6,119,083	₱-	₱18,548,544	₱182,404,715
<b>Segment Liabilities</b>									
Contract liabilities	₱3,120,188	₱47,042	₱-	₱8,086,109	₱1,710,015	₱-	₱-	₱-	₱11,253,339
Short-term and long-term debt	175,756	7,906,388	-	18,771,488	12,583,200	2,084,500	-	-	41,521,332
Others	6,555,522	7,592,050	2,548,493	12,064,517	2,373,213	1,387,346	-	29,444	32,550,585
	₱9,851,466	₱15,545,480	₱2,548,493	₱38,922,114	₱14,956,413	₱3,471,846	₱-	₱29,444	₱85,325,256
<b>Other disclosures</b>									
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 Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation assets.



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
<b>Revenue</b>	₱13,383,344	₱23,489,591	₱759,267	₱19,903,980	₱20,453,899	₱2,712,659	₱-	₱-	₱80,702,740
<b>Equity in net earnings of associates and joint ventures</b>	-	-	-	-	-	-	1,694,046	-	1,694,046
<b>Other income (expense)</b>	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
<b>Cost of sales and services</b> (before depreciation and amortization)	10,708,122	9,078,062	267,530	12,366,273	5,887,497	1,495,926	-	-	39,803,410
<b>Government Share</b> (Note 25)	-	4,306,811	-	-	-	-	-	-	4,306,811
<b>General and administrative expense</b> (before depreciation and amortization)	512,191	827,953	322,428	2,933,511	1,832,125	555,982	-	77,334	7,061,524
	11,220,313	14,212,826	589,958	15,299,784	7,719,622	2,051,908	-	77,334	51,171,745
<b>EBITDA</b>	2,215,476	9,123,405	211,502	5,366,866	13,445,143	678,414	1,694,046	(76,745)	32,658,107
<b>Other income (expenses)</b>									
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)
<b>Pretax income</b>	1,474,960	5,988,603	94,584	5,106,658	9,325,942	444,873	1,694,046	47,606	24,177,272
<b>Provision for (benefit from) income tax</b> (Note 29)	381,896	2,785	(10,386)	1,555,651	1,221,890	85,874	-	24,092	3,261,802
<b>Net income</b>	₱1,093,064	₱5,985,818	₱104,970	₱3,551,007	₱8,104,052	₱358,999	₱1,694,046	₱23,514	₱20,915,470
<b>Net income attributable to noncontrolling-interest</b>	₱40,938	₱2,568,078	(₱8,053)	₱-	₱3,549,950	₱-	₱-	₱-	₱6,150,913
<b>Net income attributable to equity holders of the Parent Company</b>	₱1,052,126	₱3,417,740	₱113,023	₱3,551,007	₱4,554,102	₱358,999	₱1,694,046	₱23,514	₱14,764,557
<b>Segment Assets</b>									
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
Fixed assets**	2,032,541	10,690,823	5,579,680	1,321,300	33,738,142	2,724,725	-	33,587	56,120,798
Others	3,882,308	1,716,181	2,359,772	2,233,585	2,967,346	555,061	-	76,526	13,790,779
	₱13,613,804	₱23,462,830	₱8,959,618	₱53,131,124	₱46,274,746	₱4,637,838	₱-	₱21,734,616	₱171,814,576
<b>Segment Liabilities</b>									
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
<b>Other disclosures</b>									
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 Wire Rope.

\*\*Includes property, plant and equipment, investment properties and exploration and evaluation asset.



### 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, 2019 and 2018, 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.

	2019					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	
<b>Financial assets at amortized cost</b>						
Cash in banks and cash equivalents	₱21,575,120	₱-	₱-	₱-	₱-	₱21,575,120
Receivables - net						
Trade:						
Real estate	3,222,984	-	-	-	-	3,222,984
General construction	2,192,686	1,506,976	1,353,069	1,422,638	-	6,475,369
Electricity sales	3,103,158	-	-	-	-	3,103,158

(Forward)



2019						
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Coal mining	₱813,415	₱-	₱-	₱-	₱-	₱813,415
Nickel mining	48,716	-	-	-	-	48,716
Merchandising and others	40,155	58,742	-	-	-	98,897
Receivables from related parties	493,464	-	-	-	-	493,464
Other receivables	1,991,798	11,722	-	-	-	2,003,520
Other assets						
Refundable deposits	-	356,828	68,491	-	-	425,319
Deposit in escrow fund	-	181,178	-	-	-	181,178
Security deposits	-	-	2,875	-	-	2,875
	<b>33,481,496</b>	<b>2,115,446</b>	<b>1,424,435</b>	<b>1,422,638</b>	<b>-</b>	<b>38,444,015</b>
<b>Equity investment designated at FVOCI</b>						
Quoted securities	145,700	-	-	-	-	145,700
Unquoted securities	2,177	-	-	-	-	2,177
	147,877	-	-	-	-	147,877
Total undiscounted financial assets	<b>33,629,373</b>	<b>2,115,446</b>	<b>1,424,435</b>	<b>1,422,638</b>	<b>-</b>	<b>38,591,892</b>
<b>Other Financial Liabilities</b>						
Short-term debt	-	2,492,122	-	-	-	2,492,122
Accounts and other payables*	14,468,952	9,382,155	158,962	71,720	-	24,081,789
Liabilities for purchased land	-	673,025	1,037,047	19,303	166,788	1,896,163
Long-term debt	1,921,772	17,065,598	4,221,827	4,923,825	16,280,582	44,413,604
Total undiscounted financial liabilities	<b>16,390,724</b>	<b>29,612,900</b>	<b>5,417,836</b>	<b>5,014,848</b>	<b>16,447,370</b>	<b>72,883,678</b>
Liquidity gap	<b>₱17,238,649</b>	<b>(₱27,497,454)</b>	<b>(₱3,993,401)</b>	<b>(₱3,592,210)</b>	<b>(₱16,447,370)</b>	<b>(₱34,291,786)</b>

\*Excludes nonfinancial liabilities.

2018						
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
<b>Financial assets at amortized cost</b>						
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
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
Other assets						
Refundable deposits	-	240,118	78,047	-	-	318,165
Deposit in escrow fund	48,043	-	-	-	-	48,043
Security deposits	-	-	5,436	-	-	5,436
	27,618,513	4,880,193	83,483	-	-	32,582,189
<b>Financial asset at FVTPL</b>	-	91,810	76,817	76,817	-	245,444
	27,618,513	4,972,003	160,300	76,817	-	32,957,847
<b>Equity investment designated at FVOCI</b>						
Quoted securities	128,037	-	-	-	-	128,037
Unquoted securities	2,177	-	-	-	-	2,177
	130,214	-	-	-	-	130,214
Total undiscounted financial assets	27,748,727	4,972,003	160,300	76,817	-	32,957,817
<b>Other Financial Liabilities</b>						
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	<b>₱27,298,282</b>	<b>(₱27,970,459)</b>	<b>(₱15,448,451)</b>	<b>(₱4,698,519)</b>	<b>(₱11,316,006)</b>	<b>(₱32,135,153)</b>

\*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
- 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.

c. *Equity Price Risk*

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2019	2018	2019	2018
PSE	+21.01%	+14.42%	(P2,388)	(P260)
	-21.01%	-14.42%	2,388	260
Others	+13.56%	+47.89%	1,541	67,604
	-13.56%	-47.89%	(1,541)	(67,604)

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 21.01% and 13.56% in 2019 and 14.42% and 47.89% in 2018, 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 statement of income.

*d. Commodity Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

*Coal*

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	<b>2019</b>	<b>2018</b>
Domestic market	<b>21.46%</b>	43.67%
Export market	<b>78.54%</b>	56.33%
	<b>100.00%</b>	100.00%



The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2019 and 2018 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 2019 and 2018.

Change in coal price	Effect on income before income tax	
	2019	2018
<i>Based on ending coal inventory</i>		
Increase by 27% in 2019 and 21% in 2018	<b>₱302,989</b>	₱394,955
Decrease by 27% in 2019 and 21% in 2018	<b>(302,989)</b>	(394,955)
<i>Based on coal sales volume</i>		
Increase by 23% in 2019 and 21% in 2018	<b>₱3,422,916</b>	₱1,835,205
Decrease by 23% in 2019 and 21% in 2018	<b>(3,422,916)</b>	(1,835,205)

e. *WESM Price Risk*

This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences discussed in Note 5.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.75 and ₱3.35 in 2019 and 2018, respectively, with all variables held constant of the Group's income before taxes (amounts in thousands).

	2019	2018
Increase by 2% in average WESM price	<b>(₱1,069,563)</b>	(₱481,800)
Decrease by 2% in average WESM price	<b>219,000</b>	219,000

f. *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	Change in basis points	2019	
		Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	₱-	₱-
	-100 bps	-	-
Peso floating rate borrowings	+100 bps	37,484	26,239
	-100 bps	(37,484)	(26,239)



	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)

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 2019 and 2018. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

*g. Foreign Currency Risk*

Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statement of income is computed based on the carrying value of the floating rate receivables as at December 31, 2019 and 2018.

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)	
	2019	2018	2019	2018
US Dollar <sup>1</sup>	+3.37%	+0.36%	(74,051)	(15,596)
	-3.37%	-0.36%	74,051	15,596
Japanese Yen <sup>2</sup>	+3.90%	+2.41%	6,870	14
	-3.90%	-2.41%	(6,870)	(14)
Singaporean Dollar <sup>3</sup>	+3.5%	—	9,976	—
	-3.5%	—	(9,976)	—
UK Pounds <sup>4</sup>	+6.47%	+2.04%	462	151
	-6.47%	-2.04%	(462)	(151)
E.M.U. Euro <sup>5</sup>	+0.76%	+2.87%	(462)	(651)
	-0.76%	-2.87%	462	651
Australian Dollar <sup>6</sup>	+12.82%	+0.48%	(53,738)	(8,196)
	-12.82%	-0.48%	53,738	8,196

1. The exchange rates used were ₱50.64 to \$1 and ₱52.80 to \$ for the year ended December 31, 2019 and 2018, respectively.

2. The exchange rates used were ₱0.46 to ¥1 and ₱0.48 to ¥1 for the year ended December 31, 2019 and 2018, respectively.

3. The exchange rates used were ₱37.49 to SGD 1 for the year ended December 31, 2019.

4. The exchange rates used were ₱65.99 to £1 and ₱66.73 to £1 for the year ended December 31, 2019 and 2018, respectively.

5. The exchange rates used were ₱56.35 to €1 and ₱60.31 to €1 for the year ended December 31, 2019 and 2018, respectively.

6. The exchange rates used were ₱35.26 to AUD 1 and ₱37.08 to AUD 1 for the year ended December 31, 2019 and 2018, respectively.



Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2019 and 2018 follows:

	2019						Equivalent in PHP
	U.S. Dollar	Japanese Yen	Singaporean Dollar	UK Pounds	E.M.U Euro	Australian Dollar	
<b>Financial assets</b>							
Cash and cash equivalents	\$55,216	¥37,306	–	£26	€164	\$–	₱2,824,458
Receivables	17,136	343,638	\$287	82	1,251	44,215	2,673,609
Advances	300	–	–	–	–	–	15,191
	<b>72,652</b>	<b>380,944</b>	<b>287</b>	<b>108</b>	<b>1,415</b>	<b>44,215</b>	<b>5,513,258</b>
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	(\$27,774)	(¥9)	(\$2)	£–	(€344)	\$–	(₱1,426,204)
Long-term loans	(1,449)	–	–	–	–	–	(73,521)
	<b>(29,223)</b>	<b>(9)</b>	<b>(2)</b>	<b>–</b>	<b>(344)</b>	<b>–</b>	<b>(1,499,725)</b>
	<b>\$43,429</b>	<b>¥380,935</b>	<b>\$285</b>	<b>£108</b>	<b>€1,071</b>	<b>\$44,215</b>	<b>₱4,013,533</b>
	2018						Equivalent in PHP
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	Australian Dollar		
<b>Financial assets</b>							
Cash and cash equivalents	\$9,614	¥5,882	£111	€10	\$–	₱511,063	
Receivables	27,168	–	–	–	46,463	3,152,004	
	<b>36,782</b>	<b>5,882</b>	<b>111</b>	<b>10</b>	<b>46,463</b>	<b>3,663,067</b>	
<b>Financial liabilities</b>							
Accounts payable and accrued expenses	(75,520)	(4,682)	–	(386)	–	(3,918,815)	
Long-term loans	(44,221)	–	–	–	–	(2,325,138)	
	<b>(119,741)</b>	<b>(4,682)</b>	<b>–</b>	<b>(386)</b>	<b>–</b>	<b>(6,243,953)</b>	
	<b>(\$82,959)</b>	<b>¥1,200</b>	<b>£111</b>	<b>(€376)</b>	<b>\$46,463</b>	<b>(₱2,550,886)</b>	

The effect on the Group's income before tax is computed on the carrying value of the Group's foreign currency denominated financial assets and liabilities as at December 31, 2019 and 2018.

*h. Credit Risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at December 31, 2019 and 2018 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, 2019 and 2018, 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:

	2019					
	Neither past due nor impaired			Past due or Individually Impaired		Total
	Grade A	Grade B	Grade C	Impaired		
Cash in bank and cash equivalents	₱21,575,120	₱-	₱-	₱-	₱21,575,120	
Equity investment designated at FVOCI						
Quoted	-	145,700	-	-	145,700	
Unquoted	-	2,177	-	108,211	110,388	
Receivables						
Trade						
Real estate	3,222,984	-	-	10,516	3,233,500	
Electricity sales	1,701,280	-	313,547	2,631,228	4,646,055	
General construction	3,108,704	-	-	3,391,081	6,499,785	
Coal mining	659,880	-	-	195,463	855,343	
Nickel mining	48,716	-	-	68,191	116,907	
Merchandising	71,385	17,506	10,006	6,540	105,437	
Receivable from related parties	493,464	-	-	-	493,464	
Other receivables	2,003,520	-	-	-	2,003,520	
Security deposits	2,875	-	-	-	2,875	
Refundable deposits	425,319	-	-	-	425,319	
Deposit in escrow funds	181,178	-	-	-	181,178	
Financial asset at FVTPL	-	-	-	-	-	
<b>Total</b>	<b>33,494,425</b>	<b>165,383</b>	<b>323,553</b>	<b>6,411,230</b>	<b>40,394,591</b>	
Allowance for expected credit losses:						
Real estate	₱-	₱-	₱-	₱10,516	₱10,516	
General construction	-	-	-	24,416	24,416	
Electricity sales	-	-	-	1,542,897	1,542,897	
Coal mining	-	-	-	41,928	41,928	
Nickel mining	-	-	-	68,191	68,191	
Merchandising and others	-	-	-	6,540	6,540	
<b>Total allowance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,694,488</b>	<b>1,694,488</b>	
<b>Net amount</b>	<b>₱33,494,425</b>	<b>₱165,383</b>	<b>₱323,553</b>	<b>₱4,716,742</b>	<b>₱38,700,103</b>	



	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	
Deposit in escrow funds	48,043	–	–	–	48,043	
Financial asset at FVTPL	245,444	–	–	–	245,444	
<b>Total</b>	<b>30,201,303</b>	<b>188,104</b>	<b>327,022</b>	<b>4,037,030</b>	<b>34,753,459</b>	
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	
<b>Total allowance</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,687,401</b>	<b>1,687,401</b>	
<b>Net amount</b>	<b>₱30,201,303</b>	<b>₱188,104</b>	<b>₱327,022</b>	<b>₱2,349,629</b>	<b>₱33,066,058</b>	

#### *Cash and Cash Equivalents and deposits in escrow fund*

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top 10 banks in the Philippines in terms of resources and profitability. Deposit in escrow fund pertains to fund deposits for securing LTS of Group's real estate projects. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

#### *Equity investment designated at FVOCI*

The Group's Equity investment designated at FVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

#### *Receivables*

Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues or due to government actions or regulations. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.



Receivable from related parties are considered Grade A due to the Group's positive collection experience.

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, 2019 and 2018, the aging analysis of the Group's past due financial assets presented per class follows:

	2019						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱-	₱-	₱-	₱-	₱-	₱10,516	₱10,516
General construction	315,889	222,911	2,827,865	-	-	24,416	3,391,081
Electricity sales	198,990	251,294	131,237	13,364	493,446	1,542,897	2,631,228
Coal mining	146,338	7,197	-	-	-	41,928	195,463
Nickel mining	-	-	-	-	-	68,191	68,191
Merchandising and others	-	-	-	-	-	6,540	6,540
	<b>₱661,217</b>	<b>₱481,402</b>	<b>₱2,959,102</b>	<b>₱13,364</b>	<b>₱493,446</b>	<b>₱1,694,488</b>	<b>₱6,303,019</b>

	2019						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱-	₱-	₱-	₱-	₱-	₱10,516	₱10,516
General construction	315,889	222,911	2,827,865	-	-	24,416	3,391,081
Electricity sales	198,990	251,294	131,237	13,364	493,446	1,542,897	2,631,228
Coal mining	146,338	7,197	-	-	-	41,928	195,463
Nickel mining	-	-	-	-	-	68,191	68,191
Merchandising and others	-	-	-	-	-	6,540	6,540
	<b>₱661,217</b>	<b>₱481,402</b>	<b>₱2,959,102</b>	<b>₱13,364</b>	<b>₱493,446</b>	<b>₱1,694,488</b>	<b>₱6,303,019</b>

	2019						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱-	₱-	₱-	₱-	₱-	₱10,516	₱10,516
General construction	315,889	222,911	2,827,865	-	-	24,416	3,391,081
Electricity sales	198,990	251,294	131,237	13,364	493,446	1,542,897	2,631,228
Coal mining	146,338	7,197	-	-	-	41,928	195,463
Nickel mining	-	-	-	-	-	68,191	68,191
Merchandising and others	-	-	-	-	-	6,540	6,540
	<b>₱661,217</b>	<b>₱481,402</b>	<b>₱2,959,102</b>	<b>₱13,364</b>	<b>₱493,446</b>	<b>₱1,694,488</b>	<b>₱6,303,019</b>



	2018						Total
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
Receivables							
Trade							
Real estate	₱-	₱-	₱-	₱-	₱-	₱537	₱537
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
	₱742,698	₱110,548	₱120,704	₱152,094	₱1,115,373	₱1,687,401	₱3,928,818

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 ₱277.29 million and ₱290.94 million at December 31, 2019 and 2018, 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, 2019 and 2018:

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Loans and Receivables</b>				
Cash and cash equivalents				
Cash in banks	₱6,894,723	₱6,894,723	₱6,315,956	₱6,315,956
Cash equivalents	14,680,397	14,680,397	9,149,163	9,149,163
Receivables - net				
Trade				
Real estate	3,222,984	3,222,984	2,075,202	2,075,202
General construction	6,475,369	6,475,369	4,322,183	4,322,183
Electricity sales	3,103,158	3,103,158	5,735,880	5,735,880
Coal mining	813,415	813,415	2,362,775	2,362,775
Nickel mining	48,716	48,716	87,223	87,223
Merchandising and others	105,437	105,437	72,117	72,117
Receivable from related parties	493,464	493,464	202,624	202,624
Other receivables	2,003,520	2,003,520	1,887,422	1,887,422
Refundable deposits	425,319	425,319	318,165	318,165
Deposit in escrow fund	181,178	181,178	48,043	48,043
Security deposits	2,875	2,875	5,436	5,436
	38,450,555	38,450,555	32,582,189	32,582,189
<b>Financial assets at FVTPL</b>				
Financial assets at FVTPL	-	-	245,443	245,443
<b>Equity investment designated at FVOCI</b>				
Quoted securities	145,700	145,700	128,037	128,037
Unquoted securities	2,177	2,177	2,177	2,177
	147,877	147,877	375,657	375,657
	₱38,598,432	₱38,598,432	₱32,957,846	₱32,957,846
<b>Other Financial Liabilities</b>				
Accounts and other payables	₱24,081,789	₱24,081,789	₱24,567,139	₱24,567,139
Liabilities for purchased land	1,896,163	1,768,441	2,002,143	1,748,219
Short-term and long-term debt	46,905,726	50,118,367	41,521,332	40,083,445
	₱72,883,678	₱75,968,597	₱68,090,614	₱66,398,803



*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 3.42% to 4.07% in 2019.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.*Financial assets*

In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, 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 3.11% to 7.02% and 3.05% to 4.91% in 2019 and 2018. The discount rates used for liabilities for purchased land range from 3.42% to 4.06% in 2019 and 6.80% to 7.02% in 2018.

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, 2019 and 2018.

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## 37. Contingencies and Commitments

*a. 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).

*b. 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.

*c. 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,

On April 22, 2019, the COA issued its decision granting SCPC's money claim in the amount of ₱476.7 plus 6% interest. On June 28, 2019, PSALM paid the said amount in favor of SCPC.

*d. 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, 2019, the Joint Motion to Dismiss has yet to be resolved.

*e. 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.

Refer to Note 7 for the related allowance credit loss recognized regarding this matter.

*f. 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.

*g. 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, 2018 and shall have a term of 10 years extendable upon mutual agreement by the parties for another four (4) 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.

*h. Application for Approval on the Ancillary Services Procurement Agreement (ASPA) between the National Grid Corporation of the Philippines (NGCP)*

On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.

Both SLPGC and NGCP filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.

On May 21, 2019, SLPGC received the ERC Order dated May 20, 2019 granting interim relief in favor of SLPGC and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of the ancillary gas turbine.

On June 6, 2019, SLPGC filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019, praying for the recovery of the cost of Pmin capacity of ancillary gas turbine. On September 5, 2019, the ERC resolved to deny SLPGC's Motion for Partial Reconsideration with Manifestation for lack of merit.

On November 19, 2019, SLPGC and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of December 31, 2019, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by SLPGC and NGCP.



*i. 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 (₱150.57 million) as payment for the 25 years of rental (see Note 34).

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 (or ₱14.72 million), exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company (SMPC).

On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of ‘Property, plant and equipment’ (see Note 13). The 82,740 sqm lot was later assigned to and purchased by SLPGC.

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of CTS between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM’s Board approved SCPC’s request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets. On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.



On September 24, 2019, PSALM inform SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN.

*j. DMCI Joint ventures and consortium agreements*

On various dates in 2018 and 2019, DMCI entered into the following joint venture and consortium agreements in relation to its participation to the corresponding infrastructure projects:

- *Cebu Link Joint Venture (CLJV)*, unincorporated joint venture between Acciona Construccion S.A, First Balfour, Inc and DMCI and is engaged in Engineering, Procurement and Construction contract related to the concession for the Cebu-Cordova Link Expressway. Corresponding interest of DMCI in CLJV is at 15%.
- *VA Tech Wabag-DMCI Joint Venture*, unincorporated joint venture between VA Tech Wabag Limited and DMCI and is engaged in the rehabilitation, retrofitting and process improvement of La Mesa Water Treatment Plant 2 Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement.
- *Taisei DMCI Joint Venture (TDJV)*, unincorporated joint venture between Taisei Corporation and DMCI and is engaged to construct the elevated structures, stations and depot of the North-South Commuter Railways Project (Malolos-Tutuban; the Project). Corresponding interest of DMCI in TDJV is at 49%.
- *Marubeni-DMCI Consortium*, consortium between Marubeni Corporation and DMCI and is engaged for the Procurement of Trackwork, Electrical and Mechanical Systems and Integration with Existing System for LRT 2 - East (Masinag) Extension Project. The scope of work and allocation of contract price is agreed by the partners in the consortium agreement. DMCI allocated is 29% of total contract price.
- *PBD Joint Venture (PBDJV)*, unincorporated joint venture between Prime Metro BMD Corporation and DMCI and is engaged to construct the Solaire Metro North. Corresponding interest of DMCI in PBDJV is at 50%.

The parties shall be jointly and severally liable to the employer, Department of Transportation (DOTr), for the performance of all obligations of the Contractor under the Contract Agreement.

*k. Others*

The Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made in 2019, 2018 and 2017 for these lawsuits and claims.



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### 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.

On February 24, 2015, SLPGC, owner of the 2x150 MW CFB Power Plant and Transpacific Resource Recovery Inc. executed a Contract for CFB fly ash which is valid until January 31, 2027.

*d. 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. SMPC - Coal Trading Activities*

On June 6, 2019, SMPC received a letter from the DOE which orders the cease and desist of its coal trading activities and operations following the delivery of coal to a certain customer which has failed to submit its Coal Accreditation Certificate with the DOE. The Order also states that the coal trader accreditation of SMPC was suspended until further notice.

On July 5, 2019, SMPC filed its Verified Answer arguing that: (a) sale and delivery of coal to the customer was done in good faith; (b) the cease and desist order and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with such customer; and, c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, SMPC wrote the DOE requesting deferment of the implementation of the Order and/or suspension pending resolution of the DOE.

On November 19, 2019, SMPC received the DOE Resolution dated October 15, 2019 imposing a monetary penalty of ₱1.74 million and suspension of coal trading activities for one month, except for its own power plants and other power plants with existing coal supply agreements.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019. On November 25, 2020, an amended motion for reconsideration was filed.

On January 3, 2020, SMPC received letter from the DOE dated December 26, 2019 directing SMPC to file its position paper relative to the Order. On January 10, 2020, SMPC filed its position paper. As of this date, the case is presently pending for decision with the DOE.

*f. SMPC - DOE Order Suspending Coal Mining Activities*

On November 19, 2019, the DOE issued an Order dated November 14, 2019 suspending all mining activities at the site until compliance with certain conditions (Order).

In a series of submissions on November 25, 29 and December 6, 2019, SMPC submitted to DOE a request to lift the suspension of mining operations and a list of compliances to the conditionalities required by the latter.

On December 26, 2019, the DOE, in a letter dated December 23, 2019, lifted the suspension order as SMPC substantially complied with the conditions for the lifting, except in the area adjacent to the Casay Lake (all liquefiable materials need to be removed in said area).



To date, all liquefiable materials in the concerned area have been removed and a Safety Consultant has been hired. Consequently, all mining operations at the mine site has resumed.

*g. ZDMC - Lifting of Suspension Order*

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.

The November 2018 suspension order was lifted by virtue of the DENR Resolution dated September 30, 2019.

*h. Sales Agreement*

BNC and ZDMC entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. BNC exported a total of 1.01 million wet metric tons (WMT) and 0.59 million WMT in 2019 and 2018, respectively. ZDMC, on the other hand, exported a total of 0.16 million WMT upon lifting of the suspension order in 2019.

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**39. Notes to Consolidated Statements of Cash Flows**

Supplemental disclosure of noncash investing activities follows:

	2019	2018	2017
Depreciation capitalized in Inventories and Mine properties (Note 24)	<b>₱271,546</b>	₱891,670	₱258,666
Transfer from Property, plant and equipment to Inventories (Notes 9 and 13)	<b>182,722</b>	-	-
Write-down of Property, plant and equipment and other noncurrent assets (Notes 9 and 13)	<b>83,536</b>	-	183,897

Changes in liabilities arising from financing activities

	2019				December 31, 2019
	December 31, 2018	Cash flows	Foreign exchange movement	Others	
Short-term debt	₱7,015,276	(₱4,523,154)	₱-	₱-	₱2,492,122
Long-term debt*	34,506,056	9,990,258	-	(82,710)	44,413,604
Dividends	85,716	(8,763,431)	-	8,763,431	85,716
Other noncurrent liabilities	2,771,832	2,651,082	-	452,836	5,875,750

\*Includes current portion



	2018				
	December 31, 2017	Cash flows	Foreign exchange movement	Others	December 31, 2018
Short-term debt	₱1,071,101	₱5,983,232	₱-	(₱39,057)	₱7,015,276
Long-term debt*	38,437,580	(3,877,398)	22,764	(76,890)	34,506,056
Dividends	85,716	(16,756,995)	-	16,756,995	85,716
Other noncurrent liabilities	2,603,184	(3,318,122)	-	3,486,770	2,771,832

*\*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, recognition of lease liabilities as a result of adoption of PFRS 16, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to noncontrolling-interests.



## **INDEPENDENT AUDITOR'S REPORT COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 5, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2019 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Dyonabee 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. 8125303, January 7, 2020, Makati City

March 5, 2020



**DMCI HOLDINGS, INC.****SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE  
FOR DIVIDENDS DECLARATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Unappropriated retained earnings, beginning		₱3,689,595,456
Adjustment to beginning unappropriated retained earnings:		
Treasury shares		7,068,577
<b>Unappropriated retained earnings, adjusted to available for dividend declaration, beginning</b>		<b>3,682,526,879</b>
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	6,489,528,659	
Less: Non actual/unrealized income net of tax		—
Equity in net income of associate/joint venture		—
Unrealized actuarial gain		—
Fair value adjustment (M2M gains)		—
Fair value adjustment of Investment Property resulting to gain		—
Adjustment due to deviation from PFRS/GAAP-gain		—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS		—
Deferred tax asset that reduced the amount of income tax expense		—
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)		—
Adjustment due to deviation from PFRS/GAAP-loss		—
Loss on fair value adjustment of investment property (after tax)		—
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)		—
		6,489,528,659
Net income actually earned during the period		6,489,528,659
Add (Less):		
Dividend declarations during the period		6,373,185,600
Appropriations of retained earnings during the period		—
Reversals of appropriations		—
Effects of prior period adjustments		—
Treasury shares		—
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>		<b>₱3,798,869,938</b>

**DMCI HOLDINGS, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**

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Consolidated Statements of Comprehensive Income for the Years Ended  
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Consolidated Statements of Changes in Equity for the Years Ended  
December 31, 2019, 2018 and 2017

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Related Parties and Principal Stockholders (Other than Related Parties)
  - C. Amounts Receivable from Related Parties which are Eliminated during  
the Consolidation of Financial Statements
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- III. Schedule of Financial Soundness Indicators (Annex 68-E)
- IV. Map of the relationship of the companies within the Group

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED  
DECEMBER 31, 2019**

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 consolidated financial statements.

Schedule A. Financial Assets

<b>Name of issuing entity and association of each issue</b>	<b>Number of shares or principal amount of bonds and notes</b>	<b>Amount shown in the consolidated statements of financial position</b>	<b>Value based on market quotation at end of reporting period</b>	<b>Income received and accrued</b>
Gold and Club Shares*	11	₱129,561,000	₱129,561,000	
Manila Electric Company	38,533	12,214,961	12,214,961	
Mabuhay Vinyl Corp.	34,889	108,854	108,854	
Others	1	5,992,185	5,992,185	
<b>TOTAL</b>	<b>73,434</b>	<b>₱147,877,000</b>	<b>₱147,877,000</b>	

\* Includes shares of stocks from golf and country clubs memberships

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
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*Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.*

Schedule C. Amounts Receivable from/Payable to Related Parties which are Eliminated during the Consolidation of Financial Statements

The following is the schedule of receivables from related parties, which are eliminated in the consolidated financial statements as at December 31, 2019:

Entity with Receivable Balance	Name of Entity with Payable Balance	Due from related party	Due to related party
DMCI Holdings, Inc.	DMCI Mining Corporation	₱1,217,719,511	(₱1,217,719,511)
Semirara Mining and Power Corporation	Sem-Calaca Power Corporation	1,137,930,947	(1,137,930,947)
Fil-Euro Asia Nickel Corporation	Zambales Diversified Metals Corporation	963,368,781	(963,368,781)
DMCI Mining Corporation	Fil-Euro Asia Nickel Corporation	945,390,439	(945,390,439)
DMCI Mining Corporation	Fil-Asian Strategic Resources & Properties Corporation	817,279,929	(817,279,929)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Diversified Metals Corporation	507,066,425	(507,066,425)
Southwest Luzon Power Generation Corporation	Sem-Calaca Power Corporation	497,232,584	(497,232,584)
Semirara Mining and Power Corporation	Southwest Luzon Power Generation Corporation	496,557,146	(496,557,146)
D.M. Consunji, Inc.	DMCI Project Developers, Inc.	394,456,467	(394,456,467)
Beta Electromechanical Corporation	D.M. Consunji, Inc.	237,750,308	(237,750,308)
D.M. Consunji, Inc.	Sem-Calaca Power Corporation	202,355,342	(202,355,342)
DMCI Project Developers, Inc.	DMCI Homes, Inc.	187,895,139	(187,895,139)
Riviera Land Corporation	DMCI Project Developers, Inc.	134,345,256	(134,345,256)
D.M. Consunji, Inc.	Semirara Mining and Power Corporation	127,253,940	(127,253,940)
DMCI Mining Corporation	Berong Nickel Corporation	110,805,107	(110,805,107)
DMCI Holdings, Inc.	D.M. Consunji, Inc.	100,000,000	(100,000,000)
Fil-Euro Asia Nickel Corporation	Zambales Chromite Mining Group Inc.	96,016,882	(96,016,882)

<b>Entity with Receivable Balance</b>	<b>Name of Entity with Payable Balance</b>	<b>Due from related party</b>	<b>Due to related party</b>
Fil-Asian Strategic Resources & Properties Corporation	Montemina Resources Corporation	85,661,198	(85,661,198)
Hampstead Gardens Corporation	DMCI Project Developers, Inc.	85,447,210	(85,447,210)
DMCI Project Developers, Inc.	DMCI Homes Property Management Corporation	75,106,488	(75,106,488)
Semirara Mining and Power Corporation	DMCI Power Corportion	44,033,915	(44,033,915)
Fil-Asian Strategic Resources & Properties Corporation	Montague Resources Philippines Corporation	41,903,540	(41,903,540)
D.M. Consunji, Inc.	DMCI Masbate Power Corporation	39,499,547	(39,499,547)
Zambales Diversified Metals Corporation	Zambales Chromite Mining Group Inc.	29,064,608	(29,064,608)
DMCI Power Corportion	Sem-Calaca Power Corporation	23,776,498	(23,776,498)
Berong Nickel Corporation	Ulugan Nickel Corporation	23,346,386	(23,346,386)
DMCI Mining Corporation	Ulugan Nickel Corporation	19,068,056	(19,068,056)
Fil-Euro Asia Nickel Corporation	Fil-Asian Strategic Resources & Properties Corporation	17,755,417	(17,755,417)
Semirara Mining and Power Corporation	Southeast Luzon Power Generation Corporation	17,573,640	(17,573,640)
Fil-Euro Asia Nickel Corporation	Zamnorth Holdings Corporation	14,932,314	(14,932,314)
D.M. Consunji, Inc.	Southwest Luzon Power Generation Corporation	11,770,468	(11,770,468)
DMCI Project Developers, Inc.	DMCI Mining Corporation	11,215,545	(11,215,545)
Zambales Diversified Metals Corporation	DMCI Mining Corporation	8,411,064	(8,411,064)
DMCI Mining Corporation	D.M. Consunji, Inc.	8,325,000	(8,325,000)
DMCI Mining Corporation	TMM Management, Inc.	7,379,227	(7,379,227)
Semirara Mining and Power Corporation	DMCI Power Corportion	7,091,796	(7,091,796)
Semirara Mining and Power Corporation	DMCI Mining Corporation	3,872,518	(3,872,518)
Montemina Resources Corporation	Zamnorth Holdings Corporation	2,753,502	(2,753,502)
Zamnorth Holdings Corporation	Zambales Chromite Mining Company Inc.	2,738,271	(2,738,271)
Fil-Asian Strategic Resources & Properties Corporation	ZDMC Holdings Corporation	2,474,068	(2,474,068)
Montemina Resources Corporation	Zambales Chromite Mining Company Inc.	2,291,646	(2,291,646)
Berong Nickel Corporation	TMM Management, Inc.	2,265,690	(2,265,690)
Fil-Asian Strategic Resources & Properties Corporation	Zambales Chromite Mining Company Inc.	2,119,757	(2,119,757)
DMCI Mining Corporation	Zambales Chromite Mining Company Inc.	1,986,639	(1,986,639)
DMCI Project Developers, Inc.	DMCI-PDI Hotels, Inc.	1,604,862	(1,604,862)
Berong Nickel Corporation	Ulugan Resouces Holdings, Inc.	730,763	(730,763)

<b>Entity with Receivable Balance</b>	<b>Name of Entity with Payable Balance</b>	<b>Due from related party</b>	<b>Due to related party</b>
Semirara Mining and Power Corporation	Semirara Energy Utilities, Inc.	573,966	(573,966)
Zambales Diversified Metals Corporation	D.M. Consunji, Inc.	540,333	(540,333)
Fil-Euro Asia Nickel Corporation	Zambales Nickel Processing Corporation	362,913	(362,913)
DMCI Mining Corporation	Ulugan Resources Holdings, Inc.	358,492	(358,492)
DMCI Project Developers, Inc.	Zenith	305,855	(305,855)
Semirara Mining and Power Corporation	Sem-Calaca Industrial Park Developers, Inc.	238,320	(238,320)
Fil-Asian Strategic Resources & Properties Corporation	Mt. Lanat Metals Corporation	175,022	(175,022)
Fil-Asian Strategic Resources & Properties Corporation	Zamnorth Holdings Corporation	174,872	(174,872)
Montemina Resources Corporation	Zambales Nickel Processing Corporation	100,889	(100,889)
Zambales Chromite Mining Company Inc.	Montague Resources Philippines Corporation	86,069	(86,069)

As of December 31, 2019, the balances above of due from and due to related parties are expected to be realized and settled within twelve months from the reporting date and are classified under current assets and liabilities. There were no amounts written off during the year.

Schedule D. Long-term Debt

Below is the schedule of long-term debt (net of unamortized debt issue cost) of the Group:

<b>Title of issue and type of obligation</b>	<b>Amount authorized by indenture</b>	<b>Amount shown under caption "Current portion of long-term debt" in related balance sheet</b>	<b>Amount shown under caption "Long-term debt" in related balance sheet</b>
Peso denominated loans	₱18,627,475,236	₱3,176,692,406	₱15,450,782,830
Fixed rate corporate notes	25,456,713,468	8,203,536,656	17,253,176,812
Liabilities on Installment Contract Receivable	118,910,294	30,507,761	88,402,533
HomeSaver Bonds	210,505,000	27,975,000	182,530,000
	<b>₱44,413,603,998</b>	<b>₱11,438,711,823</b>	<b>₱32,974,892,175</b>

Schedule E. Indebtedness to Related Parties (Long-term Loans from Related Companies)

<b>Name of related party</b>	<b>Balance at beginning of period</b>	<b>Balance at end of period</b>
------------------------------	---------------------------------------	---------------------------------

**NOT APPLICABLE**

Schedule F. Guarantees of Securities of Other Issuers

<b>Name of issuing entity of securities guaranteed by the group for which this statements is filed</b>	<b>Title of issue of each class of securities guaranteed</b>	<b>Total amount guaranteed and outstanding</b>	<b>Amount of owned by person for which statement is filed</b>	<b>Nature of guarantee</b>
--------------------------------------------------------------------------------------------------------	--------------------------------------------------------------	------------------------------------------------	---------------------------------------------------------------	----------------------------

**NOT APPLICABLE**

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Preferred stock - ₱1 par value cumulative and convertible	100,000,000	960	—	—	—	960
Common stock - ₱1 par value	19,900,000,000	13,277,470,000	—	9,228,925,294	350,337,111	3,698,207,595
	20,000,000,000	13,277,477,960	—	9,228,925,294	350,337,111	3,698,208,555

See Note 22 of the Consolidated Financial Statements

**DMCI HOLDINGS, INC. AND SUBSIDIARIES****SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS****FOR THE YEAR ENDED DECEMBER 31, 2019 AND 2018**

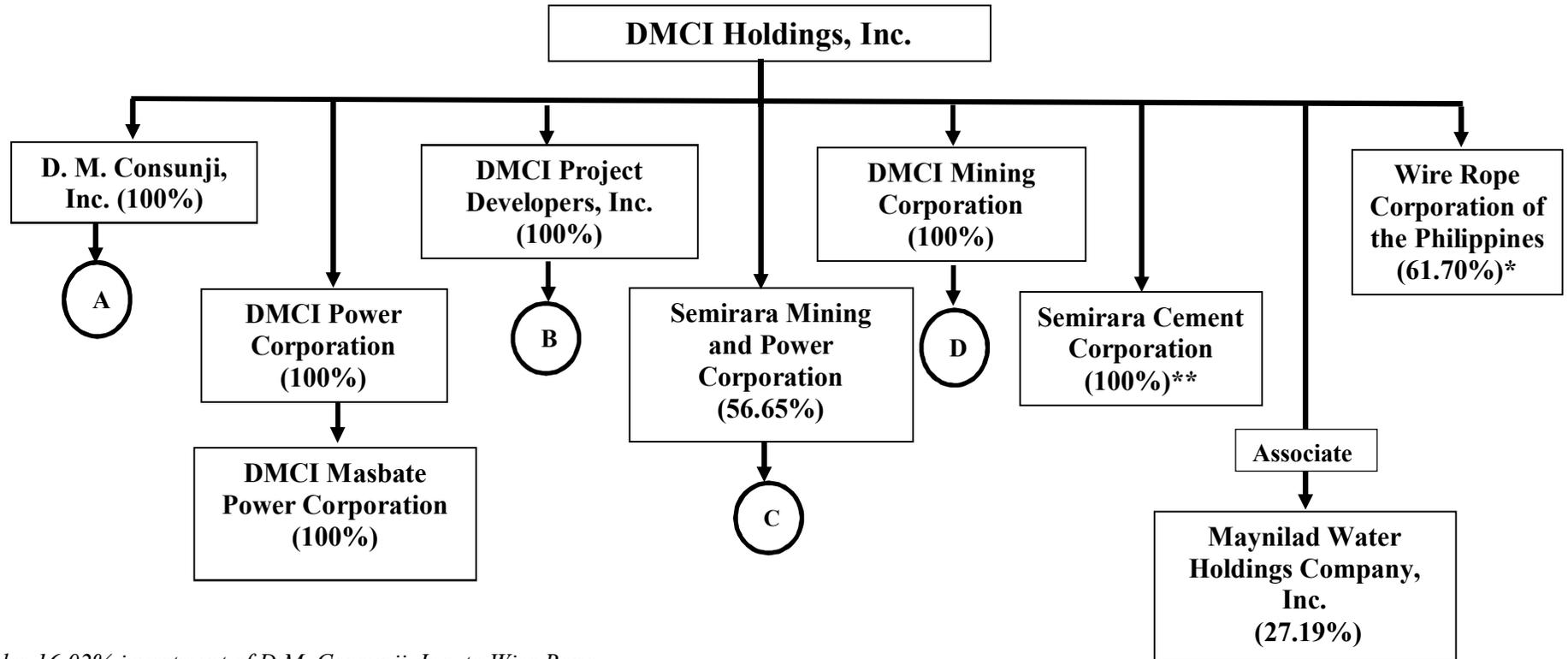
<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current ratio	Current assets/Current liabilities	218%	212%
Acid test ratio	Quick assets/Current liabilities	104%	91%
Solvency ratio	Net income plus Depreciation / Total liabilities	25%	34%
Debt-to-equity ratio	Total interest-bearing debt/Total stockholders' equity	46%	43%
Net debt-to-equity ratio	Total interest-bearing debt less Cash and cash equivalents /Total stockholders' equity	25%	27%
Asset-to-equity ratio	Total assets/Total stockholders' equity	195%	188%
Interest coverage ratio	EBIT/Interest paid during the year	6x	12x
Return on equity	Net income attributable to equity holders/Average total stockholders' equity	13%	19%
Return on assets	Net income /Average total assets	9%	12%
Net profit margin	Net income /Revenue	17%	24%

## DMCI HOLDINGS, INC.

### MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

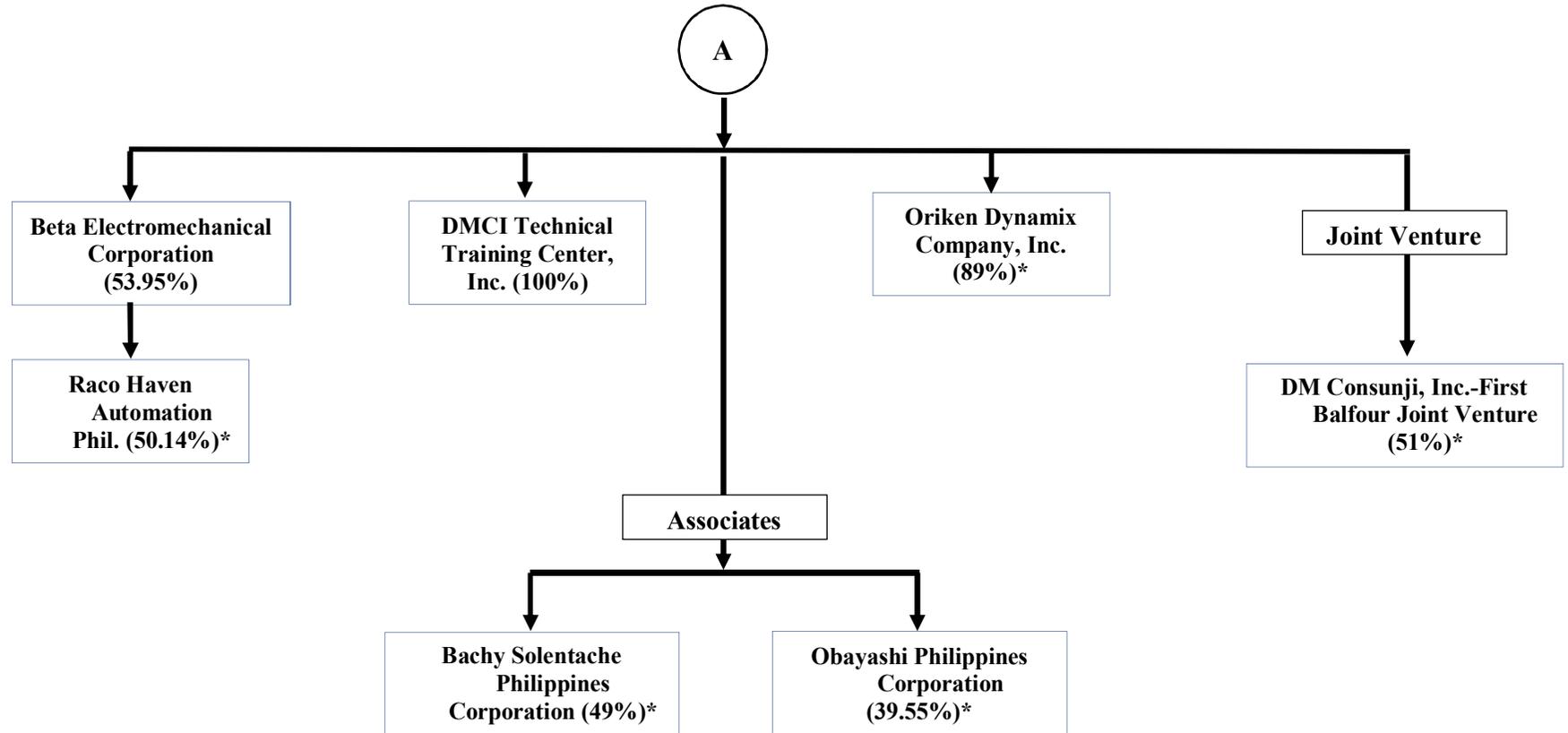
#### Group Structure

Below is a map showing the relationship between and among the Group as of December 31, 2019:

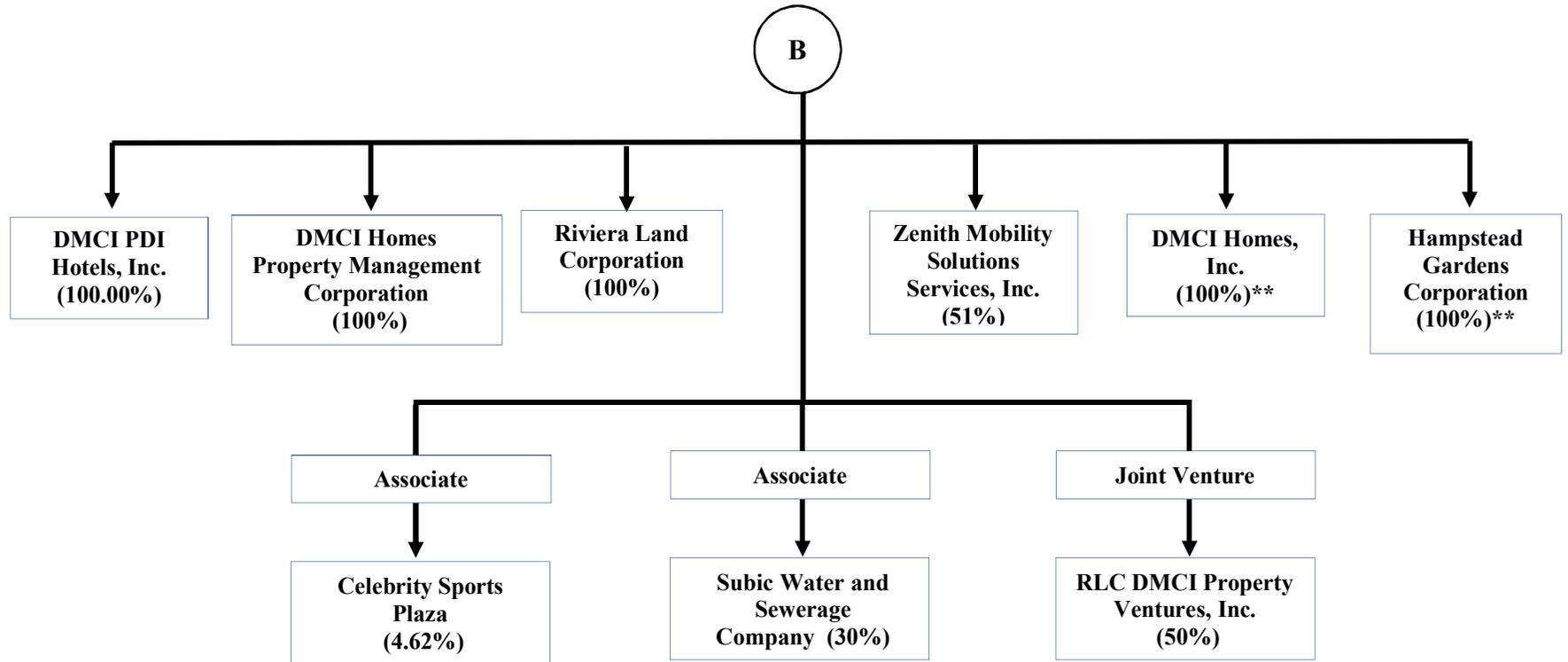


\* Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.

\*\*Non-operating entity

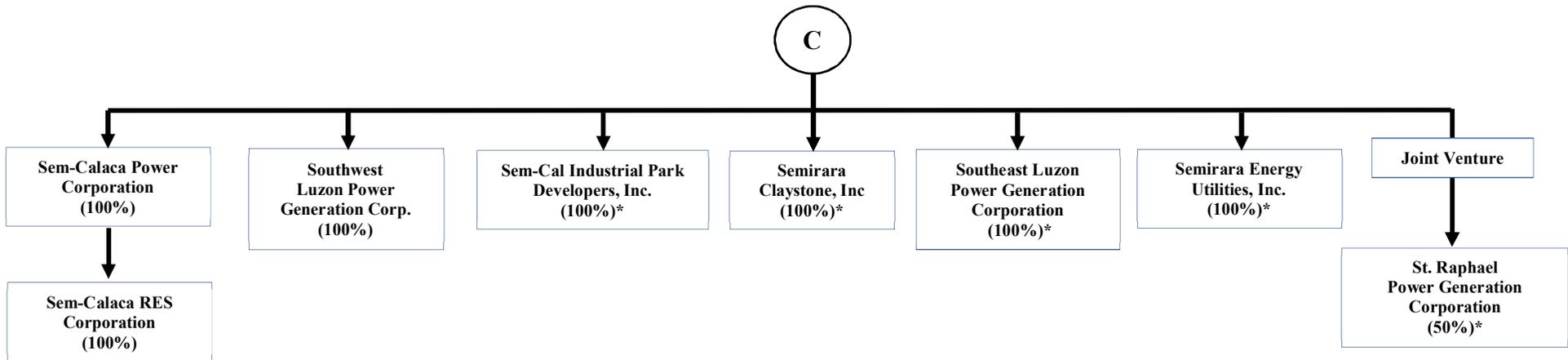


*\*Non-operating entities*

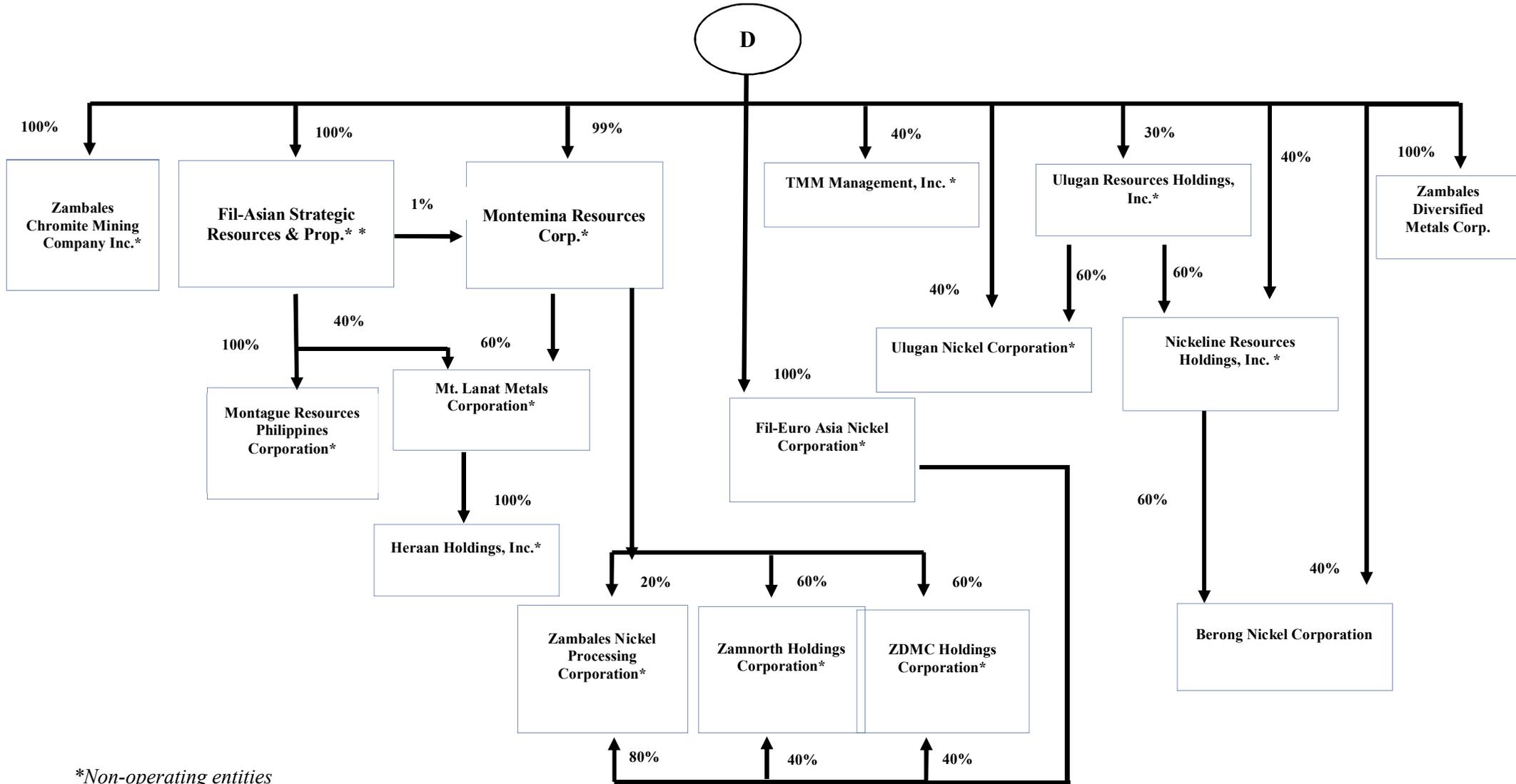


*\*Includes 34.12% investment of DMCI to Riviera Land.*

*\*\*Liquidating as of December 31, 2019*



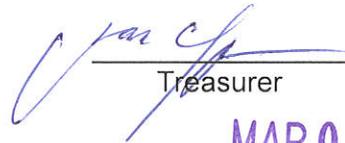
*\*Non-operating entities*



*\*Non-operating entities*

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, 2019 as contained in the accompanying diskette/CD are true and correct to the best of my knowledge and belief.

  
Treasurer

MAR 06 2020

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

Doc. No. 246  
Page No. 51  
Book No. 126  
Series of 2020

  
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. 100581/01-02-2020/Pasig City  
PTR NO MKT 8116095/01-02-2020/Makati City  
MCLE Compliance No. VI-0007878/4-06-2018



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

## **Sustainability Reporting Annex 2019**

For submission to the Securities and Exchange Commission (SEC)

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# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## 1. Contextual Information

Company Details	
Name of Organization	DMCI Holdings, Incorporated
Location of Headquarters	3rd Floor, Dacon Building 2281 Chino Roces Avenue, Makati City, Metro Manila, Philippines
Location of Operations	Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	<p>This sustainability report covers the sustainability performance and data from DMCI Holdings, Inc. and its five subsidiaries, namely:</p> <ul style="list-style-type: none"> <li>● D.M. Consunji, Inc. (DMCI)</li> <li>● DMCI Project Developers, Inc. (a subsidiary 100% owned by DMCI Holdings, Inc. and the parent company of DMCI Homes.)</li> <li>● Semirara Mining and Power Corporation (SMPC)</li> <li>● DMCI Power Corporation</li> <li>● DMCI Mining Corporation</li> </ul> <p>Likewise, the Company has indirect ownership in Maynilad Water Services, Inc. (Maynilad) through a 27.19% stake in Maynilad Water Holding Company, Inc., a consortium between Metro Pacific Investments Corporation (MPIC), DMCI Holdings, Inc. and MCNK JV Corporation (MCNK). The consortium owns 92.85% of the water concessionaire Maynilad.</p>
Business Model, including Primary Activities, Brands, Products, and Services	<p>DMCI Holdings, Inc. is a diversified engineering and management conglomerate in the Philippines which specializes in general construction, real estate development, power generation, mining, water distribution, and manufacturing. It became publicly listed on December 18, 1995, and since then, it is the sole public company that focuses its core investment on construction. It is one of the few publicly listed holding companies in the Philippines with engineering as their core investment.</p> <p><b>OUR STRATEGY</b></p> <p>At DMCI, we deliberately choose to invest in industries where we can optimize our engineering and management expertise and</p>

	<p>construction resources on. Our company’s technical proficiency can be attributed to our skilled and experienced employees in the field. Therefore, we prioritize their well-being and personal development by providing career opportunities and adequate compensation and benefits. We also ensure that our employees contribute effectively to our business performance while considering our compliance with the standards on environment, safety, quality, and corporate governance.</p>
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Isidro A. Consunji Chairman and President DMCI Holdings, Inc.

*\*If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## 2. Materiality Process

**Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.<sup>1</sup>**

This report covers the sustainability performance of DMCI Holdings, Inc. and its subsidiaries namely D.M. Consunji, Inc. (DMCI), DMCI Project Developers, Inc. (a subsidiary 100% owned by DMCI Holdings, Inc. and the parent company of DMCI Homes), Semirara Mining and Power Corporation (SMPC), DMCI Power Corporation, and DMCI Mining Corporation. Likewise, the report includes the environmental and social sustainability performance of Maynilad Water Services, Inc., a joint venture company with Metro Pacific Investments Corporation (MPIC) and Marubeni Corporation.

For this sustainability report, we commissioned the University of Asia and the Pacific - Center for Social Responsibility (UA&P-CSR) to conduct various stakeholder consultations in order to determine the material topics and disclosures to be included in the report. Stakeholder engagement is a requirement of the Global Reporting Initiative (GRI) Standards, the sustainability reporting framework that our Company has adopted for this reporting cycle. At the same time, we were able to determine the interests and concerns of our stakeholders about our operations through these consultations, which were done through surveys and focus group discussions (FGDs).

Following the materiality principle of the GRI Standards, UA&P-CSR designed the survey questionnaire to identify the GRI disclosures and topics that may or may not be material to our stakeholders in terms of (1) influence on stakeholder assessments and decisions, and (2) significance of economic, environmental and social impacts. Respondents were asked to identify the impact of the disclosure to them as well as determine the influence that they have on a particular disclosure-

On the other hand, the FGDs were conducted to encourage the stakeholders to comprehensively share their views and opinions regarding their experiences with our operations, as well as their interests and concerns that were not covered by the survey questionnaire.

We consulted a total of 164 individuals, both representing internal and external stakeholders of our subsidiaries. The list of stakeholder groups consulted for each subsidiary were drawn using rigid stakeholder identification techniques and can be shown in the table below:

Table 1. List of Stakeholder Groups Consulted

	<b>D.M. CONSUNJI, INC.</b>	<b>DMCI PROJECT DEVELOPERS, INC.</b>	<b>DMCI MINING CORPORATION</b>	<b>DMCI POWER CORPORATION</b>
<b>Government Agencies</b>	✓	✓	✓	✓
<b>Employees</b>	✓	✓	✓	✓
<b>Customers</b>	✓	✓		

<sup>1</sup> See [GRI 102-46](#) (2016) for more guidance.

<b>Third-party Service Providers</b>	✓	✓	✓	✓
<b>Media</b>			✓	✓
<b>Community</b>			✓	
<b>Electric Cooperatives</b>				✓

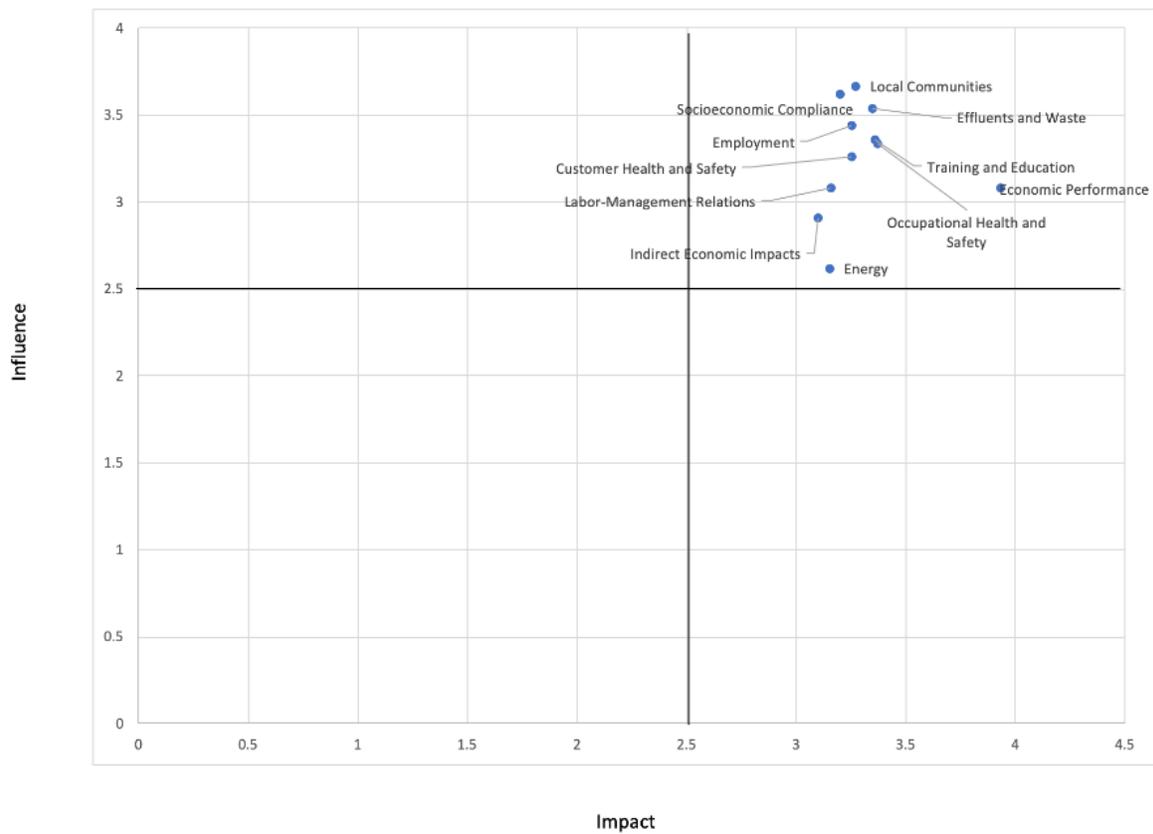
However, the stakeholders of our subsidiaries that have earlier published their own sustainability reports, such as SMPC and Maynilad, were excluded in the consultation process since they have already engaged them as part of their respective materiality processes. The results of which were integrated into the overall DMCI Holdings, Inc.'s materiality process.

We considered a threshold of at least 3.00 and above for both impact and influence for a topic to be considered as material. Based on the results of the survey, 11 out of the 33 GRI topics are material to our stakeholders.

Table 2. List of Material Topics

<b>ECONOMIC</b>	<b>ENVIRONMENTAL</b>	<b>SOCIAL</b>
Economic Performance	Energy	Employment
Indirect Economic Performance	Effluents and Wastes	Labor/Management Relations
		Occupational Health and Safety
		Training and Education
		Local Communities
		Customer Health and Safety
		Socioeconomic Compliance

The materiality matrix below shows the topics that have the greatest impact and influence to our stakeholders:



Based on the FGDs, our stakeholders acknowledged the efforts and determination of our subsidiaries in contributing to the economic growth of several barangays and municipalities, complying with environmental regulations, and establishing programs that would benefit the local communities in their areas of operation. With this, our stakeholders also provided suggestions to improve certain aspects of our operations, such as prioritization of local hires, information dissemination and monitoring and evaluation of our environmental and social programs. The feedback helped us evaluate the impact of our businesses on the local communities and understand their key priorities.

## 3. ECONOMIC

### 3.1 Economic Performance

DMCI Holdings aims to increase shareholder value and grow our core income by optimizing capital and operational expenditures to fuel our business expansion activities. Beyond profit, we provide public service and contribute to reducing inequities in society.

With our diverse portfolio, we contribute to the society and the nation's progress while working towards greater professionalism and reasonable returns for the Company and its employees. With this, we are able to contribute higher taxes and royalties and continuously develop social programs for our host communities. Likewise, we ensure that our employees obtain fair compensation and benefits. Lastly, we conduct third party financial audits in all Company transactions.

#### 3.1.1 Direct Economic Value Generated and Distributed (201-1)

In 2019, DMCI Holdings generated a total value of Php 91,501 million which is a 5.54% increase in revenues from the previous year. About 83.76% (Php 76,638 million) of it was distributed among the following: operating costs, employee wages and benefits, dividends given to stockholders and interest payments to loan providers, taxes given to the government, and investments to our host communities.

Disclosure	Amount (PHP mil)
Direct economic value generated (revenue)	91,501
Direct economic value distributed:	
a. Operating costs	48,803
b. Employee wages and benefits	8,793
c. Dividends given to stockholders and interest payments to loan providers	11,557
d. Taxes given to government	7,409
e. Investments to community (e.g. donations, CSR)	76

#### 3.1.2 Defined benefit plan obligation and retirement plans for employees (201-3)

All of our subsidiaries share the same policy as far as the employee benefit and retirement plans are concerned such as offering regular employees non-contributory, defined benefit plans subject to the number of years of service in the Company.

Defined benefit plan obligation and retirement plans for employees (201-3)				
Employee Group	Total Number of Employee	Number of Employee Who Are Entitled to Benefit Plan Obligation	Number of Employee Who Are Entitled to Retirement Plans	Percentage of salary contributed by employee or employer (%)
D.M. Consunji, Inc.	18,158	18,158	127	100% by Employer
DMCI Project Developers, Inc.	Data gathering in process	Data gathering in process	Data gathering in process	Data gathering in process
Maynilad	2,218 (regular & probationary) 333 (project-based)	-	2,217	100% by Employer
Semirara Mining and Power Corporation	SMPC has a noncontributory defined benefit plan			
DMCI Mining Corporation	175 (144 regular, 13 under probationary, 4 consultants, 14 project-based employees )	175	144	Data not available
DMCI Power Corporation	282	N/A	282	100% by Employer

Employee Group	Total Number of Employee	Amount Released (Php)	Amount Allocated (Php)
D.M. Consunji, Inc.	53	25,953,197.29	59,107,573.19
DMCI Project Developers, Inc.	Data gathering in process	Data gathering in process	Data gathering in process
Maynilad	2,551 (2,218 regular & probationary and 333 (project-based))	49,966,981.00	Data not available
Semirara Mining and Power Corporation	SMPC has a noncontributory defined benefit plan		
DMCI Mining Corporation	175 (144 regular employees, 13 under probationary, 4 consultants, 14 project-based employees)	Data not available	Data not available

DMCI Power Corporation	282	6,297,622	26,861,140 (Total Amount allocated for DPC and DMPC for the year 2020 only. There is no available information for 2019. DPC only allocates periodically, albeit the period is not defined, and not yearly.)
------------------------	-----	-----------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Semirara Mining and Power Corporation has a non-contributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of the reporting date 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.

### 3.2 Indirect Economic Impacts

Our responsible and innovative investments play an important role in building a thriving society in our areas of operations and throughout the Philippines. These spur growth in terms of livelihood and business opportunities during and after the projects' completion. We also use our expertise and advanced technologies to address the urgent and unmet needs in our communities. We work responsibly on behalf of our employees, customers, communities, and all other stakeholders. Moreover, we are continuously working to improve our businesses, our communities, and the society around us.

The local workforce benefits through skills enhancement and additional knowledge provided in the communities where our projects are located. We also ensure that we prioritize the hiring of local manpower in the project vicinity and the utilization of local materials and subcontractors for our projects as these areas are the ones impacted by our operations.

We aim to expand our service coverage to the poor and informal settler communities and to look for solutions to the financial, legal, and technical hurdles to connect these communities to the network. We also set a coverage target for the year and evaluate our success based on our adherence to these targets and to our budget.

Our approach is to also translate the business agenda into social good. For example, our duty of communicating the importance of good sanitation and the protection of waterways inevitably leads to encouraging our customers to avail of the services of our companies.

#### 3.2.1 Significant Indirect Economic Impacts (203-2)

DMCI Holdings, through our subsidiaries, helps in uplifting the lives of the families residing in areas of our operations. With our social initiatives, we hope that we make the most impact and value for the Filipino people and our nation. For instance, we are able to provide local employment to many Filipinos in various provincial areas such as Batangas, Palawan, Masbate, Zambales, Mindoro, Antique, Davao, Marinduque, Ormoc, Zambales, Tacloban, and Iligan. The employment of the local workers generates small businesses like canteens, sari-sari stores, laundry shops, food stalls, and apartments.

**Some of the highlights include:**

**D.M. Consunji, Inc.** In relation to employee training and development, D.M. Consunji, Inc. has collaborated with the Technical Education and Skills Development Authority (TESDA) to upgrade the skills of the company's construction workers. With this, DMCI hopes to set above industry standards in the implementation of its construction work activities.

**Maynilad Water Services, Inc.** We provided 41% or Php 90.93 lifeline discount per monthly billing to each of our 341,881 customers. For 2019, we have given an estimated amount of Php 373 million for our lifeline customers. This discount is also given to our 2,180 senior citizen customers that amounted to Php 6 million per month.

We are also able to generate an estimated 34,276 jobs from our Capital Expenditures investment for 2019. Moreover, our local hires for our projects have resulted in an increase in zonal value.

Furthermore, accounts under our Carriedo Will are able to enjoy free services. For 2019, we supplied 228,912 cubic meter (cu.m.) of water for free of charge which is equivalent to Php 20,500,053.44 (VAT exclusive).

**SMPC.** Local small and medium-sized enterprises (SMEs) thrive in a robust economy driven by our operations in several municipalities and provinces. For instance, Barangay Semirara, a direct impact community in Semirara Island, has recorded 283 renewal business permits and 181 new permits in 2019. In addition, local residents are able to enjoy an affordable electricity rate of Php 5 per kwh because of SMPC's continuing electricity subsidy of Php 2.50 per kwh through the Antique Electric Cooperative, Inc. (ANTECO).

SMPC has also developed a Master of Arts in Education Program for public and private school teachers in the island. This program started in 2019 which aims to improve the teachers' competency and to continue their professional development. To date, 183 teachers from 10 public and private schools have completed the program and have applied their learnings in improving their teaching methods and curriculum to their respective schools. SMPC has already invested Php 1.8 million for this program.

**DMCI Mining Corporation.** Barangay Berong in Quezon, Palawan, where Berong Nickel Corporation (BNC) is situated, is currently the second most economically stable barangay in the municipality. The Company has also contributed to the increase in income of local SMEs brought about by the rise in the consumer power of the residents.

In the area of education, DMCI Mining has helped 116 students from 2011 to 2019 graduate from college. The graduates have been employed by the Company and are able to provide for their family.

**DMCI Power Corporation.** The continuous efficient operation of DMCI Power has brought about the increase of growth-inducing potential for the communities situated in its areas of operations. Reliable electricity is an essential factor in attaining development in these areas. Lesser power outages brought about by the existence of the Company's power plants have made possible a steady pace in progress through relentless construction of new buildings for tourism, improvement of infrastructure, building of hospitals, schools, and churches.

(See Annex A.1.1.2.3 for Significant Indirect Economic Impacts per subsidiary)

### **3.3 Climate-related risks and opportunities**

DMCI Holdings takes into consideration the climate-related risks and opportunities in all its business operations and activities. All the subsidiaries are responsible for managing climate-related concerns in terms of governance, strategy, risk management, and metrics and targets used.

When it comes to governance, climate-related risks are monitored and reviewed by the Board. Moreover, they oversee if the environmental objectives of the Company are fulfilled. In D.M. Consunji, Inc., the head of the Environmental Management System (EMS) and the Integrated Management Representative (IMR) are tasked to evaluate climate-related issues. Climate change risks are also covered under the enterprise risk management in Maynilad and Berong Nickel Corporation's strengths, weaknesses, opportunities, and threats (SWOT ) analysis in DMCI Mining. In Semirara Mining and Power Corporation, the integrated Governance, Risk, and Compliance (GRC) framework are aligned with the pillars of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

To assess the appropriate strategies, climate-related risks and opportunities are identified over short-, medium-, and long-term periods. In general, the operations in DMCI Holdings will be greatly affected due to climate change. There will be a decrease in productivity, thus resulting in less revenue for the Company. It may also cause health and safety hazards especially to the employees in various sites. Such risks are then mitigated through a detailed assessment process that complies with regulatory standards. In D.M. Consunji, Inc., they utilize the Context of the Organization (COTO) Process to determine climate-related risks and opportunities. Their risk and opportunity assessment process also includes the following factors: Impact (I), Probability (P), and the effects of existing Control (C) on the identified risks. For Maynilad, environmental scanning is conducted during the top management meeting. Semirara Mining and Power Corporation aims to develop and improve its adaptive capacity to respond to climate-related risks to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. This includes improving our communication of key climate-related material information to our stakeholders. Likewise, DMCI Mining performs its risk management through daily monitoring of the weather in their sites.

Furthermore, several metrics and targets were used in each subsidiary to ensure that the climate-related risks and opportunities are effectively managed.

(See Annex A.1.2 for climate-related risks and opportunities per subsidiary)

## 4. ENVIRONMENT

### 4.1 Energy (302)

The nature of our businesses and our reliance on technology necessarily entail high consumption of energy. Hence, we optimize our energy consumption in relation to our operational needs. We aim to reduce our greenhouse gas (GHG) emissions by lowering our energy and fuel consumption.

We have full time safety officers to monitor and control the use of fuel and energy dependent on the volume of construction activities in the specific phase of construction projects through the use of efficient equipment and power conservation in the facilities. Additionally, specific actions for our goals include the right selection of equipment size efficiency and capacity, and energy conservation programs through awareness campaigns.

We also implemented energy conservation initiatives such as power management, process optimization and improvement, installation of solar panels for renewable energy, refurbishment of equipment, automation, LED lights, and installation of variable frequency drives for large pumps and motors.

#### 4.1.1 Energy consumption within the organization (302-1)

DMCI Holdings aims for the continuous efficient use of energy in all its subsidiaries. Maynilad has the highest total electricity consumption, and the lowest total electricity consumption comes from DMCI Mining.

In terms of fuel, D.M. Consunji, Inc. and Maynilad both consumed diesel and gasoline only. Meanwhile, DMCI Project Developers, Inc. and DMCI Mining utilized LPG in addition to diesel and gasoline.

Energy consumption within the organization (302-1)					
Subsidiary	Total Fuel Consumption				Total electricity consumption (KW/hr)
	Diesel (liters)	Gasoline (liters)	LPG (kgs)	Other types of Fuel (liters)	
D.M. Consunji, Inc.	640,000.33	1,121.92	0	0	539,865.70
DMCI Project Developers, Inc.	5,000	43,200	3,168	0	280,000.00
Maynilad	1,674,788.79	87,470.46	-	0	129,548,696.00
Semirara Mining and Power Corporation	182,877,723	22,278	5.75	2,365,428,746 (tons)- Coal	313,538,333
DMCI Mining Corporation	44,145.14	34,126.57	322.00	0	10,991.93
DMCI Power Corporation	39,032,695.80 (HFO) 48,368,952.68 (LFO)	N/A	N/A	N/A	7,523,649.95

## 4.2. Effluents and Wastes (306)

Guided by our core values, we aim to lessen our water consumption, ensure that the quality of water discharge is passed in accordance with the regulatory standard, and reduce the volume of generated hazardous and solid wastes. We also comply with applicable legislation and the needs of relevant interested parties associated with our operations and services.

One of our goals in DMCI Holdings is to ensure the protection of the environment and the occupational health and safety of our workforce. As such, our subsidiaries are certified to various international standards per industry as a symbol of our responsibilities in relation to environmental protection in the conduct of our businesses and in compliance with government regulations, particularly the Department of Environment and Natural Resources (DENR).

We have set in place treatment and waste management programs in accordance with the applicable laws such as RA 9003 (Ecological Solid Waste Management Act of 2000) and RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990). These include transportation and treatment of waste through DENR-accredited haulers and treaters, waste segregation at source, and most importantly, recycling.

With the expertise of our EMS manager and our pollution control officers, our goals for environmental management include zero environmental complaints and zero environmental incidents. In addition, we provide personnel as well as infrastructure such as material recovery facilities, waste treatment facilities, and accredited hazardous waste haulers and treaters.

### 4.2.1 Water discharge by quality and destination (306-1)

We have a set of water sources and discharge destinations for each of our subsidiaries to ensure the quality of water in the area of our operations. Our subsidiary, SMPC, has the highest amount of water discharge at 878,105,860 cubic meter (cu.m.).

Meanwhile, D.M. Consunji, Inc. operates in Taguig Complex and collects water from Manila Water. We do not have any discharge as (per ECC) we also treat and recycle our water.

DMCI Homes' headquarter is in Bangkal, Makati City and stores water discharge at two septic tanks with capacities of 75 cu.m. and 20 cu.m., to treat it with Vigormin which overflows at the barangay sewer.

Moreover, Maynilad has business activities in different locations in Metro Manila (Manila, Muntinlupa, Caloocan, Quezon City, Pasay, and Paranaque) and sources water either from Angat Dam or Laguna Lake. Our water discharge amounted to 74,499,823.93 cu.m. proceeds to different destinations (such as Estero De Santibanez, Pasong Diablo River, Maypajo Creek, Culiati Creek, Dario Creek, San Francisco River, Mairbolo Creek, San Juan River, Talayan Creek, Delain Creek, Malabon Creek, and Manila Bay).

DMCI Mining's site in Barangay Berong, Quezon Palawan sources water from Libungan River with a water discharge of 954,579 cu.m., while our operations in Sitio Acoje, Barangay Lucapon South, Sta. Cruz, Zambales sources water from Kinabuang Kabayo.

DMCI Power also conducts its operations in different provinces namely, Palawan, Masbate, and Oriental Mindoro. Our project in Palawan sources water from deep well and rain water and discharges a total amount of 15,154 cu.m. Our power plant in Barangay Tugbo, Mobo, Masbate collects water from deep

well and water district, and disposes water based on the discharge permit issued by the DENR-EMB which is less than or equal to 17 cu.m. per day then proceeds to the Mobo Bay (classified as class SB water body by the DENR-EMB). Meanwhile, our operations in Sta. Isabel, Calapan City, Oriental Mindoro sources water from Calapan Water.

*(See Annex A.1.3.2.1 for water discharge by quality and destination per subsidiary.)*

#### 4.2.2 Waste by type and disposal method (306-2)

Most of the non-hazardous wastes generated were either recycled, composted, or brought to the landfill. Among our subsidiaries, D.M. Consunji, Inc. has the highest total solid waste generated.

Maynilad has stored the largest amount of hazardous wastes onsite, followed by DMCI Mining. Maynilad also has the largest amount of hazardous wastes that were disposed of and treated by a third-party contractor, while SMPC has acquired the smallest amount.

#### Non-Hazardous Wastes

Subsidiary	Reused (kgs)	Recycled (kgs)	Composted (kgs)	Residuals/Landfilled (kgs)	On-site stored Weight (kgs)	Total Solid Waste Generated (kgs)
D.M. Consunji, Inc,	9,188,337	6,125,558	21,439,453	24,502,232	Data not available	61,255,580
DMCI Project Developers, Inc.	0	2,640	1,320	240	1,320 (wet paper, mixed trash)	0
Maynilad	0	19,628	26,809	12,546	Data not available	58,982
Semirara Mining and Power Corporation	No Data	1,078,953	14,465	191,500	No Data	1,284,918
DMCI Mining Corporation	0	2,752	15,212	9,258	25,618.250	
DMCI Power Corporation	Data not available	Data not available	Data not available	Data not available	Data not available	Data not available

#### Hazardous Wastes

Subsidiary	On-site stored	Disposed / Treated by Third Party Contractor
	Weight (kgs)	Weight Disposed / Treated (kgs)
D.M. Consunji, Inc,	26,840	Data not available
DMCI Project Developers, Inc.	120	Data not available
Maynilad	113,873.64	56,836.28
Semirara Mining and Power Corporation	137,559	59,320
DMCI Mining Corporation	159,810	37,800
DMCI Power Corporation	344,400.50	421,483.00

#### 4.2.3 Transport of hazardous wastes (306-4)

None of our subsidiaries either imports or exports its hazardous wastes. Among them, Maynilad has the largest amount of hazardous waste that is transported, treated, and generated hazardous wastes.

<b>Subsidiary</b>	<b>Hazardous waste transported (kgs)</b>	<b>Hazardous waste imported (kgs)</b>	<b>Hazardous waste exported (kgs)</b>	<b>Hazardous waste treated (kgs)</b>	<b>Hazardous waste generated (kgs)</b>
D.M. Consunji, Inc,	26,840	0	0	26,840	26,840
DMCI Project Developers, Inc.	Data not yet available	Data not yet available	Data not yet available	Data not yet available	Data not yet available
Maynilad	56,840	0	0	56,840	113,870
Semirara Mining and Power Corporation	59,320	0	0	59,320	196,879
DMCI Mining Corporation	37,800	0	0	27,000	65,730
DMCI Power Corporation	421,483	0	0	421,483	421,483

## 5. SOCIAL

### 5.1 Employment (401)

In DMCI Holdings, we aim for inclusivity in terms of hiring our employees and personnel. Our Company ensures that we hire competent and skilled employees. We have established a comprehensive process for direct labor recruitment, technical and management personnel recruitment, compensation and benefits, training and development, and employee relations.

As one of the leading companies in the country, we always aim to comply with labor laws and address the concerns of our employees in such a way that labor and capital complement each other. With our Human Resource (HR) Department leading the way, we conduct local job fairs in project site localities, source candidates through third-party vendors, websites, social media accounts, and even advertise job openings. Furthermore, we measure our employee performance through an HR Performance Management System wherein competencies are identified, and gap analysis is conducted to establish the areas for skills training, basis for merit increases and promotions.

#### 5.1.1 New Employee Hires and Employee Turnover (401-1)

Our subsidiary, DMCI, has the highest record of new male employee hires, and male and female employee turnovers of 2,882, 997, and 92, respectively, that all range from 18 years old and above. While DMCI Project Developers, Inc (DMCI Homes) has the highest record of new female employee hires of 173 that also range from 18 years old and above.

New Employee Hires					
MALE					
Age Group	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	DMCI Mining Corporation	DMCI Power Corporation
18-30	1,316	1,393	124	7	24
31-50	125	1,316	38	27	36
Over 50 years old	1,441	125	1	11	7
<b>TOTAL</b>	<b>2,882</b>	<b>2,834</b>	<b>163</b>	<b>45</b>	<b>67</b>

New Employee Hires					
FEMALE					
Age Group	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	DMCI Mining Corporation	DMCI Power Corporation
18-30	38	159	68	4	14
31-50	1	14	12	0	27
Over 50 years old	0	0	0	0	5
<b>TOTAL</b>	<b>39</b>	<b>173</b>	<b>80</b>	<b>4</b>	<b>46</b>

Employee Turnover					
MALE					
Age Group	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	DMCI Mining Corporation	DMCI Power Corporation
18-30	535	95	50	0	5
31-50	381	16	48	1	3
Over 50 years old	81	0	12	2	2
<b>TOTAL</b>	<b>997</b>	<b>111</b>	<b>110</b>	<b>3</b>	<b>10</b>

Employee Turnover					
FEMALE					
Age Group	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	DMCI Mining Corporation	DMCI Power Corporation
18-30	68	74	28	0	4
31-50	24	15	11	0	5
Over 50 years old	0	0	7	0	0
<b>TOTAL</b>	<b>92</b>	<b>89</b>	<b>46</b>	<b>0</b>	<b>9</b>

#### Semirara Mining and Power Corporation

	New Employee Hires	Employee Turnover
<b>By Age Group</b>		
Under 30 years old	267	225
30-50 years old	326	106
Over 50 years old	2	6
<b>Total</b>	<b>595</b>	<b>337</b>
<b>By Gender</b>		
Male	535	309
Female	60	28
<b>Total</b>	<b>595</b>	<b>337</b>

*5.1.2 Benefits provided to full-time employees that are not provided to temporary or part-time employees (401-2)*

Our employees play a major role in the continuous growth of our business operations. The compensation benefits and personal development programs that we provide may help in further boosting their performance as we strive to constantly hone their skills in the workplace.

Aside from the government-mandated benefits for employees such as leaves, 13th month pay, and health insurance, DMCI Holdings provides additional aid to boost our employees' well-being and keep them motivated at work.

Employee Benefits	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	Semirara Mining and Power Corporation	DMCI Mining Corporation	DMCI Power Corporation
Accident life insurance	YES	YES	YES	YES	YES	YES
Health Care Insurance	YES	YES	YES	YES	YES	YES
Disability and invalidity coverage	YES	YES	YES	YES	NO	YES
Retirement provision	YES	YES	YES	YES	YES	YES
Stock ownership	NO	NO	YES	NO	NO	NO
SSS	YES	YES	YES	YES	YES	YES
Pag-Ibig	YES	YES	YES	YES	YES	YES
Phil Health	YES	YES	YES	YES	YES	YES

*5.1.3 Parental Leave (401-3)*

All employees of DMCI Holdings' subsidiaries who availed of their parental leave benefit in 2019 have returned to work after the leave duration.

MALE	D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	Semirara Mining and Power Corporation	DMCI Mining Corporation	DMCI Power Corporation
Entitled to Parental Leave	413	166	1906	3191	86	125
Employees who took Parental Leave	413	25	72	41	3	4
Employees who returned to work after parental leave ended	413	25	72	41	3	4

<b>Employees who returned to work after parental leave ended who were still employed twelve months after their return to work</b>	379	5	72	41	2	4
<b>% Retention Rate</b>	100%	100%	100%	100%	100%	100%

<b>FEMALE</b>	<b>D.M. Consunji, Inc.</b>	<b>DMCI Project Developers, Inc.</b>	<b>Maynilad</b>	<b>Semirara Mining and Power Corporation</b>	<b>DMCI Mining Corporation</b>	<b>DMCI Power Corporation</b>
<b>Entitled to Parental Leave</b>	26	788	645	245	58	57
<b>Employees who took Parental Leave</b>	26	44	32	14	4	5
<b>Employees who returned to work after parental leave ended</b>	26	43	32	14	4	5
<b>Employees who returned to work after parental leave ended who were still employed twelve months after their return to work</b>	24	40	32	14	3	5
<b>% Retention Rate</b>	100%	100%	100%	100%	100%	100%

## 5.2 Labor/Management Relations (402)

DMCI Holdings sees to it that our relationship with our employees, whether regular or project-based, is always healthy and fruitful. As such, our HR and administration departments have a dedicated process and resources to address issues with labor relations such as new employment contracts, renewal of contracts and transfer notifications, and employee engagement programs.

Our Company has Code of Business Conduct and Ethics which all employees must follow. Applicable labor laws and regulations are also being complied with. Moreover, we aim to comply with applicable legislation and the needs of relevant interested parties associated with our operations and services which include its own workforce. These are all done with the goal of developing and maintaining the best workforce in the construction industry. Thus, employee engagement programs such as sports festivals, contests, and surveys are implemented to pursue this goal. With our HR department at the fore, employee relation issues are discussed during the monthly corporate administration department meetings such as the number of violations, the status of cases, and other issues concerning the welfare of employees.

### 5.2.1 Minimum notice periods regarding operational changes (402-1)

In terms of operational changes, our employees are provided a minimum notice period of 30 days, except for Semirara Mining and Power Corporation with a minimum notice period of 1 week. Additionally, our Code on Proper Conduct is reviewed and amended annually as deemed necessary.

### **5.3 Occupational Health and Safety (403)**

In our business, safety is of the highest priority. Thus, our Company aims to provide the highest operational health and safety standards, and the prevention of accidents, injury, loss, or damage. Another part of our Company goals is to provide appropriate resources and facilitate a safety mindset of all employees, regular or project based, and our subcontractors.

One of the strongest objectives of our Company is building structures of technical integrity that enhance both the society and the nation's progress while ensuring the protection of the environment and a healthy and safe workplace for our employees and other stakeholders affected by our business operations. As such, our Environment, Health, and Safety (EHS) Department ensures zero loss time as well as an accident and injury-free workplace. Also, a labor representative is elected in each project's health and safety committee as a medium to convey concerns to our top management. Our adherence to health and safety include daily tool box meetings, consultations with regulatory bodies, mandatory safety orientation and training, annual physical exam, provisions of personal protective equipment (PPEs), clinic, occupational health personnel, and first aiders. Lastly, incidents and accidents are reported in the monthly EHS meetings and appropriate actions are discussed for implementation. All workers of the six subsidiaries of DMCI Holdings are covered by their respective occupational health and safety management systems.

#### *5.3.1 Workers covered by an Occupational Health and Safety Management System (403-8)*

All employees of all DMCI Holdings subsidiaries, including Maynilad, are covered by an Occupational Health and Safety Management System (OHSAS 18001:2007) that has been internally and externally audited.

### **5.4 Training and Education (404)**

We invest in the future by providing our employees and workers with the necessary skills to be effective in carrying out their tasks and responsibilities. Additional training and education will help to improve the skills of our people, thereby improving the standard of services and raising employee morale.

We have internal training programs to address the training requirements of our employees. We conduct Engineers' Development Program, Management Development Program, and National Certification II Trainings. Additionally, training evaluation is conducted to determine the effectiveness of the training given. The results of training evaluation are reviewed, and necessary modifications are implemented.

Training programs are selected and implemented based on HR's training needs analysis every year. The HR competency framework identifies the required skill sets, knowledge, and abilities per role under each division or functional category. Also, all employees of our subsidiaries receive performance and career development review to assess their proficiencies on their respective tasks (404-3). This review is also the basis of the type of training to be provided to our people the next year.

#### *5.4.1 Average training hours per employee per gender (404-1)*

DMCI Holdings provided an average of 32.69 training hours for male and 35.83 training hours for female employees last 2019.

Average Training Hours (MALE Employees)	Quantity (hrs/employee)
D.M. Consunji, Inc,	10.19
DMCI Project Developers, Inc.	9.43
Maynilad	36.16
Semirara Mining and Power Corporation	72.55
DMCI Mining Corporation	60.40
DMCI Power Corporation	7.39
<b>AVERAGE</b>	<b>32.69</b>

Average Training Hours (FEMALE Employees)	Quantity (hrs/employee)
D.M. Consunji, Inc,	16.11
DMCI Project Developers, Inc.	9.00
Maynilad	38.68
Semirara Mining and Power Corporation	84.51
DMCI Mining Corporation	56.50
DMCI Power Corporation	10.18
<b>AVERAGE</b>	<b>35.83</b>

*5.4.2 Programs for upgrading employee skills and transition assistance programs (404-2)*

We believe that by providing our employees and workers with the needed skills, it will help them to effectively carry out their tasks and responsibilities. The following are training programs attended by our people to address the skills requirement for their respective positions:

D.M. Consunji, Inc.	DMCI Project Developers, Inc.	Maynilad	Semirara Mining and Power Corporation	DMCI Mining Corporation	DMCI Power Corporation
Soft Skills Training Programs	Soft skills training (classroom)0 internal and external	Professional Development Program (FIDIC, Basic Internal Controls, etc.)	Behavioral	People Management	Technical Training
Technical and Leadership Training Programs	Technical skills training- classroom training and actual exposure provided by internal and external training providers (TESDA< DMCTC< DOLE, etc.)	Integrated Management System (8Hr Mandatory OHS Orientation, Management Briefing on ISO 45001, etc.)	Environment, Health and Safety (EHS) Training	Leadership Program	Safety and Compliance Training

Management Development Program	E-learning-webinars	Participation in Conferences	Leadership Program	Core Competencies	Behavioral Training
Quality Training		2019 Annual Corporate Governance Enhancement Session (ACGES) for Directors & Officers, etc.)	Professional and Technical Development	Technical Skills	Managerial and Leadership Training
Other Certification Training		IT Related Users Training (Computerized Maintenance Management System, BI Archiving, etc.)	Quality Management System	Team Development	
		Core Competency Development Program (Business Writing, Interpersonal Effectiveness, etc.)		Management Development Program,	
		Leadership Program		ISO, OSH, GIS Trainings	
		Cadet Program (Facilitation Skills for Cadet Trainers)			

## 5.5 Local Communities (413)

One of our Company's policies for our local communities is to formally assess the environmental aspects in all stages of the construction life cycle and incorporate systems that eliminate or control impacts. Local communities are directly affected by the operations of our subsidiaries. Since these communities are our primary source of manpower and space to produce our goods and services, it is our responsibility to maintain a good relationship with the residents and the local government units of these municipalities and provinces. Our social responsibility as a Company is stated in our Corporate Mission and in one of the corporate values. Finally, we also intend to contribute to meeting the national targets for the United Nations Sustainable Development Goals (UN SDGs).

### 5.5.1 Operations with local community engagement, impact assessments and development programs (413-1)

All subsidiaries of DMCI Holdings have implemented local community engagement, impact assessments, and/or development programs in their operational sites. For DMCI, all projects have Aspect Identification and Impact Assessment (AIIA) programs within the construction period.

We engage with our local communities through different development programs across our subsidiaries. In Maynilad, we have a Plant for Life project where we planted a total of 36,070 mangroves covering

approximately 39.4 hectares. We also partnered with various schools to implement programs that involve the students. To improve quality education, we participated in Brigada Eskwela of which we adopted 170 schools. In addition, as we value having clean and safe water in the communities, we installed 50 drink-wash areas in a total of 541 beneficiary schools since 2008, and converted another 150,000 elementary and high school students into “Water Warriors.”

Another subsidiary, DMCI Power, also took part in regular social development programs in its sites in Mindoro, Palawan, and Masbate. It has a wide range of programs for the communities in various areas such as in livelihood (small-scale broiler chicken raising/poultry farm production, skills training on bread and pastry production, turmeric cultivation), environment (river clean-up and rehabilitation and nationwide tree planting activity), health (dental mission, busog-lusog nutrition feeding program, and Doktor ng Barangay program), among others.

#### *5.5.2 Operations with significant actual and potential negative impacts on local communities (413-2)*

We ensure to provide quality services to our stakeholders in local communities, but at the same time, we recognize our significant actual and potential negative impacts. In DMCI, some of our potential negative impacts include dust and noise from construction activities, vehicular traffic in infrastructure project locations, and contamination of hazardous wastes such as used oil and batteries. Moreover, in DMCI Power, we are currently monitoring potential effects such as oil spills, emissions, pollution, and wastewater management.

### **5.6 Customer Health and Safety (416)**

The health and safety impacts of our businesses to our customers directly affect the brand and reputation of DMCI Holdings and its subsidiaries. Our customers are one of the major contributors to the economic success of our businesses, so we have to maintain a good relationship with them by providing the best quality of our products and services.

We comply with the applicable legislation and needs of relevant interested parties associated with our operations and services which include the National Building Code and other codes and specifications. This is in relation to our mission which is to focus on building structures of technical integrity that enhance both the society and the nation’s overall progress.

We also manage the quality of our products and services by conducting regular and systematic assessments to ensure that it will not cause any harm to our customers. One of our subsidiaries, SMPC, reported that 100% of our products and services are assessed for improvement. At SMPC, we also conduct orientations on stockpile management for our customers. Moreover, our other subsidiaries also have different initiatives to ensure the health and safety impacts of our products and services to our customers.

in DMCI, we aim to be 100% compliant to applicable codes and specifications based on the contract requirements. Moreover, as part of our value-creation for our clients, issues with workmanship defects are reported during the defect liability period, and issues with warranty are addressed by the project team. We also ensure that professional indemnity insurance is applied to cover issues that may arise on the design, safety, and performance. We also conduct corporate quality assurance and control meetings to discuss issues with quality performance and non-conformities identified in the ongoing and completed

project. Occupancy permit inspections are transmitted to the Company as the contractor for necessary corrective actions in case of deficiencies and nonconformities with all applicable laws and regulations.

In Maynilad, our policies on customer health and safety are guided by the Philippine National Standards for Drinking Water (PNSDW). To assure that we are distributing a good and safe quality of water to our customers, the water samples we collect undergo strict bacteriological, physical, and chemical examinations. Our newly expanded central laboratory is accredited by the Department of Health (DOH) as a laboratory for drinking water analysis. Our lab technicians ensure that we follow the new quality parameters set by the DOH's updated PNSDW. We also invested in a new central laboratory and equipment in the area of our operations.

#### *5.6.1 Assessment of the health and safety impacts of product and service categories (416-1)*

For DMCI Holdings, all our projects have established a Hazard Identification, Risk Assessment & Control (HIRAC) process. For Maynilad, we have established a company-wide system procedure for HIRAC which was implemented to all its divisions. We also have a Maynilad Water Safety Plan, and we separated a tool for assessing the OHS risk of our contractors and subcontractors. For DMCI Mining, we have established an effective process of implementing programs to identify, evaluate, and control the hazards and risks that we might encounter. Thus, it resulted in a good safety performance record for the company. In fact, we have no record of fatal incidents and reduction of our recorded accidents to zero since the inception of the project.

#### *5.6.2 Incidents of non-compliance concerning the health and safety impacts of products and services (416-2)*

Our efforts and hard work are the reasons for our Company's best results. We take pride that DMCI Mining has no record of non-compliance with laws and voluntary codes. Unfortunately, despite our best efforts, one of our subsidiaries, DMCI, has recorded two different incidents of non-compliance concerning the health and safety impacts of our products and services. One incident of non-compliance with regulations resulting in warning was due to an infrastructure-environmental complaint, while the other was four incidents of non-compliance with voluntary codes based on the findings of the external audit.

### **5.7 Socioeconomic Compliance (419)**

Business continuity is vital to any business, and DMCI Holdings aims to comply with all government regulations, specifically on social and economic areas. It is our responsibility to be transparent to the government to avoid sanctions, penalties, or worse, suspension of our operations. Compliance obligations such as applicable laws, regulations, and ordinances are being identified through the compliance obligations registries related to labor, business and EHS laws. Compliance with these obligations is being reported on a quarterly basis to the Corporate Compliance Officer (CCO).

In DMCI Holdings, we comply with applicable legislation and the needs of relevant interested parties associated with our operations and services. Our administration and legal departments, as well as our corporate compliance officers, ensure zero fines and work stoppage due to non-compliance with

regulatory requirements. We also conduct compliance obligations reviews, results of which are reported to the CCO for applicable actions.

#### *5.7.1 Non-compliance with laws and regulations in the social and economic area (419-1)*

However, our socioeconomic obligations also involve transparency at all times. Thus, in 2019, we have encountered instances in one of our subsidiaries involving non-compliance. There is a case between the Metropolitan Waterworks and Sewerage System (MWSS) and Pollution Adjudication Bureau and Environmental Management Bureau wherein Maynilad was ordered to pay the following: (1) Php 921,464,184 for the period 7 May 2009 to 6 August 2019, and (2) Php 322,102 per day, subject to further 10% increase every two years until full compliance with Section 8 of the Clean Water Act. As of writing, the Motion for Reconsideration is still pending with the Supreme Court.

Another case faced by Maynilad in 2019 is the Notice of Non-Conformance from the MWSS Regulatory Office, specifically 26 incidents of non-compliance with water and wastewater quality standards (22 for water quality standards, and four for wastewater quality standards). As of writing, there is still no formal communication regarding the corresponding penalties/fines for the case. Nevertheless, the MWSS Regulatory Office (MWSS RO) fined Maynilad amounting to Php 2,500 per water service connection which is equivalent to Php 5,792,500 for the 2,317 severely affected accounts as the situation has already affected the customers in PMP Pagkakaisa, CAA Las Pinas City for more than 15 consecutive days. Furthermore, a total of Php 574,080 was fined to Maynilad for the 19,136 accounts affected by the water discoloration occasioned by the water interruption. These penalties were settled in a form of rebates that were provided to Maynilad customers.

## 6. UN SUSTAINABLE DEVELOPMENT GOALS

Achieving the UN SDGs is important as it improves the quality of life in order to establish a sustainable society. Hence, our Company, through its subsidiaries and joint venture, takes effort to meet the UN SDGs, by ensuring that our key products and services contribute in addressing global social and environmental issues. As we strengthen our economic, environmental, and social values and mitigate our negative social and environmental impacts, we also help our Company achieve sustainable economic growth.

### Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Infrastructure (D.M. Consunji, Inc.)	<p><b>SDG 9- Industry, Innovation and Infrastructure</b></p> <p>DMCI's contribution to UN SDG is our construction of quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p>	There is an increase in carbon dioxide emission through the use of cement and other building materials.	We address our negative impact through the use of recycled material in construction such as the extensive use of Pulverized Fuel Ash (PFA) as partial replacement of cement to reduce the carbon footprint.
Building Design and Construction (D.M. Consunji, Inc.)	<p><b>SDG 11- Sustainable Cities and Communities</b></p> <p>We make cities and human settlements inclusive, safe, resilient and sustainable.</p>	There is an increase in the use of energy and other resources.	We are now investing in the construction of sustainable buildings that were designed and built using LEED strategies aimed at improving performance across all the metrics such as: energy savings, water efficiency, CO2 emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.
Properties (DMCI Property)	<p><b>SDG 11- Sustainable Cities and Communities</b></p> <p>The main goals of the Company are</p>	The following are the potential negative	We coordinate with the LGUs and barangays to ensure that construction of condominiums

Developers, Inc.)	increased sales, additional land acquisition, improvement in local economic activities (opportunities for small business), and encourage neighboring areas to develop and promote tourism. We also aim to promote environmental protection as the Company complies with landscape requirements and provide a home environment for the residents with proper ventilation and natural lighting, clean and maintained creeks and plant nurseries. DMCI Project Developers, Inc. also believes that the goals will positively affect the stakeholders through sharing of knowledge among employees, succession planning and management training programs.	impacts of our operations: <ul style="list-style-type: none"> <li>- Noise pollution</li> <li>- Dusts, debris and construction by-products</li> <li>- Traffic at construction sites</li> <li>- Road wear at construction sites</li> </ul>	will not affect the residents and businesses by holding meetings, dialogues and face-to-face conversations with stakeholders. We ensure that all wastes and by-products from construction sites are properly disposed We support the environmental and community activities of the LGUs and barangays.
Coal and Power (Semirara Mining and Power Corporation)	<p><b>SDG12 – Responsible Consumption and Production:</b>  We have upgraded ISO certifications, namely ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), and OHSAS 18001:2007 (Occupational Health and Safety Management System), proving the Company’s contribution to global standards on environment social responsibility.</p>		
	<p><b>SDG 7- Affordable and clean energy</b>  We have a program on continuing subsidy of electricity cost through Antique Electric Cooperative, Inc. (ANTECO) to provide Semirara Island residents with an affordable and reliable electricity at P5/KwH, one of the lowest rates in the country.</p>	Emissions a. Powerplant units Fugitive emissions from coal stockyard	Emissions control a. Circulating Fluidized Bed Technology, Electrostatic precipitator Coal compaction, water spray, atomizer
Electricity (DMCI Power Corporation)	<p><b>SDG 7- Affordable and Clean Energy</b>  DPC offers affordable, reliable, sustainable, and modern energy to the SPUG areas (those not connected to the main grids of Luzon, Visayas, and Mindanao).</p>	DPC uses fuel-based and thermal technology for power generation, which are challenged for their contribution to CO2 emissions.	DPC, in as far as practicable, incorporates renewable energy in its new projects to comply with the Renewal Portfolio Standards. DPC also utilizes Circulating Fluidized Bed (CFB) technology for its

			thermal power plants, which conforms to the Clean Air Act standards.
Nickel (DMCI Mining Corporation)	<b>SDG12 – Responsible Consumption and Production</b>	Our operations in our mine sites require tree-cutting activities that affect the biodiversity in the areas. Also, there is an identified discoloration of water tributaries nearby our operations.	We implement tree replacement programs in all of our mine sites. We initiated the construction of silt traps and ponds to contain potential silted water.
Water (Maynilad)	<b>SDG 6- Clean Water and Sanitation</b> We provide access to safe and affordable water supply.	The following are the potential negative impacts of our operations: -Generation of sludge -Noise -Discharge of brine to Laguna Lake	Sludge is disposed off-site thru a DENR-accredited service provider Equipment are installed with sound proofing, trees are planted which can act as noise buffers. We maintain acceptable quality of water within the mixing zone, secure discharge permit from Laguna Lake Development Authority.
Sanitation (Maynilad)	SDG 6- Clean Water and Sanitation We Improve water quality by reducing pollution load of wastewater prior to discharge to water bodies	The following are the potential negative impacts of our operations: -Generation of sludge -Noise -Discharge of untreated wastewater	Sludge is disposed off-site through a DENR-accredited service provider. Equipment are installed with sound proofing, trees are planted which can act as noise buffers.. We conduct regular maintenance of equipment, interceptor lines to ensure continuous operation.

*\* None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries*

## Annex A.1: SEC Management Approach Template and other Specific Disclosures (per subsidiary)

### A.1.1 ECONOMIC

#### A.1.1.1 Economic Performance: Management Approach

What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	Which stakeholders are affected? <i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	Management Approach <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<p>We believe that the construction industry is vital to economic development and national progress. By building structures of technical integrity, we help in enhancing both the society and the nation's progress while working towards greater professionalism and reasonable returns for the Company and its employees.</p> <p>We contribute higher taxes and royalties. Likewise, we are able to develop social programs for our host communities.</p>	<p>Employees, suppliers, government sector, investors and shareholders, community</p>	<p>Our Company provides fair compensation and benefits.</p> <p>Additionally, the Integrated Management System (IMS) helps the Company ensure that it complies with all labor-related compliance obligations required by law and other government regulations.</p> <p>We also ensure that we conduct third party financial audits in all Company transactions.</p>
What are the Risk/s Identified? <i>Identify risk/s related to material topic of the organization</i>	Which stakeholders are affected?	

<b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i>	<b>Which stakeholders are affected?</b>	

#### A.1.1.2 Indirect Economic Performance: Management Approach

<b>What is the impact and where does it occur? What is the organization’s involvement in the impact?</b> <i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i>  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<b>Which stakeholders are affected?</b> <i>(e.g. employees, community, suppliers, government, vulnerable groups)</i>	<b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
<p>Our Company believes that our responsible and innovative investments play an important role in building a thriving society in our areas of operations and throughout the Philippines. These spur growth in terms of livelihood and business opportunities during and after the projects’ completion. We also use our expertise and advanced technologies to address the urgent and unmet needs in our communities. We work responsibly on behalf of our employees, customers, communities and all other stakeholders. Moreover, we are continuously working to improve our businesses, our communities, and the society around us.</p>	<p>Employees, Local communities</p>	<p>The local workforce benefits through skills enhancement and additional knowledge provided in the communities where our projects are located. We also ensure that we prioritize the hiring of local manpower in the project vicinity and the utilization of local materials and subcontractors for our projects as these areas are the ones impacted by our operations.</p> <p>We aim to expand our service coverage to the poor and informal settler communities and to look for solutions to the financial, legal, and technical hurdles to connect these communities to the network. We also set a coverage target for the year and evaluate our success based on our adherence to these targets and to our budget. Our approach is to translate the business agenda into social good. For example, our duty of communicating the importance of good sanitation and the protection of waterways inevitably leads to</p>
<b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i>	<b>Which stakeholders are affected?</b>	

<b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i>	<b>Which stakeholders are affected?</b>	encouraging our customers to avail of the services of our companies.

**A.1.1.2.3 Significant Indirect Economic Impacts per subsidiary (203-2)**

**D.M. CONSUNJI, INC. (DMCI)**

One of the greatest contributions of D.M. Consunji, Inc. is spurring developments where its infrastructure and other buildings projects are located. For instance, we were able to provide local employment to construction workers in various provincial areas such as Batangas, Davao, Marinduque, Ormoc, Zambales, Tacloban, and Iligan. The employment of the local workers generates small businesses like canteens, sari-sari stores, laundry shops, food stalls, and apartments.

D.M. Consunji, Inc. has also collaborated with the Technical Education and Skills Development Authority (TESDA) to upgrade the skills of the Company’s construction workers. With this, we hope to set above industry standards in the implementation of its construction work activities. Additionally, we conduct in-house professional skills training and career development of their engineers, architects, and other professionals.

Furthermore, D.M. Consunji, Inc. participates in Leadership in Energy and Environmental Design (LEED) projects. The LEED is the premier global program for green and sustainable buildings and communities. Through these projects, we efficiently use energy and practices environmental protection of the built environment.

**DMCI PROJECT DEVELOPERS, INC. (DMCI HOMES)- *Data not yet available***

**MAYNILAD WATER SERVICES, INC. (MAYNILAD)**

We provided 41% or Php 90.93 lifeline discount per monthly billing to each of our 341,881 customers. For 2019, we have given an estimated amount of Php 373 million for our lifeline customers. This discount, amounting to Php 6 million per month, is also given to our 2,180 senior citizen customers.

We are also able to generate an estimated 34,276 jobs from our capital expenditures investment for 2019. Moreover, our local hires for our projects have resulted in an increase in zonal value.

Furthermore, accounts under our Carriedo Will are able to enjoy free services. For 2019, we supplied 228,912 cubic meter (cu.m.) of water for free of charge which is equivalent to Php 20,500,053.44 (VAT exclusive).

## **SEMIRARA MINING AND POWER CORPORATION**

Local small and medium-sized enterprises (SMEs) thrive in a robust economy driven by SMPC's mining and related activities. Brgy. Semirara, a direct impact community in Semirara Island, has recorded 283 renewal business permits and 181 new permits in 2019. In addition, local residents are able to enjoy an affordable rate of Php 5 per kwh because of SMPC's continuing electricity subsidy of Php 2.50 per kwh through the Antique Electric Cooperative, Inc. (ANTECO).

SMPC's infirmary services have also served 28,735 patients in 2019. About 49% of which are employees, while 28% are employee dependents. Moreover, the infirmary catered 6,488 community members. Currently, the infirmary employs three physicians, two dentists, three medical technologists, one radiologic technologist, one midwife, and 11 nurses.

SMPC has also allotted Php 7.1 million to develop and maintain infrastructure in the island such as a 31-km main road network and flyover. SMPC also provided dredging works for the completion of the Pinagpala Public Seaport facility which is now used by passenger boats and fishing vessels plying to and from Semirara Island. This project provides easier sea transportation access to the community. Likewise, SMPC spends more than Php 500,000 annually to operate its bus transport service. There are eight bus trips scheduled at regular intervals to ply the 22km Semirara – Alegria route daily. SMPC grants free transportation to the employees, students, and community members. Around 1,600 personnel utilize the bus service daily.

The Company has also developed a Master of Arts in Education Program for public and private school teachers in the island. This program started in 2019 which aims to improve the teachers' competency and to continue their professional development. To date, 183 teachers from 10 public and private schools have completed the program and have applied their learnings in improving their teaching methods and curriculum to their respective schools. SMPC has already invested Php 1.8 million for this program.

Since 2006, SMPC has also partnered with the Semirara Training Center, Inc. (STCI) in providing TESDA-certified skilled manpower to support the Company's operations. Graduates are trained in the fields of automotive servicing, shielded metal arc welding, machine shop practice and electrical installation and maintenance. In 2019, there were 138 students enrolled in this program.

## **DMCI MINING CORPORATION**

DMCI Mining's operations have significantly driven economic development in its areas of operations. For instance, Brgy. Berong in Quezon, Palawan is currently the second most economically stable barangay in the municipality. The Company has also contributed to the increase in income of local SMEs brought about by the rise in the consumer power of the residents. The locals who are working in the Company are able to purchase home appliances and transportation vehicles. Moreover, DMCI Mining provides potable water to its community members.

In the area of education, DMCI Mining has helped 116 students from 2011 to 2019 graduate from college. The graduates have been employed by the Company and are able to provide for their family.

DMCI Mining has also provided skills training in agro-forestry and aquafarming. This increased the quality and quantity of farmers and fishermen in Brgys. Berong and Aramaywan. Likewise, the Company continuously enhances the skills of its community health workers.

### **DMCI POWER CORPORATION**

The continuous efficient operation of DMCI Power has brought about the increase of growth-inducing potential for the communities situated in its areas of operations. Reliable electricity is an essential factor in attaining development in these areas. Lesser power outages brought about by the existence of the Company's power plants have made possible a steady pace in progress through relentless construction of new buildings for tourism, improvement of infrastructure, building of hospitals, schools, and churches.

Likewise, DMCI Power has induced changes to the pattern of land use or the construction and rehabilitation of road networks, leading to and from communities that now have access to electricity. This opens them to opportunities for commerce and trade.

DMCI Power has generated employment in nearby communities, wherein areas teeming with business and potential for growth attract individuals who view these areas as avenues for opportunities to improve or uplift their social well-being.

There has also been an increase in recreational activities in areas where electricity is reliable, consistent, and affordable, providing people the necessary respite, enjoyment, and pleasure to achieve the appropriate balance in their lives.

## A.1.2 Climate-related risks and opportunities

### A.1.2.1 D.M. CONSUNJI, INC. (DMCI)

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization’s governance around climate-related risks and opportunities	Disclose the actual and potential impacts <sup>2</sup> of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
Describe the board’s oversight of climate-related risks and opportunities	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Describe the organization’s processes for identifying and assessing climate-related risks	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
Semi-annual risk management meetings are conducted to report the enterprise risk including the climate-related risk and its proposed treatment to the Board.	Short Term – (R) Strict and enhanced emissions-reporting obligations to government regulators  Medium Term - (R) Changes in precipitation patterns and extreme variability in weather patterns	D.M. Consunji, Inc. has adapted the ISO 14001:2015 Environmental Management System standard in identifying the risks and opportunities related to climate and the environment. The Context of the Organization (COTO)	Short Term - Motor equipment depreciation rates  Medium Term – Number of productive working days per year

<sup>2</sup> For this disclosure, impact refers to the impact of climate-related issues on the Company.

<p>The Board considers climate-related issues when reviewing and guiding strategy, major plans of action, and risk management policies of the Company.</p> <p>The Board monitors and oversees the progress in achieving the environmental objectives of the Company to climate-related issues.</p>	<p>Long Term – (O) Move to more efficient buildings</p>	<p>Process is the driver in identifying these climate-related risks and opportunities. Moreover, the regulatory requirements are managed and monitored through monthly Compliance Obligations Registries.</p>	<p>Long Term – Number of LEED or BERDE projects constructed</p>
<p><b>Describe management’s role in assessing and managing climate-related risks and opportunities</b></p>	<p><b>Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.</b></p>	<p><b>Describe the organization’s processes for managing climate-related risks</b></p>	<p><b>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</b></p>
<p>The organization has assigned all climate-related responsibilities to the head of the Environmental Management System and the Integrated Management Representative (IMR). The IMR reports to the top management and is responsible for assessing and/or managing climate-related issues through the semi-annual Management Review (MR) meeting.</p>	<p>Short Term Impact - Motor equipment asset early retirement due to policy changes</p> <p>Medium Term Impact - Reduced revenue from decreased productivity due to weather interruptions</p> <p>Long Term Impact - Increased construction volume and value of fixed assets of highly rated energy efficient buildings</p>	<p>D.M. Consunji, Inc manages all climate-related risks through a risk and opportunity assessment process by considering the Impact (I), Probability (P) and the effects of existing Control (C) on these identified risks. This is where decisions to mitigate, transfer, terminate, or tolerate those risks are based.</p>	<p>Short Term – 5% reduction of equipment depreciation cost through investment in EURO-4 and higher compliant motor equipment</p> <p>Medium Term – 10% increase of productivity through investment in new construction technology</p> <p>Long Term – construct at least one (1) LEED project per year</p>
	<p><b>Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</b></p>	<p><b>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management</b></p>	
	<p>We believe that the strategies of the Company may be affected by climate-related risks and opportunities. The strategies need to be constantly updated to address such potential risks and opportunities in the time horizon considered.</p>	<p>The processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall Enterprise Level Risk &amp; Opportunities Management System guided by ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 standards.</p>	

## A.1.2.2 Maynilad Water Services, Inc. (Maynilad)

Governance	Strategy	Risk Management	Metrics and Targets
<b>Disclose the organization's governance around climate-related risks and opportunities</b>	<b>Disclose the actual and potential impacts<sup>3</sup> of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material</b>	<b>Disclose how the organization identifies, assesses, and manages climate-related risks</b>	<b>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</b>
<p>1. Climate change related risk is covered in Maynilad Enterprise Risk Management.</p> <p>2. Climate change related risk is being reported to top management.</p>	<p>1. Climate change has a significant impact on Maynilad water sources.</p> <p>Angat Dam</p> <ul style="list-style-type: none"> <li>- Rapid depletion of water levels</li> <li>- Increasing water quality levels</li> </ul> <p>Laguna Lake</p> <ul style="list-style-type: none"> <li>- Increasing water quality levels</li> </ul>	<p>1. Top management meeting: Environmental scanning</p> <p>2. Enterprise Risk management</p>	ISO 31000 Risk Management Framework
<b>Recommended Disclosures</b>			
<p>1. Semi-annual risk management reporting to Risk Management Committee</p> <p>Responsibilities:</p> <p>a. Oversees the implementation and effectiveness of the</p>	<p>Maynilad identified the following climate change related risks:</p> <p>1. El Niño</p> <ul style="list-style-type: none"> <li>- Causing rapid depletion of Angat Dam water</li> <li>- Health and safety hazard to field personnel</li> </ul>		

<sup>3</sup> For this disclosure, impact refers to the impact of climate-related issues on the Company.

<p>Company's risk management framework.</p> <p>b. Reviews and provides recommendation and guidance to Maynilad management on risk strategies.</p> <p>2. Quarterly reporting to Maynilad Top Management</p> <p>Responsibilities:</p> <p>a. Reviews and monitors the identified significant risks of the Company including emerging risk, trends and control measures</p>	<p>2. Monsoon/Heavy rains/Typhoons</p> <ul style="list-style-type: none"> <li>- Increase of water quality levels of Angat Dam and Laguna Lake water</li> <li>- Flooding within facilities causing damages to physical assets</li> <li>- Health and safety hazard to field personnel</li> </ul>		
<p><b>Describe the board's oversight of climate-related risks and opportunities</b></p>	<p><b>Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</b></p>	<p><b>Describe the organization's processes for identifying and assessing climate-related risks</b></p>	<p><b>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</b></p>
<p><b>Describe management's role in assessing and managing climate-related risks and opportunities</b></p>	<p><b>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.</b></p>	<p><b>Describe the organization's processes for managing climate-related risks</b></p>	<p><b>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</b></p>
	<p><b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</b></p>	<p><b>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</b></p>	

## A.1.2.4 Semirara Mining and Power Corporation

Governance	Strategy	Risk Management	Metrics and Targets
<b>Disclose the organization’s governance around climate-related risks and opportunities</b>	<b>Disclose the actual and potential impacts<sup>4</sup> of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material</b>	<b>Disclose how the organization identifies, assesses, and manages climate-related risks</b>	<b>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</b>
<b>Recommended Disclosures</b>			
<p>We recognize climate change is a cross-cutting issue and a challenge that affects all sectors globally. Our integrated Governance, Risk, and Compliance (GRC) framework are aligned with the pillars of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD).</p> <p>Our Board, Board Committees and Management regularly discuss and evaluate the impact of climate-related risks and opportunities</p>	<p>Our organization aims to develop and improve its adaptive capacity to respond to climate-related risks to better manage the associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. This includes improving our communication of key climate-related material information to our stakeholders.</p> <p>We also recognize the climate-related</p>	<p>Our GRC framework enables a proactive identification, assessment, monitoring and evaluation of climate-related and associated risks related to the transition to a lower-carbon economy and those related to the physical impacts of climate change. Our risk process involves risk information updates, controls, and mitigation. Risk reporting is made through regular Management Committee</p>	<p>Our adoption of the GRI-based Reporting Standards assists the organization in developing a system of reporting metrics and targets to manage sustainability impacts and to enhance stakeholder communication of our material issues, including climate-related metrics such as our GHG emissions, energy use, and water withdrawal, among others.</p>

<sup>4</sup> For this disclosure, impact refers to the impact of climate-related issues on the Company.

relevant to our strategies to ensure the long-term sustainability of our business.	opportunities to engage in resource efficiency and cost savings and building resilience through our supply chain.	meetings and to the Board on a timely basis.  Our disaster resilience program consists of regular drills and training in strong collaboration with the different government agencies, local government units, and host communities.	
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**Relevant TCFD Recommended Disclosures (SMPC)**

Type	Climate-Related Risks	Potential Financial Impact
Transition Risks	Policy and Legal <ul style="list-style-type: none"> <li>· Mandates and regulations</li> <li>· Increased pricing</li> <li>· Enhanced energy and emissions-reporting obligations</li> </ul>	<ul style="list-style-type: none"> <li>· Republic Act 10963 Tax Reform for Acceleration and Inclusion</li> </ul> <p>Increased excise taxes on coal to P 100/MT on January 1, 2019, and P150MT on January 1, 2020.</p> <ul style="list-style-type: none"> <li>· Republic Act 9513 Renewable Energy Act of 2008, Department of Energy (DOE) Circular No. DC2017-12-0015 Renewable Portfolio Standards (RPS) Rules for On-Grid Areas.</li> </ul> <p>Anchored on the country’s aspirational target of 35% Renewable Energy (RE) share in the energy mix by 2030. The two-year transition period ended in 2019. Effective 2020, the minimum RE sourcing will be imposed immediately to mandated participants. At least 1% percent of annual energy demand must be sourced from eligible RE sources.</p> <ul style="list-style-type: none"> <li>· Republic Act 11285 Energy Efficiency Law.</li> </ul> <p>Higher compliance costs – hiring of energy technical and management levels, annual assurance.</p> <ul style="list-style-type: none"> <li>· Stranded coal plant assets</li> </ul>
	Technology	<ul style="list-style-type: none"> <li>· Costs to adopt low-carbon technology and processes.</li> </ul>
	Market <ul style="list-style-type: none"> <li>· Change in the power market and customer behavior</li> </ul>	<ul style="list-style-type: none"> <li>· Reduction or restriction in capital availability</li> </ul>
	Divestment and Reputation <ul style="list-style-type: none"> <li>· Stigmatization of sector</li> <li>· Global shift of investors and</li> </ul>	<ul style="list-style-type: none"> <li>· Negative impacts on workforce talent attraction</li> <li>· Negative share price impact from divestment</li> <li>· Incremental cost in Capex and working capital financing</li> </ul>

	<p>capital market from coal energy investments</p> <ul style="list-style-type: none"> <li>· Negative stakeholder feedback</li> </ul>	
Physical Risks	<p>Acute and Chronic</p> <ul style="list-style-type: none"> <li>· Increased severity of extreme weather events, e.g. cyclones, floods</li> <li>· Variability in weather patterns</li> </ul>	<ul style="list-style-type: none"> <li>· Increased capital costs – damage to capital assets, facilities, and telecommunications infra</li> <li>· Reduced revenue from reduced production and lower sales</li> <li>· Reduced revenue and higher costs from negative impacts on the workforce – safety, health, absenteeism</li> <li>· Increased insurance premiums and potential for the reduced or limited cover of assets</li> </ul>
Resource Efficiency	<ul style="list-style-type: none"> <li>· Use of more efficient mine equipment and modes of transport</li> <li>· Use of more efficient equipment</li> <li>· Use of recycling</li> <li>· More efficient buildings</li> <li>· Reduced water usage and consumption</li> <li>· Use of eco-friendly buildings</li> </ul>	<ul style="list-style-type: none"> <li>· Increased revenues through operational efficiency</li> <li>· Republic Act 11285 Energy Efficiency Law.</li> </ul> <p>Reduced operating costs through efficiency gains and cost reductions.</p>

## A.1.2.4 DMCI Mining Corporation

Governance	Strategy	Risk Management	Metrics and Targets
<p><b>Disclose the organization’s governance around climate-related risks and opportunities</b></p>	<p><b>Disclose the actual and potential impacts<sup>5</sup> of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning where such information is material</b></p>	<p><b>Disclose how the organization identifies, assesses, and manages climate-related risks</b></p>	<p><b>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</b></p>
<ol style="list-style-type: none"> <li>1. Climate change risk is covered under Berong Nickel Corporation’s SWOT analysis as recommended by the Palawan Council for Sustainable Development (PCSD).</li> <li>2. Climate change risk is reported to top management.</li> </ol>	<p>Climate change has the following negative impact to operation:</p> <p>During Wet Season</p> <ol style="list-style-type: none"> <li>1. Shortened shipping windows due to heavy rain</li> <li>2. Slowdown of mining production</li> </ol> <p>During Dry Season</p> <ol style="list-style-type: none"> <li>1. Extreme dry season results to dust generation along haul roads and stockpile areas</li> <li>2. Scarcity of water supply due to extreme heat – which is supposed to be utilized for road sprinkling, nursery and rehab</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily rainfall recording in both mine site area and camp area</li> <li>2. Weather monitoring for shipping windows</li> </ol>	

<sup>5</sup> For this disclosure, impact refers to the impact of climate-related issues on the Company.

	maintenance, and for camp utilization		
<b>Recommended Disclosures</b>			
<b>Describe the board's oversight of climate-related risks and opportunities</b>	<b>Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term</b>	<b>Describe the organization's processes for identifying and assessing climate-related risks</b>	<b>Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process</b>
<b>Describe management's role in assessing and managing climate-related risks and opportunities</b>	<b>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.</b>	<b>Describe the organization's processes for managing climate-related risks</b>	<b>Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</b>
	<b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario</b>	<b>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management</b>	

## A.1.3 ENVIRONMENT

### A.1.3.1 Energy: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>The nature of our businesses, and our reliance on technology necessarily entails high consumption of energy. We optimize our energy consumption in relation to our operational needs. We aim to reduce our greenhouse gas (GHG) emissions by lowering our energy and fuel consumption</p>	<p><i>Employees, investors, government sector</i></p>	<p>We have full time safety officers to monitor and control the use of fuel and energy dependent on the volume of construction activities in the specific phase of construction projects through the use of efficient equipment and power conservation in the facilities.</p> <p>Additionally, specific actions for our goals include the right selection of equipment size efficiency and capacity, and energy conservation programs through awareness campaigns.</p>
<p><b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	<p>We also implemented energy conservation initiatives such as power management, process optimization and improvement, installation of solar panels for renewable energy, refurbishment of equipment, automation, LED lights, and installation of variable frequency drives for large pumps and motors.</p>
<p><b>What are the Opportunity/ies Identified?</b> <i>Identify the</i></p>	<p><b>Which stakeholders are affected?</b></p>	

<i>opportunity/ies related to material topic of the organization</i>	

### A.1.3.2 Effluents and Wastes: Management Approach

<b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b>  <i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i>	<b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b>	<b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i>
Our water consumption and waste management practices affect the area of our operations since our Company is utilizing their resources. The Company is responsible for ensuring that the quality of water discharge complies with the regulatory standards, and the generated hazardous and solid wastes are reduced.	Employees, local community, government sector	We have set in place treatment and waste management programs in accordance with the applicable laws such as RA 9003 (Ecological Solid Waste Management Act of 2000) and RA 6969 (Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990). These include transportation and treatment of waste through the Department of Environment and Natural Resources (DENR) accredited haulers and treaters, waste segregation at source, and most importantly, recycling.
<b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i>	<b>Which stakeholders are affected?</b>	With the expertise of our Environmental Management System Manager and our Pollution Control Officers, our goals for environmental management include zero environmental complaints and zero environmental incidents. Also, we provide personnel as well as infrastructure such as material recovery facilities, waste treatment facilities, and accredited hazardous waste haulers and treaters.
<b>What are the Opportunity/ies Identified?</b> <i>Identify the</i>	<b>Which stakeholders are affected?</b>	

<i>opportunity/ies related to material topic of the organization</i>	

*A.1.3.2.1 Water discharge by quality and destination (306-1)*

<b>Water discharged by quality and destination (306-1)</b>				
<b>Subsidiary</b>	<b>Project Location</b>	<b>Water Source</b>	<b>Discharge Destination</b>	<b>Water Discharge (cu.m.)</b>
D.M. Consunji, Inc,	Taguig Complex	Manila Water	-	Zero Discharge (per ECC); Water is treated and recycled
DMCI Project Developers, Inc.	Bangkal, Makati City		Water discharge at the septic tank is treated with Vigormin. Then overflow at the Barangay Sewer.	SEPTIC TANK CAPACITY Septic Tank 1 75cum Septic Tank 2 20cum
Maynilad	Manila, Muntinlupa, Caloocan, Quezon City, Pasay, Paranaque	Angat Dam/Laguna Lake	Estero De Santibanez, Pasong Diablo River, Maypajo Creek, Culiati Creek, Dario Creek, San Francisco River, Mairbolo Creek, San Juan River, Talayan Creek, Delain Creek, Malabon Creek, Manila Bay	74,499,823.93
Semirara Mining and Power Corporation	Semirara Island, Caluya, Antique Calaca, Batangas Makati	Ilugao Bay, Balayan Bay, Manila Water	Ilugao Bay, Balayan Bay	878,105,860
DMCI Mining Corporation	Brgy. Berong, Quezon, Palawan	Llabungan River (water consumed for haul road water sprinkling)	-	954,579
	Sitio Acoje, Brgy. Lucapon South, Sta. Cruz, Zambales	Kinabuang Kabayo	-	
DMCI Power Corporation	Palawan	DeepWell and Rain Water		15,154
	DMCI Masbate Power Brgy. Tugbo, Mobo, Masbate	Deep Well and Water District	Destination is Mobo Bay (Classified as Class SB waterbody by DENR EMB)	Water discharged per Discharge Permit issued by DENR EMB is less than or equal to 17 cubic meter per day.
	Sta Isabel Calapan City, Oriental Mindoro	Calapan Water	-	Water discharged is maximum of 1.0 cubic meter per day based on the Discharge Permit issued by DENR-EMB Region IV-B MIMAROPA

## A.1.4 SOCIAL

### A.1.4.1 Employment: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>The employees have a major role in the continuous growth of our business operations. The compensation benefits and personal development programs that we offer may help in further boosting their employee performance as we strive to constantly hone their skills in the workplace. Our compliance with labor laws also always indicates our priority to protect the rights of our employees.</p>	<p>Employees</p>	<p>We established a comprehensive process for direct labor recruitment, technical and management personnel recruitment, compensation and benefits, training and development, and employee relations.</p> <p>We conduct local job fairs in project site localities, source candidates through third-party vendors, websites, social media accounts, and even advertise job openings. Furthermore, we measure our employee performance through a Performance Management System wherein competencies are identified, and gap analysis is conducted to establish the areas for skills training, which is a basis for merit increases and promotions.</p>
<p><b>What are the Risk/s Identified? Identify risk/s related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	
<p><b>What are the Opportunity/ies Identified? Identify the opportunity/ies related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	

### A.1.4.2 Labor/Management Relations: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>Our labor management relations directly affect our primary business operations since it involves our Company's relationship with our employees. Thus, our Company ensures that our relationship with them, whether they are regular or project-based, is always healthy and fruitful.</p>	<p>Employees</p>	<p>DMCI Holdings has established a Code on Proper Conduct and Discipline which all employees must follow. Applicable labor laws and regulations are also being complied with. Moreover, our Company aims to comply with applicable legislation and the needs of relevant parties associated with our operations and services which include its own workforce. These are all done with the goal of developing and maintaining the best workforce in the construction industry. Thus, employee engagement programs such as sports festivals, contests, and surveys are implemented to pursue this goal. With our Human Resources (HR) department at the fore, employee relation issues are discussed during the monthly Corporate Administration department meeting such as number of violations, status of cases, and other issues concerning the welfare of employees. Additionally, our Code on Proper Conduct is reviewed and amended annually as deemed necessary.</p>
<p><b>What are the Risk/s Identified? Identify risk/s related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	
<p><b>What are the Opportunity/ies Identified? Identify the opportunity/ies related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	

### A.1.4.3 Occupational Health and Safety: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> <i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected?</b> <i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>The occupational health and safety of our employees directly affect our primary business operations. Hence, safety is of the highest priority in all of our businesses. DMCI Holdings aims to provide the highest operational health and safety standards, and the elimination of accidents, injury, loss, or damage.</p>	<p>Employees</p>	<p>We assess the occupational hazards in all stages of planning and construction, incorporating systems that eliminate or mitigate risks in the workplace through the Hazard Identification, Risk Assessment and Control (HIRAC) process. We also provide the highest operational health and safety standards, and the elimination of accidents, injury, loss, or damage.</p>
<p><b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	<p>Part of DMCI Holdings' objectives includes building structures of technical integrity that enhance both the society and the nation's progress, while ensuring protection of the environment and a healthy and safe workplace for our employees and other stakeholders affected by our business operations. As such, our Environment, Health, and Safety (EHS) department ensures zero loss time as well as an accident-free and injury-free workplace. Also, a labor representative is elected in each project's health &amp; safety committee as a medium to convey concerns to our top management. Part of our adherence to health and safety includes daily toolbox meetings, consultations with regulatory bodies, mandatory safety orientation and training, annual physical exam, provisions of Personal Protective Equipment (PPEs), clinic, OH personnel, and first aiders. Lastly, the incidents and accidents are reported in the monthly EHS meetings and</p>
<p><b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	

		appropriate actions are discussed for implementation.
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#### A.1.4.4 Training and Education: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>The training and education we provide to our employees will directly impact our primary business operations. We believe that by providing our employees and workers with the skills they need, it will help them to effectively carry out their tasks and responsibilities. We also believe that additional training and education will improve the skills of our people, thereby improving the standard of services and raising employee morale.</p>	<p>Employees, workers</p>	<p>We have internal training programs to address the training requirements of our employees. We conduct Engineers' Development Program, Management Development Program, and National Certification II Trainings. Additionally, training evaluation is conducted to evaluate the effectiveness of the training given. The results of training evaluation are reviewed and necessary modifications are implemented.</p> <p>Training programs are selected and implemented based on the HR training needs analysis every year. The HR competency framework identifies the required skill sets, knowledge, and abilities per role under each division/functional category.</p>
<p><b>What are the Risk/s Identified? Identify risk/s related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	
<p><b>What are the Opportunity/ies Identified? Identify the opportunity/ies related to material topic of the organization</b></p>	<p><b>Which stakeholders are affected?</b></p>	

### A.1.4.5 Local Communities: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact? Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</b></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected? (e.g. employees, community, suppliers, government, vulnerable groups)</b></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>Local Communities directly affect the operations of our subsidiaries. Since these communities are our primary source of manpower and space to produce our goods and services, it is our responsibility to maintain a good relationship with the residents and the local government units of these municipalities and provinces. Our responsibility to our local communities is stated in our Corporate Mission and in one of the corporate values.</p>		<p>One of the policies of DMCI Holdings is to formally assess the environmental aspects in all stages of the construction lifecycle, incorporating systems that eliminate or control impacts. Our Company's goal is to ensure protection of the environment and to implement the approaches that contribute to sustainable development by delivering economic, social, and environmental benefits to all stakeholders.</p> <p>Our environmental officers and top management work hand in hand with the local government units (LGUs) of our areas of operation. Furthermore, we conduct aspect identification and impact assessment and review of compliance obligations registry to verify the compliance of the projects to applicable laws and regulations. Lastly, internal and external audits are also conducted to verify the effectiveness of aspect controls.</p>
<p><b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	
		<p>We also intend to contribute to meeting the national targets for United Nations Sustainable Development Goals (UN SDGs). Through various programs that promote hygiene, education, and social enterprise, we do not only meet the needs of our community stakeholders, but we also adhere to the global advocacy towards a clean, safe, and sustainable environment. In the pursuit of these common objectives, we have</p>
<p><b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	

		established partnerships in the public and private sectors.
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#### A.1.4.6 Customer Health and Safety: Management Approach

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> <i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected?</b> <i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>The health and safety impacts of our businesses to our customers directly affect the branding reputation of DMCI Holdings and its subsidiaries. Our customers are one of the major contributors to the economic success of our businesses so we have to maintain a good relationship with them by providing the best quality of our products and services.</p>		<p>We aim to be 100% compliant to applicable codes and specifications based on the contract requirements. Moreover, as part of our value-creation for our clients, issues with workmanship defects are reported during the defect liability period and issues with warranty are addressed by the project team. We also ensure that professional indemnity insurance is applied to cover issues that may arise on the design, safety, and performance. We also conduct corporate Quality Assurance (QA)/Quality Control (QC) meetings to discuss issues with quality performance and non-conformities identified in the ongoing and completed project. The results of the evaluation of</p> <p>In the case of DMCI, Occupancy Permit Inspections are transmitted to the Company as the contractor for necessary corrective actions in case of deficiencies and nonconformities with all applicable laws and regulations.</p>
<p><b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	<p>Our policies on customer health and safety are guided by the Philippine National Standards for Drinking Water (PNSDW). To assure that we are distributing a good and safe quality of water to our customers, the water samples we collect undergo strict bacteriological, physical, and chemical examinations.</p>

<p><b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	<p>Our newly expanded central laboratory is accredited by the Department of Health (DOH) as a laboratory for drinking water analysis. Our lab technicians ensure that we follow the new quality parameters set by the DOH's updated PNSDW. We also invested in a new central laboratory and equipment in the area of our operations.</p>

**A.1.4.7 Socioeconomic Compliance: Management Approach**

<p><b>What is the impact and where does it occur? What is the organization's involvement in the impact?</b> <i>Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)</i></p> <p><i>Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)</i></p>	<p><b>Which stakeholders are affected?</b> <i>(e.g. employees, community, suppliers, government, vulnerable groups)</i></p>	<p><b>Management Approach</b> <i>What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?</i></p>
<p>Part of our obligations as a Company is to abide by the government regulations, specifically on social and economic areas. It is our responsibility to be transparent to the government to avoid sanctions, penalties or worse, suspension of our operations.</p>		<p>We aim to comply with applicable legislation and the needs of relevant interested parties associated with our operations and services. Our administration department, legal department, as well as our corporate compliance officers, ensure zero fines and work stoppage due to non-compliance with regulatory requirements and legislations. We also conduct compliance obligations reviews, results of which are reported to the Compliance Officer for applicable actions</p>
<p><b>What are the Risk/s Identified?</b> <i>Identify risk/s related to material topic of the organization</i></p>	<p><b>Which stakeholders are affected?</b></p>	

<b>What are the Opportunity/ies Identified?</b> <i>Identify the opportunity/ies related to material topic of the organization</i>	<b>Which stakeholders are affected?</b>