INTEGRATED ANNUAL REPORT 2018

We Invest in Possibilities for You

DMCI HOLDINGS INCORPORATED

THE DMCI CREED

WE BELIEVE:

That construction is a noble profession
whose activities are vital to economic development
and national progress;

That fair competition is essential to the growth
and stability of the construction industry;

That a contractor's primary responsibility to his client
is to give his best in faithful compliance
with their agreement;

That labor and capital should cooperate with one another
so that labor may live with dignity and capital may find
its just rewards;

That the ill-gotten violates business ethics
and the ill-conceived wreaks havoc on the public good;

That the ultimate objectives are to serve not only man but
humankind, and to build not only an enterprise
but an institution that will serve society.

How we MANAGE the business for you

STRATEGIC REPORT

WHO WE ARE

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

Since then, DMCI Holdings has grown into a diversified engineering conglomerate, primarily engaged in general construction, real estate development, power generation, mining, water distribution and manufacturing.

Among the publicly listed holding companies in the Philippines, it is the only one that has construction as its core investment.

OUR STRATEGY

As builders, we have a different approach to investing.

CHOOSE

We choose industries that allow us to leverage our engineering and management expertise and construction resources, while promoting national development.

ENGAGE

We engage and retain our employees by investing in their skills development and providing them with ample career opportunities.

PURSUE

We pursue businesses with unrealized value that could be unlocked through innovative engineering and management.

MANAGE

We manage our businesses in accordance with relevant government standards on environment, safety, quality and corporate governance.

THE DMCI DIFFERENCE

Our businesses are key players in industries that promote economic growth and social development: construction, real estate, energy, mining and water distribution.

Our ability to generate construction-related projects allows us to deliver superior gross profit margins and more predictable revenue streams.

Our expertise, scale and allied investments enable us to deliver products, services and returns that meet—and even exceed, market standards.

MISSION

To invest in engineering and construction-related businesses that bring real benefits to the people and to the country

VISION

We are the leading integrated engineering and management conglomerate in the Philippines. Through our investments, we are able to do the following:

Deliver exceptional shareholder value

Motivate and provide employees with opportunities and just rewards

Cultivate growth in remote areas and key sectors

Integrate sustainable development with superior business results

VALUES

Our actions and behaviors are guided by the following values:

- **Integrity**
- **Fairness**
- **Customer focus**
- **Teamwork**
- **Accountability**
- **Innovation**
- **Sustainability**

KEY FIGURES

As of and for the period ending 31 December 2018

Net Income
P14.5 billion

EBITDA
P32.8 billion

EBITDA Margin
40%

Return on Parent Equity
19%

Net Debt to Equity Ratio
27%

Equity Attributable to Parent
P78.5 billion

Earnings Per Share
P1.09 per share

Total Dividend Payout
86%

Market Capitalization
P169.7 billion

CONSOLIDATED FINANCIAL HIGHLIGHTS

(amounts in millions of Philippine Peso)

As of and for the period ending 31 December	2018	2017	% change
Total Assets	182,405	171,815	6%
Total Liabilities	85,325	78,208	9%
Total Equity	97,080	93,607	4%
Revenue	82,843	80,703	3%
Cost of Sales and Services	51,888	46,233	12%
Gross Profit	30,955	34,470	-10%
Operating Expenses	8,072	8,687	-7%
Government Share	3,569	4,307	-17%
Income Before Income Tax	23,054	24,177	-5%
Provision for Income Tax	3,205	3,262	-2%
Net Income Before Non-controlling Interest	19,849	20,915	-5%
Net Income After Non-controlling Interest	14,513	14,765	-2%
Non-recurring items	38	(281)	114%
Core Net Income	14,475	15,046	-4%

ECONOMIC CONTRIBUTION

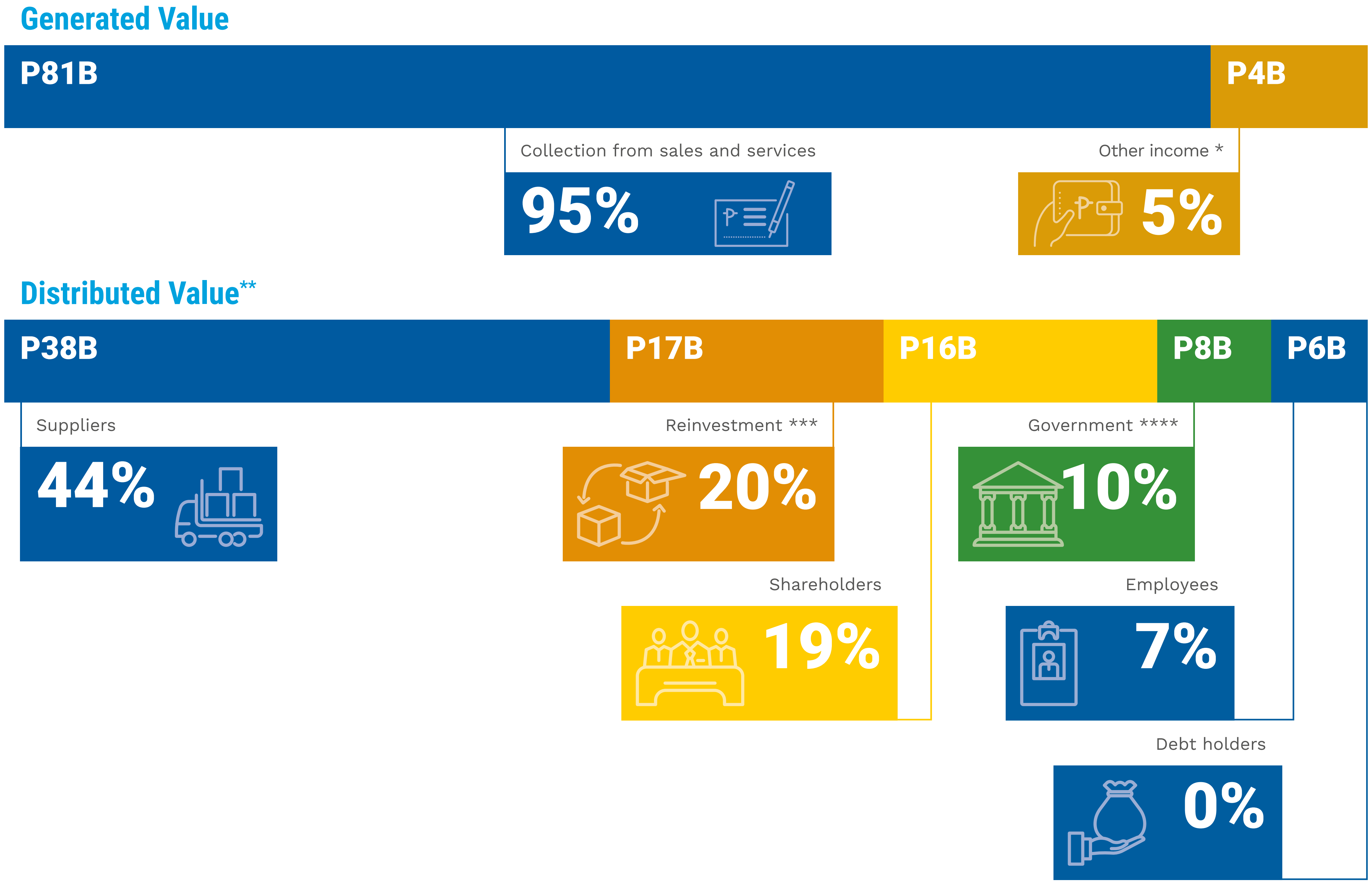
In 2018, DMCI Holdings generated a total value of P85 billion, of which 80 percent (P68 billion) was returned to our stakeholders.

These stakeholders include our suppliers, shareholders, the government and our employees.

Although our Company availed P10.8 billion worth of debt during the year, we also paid roughly the same amount of principal and interest to our debt holders.

To sustain our growth and development, we also reinvested P17 billion or 20 percent of our generated value.

The reinvested amount mostly went to the rehabilitation and life extension program of Sem-Calaca Power Corporation (Units 1 and 2), acquisition of additional heavy equipment of Semirara Mining and Power Corporation and project development and land banking of DMCI Homes.



* Other income includes proceeds from sale of assets, interest and dividends from associates
** Distributed values to suppliers, shareholders and employees are net of related withholding taxes
*** Reinvestment pertains to capex funded by cash generated during the year (net of beginning cash)
**** Government contribution refers to payment of income taxes, royalties, withholding taxes, and other taxes and licenses excluding value-added taxes

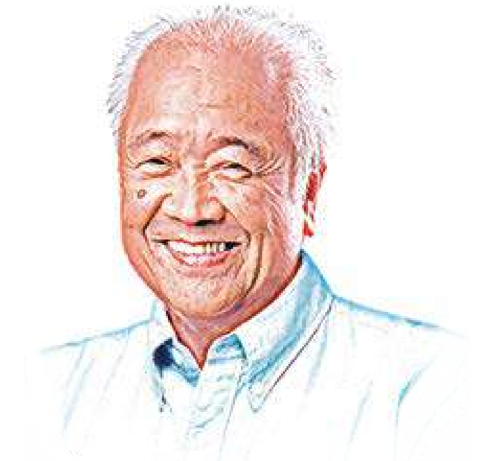
BOARD OF DIRECTORS

ISIDRO A. CONSUNJI
Chairman and President

CESAR A. BUENAVENTURA
Vice-Chairman

HERBERT M. CONSUNJI
Executive Director

MA. EDWINA C. LAPERAL
Executive Director



VICTOR A. CONSUNJI*
Non-Executive Director

JORGE A. CONSUNJI
Non-Executive Director

LUZ CONSUELO A. CONSUNJI
Non-Executive Director

HONORIO O. REYES-LAO
Independent Director

ANTONIO JOSE U. PERIQUET
Independent Director

*deceased 27 December 2018

LETTER TO SHAREHOLDERS

The strong results of our construction, real estate, off-grid power, nickel mining and water distribution businesses partially offset the lackluster performance of Semirara Mining and Power Corporation (SMPC).

We expected coal to be a bright spot for us in 2018 but extreme weather conditions and China's soft ban on imported coal negatively affected production and sales. The prolonged shutdown of Unit 1 of Southwest Luzon Power Generation Corporation (SLPGC) also dampened our consolidated earnings.

Consolidated Performance

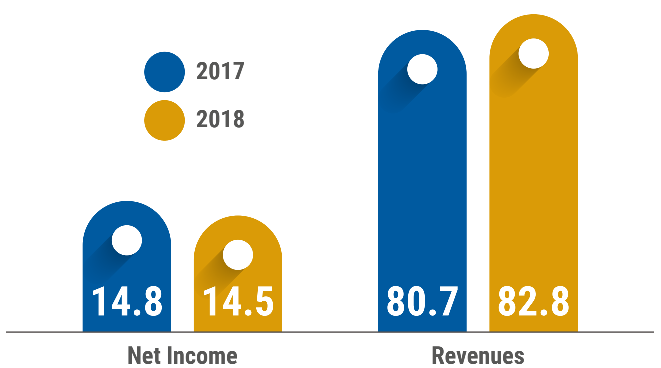
Our Company recorded P14.5 billion in consolidated net earnings in 2018, a 2-percent slip from P14.8 billion the previous year.

During the same period, consolidated revenues grew 3 percent from P80.7 billion to P82.8 billion.

Excluding non-recurring income of P38 million in 2018 and one-time costs of P281 million in 2017, our core net income dropped 4 percent year-on-year from P15 billion to P14.5 billion.

The P38 million non-recurring income is attributable 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 the rehabilitation of its two power plants.

Meanwhile, the one-time items in 2017 include a P117 million share in Maynilad's redundancy and right-sizing costs and P164 million share in the accelerated depreciation of SCPC, among others.



Income Contributions

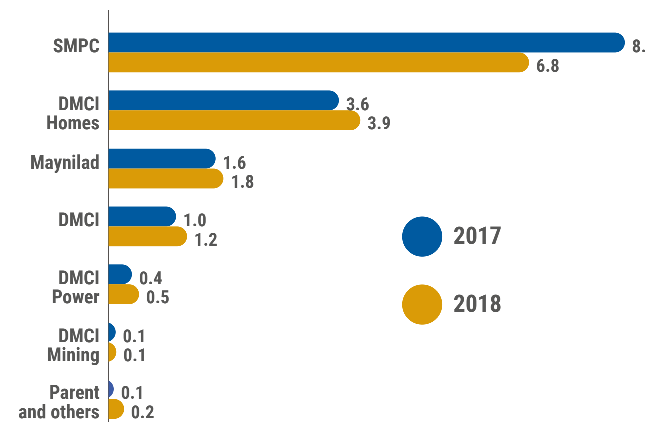
Net income contributions from SMPC fell 14 percent from P8 billion to P6.8 billion, mainly the result of a 12-percent decline in coal sales volume and nearly 8-month shutdown of SLPGC (Unit 1).

Excluding non-recurring items, SMPC's core income attributable to DMCI Holdings declined 8 percent from P8.1 billion to P7.4 billion.

DMCI Homes registered a 9-percent increase in net earnings from P3.6 billion to P3.9 billion owing to a 3-percent 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 percent because of higher cost of materials and the impact of adoption of a new accounting standard, particularly on the recording of broker's commission, which increased cost of sales.

Reported Net Income

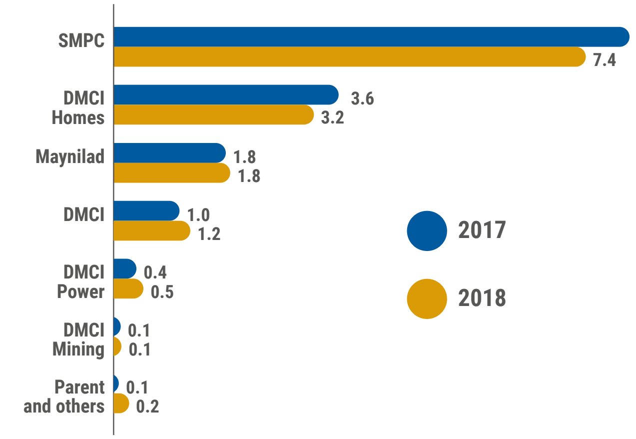


Net income contributions from **D.M. Consunji, Inc.** jumped 16 percent from P1 billion to P1.2 billion. Higher revenues (12%) and the recognition of variation orders from projects nearing completion accounted for the upturn despite higher cost of materials.

DMCI Power posted a 30-percent surge in net income from P359 million to P465 million on the back of a 25-percent increase in energy sales volume.

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

Core Net Income



Net earnings share from affiliate **Maynilad** increased 7 percent from P1.6 billion to P1.8 billion following a 3-percent increase in billed volume which was boosted by an inflation rate adjustment of 2.8 percent in January and 2.7 percent basic charge increase in October.

Excluding non-recurring items, share in Maynilad's core income increased by 4 percent from P1.77 billion to P1.8 billion

DMCI Holdings and other investments rose 200 percent from P79 million to P237 million due to higher interest income from improved treasury and cash management.

All-time high total dividend payout for our Company

P12.8 billion

Record High Dividends

We believe in sharing our success and returning unused capital to our shareholders.

On 08 March 2018, the Board of Directors declared regular and special cash dividends of P0.28 per common share and P0.20 per common share, respectively. In its 19 November meeting, the Board also approved another set of special dividends worth P0.48 per common share.

These declarations brought our total annual dividend payout to P12.8 billion, an all-time high for our Company. The fact that these dividends all came from cash flows from operating activities is a sound indication of our capacity to generate shareholder value.

I am also proud to note that our total dividend payout in 2018 is 29 percent more than the P9 billion total dividend we paid in 2013 when we sold 16 percent of our stake in Maynilad to Marubeni of Japan.

Financial Condition

Our financial position remains sound despite our dip in profitability in 2018.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) was flat at P32.8 billion and our year-end cash balance stood at P15.5 billion, after total dividends paid by the group reached P16.8 billion, which includes over P4 billion dividends to the non-controlling shareholders of SMPC.

Our capex disbursement during the year stood at P27 billion but we still managed to keep our debt to equity ratio flat at 43 percent from 42 percent the prior year.

Should a worthwhile investment opportunity present itself, our Company is well positioned to raise the needed capital.

Corporate Governance Recognition

During the year, our Company was recognized as one of five top performing publicly listed Holding companies by the Institute of Corporate Directors (ICD).

The selection was made after DMCI Holdings scored over 80 points in the 2017 ASEAN Corporate Governance Scorecard (ACGS), a significant improvement from our rating of 43.94 points in 2013.

The ACGS is an initiative of the ASEAN Capital Markets Forum that started in collaboration with the Asian Development Bank in 2011. Its goal is to raise the corporate governance standards and practices among ASEAN publicly listed companies.

The ICD is the only domestic ranking body of the ACGS in the Philippines as appointed by the Securities and Exchange Commission (SEC).

We recognize the importance of this recognition, and commit to further strengthening our corporate governance standards.

Untimely Passing

As the year drew to a close, we suffered a severe loss with the untimely passing of my brother, DMCI Holdings Director and SMPC president and COO Victor A. Consunji.

Victor devoted 20 years of his life to Semirara, and worked tirelessly to turn the company around. He was an inspiring leader who made everyone around him better.

The Board, Management and employees of DMCI Holdings and SMPC will always be grateful to Victor for his dedicated service and outstanding contributions to our companies.

In Closing

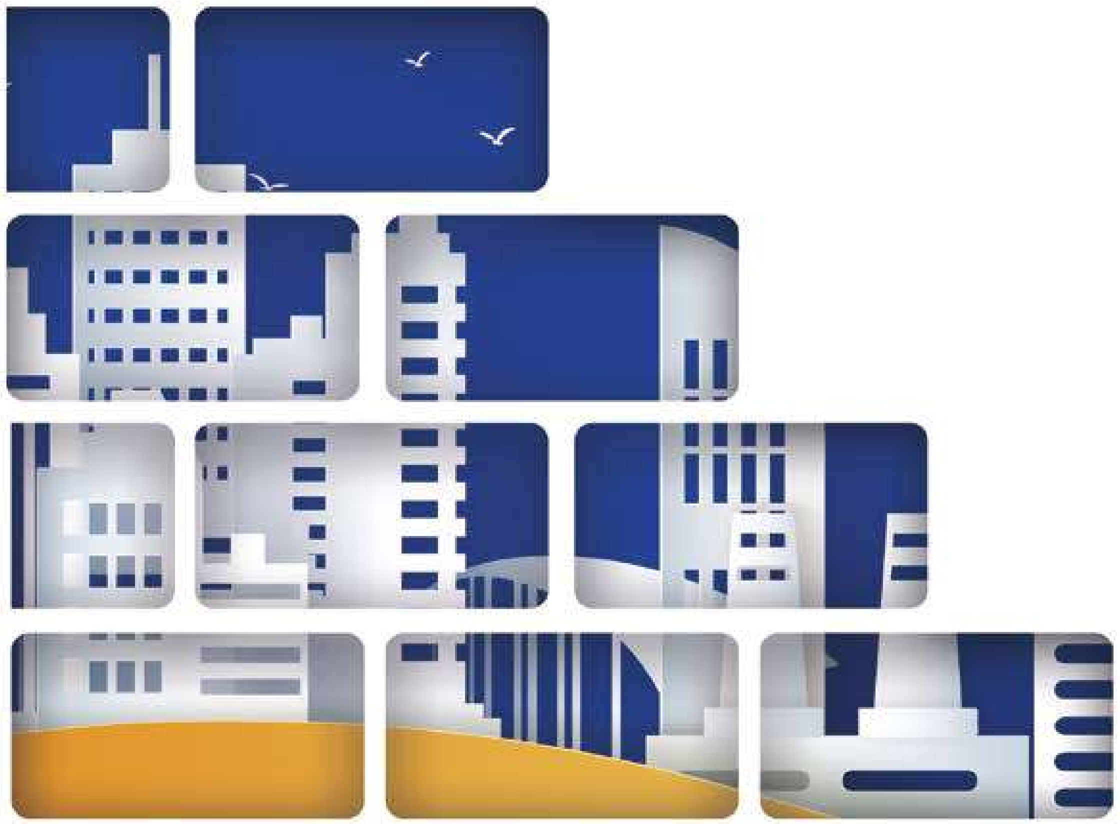
2018 was a year of unforeseen setbacks and loss for our Company. But because of our sound diversification strategy and hardworking employees, we were able to maintain our financial footing and deliver record value to our shareholders.

This would not have been possible without the trust and support of our shareholders, clients, public sector partners, host communities and other stakeholders Please accept my sincere thanks on behalf of the members of the Board.

I expect 2019 to be another challenging year for our Company but with our collective effort, I am confident that we can continue investing in value-generating opportunities for our fellow Filipinos.

Isidro A. Consunji
Chairman of the Board and President

BUSINESS REVIEW



We BUILD a better future for you

D.M. CONSUNJI, INC.
ENGINEERS • CONTRACTORS

A Partner in Nation Building and a Solutions Provider in the Construction Industry

Established on 24 December 1954, D.M. Consunji, Inc. (DMCI) is one of the leading engineering-based integrated construction firms in the country.

It operates in four key construction segments: building, energy, infrastructure, as well as utilities and plants.

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.

64
Years of Activity

13,856
Skilled Workforce (estimated)

987
Technical Personnel

900+
Projects Completed

AN ANSWERED PRAYER

Wearing two hats can be challenging, especially when it requires one to be in different places for different people. But for Jonathan "Jojo" Baldo, it is a challenge that is well worth the effort.

Jojo is the senior pastor of a Christian community based in the Southern Manila District. He provides spiritual guidance and support to its nearly one thousand members who live in Muntinlupa, Las Piñas and Cavite.

At the same time, he is a training consultant to various multinational companies, schools and government agencies. One of his clients is a leisure company in Pasay City, which he visits on a weekly basis.

Driving from his house in Las Piñas to Muntinlupa, Pasay and Cavite used to be a daunting task for him. But when D.M. Consunji, Inc. completed the NAIA Expressway (NAIAEx) Project Phase II for Vertex Tollways Development, Inc. in 2018, Jojo saw it as an answered prayer.

The elevated tollway has allowed him to do more in his ministry and consultancy. Since NAIAEx connects Skyway 1 and Cavite Expressway, he can now attend to the needs of more people.

"The NAIA Expressway has definitely improved travel in the area. I get to see more people now. At the same time, the comfort and convenience make the day less stressful."

- Jonathan Baldo
Senior Pastor, Lighthouse Christian Community

The Philippine construction industry picked up in 2018, expanding by 15.9 percent compared to 5.3 percent the previous year. The growth was attributable to double-digit increases in both public and private construction.

In terms of gross value, public sector-led construction surged 21.2 percent in 2018 while private construction expanded by a more modest 12.9 percent.

The construction industry is expected to stage a strong rally in 2019 and 2020 with the roll-out of major transport and infrastructure projects by the government, and the continued expansion of the real estate sector.

Completed Works

DMCI completed a number of major projects in 2018, which includes the NAIA Expressway, One Griffinstone, NCCC Mall Buhangin and Radiance Manila Bay (Towers 1 and 2).

The NAIA Expressway is a four-lane, 11.4-kilometer-long elevated expressway that connects NAIA Terminals 1, 2 and 3 while One Griffinstone is a Gold LEED building. NCCC Mall Buhangin is a five-story structure with over 8,000-square meters of retail space and Radiance Manila Bay is a premier mixed-use residential complex.

DMCI likewise completed the Maynilad Parañaque Sewer Network, Eco-Prime Building in Bonifacio Global City and Princeview Parksuites in Manila.

Balance of Work

At the end of 2018, the company had an order book of P27.9 billion, a 12-percent upturn from the P24.8 billion registered during the same period last year.

Building contracts and infrastructure projects each accounted for 40 percent of the order book while Energy projects and Utilities and Plants contracts each contributed 10 percent.

Newly-awarded projects during the year dropped 21 percent from P15.4 billion to P12.3 billion. The new projects include the first IKEA store in the Philippines, The Connor at Greenhills, The Estate Makati among others.

Meanwhile, some of the major ongoing projects include the Six Senses Resorts (Phase 2), Anchor Grandsuites, Maven at Capitol Commons, The Imperium, Skyway Stage 3, Tarlac-Pangasinan-La Union Expressway Bued Viaduct, LRT Line 2 East Extension, Cavite-Laguna Expressway Project, among others.

Profitability
On a standalone basis, DMCI registered a full-year net income of P1.6 billion in 2018, a 22-percent improvement from P1.3 billion the previous year. The significant growth was mainly attributable to cost savings brought about by efficient engineering strategies and methodologies.

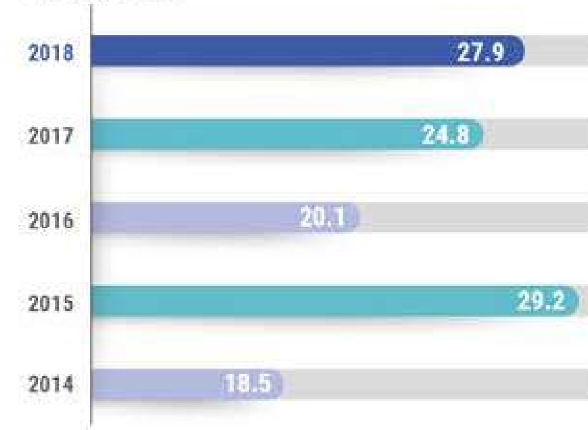
Construction revenues improved by 8 percent from P15.2 billion in 2017 to P16.4 billion the following year, mostly coming from infrastructure and building projects.

Meanwhile, cost of services (COS) and operating expenses (OPEX) rose by 6 percent year-on-year from P13.6 billion to P14.4 billion, owing to the increase in level of project accomplishments in 2018.

FIVE-YEAR PERFORMANCE REVIEW

NET INCOME
in million pesos

Order Book
in billion pesos



REVENUES
in billion pesos

COS and OPEX
in billion pesos

Total Assets
in billion pesos

Return on Assets
in %

*All figures standalone

We MAKE exceptional homes for you

DMCI HOMES

Premier Quadruple A Developer

DMCI Homes is the country's first real estate firm to be recognized as a Quadruple A contractor.

The AAAA category is the highest license given to construction firms that meet the stringent financial and technical requirements of the Philippine government.

Initially a housing division under D.M. Consunji, Inc., DMCI Homes was spun-off in 1999 to address the surge in demand for urban homes.

Since then, the company has made high-quality living accessible to Filipino families using its innovative designs, proprietary technologies and cost-efficient methodologies.

97,857
Residential Units and Parking Slots sold since 1999

P9.3 billion
Total Landbank Cost

55 sqm*
Average Total Unit Area

1,383
Total Employees

*2BR unit with balcony

A HOME IS A BLESSING

Dejected after losing their three-year-old daughter to a rare form of leukemia, young couple Jayjay and Feliz Lucas looked for a new home where they could start anew and move forward as a family.

Known to be the devoted parents of Caitlin Soleil Lucas, who was beloved to many as "Courageous Caitie," Jayjay and Feliz eventually found solace and comfort in one of the condominium communities of DMCI Homes.

Though not initially a fan of vertical living, the couple eventually discovered the joys of residing in a DMCI Homes development. They were pleasantly surprised at the resort-type atmosphere and spacious grounds.

The swimming pool with its gazebo, cabana and landscaped gardens also became a family favorite because they could bring food to the poolside and entertain guests.

More importantly, their new home has become a meeting place for people who share in their mission to help and give hope to sick children through "Courageous Light," a support group they established in honor of Caitie.

"Life is temporary. What matters is the eternal perspective. These are little blessings: to be living in a nice condo is a blessing; to have a home is a blessing. If you focus your eyes on Jesus, everything else will follow."

- Jayjay and Feliz Lucas

The Philippine property sector showed remarkable resilience in 2018. Despite higher interest rates, inflationary spikes and construction delays, take up for residential condominiums in Metro Manila grew by 2 percent year-on-year from 53,000 units to 54,000 units, according to Colliers International 2018 Fourth Quarter Residential Report.

Demand was primarily driven by local and foreign high-net worth individuals, Overseas Filipino Workers, mainland China investors and offshore gaming employees.

Industry players expect continued growth in 2019 with the emergence of Metro Manila as one of the best locations for real estate investments in Southeast Asia. Strong rental yields and property value appreciation are seen to boost foreign buying.

Sales and Reservations

DMCI Homes registered P43 billion in sales and reservations from December 2017 to November 2018, eclipsing its 2018 sales target of P40 billion by 8 percent. Despite the decrease in number of sold units in 2018, sales target was surpassed following the increase in selling prices.

From 9,344 residential units in 2017, the company sold 8,920 units, representing a 5-percent decrease. For the year, the total number of parking units sold increased grew by 1 percent from 5,545 units to 5,609 units.

Top selling projects include Kai Garden Residences in Mandaluyong City, Prisma Residences and Fairlane Residences in Pasig City, and Infina Towers in Quezon City. Majority of the total sales for the year (67%) came from these projects.

Of the total sales and reservations for 2018, around 94 percent are from high-rise projects, while 6 percent are from mid-rise developments. Last year, high-rise projects contributed 76 percent of sales while mid-rise and horizontal projects contributed 24 percent.

Current and Future

In 2018, DMCI Homes launched high-rise developments totaling 5,200 residential units, 36 percent lower than the 8,152 units launched in 2017. The downtrend was due to the slowdown in release of government permits and licenses.

The high-rise projects include Fairlane Residences and Satori Residences in Pasig City, and The Atherton in Parañaque City.

The total approximate sales value of the launched units reached nearly P28 billion,
a 15-percent decrease from the previous year.

Capital expenditure disbursements in 2018 grew by 19 percent to P14.5 billion from P12.2 billion the previous year. Of the amount spent, 77 percent went to development cost and the rest to land and asset acquisition.

For 2019, the company is targeting to launch 10 residential projects in Quezon City, Manila, Las Piñas City, Mandaluyong City, Pasig City, Davao and Cebu, the latter being a new market for the company. Over P68 billion has been allocated for the development of these projects.

Profitability

DMCI Homes saw its net income grow 11 percent year-on-year from P3.6 billion to P4 billion. Excluding the gain on sale of undeveloped land of P715 million, its core net income decreased by 11 percent to P3.2 billion.

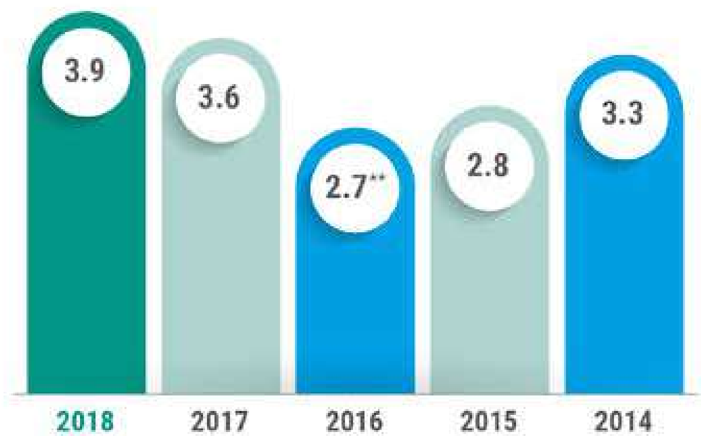
Revenues from real estate, hotel services and property management rose 3 percent from P19.8 billion to P20.5 billion. This was mainly attributable to higher revenue recognition from mid-rise projects such as Ivory Wood, Mirea Residences and Asteria Residences and two high-rise buildings, namely Lumiere Residences and Oak Harbor Residences.

Other income excluding gain on sale of undeveloped land increased by 25 percent from P800 million to P1 billion in 2018. The increase resulted from forfeitures from sales cancellations and rental income.

Meanwhile, finance cost expanded 40 percent year-on-year from P106 million to P148 million due to maturity of the first tranche of DMCI Homesavers bonds during the year.

FIVE-YEAR PERFORMANCE REVIEW

NET INCOME
in billion pesos



Sales and Reservations
in billion pesos

Revenues
in billion pesos

Residential Turnovers
in actual units

Residential Launches
in actual units

Return on Assets
in %

*All figures at PDI conso level
**Includes gain on partial sale of Subic Water

Notes: In June 2017, DMCI Homes changed its accounting policy on recognition of real estate sales and cost of sales from completed contract method to Percentage of Completion (POC) method as allowed under the Philippine Financial Reporting Standards (PFRS), and restated the 2014 to 2016 balances for comparative purposes. The shift in accounting policy is to align the company's revenue recognition with the current practice in the industry.

In 2018, DMCI Homes fully implemented the new PFRS 15 and 9. As a result, gross profit margin for the year decreased because of the new accounting method for sales commission, depreciation and cost of sales.

We MAKE energy more affordable for you

SEMIRARA MINING & POWER CORPORATION

The Only Vertically Integrated Power Producer in the Philippines

Semirara Mining and Power Corporation (SMPC) is the largest coal producer in the Philippines, and the only power generation company in the country that owns and mines its own fuel source (coal).

It is the dominant supplier of local coal to power plants, cement plants and other small boilers.

SMPC has two wholly owned operating subsidiaries, Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC).

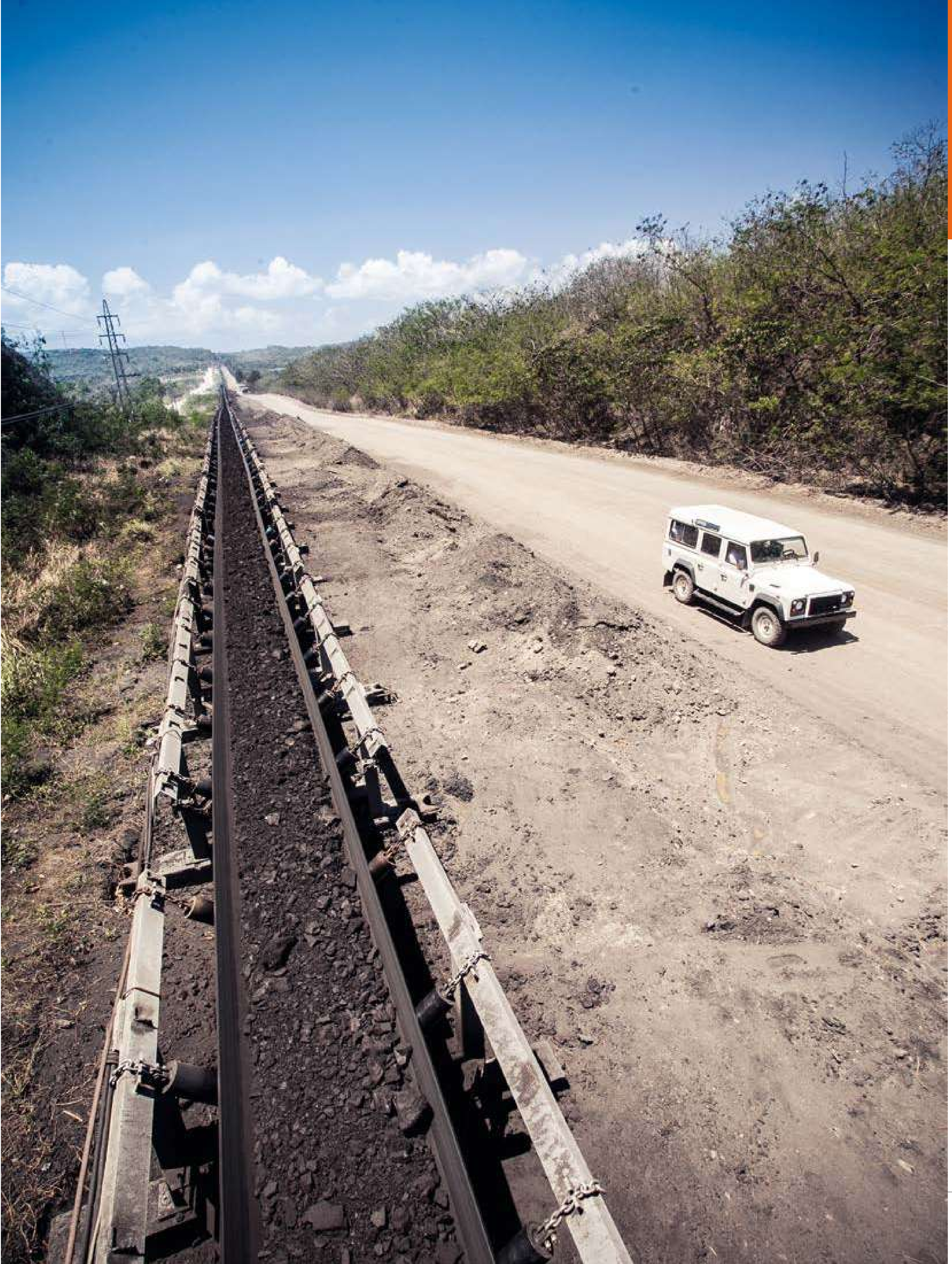
The two companies provide baseload power to the Luzon grid through bilateral contracts with distribution utilities. Excess generation is sold to the Wholesale Electricity Spot Market or WESM.

950 mw
Installed Capacity

4,813
Operating Workforce

P3.57 billion
Government Royalties Paid

12.9 million
Mining Capacity in Metric Tons



AN AFFORDABLE, RELIABLE ALTERNATIVE

Holcim Philippines, Inc. (HPI) is one of the leading building solution companies in the country, supplying cement and cementitious products for projects ranging from simple home repairs to massive public infrastructure.

The company's four manufacturing plants have a total installed clinker production capacity of 5.2 million metric tons per year (MTPY) and cement production capacity of 9.4 million MTPY.

To produce cement, HPI uses imported and local coal for heating its kilns in La Union, Bulacan, Davao and Lugait in Misamis Oriental.

SMPC has been the local coal supplier of HPI for nearly a decade. In addition to providing a more affordable alternative to imported coal, SMPC delivers reliable supply, consistent quality and responsive support services—all of which are critical to growing and sustaining HPI's business amidst the market volatility and stiff competition in the cement industry.

In the next few years, massive public infrastructure spending is expected to drive local cement consumption.

With the support of SMPC, HPI is well-positioned to address this unprecedented demand.

"We thank SMPC for being a reliable partner in our continued growth and success. Our company looks forward to sustaining this relationship that enables us to serve our customers and support the country's progress and development."

- Ike Tan
Procurement Head

In 2018, electricity consumption in China hit a six-year high of 8.5 percent which drove coal consumption to rise for the second straight year. According to the National Bureau of Statistics, coal consumption grew 1 percent year-on-year.

However, Chinese authorities imposed port restrictions on seaborne coal imports in the fourth quarter of the year, reportedly to counter the problem of oversupply and to keep foreign purchases in line with 2017 levels. During the year, Newcastle coal prices averaged US$107, a 21 percent jump from US$ 88.5 in 2017.

Electricity consumption in the Philippines grew 5.7 percent from 94,370 GWh to 99,765 GWh, owing to stronger demand across all customer categories.

Industrial customers posted the highest growth (7.9%) from 25,573 GWh to 27,587 GWh while residential and commercial consumptions both rose 5.5 percent to 28,261 GWh and 24,016 GWh, respectively.

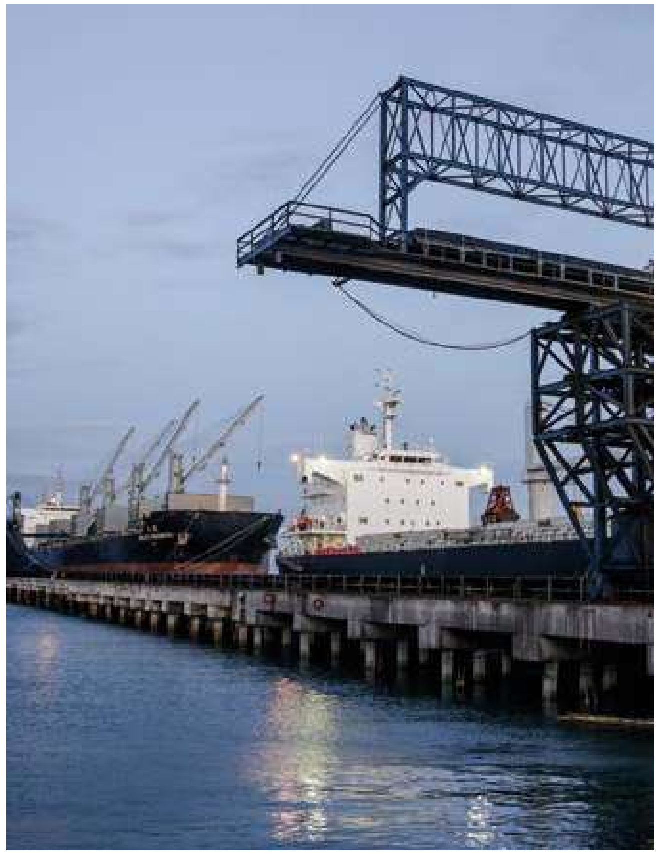
Coal

SMPC faced a marked slowdown in coal production in 2018 as a result of excessive rains in July and August and higher strip ratio. From 13.2 million tons (MT), coal production dropped 2 percent to 12.9 million tons.

Materials moved increased by 21 percent to 164.3 million bank cubic meter (BCM) compared to 135.4 million BCM the previous year. As a result, strip ratio —the amount of overburden materials over the amount of coal extracted—increased to 12.0 BCM : 1 MT from 9.5 BCM : 1 MT during the same period last year.

Reduced coal production led to a 12-percent drop in coal sales from 13.1 million MT to 11.6 million MT. During the same period, average selling price jumped 18 percent from P2,255/metric ton to P2,655/metric ton.

Majority of the coal supply (6.6 million MT) went to local consumers, which included power plants, cement manufacturers and other industrial facilities. Export sales fell 22 percent to 4.96 million MT because of the production slowdown.



Power

The combined gross generation of SCPC and SLPGC dropped 11 percent year-on-year from 5,202 Gwh to 4,653 Gwh.

Unit 1 of SCPC performed well in 2018, with gross generation improving 31 percent from 1,387 Gwh to 1,813 Gwh. The plant also registered a notable increase in availability (53%) with its number of unscheduled outages decreasing from 76 days to 20 days.

SCPC Unit 2 was down for a total of 144 days, resulting in a 31-percent drop in gross generation to 1,469 Gwh and a 30-percent reduction in plant availability.

Unit 1 of SLPGC was down for 230 days due to unscheduled repairs and equipment damage. Consequently, gross generation plunged 50 percent to 406 Gwh while plant availability contracted by 48 percent.

SLPGC Unit 2 fared better in terms of gross generation, producing 10 percent more than last year at 962 Gwh. However, availability increased slightly (2%) compared to the previous year.

Combined power sales of SCPC and SLPGC declined 10 percent from 5,159 GWhr to 4,621 GWhr. Average selling price for SCPC and SLPGC decreased by 10 percent and 11 percent, respectively.

Profitability
Consolidated net income after tax (NIAT) dropped 15 percent from P14.2 billion in 2017 to P12.0 billion the following year. The coal segment booked a standalone NIAT of P9.7 billion, a 7 percent increase from P9.0 billion the previous year.

On a standalone basis, SCPC ended the year with a NIAT of P1.2 billion, a 47-percent downturn from P2.3 billion in 2017. This was primarily due to 6-percent decrease in volume sold due to lower plant availability, 24 percent increase in generation cost due to higher coal prices and 43 percent increase in accelerated depreciation attributed to its life extension program.

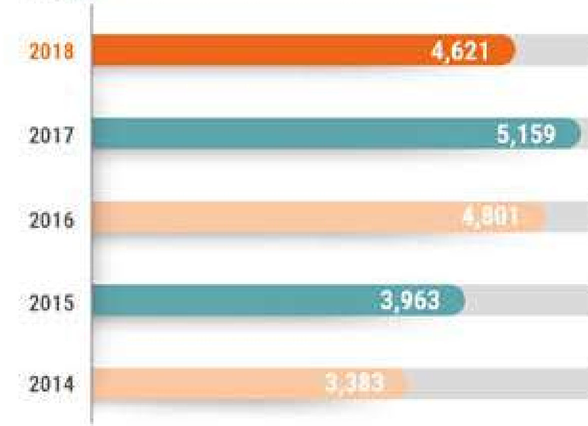
SLPGC recorded a standalone NIAT of P1 billion, a 67-percent plunge from P3.1 billion the previous year. This was mostly the result of a 20-percent decrease in volume sold due to prolonged outage (230 days) of Unit 1, coupled with an 11-percent decrease in average selling price following the expiration of its higher-priced power supply agreement and 20-percent increase in generation cost due to higher coal prices.

Consequently, net income contribution (net of eliminations) to the Parent Company fell 14 percent year-on-year from P8 billion to P6.8 billion.

FIVE-YEAR PERFORMANCE REVIEW

CONSOLIDATED NET INCOME
in billion pesos

Energy Sales
in GWh

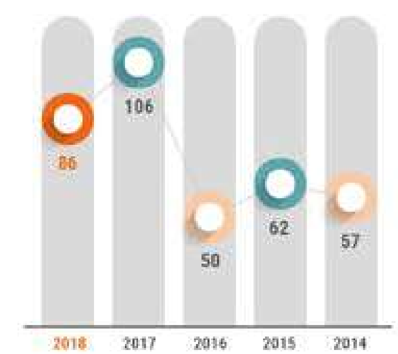


Coal Sales
in MMT

Total Assets
in billion pesos

Net Profit Margin
in %

Cash Dividend Payout Ratio
in %



*Consolidated figures of SMPC and its subsidiaries

“And whatever you learn, just work on it. It will lead you to something.”

VICTOR ALMEDA CONSUNJI
1951 – 2018

His kindness, quiet determination and unparalleled work ethic turned a failing investment into one of the most valuable companies in the country.

The Board, Management, Officers and employees of the DMCI group of companies will always be grateful for everything that he has done.

Thank you, VAC.

We ENERGIZE communities for you

DMCI POWER CORPORATION

Energizing Off-grid Areas in the Philippines

DMCI Power Corporation (DPC) is one of the biggest off-grid energy players in the country, with over 100MW of total installed rated capacity.

Established in October 2006, the company supports the missionary electrification program of the government by generating power for local electric cooperatives in far-flung, isolated areas.

DPC operates and maintains bunker-fired power plants and diesel generating sets in parts of Masbate, Oriental Mindoro, Palawan and Sultan Kudarat.

The company has long-term power supply agreements with Masbate Electric Cooperative (MASELCO), Oriental Mindoro Electric Cooperative (ORMECO) and Palawan Electric Cooperative (PALECO). Its supply agreement with Sultan Kudarat Electric Cooperative (SUKELCO) expired at the end of 2018.

106.18 mw
Installed Capacity

79.74 mw
Contracted Capacity

P6.5 billion
Total Assets

287
Total Employees

A TURN FOR THE BETTER

Nearly 29 percent of the households in Oriental Mindoro rely on kerosene for lighting, according to 2010 government estimates. Zalde Dumpao belonged to such a household.

A chieftain of the Alangan tribe consisting of 73 families, Zalde used to spend P350 a month to buy enough kerosene to light at least five Mangyan homes in their community. A major expense considering his P600 monthly earnings as a farmer.

But in 2015, things took a turn for the better. The Oriental Mindoro Electric Cooperative (ORMECO) installed power lines in Sitio Katarata after DMCI Power invested over P1 billion to build a 15MW power plant in Calapan City, Oriental Mindoro.

With the new DMCI Power facility, ORMECO gained the confidence to meet current demand and expand service coverage even in remote areas.

Today, Zalde and his tribe enjoy affordable, reliable electricity. They pay only P60 for their monthly consumption, and some have even started their own community-based businesses because of the steady power supply.

"*Malaking tulong ang* DMCI (Power). *Dahil sa kanila, nagbago yung buhay ng ibang Mangyan dito. Mayroon dyan sa amin nagtitinda na ng* softdrinks, hotdog *at* tocino. *Hindi na kami bumababa pa ng bundok para bumili ng mga kailangan*".

- Zalde Dumpao

In April 2018, the Philippine government released data showing that the MIMAROPA region (Mindoro, Marinduque, Romblon and Palawan) reached its 2022 Gross Regional Domestic Product target of 6.2 to 7.2 percent in 2017. The economic growth was attributed to the remarkable showing of the services sector.

The Bicol Region, which includes Masbate, grew at a slightly slower pace at 5.1 percent. The services sector was likewise identified as the biggest contributor to the regional economy.

Regional growth continued in 2018, as record-high tourist arrivals and the temporary closure of Boracay boosted economic activities in secondary tourism spots like Masbate, Palawan and Oriental Mindoro.

Capacity and Dispatch

At the end of 2018, DPC had a total installed rated capacity of 106.18MW. Nearly half of the total capacity (52.24MW) is deployed to Palawan while the rest are installed in Masbate (34.69MW), Oriental Mindoro (15.56 MW) and Sultan Kudarat (3.69 MW), with the latter serving as a back-up or reserve facility.

Total energy sales of DPC increased 25 percent from 247 GWh to 308 GWh due to double-digit demand growth and improved loads in Masbate, Oriental Mindoro and Palawan.

Energy sales to PALECO showed the highest improvement at 34 percent from 98 GWh to 131 GWh. Following closely was Oriental Mindoro, as energy volume sold to ORMECO surged 31 percent year-on year to 66 GWh from 50 GWh.

Energy volume sold to MASELCO reached 111 GWh, a 12-percent increase from 99 GWh the previous year. Meanwhile, the Sultan Kudarat plant sold a marginal volume of 0.17 GWh compared to 0.14 GWh in 2017.

Price and Cost

Average price per kWh in Masbate, Oriental Mindoro and Palawan stood at P15.35/kWh, P11.97/kWh and P11.88/kWh, respectively. In effect, their weighted selling price for 2018 increased by 21 percent from P10.84/kWh to P13.15/kWh. Meanwhile, the effective rate for Sultan Kudarat stayed relatively the same in 2018.

DPC recorded higher cost of sales in 2018 due to an upswing in fuel prices. For the period covered, it surged 60 percent to P3.26 billion from over P2 billion the prior year. The sharp and sustained increases in global fuel prices and the implementation of the first tranche of fuel excise taxes in January 2018 accounted for the upswing.

All tariffs of the company are reviewed by the Energy Regulatory Commission (ERC) prior to implementation. Fuel cost is a pass-through cost, subject to the fuel efficiency consumption cap set by the ERC.

Profitability

Total revenue from off-grid generation rose by 50 percent year-on-year from P2.7 billion to P4.1 billion due to the combined effects of higher sales volume and higher fuel prices.

The influx of tourists fueled energy demand while the completed rehabilitation of the 69kv transmission line connecting Puerto Galera to the North Grid of ORMECO also eased up load restrictions, which maximized the company's available capacity in Mindoro.

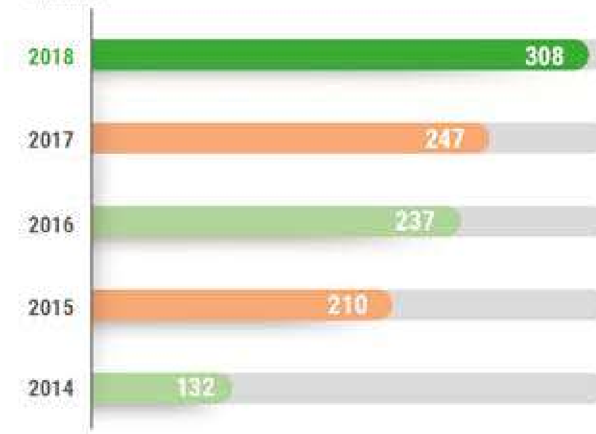
Meanwhile, average fuel price of bunker increased to P31.34 per liter compared to P23.53 per liter for the same period last year. Diesel prices rose to P40.99 per liter from P30.98 per liter.

Consequently, net income grew nearly 30 percent year-on-year from P359 million to P465 million.

FIVE-YEAR PERFORMANCE REVIEW

NET INCOME
in million pesos

Energy Sales
in GWh



GENERATED POWER
in GWh

EBITDA
in million pesos

Composite Average Price
price per KWh

Return on Asset
in %

*All figures standalone

We UNLOCK value for you

DMCI MINING CORPORATION

Practicing and Promoting Responsible Mining

DMCI Mining Corporation was established in 2007 to engage in ore, metal and mineral exploration, development and shipping, among others.

It has two operating nickel mining assets, Berong Nickel Corporation (BNC) and Zambales Diversified Metals Corporation (ZDMC).

The former operates in Berong, Palawan, while the latter operates in the former Acoje mines in Santa Cruz and Candelaria, Zambales. Both mining assets are among the biggest employers in the areas where they operate.

BNC and ZDMC utilize the surface mining technique to extract nickel, chromite and iron laterite for export to China and Japan.

13,353 ha
Total Mineable Area

365 mt*
Total Resource

0.8–2.0%
Nickel Grade

655
Total Employees

*As of December 2018, per government estimates

A SECOND CHANCE

Not everyone is given a second chance to turn their life around. Jessica Justo considers herself one of the fortunate ones.

Being a member of the Tagbanua tribe in Palawan, Jessica was bullied a lot in school because of her ethnicity.

At age 17, she decided to leave high school to find work in Puerto Princesa, where she later got pregnant out of wedlock. Those around her, including her relatives, looked down on her because of what happened.

Jessica felt hopeless until she found out about Berong Nickel Corporation (BNC) and its Alternative Learning System program for out-of-school youths and adults. It was the second chance she badly needed.

After completing the program, she applied for a college scholarship with Berong Aramaywan Tagbanua Association, an organization funded by BNC. Her determination enabled her finish an education degree from the Palawan State University.

Today, Jessica works as a parateacher in Berong Elementary School, one of the schools supported by BNC. She teaches Information and Communications Technology to Grade 4 students.

"Nagpapasalamat po ako sa BNC. Sila po 'yung naging daan para kami ay makapagtapos ng pag-aaral. Marami pa po silang programa na nakakatulong sa community."

- Jessica Justo

Trade tensions between the United States and China, coupled with the latter's mild economic slowdown, led to wide swings in global demand and selling prices of base metals in 2018.

Nickel, unlike other base metals, was relatively insulated from price volatility because of declining inventory and increased demand from electric vehicle and stainless steel manufacturers.

In November, the Department of Environment and Natural Resources (DENR) released its resolution on the motion for reconsideration filed by various mining companies. Of the 13 mining companies that filed the said motion, only the motion for reconsideration of Berong Nickel Corporation (BNC) was fully granted, paving the way for its reopening. Zambales Diversified Metals Corporation (ZDMC), whose motion was partially granted, was among the nine miners ordered suspended while three others were set for permanent closure.

Production and Shipment

Combined nickel production of BNC and ZDMC increased by 28 percent year-on-year from 598,629 wet metric tons (WMT) to 765,517 WMT. Most of the production volume (85%) came from BNC.

Production activity during the year was limited to the hauling of stockpile ore from the mine site to the stockyard at the port. No actual production was done as a result of the DENR suspensions issued in 2016.

Average nickel ore grade improved from 1.51 percent to 1.70 percent. Consequently, average selling price per wet metric ton increased by 25 percent from US$29 to US$36.

In 2018, nickel ore shipments stood at 643,360 WMT, a 22-percent jump from 525,135 WMT the year before.

Operating Costs

Cost of sales and operating expenses increased by 31 percent from P709 million to P928 million primarily due to the double-digit increase in nickel shipment volume.

Meanwhile, total cash cost per WMT reached P1,250 per WMT in 2018, an 11-percent increase from P1,123 WMT the previous year. This was due to higher cost of environmental activities as required by DENR.

Total depletion, depreciation and amortization increased by 5 percent to P116 million from P110 million in 2017 mainly coming from depreciation and depletion cost carried in shipped inventory.

Profitability

DMCI Mining maintained its profitability following the shipment of higher-grade nickel ore by its two assets. From P105 million, its net income improved 6 percent to P112 million.

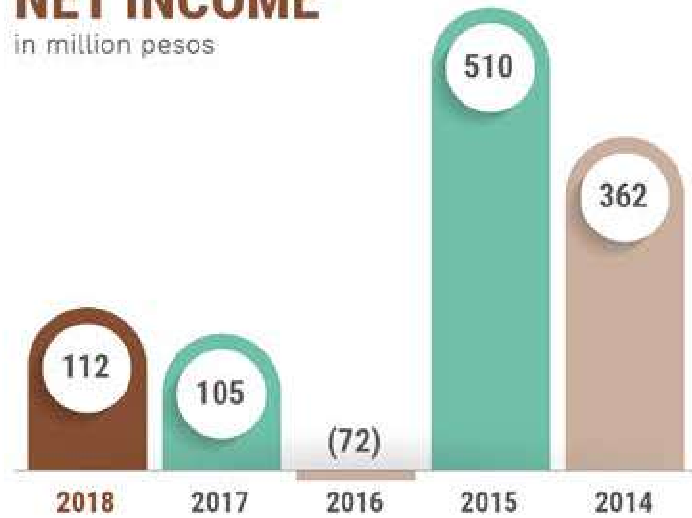
BNC accounted for all the earnings at P316 million, a significant improvement from the P29 million net loss in 2017. BNC earning is shared with Atlas Consolidated Mining Corp at 25 percent. ZDMC recorded a net loss for the year due to its continued suspension and last shipment of its allowed validated ores.

During the same reporting period, DMCI Mining's EBITDA rose 120 percent from P196 million to P432 million because of higher volume shipped as well as improved nickel ore grade.

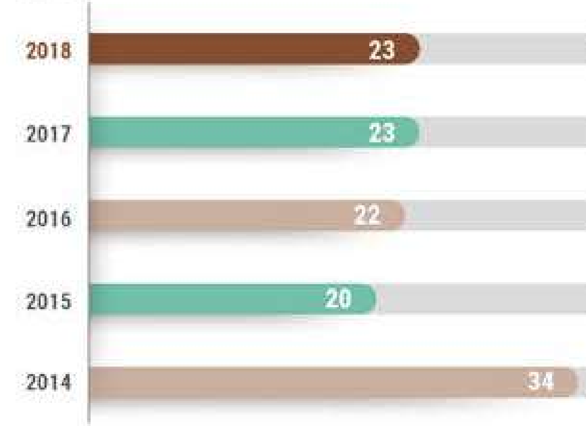
Consolidated revenues increased 60 percent year-on-year from P759 million to P1.2 billion because of higher volume shipped and improved nickel ore grade as well as higher foreign exchange rate.

FIVE-YEAR PERFORMANCE REVIEW

NET INCOME
in million pesos



Total Cash Cost/WMT
in USD



Revenues
in billion pesos

Average Selling Price/WMT
in USD

Nickel Production
in million WMT

Nickel Shipment
in million WMT

*All figures standalone

We PROVIDE sustainable water solutions for you

The Largest Water Concessionaire in Terms of Customer Base in the Philippines

Maynilad is an agent and contractor of the Metropolitan Waterworks and Sewerage System (MWSS) for the West Zone of the Greater Manila Area, which include certain portions of Manila, Quezon City and Makati City; the cities of Caloocan, Pasay, Parañaque, Las Piñas, Muntinlupa, Valenzuela, Navotas and Malabon—all in Metro Manila; and the cities of Cavite, Bacoor and Imus, and the towns of Kawit, Noveleta and Rosario—all in Cavite Province.

It also has a pool of experts that deliver technical services related to hydraulic modelling, water loss reduction, supply and pressure management, Geographic Information System development, wastewater management, project management, and water and wastewater sampling and laboratory analysis, among others.

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

540 km^2
Concession Area

9.5 million
Constrained Population Served

1,407,503
Service Accounts

2,204
Total Employees

*All figures for West Zone

A REMARKABLE PARTNERSHIP

Nestled along the shorelines of Manila Bay and extending southwest to Roxas Boulevard with the breathtaking Manila sunset as backdrop is Aseana City.

The 204-hectare business district houses a number of retail centers, office buildings, hotels, and residential developments. It is being developed as the premier livable city in the Philippines.

In 2016, Aseana City became the first business district to forge a water solutions partnership with Maynilad, which involved regular monitoring of water quality, supply and pressure. The engagement also included emergency leak repairs and installation of water mainline, connections and appurtunances.

Managing the local water network proved to be challenging because of the inherent problem of leaks, mainline bursts and on-going expansion works.

But with the help of Maynilad, Aseana City is able to support the remarkable growth of its masterplanned community. In 2018, it became the third most valuable business district in the country in terms of land value after Makati and Fort Bonifacio.

"Maynilad has been instrumental in realizing our goal of creating a Next Generation City that is perfect for business, living and leisure. We hope to include wastewater services in our partnership to sustain the remarkable growth of our community."

- Ken Barroga
Aseana Real Estate Services and Management Corporation

In September 2018, MWSS approved the P5.73 per cubic meter (cu.m.) water tariff increase of Maynilad for the fifth rebasing period, which covers 2018 to 2020.

The adjustment will be implemented on a staggered basis over a four-year period beginning 01 October 2018 (P0.90) followed by 01 January 2020 (P1.95), 01 January 2021 (P1.95) and 01 January 2022 (P0.93).

However, the approved rate does not include Maynilad's corporate income tax (CIT) and compensation for the delayed implementation of its adjusted tariff for the 2013-2017 rebasing period, which remain the subject of pending cases at the Supreme Court of the Philippines.

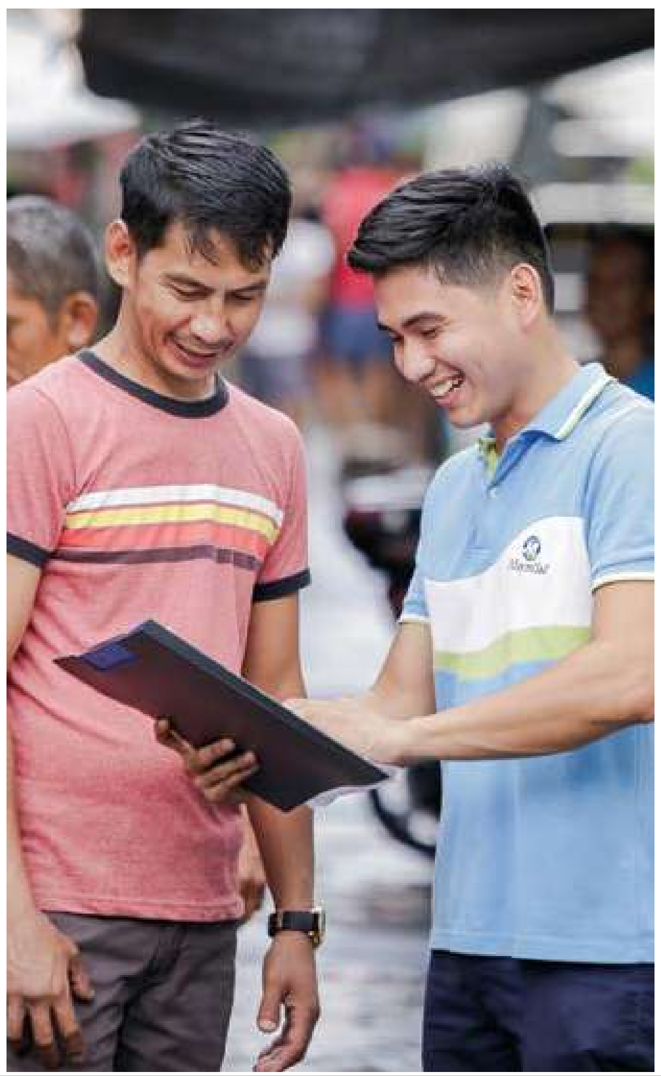
While Maynilad has agreed to implement a partial (excluding CIT) and staggered tariff adjustment, it will continue to exercise all available legal remedies to preserve its rights and entitlements under the Concession Agreement.

Connections and Billed Volume

Maynilad expanded its service coverage within the West Zone by installing 16 kilometers of new pipes in different parts of Caloocan, Las Piñas, Manila, Parañaque, Bacoor, Imus and Kawit. This allowed the company to connect families living in deepwell and water delivery-reliant subdivisions and open communities.

Water service connections grew 4 percent year-on-year from 1,358,758, to 1,407,503. Customer mix slightly improved, as non-domestic accounts grew to 19.5 percent compared to 19.1 percent in 2017. Domestic customers accounted for 80.5 percent in 2018, down from 80.9 percent the year before.

The additional service connections led to a



3-percent increase in billed volume from 511.66 million cubic meters (MCM) of water to 527.15.

Water losses in district metered areas (average DMA Non-Revenue Water) declined from 32.27 percent to 29.76 percent, mainly the result of Maynilad's active leak repairs, selective pipe replacement and meter replacement.

Operating Costs

Total cash operating expenses declined 4.6 percent year-on-year from P6.5 billion to P6.2 billion, owing to savings in personnel cost. Excluding this item, all other expenses roughly increased by 8 percent from P3.7 billion to nearly P4 billion.

Personnel costs, which is the company's single largest cost element, dropped 21 percent from P2.8 billion to P 2.2 billion as a result of a redundancy and right-sizing program (Special Opportunity Program) and accrual for reissuance of ESOP shares that have been bought back by the company from separated employees who availed of the SOP.

Light and power—the other major cost driver—declined by 7 percent due to the combined effects of a nearly 22-percent decrease in average electricity rates and a 14-percent increase in electrical usage. Power consumption grew due to increased operating hours of pumping stations and in-line boosters to maintain service levels and increased production and water treatment activities in the Putatan treatment plant.

Profitability

On a standalone basis, Maynilad net income grew 7 percent from P6.8 billion to P7.3 billion owing to a 6-percent increase in revenues and savings in total operating expenses.

Revenues increased 6 percent from P20.6 billion to P21.8 billion on the back of higher billed volume, an improved customer mix, an inflation rate adjustment of 2.8 percent in January and a 2.7-percent basic charge increase in October.

Core net income, which excludes one-time charges such as foreign exchange gains or losses and refinancing cost, amounted to P7.7 billion, a 5-percent improvement from last year's core net income of P7.4 billion.

After adjustments at the consortium company level, Maynilad's net income contribution to DMCI Holdings increased 7 percent from P1.6 billion to P1.8 billion.

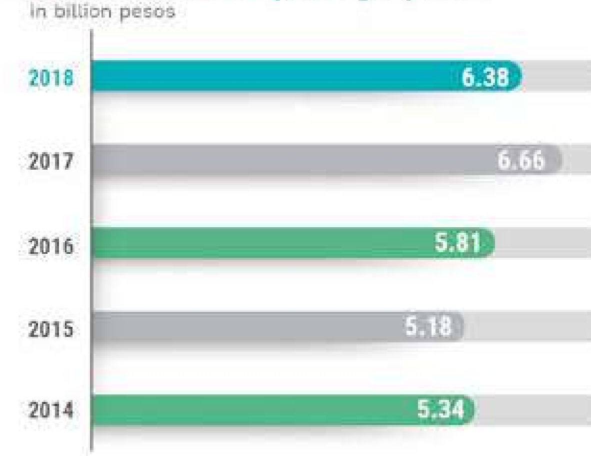
FIVE-YEAR PERFORMANCE REVIEW

NET INCOME CONTRIBUTION*

in billion pesos

Consolidated Cash Operating Expenses

in billion pesos



CONSOLIDATED CAPITAL EXPENDITURE

in billion pesos

Average Non-Revenue Water

in %

Billed Volume

in MCM

Served Population

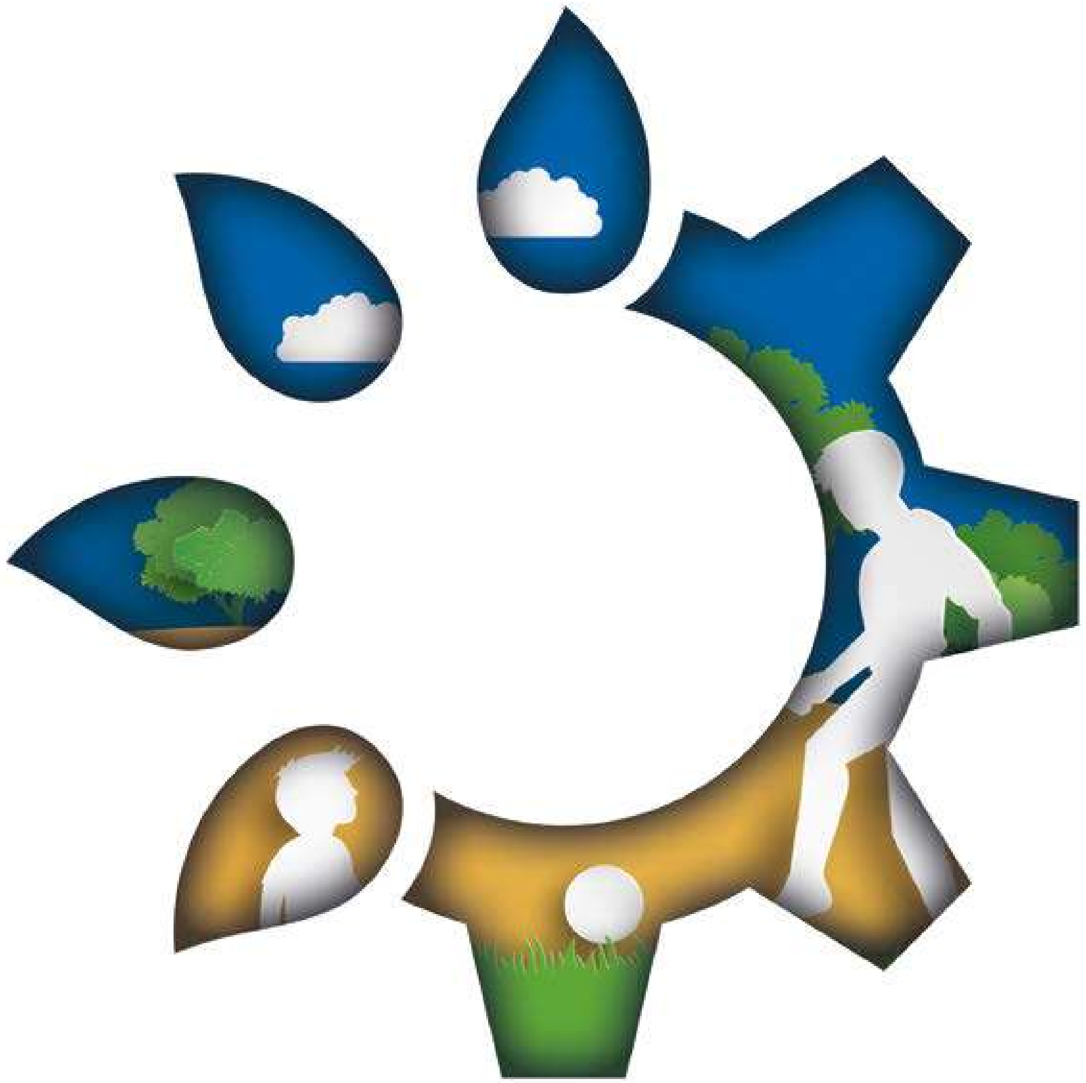
West Zone, in millions

*Based on 27.19% share in Maynilad Holdings

Note: Figures based on financial results of Maynilad and Philhydro

How we LOOK AFTER the future for you

ENVIRONMENT, SOCIAL AND GOVERNANCE REPORT



Corporate Sustainability & Responsibility

OUR PRIORITIES

DMCI Holdings, through its subsidiary and affiliate companies, contributes to meeting the United Nations Sustainable Development Goals (SDGs) by focusing on those that directly relate to our businesses, corporate DNA and core competencies. In this way, we create the most impact and value for the Filipino people.

SUSTAINABLE DEVELOPMENT GOALS

In this section, we highlight some of the initiatives we have undertaken to advance the 17 SDGs.

1 NO POVERTY

WHY IS THIS OUR PRIORITY?

Around 22 percent of Filipinos live below the poverty line, and most of our businesses operate in areas where poverty incidence is even higher.

DMCI Holdings invests in businesses that aid inclusive and sustainable economic growth.

In 2018 alone, our combined capital expenditures translated to P27 billion while our consolidated income taxes, royalties and licenses due to the government amounted to P7.7 billion.

We also provide employment to over 21,000 Filipinos across the country. This does not include the indirect jobs generated by our suppliers, subcontractors and other business partners.

• • •

In the last 10 years, **Semirara Mining and Power Corporation (SMPC)** paid over P20 billion in royalties to the Philippine national government.

royalty payments in 10 years

P20 billion

P8.5 billion or 40 percent of this amount went to the local government units (LGUs) that host SMPC's coal mine—Brgy. Semirara, the town of Caluya and the province of Antique.

With the royalty payments, the LGUs have the means to undertake more programs and projects that will benefit their constituents.

Nearly 82 percent or 86.93 MW of the installed rated capacity of **DMCI Power** is deployed to the Bicol and MIMAROPA regions, which belong to the top 10 poorest in the country.

Poverty incidence in Bicol (36%) and MIMAROPA (24.2%) are significantly higher than the national rate of 22 percent.

With the additional electricity supplied by DMCI Power, living standards and economic activities have been steadily improving in Masbate, Oriental Mindoro and Palawan.

2 ZERO HUNGER

Berong Nickel Corporation (BNC) supports the farmers and fisherfolks in Brgy. Berong in Quezon, Palawan by providing them with the resources and skills they need to increase and preserve their yield:

- 94 farmers were supplied fertilizers for their banana farms, which totaled 94 hectares
- 18,900 rubber and fruit-bearing seedlings were distributed to 36 farmers
- 63 farmers received capacity-building training on rubber tree plantation development
- 6.5 kilometers of farm-to-market roads were improved through graveling to improve access for 45 farmers and 170 families
- 9,600-meter fishing nets were distributed to 64 fisherfolks while 30,000 meters of nylon ropes and seaweed seeds were provided to 28 other beneficiaries

• • •

Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC) supplied seedlings and other gardening implements to the Dacanlao National High School, Dacanlao Elementary School, Gregorio Paradero Elementary School and Balayan West Central School for their *Gulayan sa Paaralan* program, which benefits around 200 malnourished students.

• • •

In 2018, **Maynilad** provided 10 public schools with vertical gardens, drip irrigation systems and "green lifestyle" workshops to support the nutrition and clean-and-green programs of Caloocan City and Parañaque City.

3 GOOD HEALTH AND WELL-BEING

SMPC maintains and operates the only health facility in Semirara island.

Duly-licensed by the Department of Health, the 15-bed infirmary is staffed by 31 medical personnel.

In 2018, the Semirara Infirmary provided medical consultation and services to 26,529 patients from the company (50.2%) and its host community (49.8%).

• • •

BNC and Zambales Diversified Metals Corporation (ZDMC) play an active role in safeguarding the health and well-being of its host and neighboring communities.

Every year, they subsidize the pay of 126 barangay health workers and volunteers who deliver much-needed health services to more than 30,000 individuals.

In 2018, BNC and ZDMC also provided medicines and vitamins to around 3,000 residents.

• • •

DMCI Power sponsored a number of community health initiatives in 2018:

- Free medical check-up and medicines to around 2,500 residents in Brgy. Iraan in Aborlan, Palawan
- Free medical check-up and medicines for 225 students in Tugbo Elementary School in Tugbo, Masbate
- Free dental check-up and oral health kits to 400 senior citizens, persons with disability and elementary students in Calapan, Oriental Mindoro
- Free cataract surgery to 50 indigent patients in Aborlan, Palawan

4 QUALITY EDUCATION

Over the years, **DMCI Holdings** and its subsidiaries have made significant donations to the University of the Philippines Diliman College of Engineering (UPD COE) to facilitate the advancement of engineering education.

The donations were used to establish the David M. Consunji Theater, lecture room, other facilities, scholarships, professorial chairs and teaching grants for the students and faculty members of UPD COE.

• • •

In 2018, **DMCI Homes** donated P7.5 million to put up a structural design engineering laboratory in the Institute of Civil Engineering of UPD COE.

The computational laboratory will have equipment and software needed to reinforce the instructional and research capability of UP Diliman civil engineering students and faculty members.

• • •

SMPC, in partnership with the Divine Word School of Semirara Island, Inc., has a graduate scholarship program for interested private and public school teachers in Semirara Island and neighboring Sibay and Caluya islands.

Through this program, local educators have convenient access to advanced learning because graduate professors come to the island at least once a month to conduct formal classes. The rest of the coursework is conducted online using the Library Hub and computer facilities of SMPC.

Of the 87 teachers who enrolled, 67 were able to complete the first semester of the graduate program.

5 GENDER EQUALITY

The **DMCI group of companies** promotes gender equality through its talent recruitment, development and retention practices.

We foster the fair treatment of employees and do not tolerate unlawful discrimination and harassment of any nature on the basis of gender, race, religion, age, color or disability.

• • •

Since 2009, **Maynilad** has been a firm supporter of *Samahang Tubig* Maynilad (STM)-Tondo, a group of Tondo mothers who banded together to secure safe, affordable water for their informal settler community.

Under the leadership of Lydia Codiñera, STM-Tondo has become a thriving micro business that produces and sells home care products called "Kapwa".

Codiñera was recognized by Go Negosyo as one of 2018's inspiring Filipina entrepreneurs for her pioneering work in STM-Tondo.

• • •

ZDMC sponsored a backyard nursery project for the women in its host community.

Under the project, beneficiaries are provided the opportunity to earn extra income while staying at home by growing indigenous forest trees in their backyards.

During the year, 81 women from Sitio Acoje, Lucapon South, Sta. Cruz, Zambales were able to grow 58,175 seedlings, for future use in the company's reforestation program.

6 CLEAN WATER AND SANITATION

WHY IS THIS OUR PRIORITY?

Access to clean water and sanitation is at the center of economic and social development, and we believe that engineering and construction play a key role in meeting this goal.

Maynilad operates and maintains three water treatment plants, 22 wastewater plants and nearly 7,700 kilometers of water pipelines to serve over 1.4 million service connections in parts of Metro Manila and Cavite province.

98% of Maynilad customers enjoy uninterrupted water supply at an average pressure of 7 pounds per square inch(psi)pressure.

In 2018, the company received government approval to invest P100 billion to accelerate the improvement and expansion of its water and wastewater networks. Less than half of this amount or roughly P40 billion will go to building wastewater treatment plants and the associated conveyance network.

5-year Maynilad CAPEX plan

P100 B

SMPC operates and maintains a desalination plant in Semirara Island to preserve the fresh water table in the area, while securing the water supply of its operations, employees and their families.

Desalination is the process of removing salt and other minerals from sea water to make it potable.

BNC provides six sitios in Brgy. Berong with free access to potable water through its reverse osmosis water system. In 2018, the company supplied 800,000 liters of clean water to nearly 3,300 residents.

Six public schools and a daycare center with over 1,100 students and teachers also sourced their drinking water from the water system of BNC.

During the year, BNC also monitored and chlorinated 26 community deep wells in eight sitios in Brgy. Berong. Roughly 520 families rely on these deep wells for their daily water supply.

ZDMC spent nearly P3 million to build a seven-kilometer water system in Sitio Acoje, Brgy. Lucapon South in Sta. Cruz, Zambales.

The infrastructure provides water supply for the domestic and agricultural use of 189 households or more than 500 local residents in the host community.

7 AFFORDABLE AND CLEAN ENERGY

SMPC has been providing its host communities in Semirara Island with affordable, reliable electricity since 1999.

At P5/kwh, electricity rates in the island is one of the lowest in the country.

• • •

SLPGC uses clean coal technology to produce affordable electricity for the Luzon and Visayas grids.

Circulating fluidized bed (CFB) technology is highly efficient in limiting greenhouse gas emissions. It can absorb up to 95 percent of pollutants before they are released into the atmosphere.

• • •

SCPC has measures in place to mitigate its impact on the environment. The rehabilitation of its electrostatic precipitators allows the capture of particulate matters in its air emissions.

8 DECENT WORK AND ECONOMIC GROWTH

WHY IS THIS OUR PRIORITY?

Most of our businesses are in labor-intensive industries and we prioritize the hiring of residents to strengthen the local economy and enhance the talent pool of the community

D.M. Consunji, Inc. (DMCI) generated 14,843 jobs in 2018. Around 93 percent (13,856) of these jobs went to skilled workers from various parts of the country.

The company is committed to providing its workers with the needed safeguards and assistance to help ensure their safety and well-being.

jobs generated by DMCI in 2018

14,843

Personal protective equipment (PPE) are provided to employees, workers and guests who enter DMCI project sites. Medical facilities and personnel are also available to provide anyone in need of prompt medical attention in case of injuries. In 2018, DMCI spent nearly P100 million to implement its safety and health policies and programs.

SMPC directly employs over 3,300 people in Semirara Island and nearby areas. Mine site payroll during the reporting year reached P1.48 billion, which makes SMPC the single biggest employer in terms of value and headcount in the Municipality of Caluya.

Mine site employees enjoy free housing, water and electricity subsidies and free primary and secondary education for their dependents at the Divine Word School of Semirara Island, Inc.

Meanwhile, employees in Calaca, Batangas who live more than 36 kilometers away from the power plants are provided housing in the company dormitory.

• • •

The **DM Consunji Technical Training Center** (DMCTTC) works closely with the Technical Education and Skills Development Authority (TESDA) to train workers in masonry, carpentry, tile-setting, rigging and scaffold erection.

In 2018, DMCTTC produced 4,300 graduates, most of whom were immediately absorbed by DMCI to strengthen its workforce.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

WHY IS THIS OUR PRIORITY?

Our founder's passion to build pushed him to continuously learn, improve and innovate. We are committed to upholding the examples and legacy he has left behind.

DMCI Homes has been investing in Building Information Modeling (BIM) technology to further enhance the aesthetics, quality and cost-efficiency of its product offerings.

BIM is a digital modelling tool that gives users the capability to store, generate and manage data of structures throughout their life-cycles. This, in turn, reduces rework, errors, potential problems and miscommunication with sub-contractors and suppliers.

To maximize the full potential of BIM technology, DMCI Homes has formed a team that would solely focus in developing design models.
To date, the company has a total of 18 in-house trained BIM modelers for its upcoming projects.

in-house trained BIM modelers

18

SMPC uses the state-of-the-art PRO3-B Advanced Equipment Simulator to train and continuously improve the driving skills of its dump truck operators.

The simulator uses aerial imagery, geographic data and global positioning (GPS) measurements to digitally replicate the surface of the actual mine site for SMPC employee-trainees.

Since the company adopted this technology in December 2017, over 850 employees have completed nearly 2,800 hours of training on the PRO3-B Advanced Equipment Simulators.

DMCI has been known to pioneer the use of the latest construction technologies and methodologies in the Philippines.

In 2018, the company continued to invest heavily in new equipment, tools and innovations to facilitate the timely completion of its projects, and more importantly to enhance its operational safety and efficiency.

Some of the newly-adapted technologies of DMCI include new formworks systems, a micro tunnel boring machine for trenchless pipe projects, scanners for rebar and pipes among others.

10 REDUCED INEQUALITIES

WHY IS THIS OUR PRIORITY?

We believe that social inequalities can be reduced by providing vulnerable stakeholders with access to quality education and livelihood opportunities.

BNC and ZDMC provide scholarship grants and educational assistance to indigent students from 15 host barangays in Quezon, Palawan.

Since 2013, the program has produced 186 graduates of engineering, education, agriculture, business administration, entrepreneurship, criminology, accountancy, sociology, hospitality management, automotive, computer technology and bookkeeping. Over 25 percent of these graduates (49) belong to the Tagbanua ethnic group.

In 2018 alone, BNC and ZDMC spent over P1.2 million to support its 139 college scholars and one vocational scholar. Over 28 percent of the college students (39) are Tagbanuas.

college and vocational scholars

140

The **Semirara Training Center, Inc.** (STCI) in Semirara Island provides residents with the needed vocational training and trade skills to qualify for employment at SMPC.

Enrollment is open to residents of Semirara Island and nearby islands. Tuition and other school fees for technical materials are waived.

Since 2006, the training center has produced 1,146 graduates, almost half of whom (516) work in the mining operations of SMPC.

In 2018, **DMCI Power** provided livelihood trainings to 75 fisherfolks and unemployed women in Oriental Mindoro and Palawan. The 50 fisherfolks from Brgy. Bancao-Bancao in Puerto Princesa City were trained on fish processing by TESDA while the 25 women of Samahan ng Kababaihan na may Livelihood Project (SKALPRO) of Pinamalayan, Oriental Mindoro received food processing training.

During the year, the company also partnered with Microsoft Philippines to educate 398 public school students and 23 public school teachers on how to effectively use technology in classroom teaching.

DMCI Power donated the needed computer hardware to Iraan-Sagpangan High School in Aborlan, Palawan and Romulo Latog Sr. Elementary School in Esperanza, Sultan Kudarat.

11 SUSTAINABLE CITIES AND COMMUNITIES

WHY IS THIS OUR PRIORITY?

More than half of the Philippine population live in urban areas, which means greater demand for quality housing and infrastructure projects.

DMCI is one of the leading construction companies in the country. Its portfolio of completed projects include some of the most notable infrastructure projects ever undertaken by the public and private sectors.

Some of these projects include the three major interchanges along EDSA (EDSA-Buendia, EDSA-Santolan and EDSA-P. Tuazon), LRT 1 North Extension, MRT-Line 2, KAMANAVA flood control structures and South Metro Manila Skyway Project.

DMCI is also part of the group that constructed the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX), the first public-private partnership (PPP) project of an all-Filipino consortium.

• • •

DMCI Homes pioneered the Lumiventt® design technology for high-rise structures in the Philippines. The proprietary design involves three story-high openings at the front and rear areas of the building, as well as single-loaded hallways and central garden atriums.

Based on the basic principles of airflow, Lumiventt® technology allows ambient light and fresh air to spread throughout the building. This helps reduce the energy requirements and expenses of DMCI Homes residents.

footprint-to-building ratio

60:40

The company also maintains a near 60:40 footprint-to-building ratio so the community has more space for gardens, open areas and outdoor amenities, which helps enhance urban quality of life.

• • •

Maynilad supplies potable water to some of the most densely populated communities in the Greater Metro Manila area. As such, it faces the twin challenges of water sufficiency and land availability.

To address these challenges, the company built a scalable water treatment plant in Muntinlupa City that draws raw water supply from Laguna Lake, an alternative source to Angat dam, which supplies over 90 percent of Metro Manila's water.

Maynilad also built smaller reservoirs spread out in different locations so it could expand its service coverage despite the very limited real estate. Having many reservoirs in various locations also allows the company to continue providing water in case of contained disasters, such as earthquakes.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

DMCI Holdings and its subsidiaries promote recycling and reuse of office supplies and other materials in its day-to-day operations.

The group also strives to reduce its water and electricity consumption by turning switches and taps off when not in use.

Whenever applicable or possible, internal transactions and processes are also done online to reduce paper usage.

• • •

Maynilad promotes upcycling and women empowerment through its Green Badge program, which turns old Maynilad uniforms into trendy shirts, drawstring bags, gadget pouches and more.

The upcycled items are either donated to disaster survivors and marginalized groups or used as corporate giveaways during trainings, outreach activities and other engagements.

Now on its third year, Green Badge had four production cycles in 2018, giving the women-seamstresses of STM-Riverview a monthly income of P500 to P2,000 each.

• • •

DMCI Power continued to implement its Rags-for-Profit program to reduce wastage and generate additional income for the women of Brgy. Tawiran in Calapan City, Oriental Mindoro.

15 local seamstresses turned scrap materials into rags, which were then bought by DMCI Power for use in its power plant.

Similar to last year, the company had a minimum offtake agreement with the group to help sustain the micro business.

13 CLIMATE ACTION

DMCI Holdings has a climate change policy that enables its subsidiary and affiliate companies to make meaningful contributions towards addressing the reality of climate change.

• • •

SMPC protects over 300 hectares of naturally grown mangroves.

As of 2018, the company has also planted around 660,000 mangroves in over 196 hectares of coastal area for carbon sequestration and disaster risk reduction in Semirara Island.

• • •

Maynilad planted a total of 130,150 trees in 2018, as part of its Plant for Life program, which aims to save vital watersheds from denudation.

Also done in support of the Annual Million Tree Challenge of the Metropolitan Waterworks and Sewerage System (MWSS), the Plant for Life program involves tapping volunteers to do reforestation and afforestation activities.

In 2018 alone, over 2,255 volunteers from Maynilad and its partner-organizations planted a total of 53,000 indigenous trees at the Ipo Watershed in Bulacan, 150 saplings in Muntinlupa, 18,000 mangrove propagules in Malabon and 59,000 mangrove propagules along the Manila Bay coastline in Cavite Province.

14 LIFE BELOW WATER

WHY IS THIS OUR PRIORITY?

Some of our host communities depend on aquatic resources for their livelihood so we have programs and initiatives for managing our impact on the marine environment.

SMPC established the **Semirara Marine Hatchery Laboratory** (SMHL) in 2010 to lead marine rehabilitation and preservation efforts in Semirara Island.

Since then, SMHL has become a center for breeding and reseeding eight species of giant clams (tridacna gigas), which are known to promote marine life and biodiversity. The facility also transplants coral fragments to help preserve the balance of marine ecosystems.

To date, the Semirara hatchery has bred 163,267 giant clams, of which 80,146 have been reseeded in the waters of Semirara Island, among others. It has also transplanted 1,000 corals in the island.

giant clams bred

163,267

BNC closely monitors and helps manage the bodies of water surrounding its mine sites to ensure that its impact on the environment is considerably mitigated.

To control surface water runoff, the company has a number of systematic siltation control structures, settling ponds, drainage canals, silt traps, gabions and coconets in the mine sites. It also undertakes in-house and third-party water quality monitoring on a monthly and quarterly basis. Bio-indicator species (i.e. giant clams and tilapia) are likewise used to monitor water quality in nearby coastal waters and siltation ponds.

In its 2018 assessment, Haribon Palawan, Inc. noted an increase in marine species diversity, recovery of corals and continuing growth of seagrasses in the coastal areas of Brgy. Berong.

• • •

Since 2012, **Maynilad** has been championing water literacy among the youth through its *Daloy Dunong* program, which turns elementary and high school students into Water Warriors by teaching them the importance of water, hygiene and water resource conservation.

Since its inception, the water education drive has engaged more than 138,000 students in 480 public schools in parts of Metro Manila and Cavite province.

Complementing *Daloy Dunong* is *Talakay Tubig*, a community water forum for heads of households and government officials. More than 2,200 water consumers in Navotas City, Bambang in Nueva Vizcaya and Rizal in Nueva Ecija have attended this forum.

15 LIFE ON LAND

WHY IS THIS OUR PRIORITY?

While the nature of our businesses precludes us from significantly reducing our carbon footprint, we strive to make meaningful contributions towards addressing the reality of climate change.

SMPC spent P2.92 billion in 2018 to accelerate the rehabilitation of the southern portion of its Panian pit in Semirara Island.

The company unloaded around 120 million bank cubic meters (BCM) of overburden materials into the southern portion of Panian pit, bringing the current elevation to 0 meters, a dramatic improvement from its starting elevation of -260 meters, which is roughly the height of a 78-story building.

Once the pit has been completely filled-in, SMPC will put humic acid, compost and other materials to restore soil nutrients in the area, before proceeding with reforestation. SMPC will then plant tree species that are endemic in the area.

• • •

In 2018, over 400,000 indigenous tree species, fruit-bearing trees and mangrove propagules were planted under the Mining Forest Development programs of **BNC** and **ZDMC**.

trees and propagules planted

400,735

96 percent of these trees and propagules (386,479) were planted to rehabilitate and develop mined out areas. The rest were either donated to the different communities and LGUs for their tree planting activities or replanted in previous rehabilitation areas.

Around 129,600 slips of vetiver and bamboo grasses were planted for temporary revegetation of in-active mine areas. BNC and ZDMC also maintain nearly 160,000 seedlings in their nurseries for their rehabilitation and planting activities next year.

• • •

DMCI Power planted over 9,000 mangrove propagules in the provinces of Masbate and Palawan.

Majority of the propagules (6,895) were planted in strategic coastline areas of Brgy. Pioneer, Poblacion 2, Pinamarbuhan and Tugbo in Mobo, Masbate province.

The rest were planted in Sitio Tagbarungis, Brgy. Inagawan in Puerto Princesa City, Palawan.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

The **DMCI** group of companies fully commits to good corporate governance by aligning our governance framework with international standards and best practices.

We also adhere to a code of conduct that promotes ethical behavior, justice and human rights.

Our companies likewise commit to the use of alternative dispute resolution options and processes to settle conflicts or issues, if any, with our various stakeholders.

• • •

In 2018, **Maynilad** concluded its fifth rate rebasing period with a tariff adjustment of P5.73/cu.m., which it agreed to implement on a staggered basis over a four-year period.

The rate increase excluded the recovery of its corporate income tax, prompting the company to file a second dispute notice with the MWSS.

Despite this, Maynilad maintains its amicable relationship with MWSS, including abiding with the approved business plan and tariff schedule.

• • •

DMCI Project Developers, Inc. has a pending case with the regional trial court to compel the Bases Conversion Development Authority to arbitrate its unresolved issue over the P300 million deposit made by the DMCI group in 1996, as payment for its future subscription to the North Luzon Railways Corporation (Northrail) shares of stock. Northrail did not push through but the deposited amount was never returned.

17 PARTNERSHIPS FOR THE GOALS

DMCI is an active member of the Philippine Constructors Association, Inc. (PCA), a group of 33,000 contractors whose combined contracting capacity represents around 80 percent of the country's total annual construction projects.

PCA holds regular dialogues with various government agencies to facilitate the implementation of the Build, Build, Build program, which aims to accelerate infrastructure spending to create jobs, strengthen industries and enhance the quality of life of Filipinos.

• • •

SMPC and **Maynilad** are concessionaires of the Department of Energy and MWSS, respectively.

As agents and contractors of the government, the two companies are tasked to manage and develop the resources needed to secure the electricity and water requirements of millions of Filipinos.

• • •

BNC and **ZDMC** support and fully cooperate with the multi-partite monitoring team (MMT) and mine rehabilitation and fund committee.

The MMT is an independent entity whose members represent the primary stakeholders of a mining company. Its members consist of representatives from DENR, Mines and Geosciences Bureau, Environmental Management Bureau, mining companies, LGUs, local community, and non-government organizations.

The multisectoral body convenes on a quarterly basis to assist the government in monitoring and evaluating the operations, environmental impacts and compliance performance of a mining company.

Corporate Governance

We believe that good corporate governance helps ensure financial stability and sustainable growth.

Having a well-established system of rules, practices and processes allows us to balance the varying interests of our stakeholders with the long-term goals of our organization.

In this section, we discuss our governance framework and how it directs the performance of our Board of Directors, Management, Officers and employees, with respect to their duties and responsibilities to our stakeholders.

GOOD GOVERNANCE SCORECARD

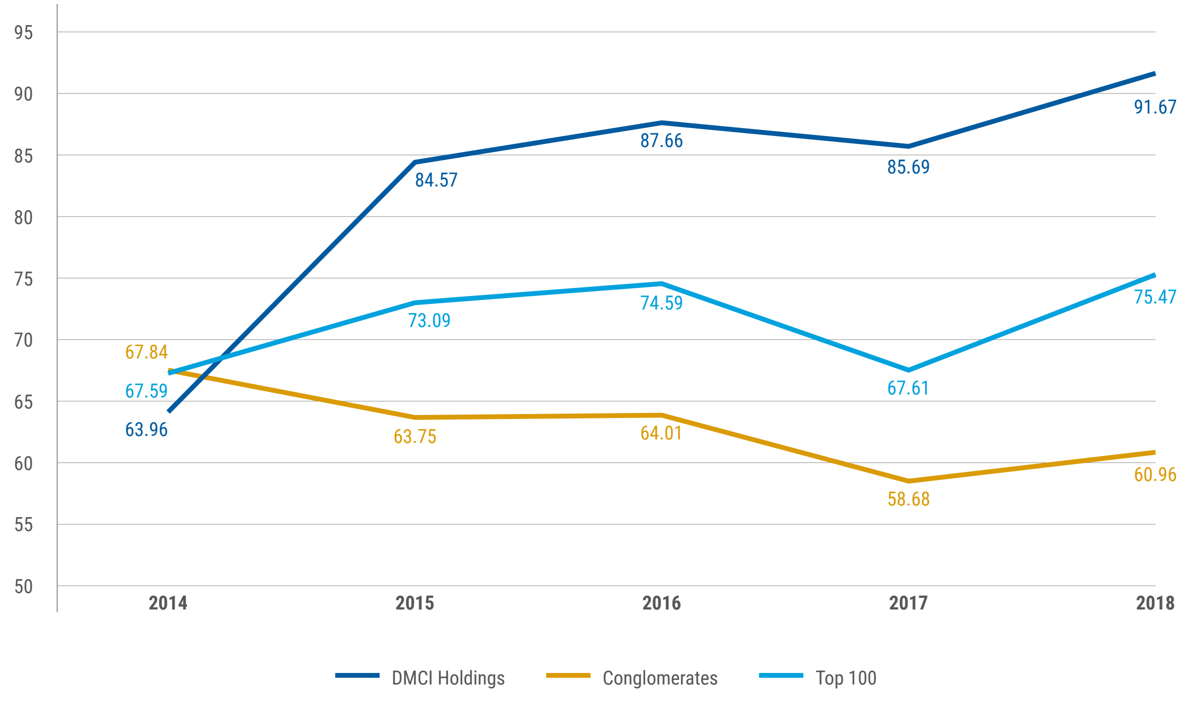
In 2011, the ASEAN Capital Markets Forum (ACMF) and the Asian Development Bank developed the ASEAN Corporate Governance Scorecard (ACGS), a corporate governance assessment and ranking system, which aims to raise the corporate governance standards of publicly listed companies in Southeast Asia.

The Institute of Corporate Directors is the only ranking body of the ACGS in the Philippines, as appointed by the Securities and Exchange Commission (SEC).

ACGS is based on the corporate governance principles of the Organisation for Economic Cooperation and Development (OECD), a forum of 36 member-countries committed to stimulating economic progress and world trade.

The corporate governance principles include Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Responsibilities of the Board.

In the last five years, our ACGS score has improved from 63.96 points in 2014 to 91.67 points in 2018, outperforming the average score for local conglomerates and top 100 publicly listed companies in the country based on market capitalization.



ENSURING THE BASIS FOR AN EFFECTIVE CORPORATE GOVERNANCE FRAMEWORK

Our Board of Directors (Board) and Management commit to promoting transparency and fairness within financial markets, while supporting the efficient allocation of resources.

They ensure that our corporate governance framework is in accordance with legislation, regulation, self-regulatory arrangements, voluntary commitments and ethical business practices.

Compliance

We strive to build a strong compliance mindset among our Officers, employees, subsidiaries and affiliate by promptly apprising them of compliance requirements and procedures.

Regular consultations are also done across the DMCI group to facilitate alignment and understanding of our Company's corporate governance practices.

Securities Regulation and Reporting

We comply with the regulatory and reportorial requirements of the SEC and Philippine Stock Exchange (PSE).

Effective 22 May 2017, the Company adopted the Code of Corporate Governance for Publicly Listed Companies (CG Code for PLCs) of SEC. The CG Code for PLCs adopts a "comply or explain" approach that combines voluntary compliance with mandatory disclosures. This is to raise the corporate governance standards of the PLCs to a level at par with regional and global counterparts.

The SEC Memorandum Circular No. 15, Series of 2017 mandates all listed companies to submit the Integrated Annual Corporate Governance Report (I-ACGR) every 30th of May of the following year for every year that the company remains listed. This is to facilitate the disclosure of PLCs' compliance/non-compliance with the recommendations provided under the CG Code for PLCs, which follows the "comply or explain" approach, and to harmonize the corporate governance requirements of the SEC and PSE.

Nature of company disclosures

- Board Attendance and Changes
- Annual and Quarterly Financial Reports
- Change in Shareholdings of Directors, Principal Officers and Beneficial Owners
- Information Statement
- Dividend Notice
- General Information Sheet
- Notice of Annual/Special Stockholders' Meeting
- List of Top 100 Stockholders
- Compliance Reports on Corporate Governance
- Public Ownership Report
- Other Material Information/Transactions

Statement of Full Compliance with Corporate Governance

In 2018, the Company distributed a Self-Assessment Compliance Checklist to the Directors, Officers and employees, which was attested to and certified by the Chief Compliance Officer that the Company is in full compliance with its Manual on Corporate Governance, Code of Business Conduct and Ethics, and Company policies.

Aside from advising and orienting Directors, Officers and employees of their respective duties under the SEC Code, we also have internal mechanisms for ensuring their compliance to this Code.

Disclosures. To protect our shareholders and contribute to the development of the Philippine capital market, we promptly disclose structured and non-structured reports and material information about our Company.

Transactions involving the trading of our shares by our Directors and Officers are disclosed and reported to the PSE and SEC within three (3) trading days, which is stricter than the prescribed reporting period of five (5) trading days.

Compliance Officer. The Board has designated Executive Vice President and Chief Finance Officer (CFO) Herbert M. Consunji as Chief Compliance Officer to ensure adherence to corporate governance principles, best practices, the SEC CG Code for PLCs and our Company's Manual on Corporate Governance.

RIGHTS OF SHAREHOLDERS

We recognize that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the Company and all its investors.

Right to Dividends

Shareholders have the primary financial right to participate in our profits, and we are fully committed to upholding this right by providing them reasonable economic returns on their stock investments.

Our policy aims for a dividend payout ratio of at least 25 percent of the preceding year's consolidated core net income.

Consolidated core net income is currently defined as reported net income excluding all foreign exchange, mark-to-market gains and losses and non-recurring items.

In the last five years, our total dividend payout has amounted to P41.4 billion, which makes us one of the best dividend-paying companies in the Philippines.

From time to time, we may declare special dividends as a return of excess funds to our shareholders, as determined by the Board.

Cash Dividend. On 08 March 2018, the Board declared regular and special cash dividends of P0.28 and P0.20 respectively, for a combined dividend of P0.48 per common share.

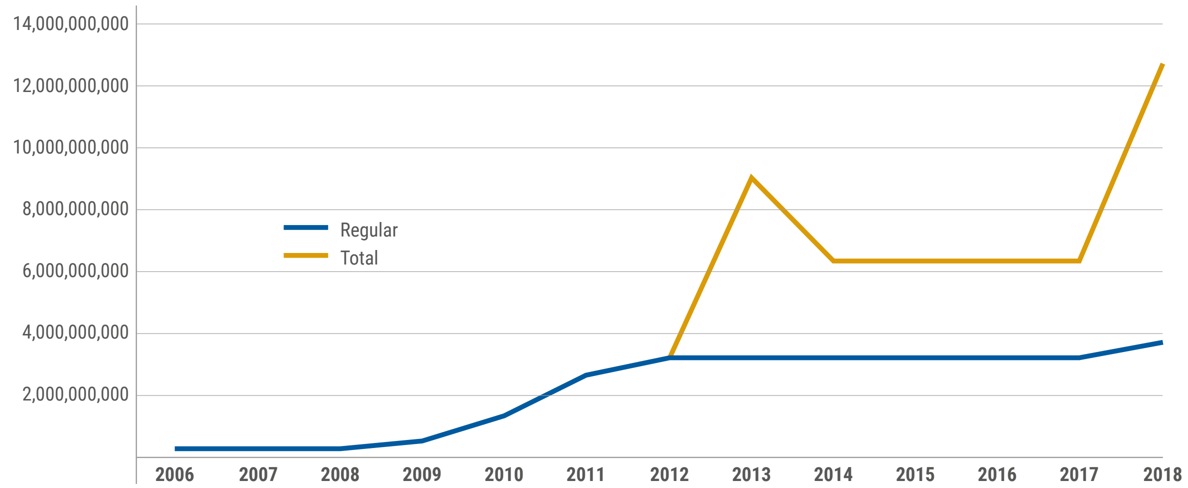
The payout totaled P6.4 billion out of the unrestricted retained earnings of the Company as of 31 December 2017, in favor of the common stockholders of record as of 23 March 2018.

On 19 November 2018, the Company declared another special cash dividend of P0.48 per common share or P6.4 billion out of the unrestricted retained earnings of the Company as of 30 September 2018. In 2018, our total dividend payout reached P12.8 billion.

All shareholders were treated equitably in the payout of dividends, and were fully paid the declared cash dividends within thirty (30) days from the declaration date.

Cash Dividend History

(based on payment date since 2006)



Dividend Type	Amount/ share	Declaration Date	Payment Date	Record Date	Total Amount
Regular	P0.10	June 15, 2006	July 20, 2006	June 20, 2006	245,549,400
Regular	P0.10	April 03, 2007	May 28, 2007	April 30, 2007	245,549,400
Regular	P0.10	April 24, 2008	May 30, 2008	May 12, 2008	265,549,400
Regular	P0.20	May 21, 2009	June 30, 2009	June 05, 2009	531,098,800
Regular	P0.50	June 04, 2010	July 15, 2010	June 18, 2010	1,327,747,000
Regular	P1.00	May 31, 2011	July 7, 2011	June 15, 2011	2,655,494,000
Regular	P1.20	May 15, 2012	July 5, 2012	June 15, 2012	3,186,592,800
Regular	P1.20	April 11, 2013	May 10, 2013	April 26, 2013	3,186,592,800
Special	P1.00	April 11, 2013	May 10, 2013	April 26, 2013	2,655,494,000
Special	P1.20	November 14, 2013	December 13, 2013	November 29, 2013	3,186,592,800
Regular	P1.20	May 15, 2014	June 13, 2014	May 30, 2014	3,186,592,800
Special	P1.20	May 15, 2014	June 13, 2014	May 30, 2014	3,186,592,800
Regular	P0.24	May 14, 2015	June 10, 2015	May 29, 2015	3,186,592,800
Special	P0.24	May 14, 2015	June 10, 2015	May 29, 2015	3,186,592,800
Regular	P0.24	May 11, 2016	June 10, 2016	May 27, 2016	3,186,592,800
Special	P0.24	May 11, 2016	June 10, 2016	May 27, 2016	3,186,592,800
Regular	P0.24	April 5, 2017	May 5, 2017	April 21, 2017	3,186,592,800
Special	P0.24	April 5, 2017	May 5, 2017	April 21, 2017	3,186,592,800
Regular	P0.28	March 08, 2018	April 06, 2018	March 23, 2018	3,717,619,600
Special	P0.20	March 08, 2018	April 06, 2018	March 23, 2018	2,655,494,000
Special	P0.48	November 19, 2018	December 18, 2018	December 05, 2018	6,373,185,600
			Total		**55,725,302,000**

Right to Participate in Fundamental Corporate Changes

We respect and uphold our shareholders' right to participate, be informed and vote on fundamentally important matters during our annual stockholders' meeting (ASM). Fundamental corporate changes and governance matters requiring approval during shareholder meetings include, among others:

- Amendments to the Company's articles of incorporation and by-laws and similar governing documents
- Appointment, re-appointment of external auditor
- Authorization of additional shares
- Extraordinary transactions, including transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets
- Nomination by non-controlling shareholders of candidates for Board Directors

Right to Participate in Annual Stockholders' Meeting

Our shareholders are encouraged to exercise their rights to participate in the ASM. It is the responsibility of the Board to adopt policies informing shareholders of all their rights.

At least 21 days before our ASM, we send our stockholders a formal notice (Notice of Annual Stockholders' Meeting) to advise them on the ASM date, location, agenda, rules and voting procedures. The rationale and explanation of each item in the agenda which require stockholder approval are also provided in the notice of meeting.

With such information, we hope to facilitate their attendance and encourage their participation in our annual meeting.

The Information Statement (IS) and other related materials were distributed to our stockholders of record on 16 April 2018 or 30 days prior to the ASM on 15 May 2018.

Approval of remuneration of Directors. The Company has a policy that requires our stockholders to approve any changes in the per diem remuneration of our Directors. In 2018, there were no changes in their per diem.

Right to nominate. In accordance with existing laws, all shareholders—including those that have non-controlling stakes—have the right to nominate candidates for the Board as part of the nomination process and procedures. In 2018, such nomination for Independent Directors by a minority shareholder was appropriately disclosed in our Company's SEC 20-IS.

Voting procedures and shareholders' participation. During the 2018 ASM, the voting procedures were duly explained by the Corporate Secretary before the start of the meeting. The voting procedures were also explicitly explained in the Information Statement distributed to the stockholders.

The Company follows cumulative voting for the election of Directors. For other resolutions, the Company adheres to the "one-share, one-vote" policy.

Stockholders were given the opportunity to ask questions during the meeting. Their questions and the corresponding answers were duly recorded in the minutes of the ASM.

Present during the 2018 ASM to address queries from the shareholders were the Chairman of the Board and President, other Directors, Corporate Secretary, Officers and external auditor (SGV & Co.). The Presidents and CFOs of the subsidiary and affiliate companies were also in attendance.

Disclosure of voting results. The Company disclosed the results of the ASM on the same day, including the poll voting results with approving, dissenting and abstaining votes for all resolutions in the Agenda. The disclosure was filed with the SEC and uploaded to the PSE EDGE portal (online disclosure). The same was posted in the Company's website.

Directors' attendance in annual meetings. The disclosure on the results of the ASM also include the attendance of the Board of Directors, as well as the Chairman and President, and Chairmen of the Board Committees. In 2018, all Directors attended the ASM. The Chairmen of the Board Committees were also present.

Voting in person or in absentia. We respect the rights of our shareholders to participate and vote in our ASM. Shareholders who are unable to attend our ASM are given the right to participate and vote in absentia via proxy. Whether made in person or in absentia, shareholder votes carry equal effect.

Poll voting. Poll voting was conducted, as opposed to by show of hands, for all resolutions. SGV was appointed as the independent body to count and validate the votes by the shareholders for items stated in the agenda requiring approval and/or ratification. Votes were counted for each agenda item. Voting results were presented for each agenda item during the meeting to inform the participants of the outcome.

Board canvassers. In its meeting held on 08 March 2018, the Board appointed SGV as Board Canvassers to facilitate the voting proper, validating of ballots and counting of votes.

Institutional Investors

Being a listed company, we recognize our contributory role in the development of the Philippine capital market and the advantages of having well-resourced, professional shareholders (institutional investors).

In this regard, we are committed to facilitating the entry, participation and fair treatment of institutional investors.

ENTRY

We encourage the entry of institutional investors holding more than five percent of Company shares (as per PSE Disclosure 17-12 Top 100 Stockholders List) by providing them with sufficient rights and access to information.

PARTICIPATION

To facilitate the attendance and participation of institutional investors in our ASM, we furnish them with timely and sufficient information regarding such meetings. We also hold the ASM at a venue that is easily accessible to retail and institutional investors.

FAIR TREATMENT

We uphold the principle of fair treatment of all stockholders on all matters of importance to all investors, particularly institutional investors, such as decisions related to mergers and acquisitions.

Other Shareholder Rights. We respect other shareholder rights, as provided for in the Corporation Code of the Philippines and in the New Manual on Corporate Governance.

RIGHT TO INSPECTION

Shareholders are entitled to inspect the corporate books and records to determine the financial condition of the Company, and understand how the corporate affairs are being managed. In so doing, they can take the appropriate measures to protect their investment.

RIGHT TO PROPOSE HOLDING OF MEETINGS

Minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting within sixty (60) calendar days prior to the filing of the preliminary information statement, provided the items are for legitimate business purposes.

APPRAISAL RIGHT

Shareholders have the right to dissent and demand payment of the fair value of their stocks, subject to the instances provided for in the Corporation Code.

RIGHT TO INFORMATION

Shareholders have the right to receive periodic reports, which disclose personal and professional information about the Directors, Officers and certain other matters such as their shareholdings in the Company, material transactions with the Company, relationship with other Directors and Officers and the aggregate compensation of Directors and Officers.

RIGHT TO PARTICIPATE IN DECISIONS CONCERNING FUNDAMENTAL CORPORATE CHANGES

The Company encourages all stockholders to attend the ASM and actively participate in the major and fundamental changes in the Company, such as, but not limited to: (a) any amendment of the Articles of Incorporation and By-laws, (b) any change in the authorized capital of the Company, and (c) the transfer of all, or substantially all, of the corporate assets as provided in the Corporation Code.

EQUITABLE TREATMENT OF SHAREHOLDERS

Our corporate governance framework is designed to protect and facilitate the exercise of shareholders' rights, while ensuring the equitable treatment of our retail and institutional investors.

To ensure that the rights and interests of our retail and institutional investors are protected, we uphold policies and practices that accord equal voting rights, reasonable economic returns, unrestricted access to material information and appropriate safeguards against discriminatory and abusive conduct.

It is also our policy to keep our openly traded shares above the 10 percent minimum public float requirement of the PSE.

Proportionate Voting

We maintain a share structure of "one vote per one common share" and have no current practice that have led us to award disproportionate voting rights to select shareholders.

In the event that extraordinary circumstances necessitate further special arrangements where we issue special cases of shares, thus, resulting in disproportionate claim on voting rights, we shall issue a full disclosure and detailed justification of such action.

Before taking such an extraordinary action, we shall seek the requisite approval from our shareholders.

Notice of Annual Stockholders' Meeting

Our 2018 ASM Notice, with corresponding details and rationale for each agenda item, was disclosed to the PSE and uploaded on our company website on 15 March 2018.

The Notice was issued sixty (60) days before the regular ASM on 15 May 2018, exceeding the prescribed period of twenty-eight (28) days under the ACGS.

Pursuant to SEC rules, we likewise filed our SEC 20-IS (Definitive Information Statement) on 06 April 2018. The filing included the detailed agenda, relevant stockholder information, proxy form, management report and financial statements.

The SEC 20-IS was filed thirty-nine (39) days before the regular ASM, exceeding the prescribed period of twenty-one (21) days under the ACGS.

The following key items, which required shareholder disposition, were included in the 2018 Notice of ASM:

1. Management Report for the year ending 31 December 2017
2. Ratification of all Acts of the Board of Directors and Officers during the preceding year
3. Appointment of Independent Auditor
4. Election of Directors, including two Independent Directors

The following were also included in the Notice of ASM and Information Statement:

1. Profiles of Directors seeking election/re-election include age, academic qualifications, date of appointment, experience, directorships in other listed companies and civic affiliations
2. The name of External Auditor and Partner seeking re-appointment
3. Proxy Form and voting procedures
4. Management Report (Pursuant to SEC Rule 20 (4)
5. Audited Financial Statements of the preceding year

Each resolution in the ASM agenda deals only with one item. There was no bundling of several items in one resolution. All materials distributed to shareholders were written in English.

The Notice of Annual Stockholders' Meeting was issued sixty (60) days before the regular ASM on 15 May 2018, exceeding the prescribed period of twenty-eight (28) days under the ACGS.

The SEC 20-IS was filed thirty-nine (39) days before the regular ASM, exceeding the prescribed period of twenty-one (21) days under the ACGS.

Definition of Covered Persons

1. Members of the Board of Directors and the Corporate Secretary of the Company and its subsidiaries
2. Officers as defined in the By-laws of the Company and its subsidiaries whether owned directly or indirectly, who are or may be in possession of material non-public information about the Company because of their responsibilities
3. Consultants and Advisers of the Company
4. Any person who possesses material non-public information regarding the Company is an Insider for so long as the information is not publicly known.

   Any employee can be an Insider from time to time, and would at those times be subject to this Policy
5. Members of the immediate families of Directors, Officers and all other Covered Persons who are living in the same household as the abovementioned Covered Persons

Insider Trading

Our Insider Trading policy explicitly prohibits insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public.

Directors, Officers and all Covered Persons are strictly prohibited from trading during the following periods:

Structured Disclosures. Within five (5) trading days before and within three (3) trading days after the disclosure of quarterly (SEC17Q) and annual (SEC 17A) financial results.

Non-Structured Disclosure. Within three (3) trading days after the disclosure of any material information other than the abovementioned structured disclosure, Directors and Officers as defined in the By-laws and Board Charter are required to report their trades of the Company's shares within three (3) business days to the Office of the Compliance Officer for eventual compliance reporting to PSE and SEC.

All other Covered Persons are required to report their trades to the Office of the Compliance Officer on a quarterly basis.

In 2018, there were no complaints received regarding misuse of insider information committed by any Director, Officer or Covered Person.

The following table summarizes the trading of Company shares by our Directors and Officers in 2018.

2018 Summary of Trading of DMC Shares by the Board of Directors

	Beginning Share Balance (As of 01 January 2018)	Acquired	Disposed	Nature of Ownership	Ending Share Balance (As o f 31 December 2018)
Isidro A. Consunji	65,000	-	-	Direct	65,000
	21,046,690	-	-	Indirect	21,046,690
Cesar A. Buenaventura	900,000	-	-	Direct	900,000
	5,700,000	-	-	Indirect	5,700,000
Victor A. Consunji	5,000	-	-	Direct	5,000
	54,588,045	-	-	Indirect	54,588,045
Jorge A. Consunji	5,000	-	-	Direct	5,000
	1,898,565	-	-	Indirect	1,898,565
Herbert M. Consunji	23,000	-	-	Direct	23,000
	-	-	-	Indirect	-
Ma. Edwina C. Laperal	3,315,000	-	-	Direct	3,315,000
	83,134,335	320,741	-	Indirect	83,455,076
Luz Consuelo A. Consunji	1,000	-	-	Direct	1,000
	-	-	-	Indirect	-
Antonio Jose U. Periquet	125,000	-	-	Direct	125,000
	3,251,850	-	-	Indirect	3,251,850
Honorio O. Reyes-Lao	175,000	-	-	Direct	175,000
	-	-	-	Indirect	-

2018 Summary of Trading of DMC Shares by Key Officers

	Beginning Share Balance (As of 01 January 2018)	Acquired	Disposed	Nature of Ownership	Ending Share Balance (As of 31 December 2018)
Maria Cristina C. Gotianun	5,500	-	-	Direct	5,500
	104,000,900	1,204,550	-	Indirect	105,205,450
Victor S. Limlingan	5,000	-	-	Direct	5,000
	-	-	-	Indirect	-
Noel A. Laman	100,000	-	-	Direct	100,000
	-	-	-	Indirect	-
Ma. Pilar P. Gutierrez	-	-	-	Direct	-
	-	-	-	Indirect	-
Brian T. Lim	-	-	-	Direct	-
	-	-	-	Indirect	-
Cherubim O. Mojica	-	-	-	Direct	-
	-	-	-	Indirect	-
Tara Ann C. Reyes	-	-	-	Direct	-
	-	-	-	Indirect	-

Related Party Transaction Threshold

≥ 20%

Twenty percent (20%) and above of Total Assets based on the Audited Financial Statements of the previous year of the Parent or Subsidiary requires approval of the concerned entity's shareholders

≥ 3%

Three percent (3%) and above of Total Assets based on the Audited Financial Statements of the previous year of the Parent or Subsidiary requires approval of concerned entity's Board of Directors

< 3%

Less than three percent (3%) of Total Assets based on the Audited Financial Statements of the previous year of the Parent or Subsidiary requires approval of the concerned entity's CEO or President

Related Party Transactions

Our Related Party Transaction (RPT) Policy requires any transaction with related parties to be made on terms equivalent to those that prevail in an arm's length transaction.

The policy also sets the thresholds and categories for disclosure and approval of RPTs, the amount of which shall be considered for purposes of applying these thresholds.

As defined under its Board-approved Charter, the Audit Committee shall oversee and review the propriety of RPTs and their required reporting disclosures.

Before the Committee undertakes the review, all Independent Directors review and recommend to the Audit Committee the merits of any material RPT, taking into account the best interest of the Company.

In its own review, the Audit Committee shall take into account, among other factors it deems appropriate, whether the terms of the RPT are no less favorable to the concerned company than terms generally available to an unaffiliated third-party under the same or similar circumstances.

The extent of the related parties' interest in the transaction is also reviewed by the Committee.

The Audit Committee assists the Board in its oversight of RPTs. Our quarterly and annual review of financial statements include related party accounts. Such reviews ensure RPTs are disclosed for the information of the investing public. Below are the significant related party transactions of DMCI Holdings in 2018.

Related Party Transactions

Beginning Share Balance	Nature	Amount/Volume (in million pesos)	Due From (Due To) (in million pesos)
Subsidiaries			
Semirara Mining and Power Corporation	Dividend income	5,417	-
DMCI Project Developers, Inc.	Dividend income	1,215	-
	Sale of investment property	116	-
	Management fee	4	-
D.M. Consunji, Inc.	Dividend income	700	-
DMCI Power	Collection of prior year dividend receivables	400	-
DMCI Mining Corporation	Collection of receivables	100	1,518
Wire Rope Corporation of the Philippines	Dividend income	4	-
Associate			
Maynilad Water Holding Company, Inc.	Dividend income	758	-
Affiliate			
Asia Industries	Office space rent	3	-

Company Loan

Pursuant to our amended RPT Policy, the Company prohibits the grant of personal loans, advances, guarantees and securities in any manner to its Directors, including their spouses and other dependents.

Share repurchases

There were no share repurchases made in 2018.

ROLE OF STAKEHOLDERS

Our stakeholders may not have equity stakes in our Company but we are committed to protecting their rights and interests, as defined by the law or through mutual agreements.

We encourage their active cooperation and recognize their contributory role in creating wealth, generating jobs and ensuring the sustainability of the Company.

Employees

Our people are our biggest competitive advantage. Their expertise, professionalism and loyalty enable us to create and deliver value to our shareholders. To attract and retain the right talent, we strive to provide the following:

Remuneration and Benefits. Our compensation structure is set at levels that are appropriately competitive in attracting, motivating and retaining competent individuals.

We also provide variable cash incentives based on individual and company performance to support a high-performance culture that actively strives to grow the business and increase shareholder value.

Culture. We invest in talent development to empower our employees and prepare them for progressively challenging work. Our goal is to create a culture of excellence where our employees can prosper and achieve their full potential.

Equality. We foster the fair treatment of employees and do not tolerate unlawful discrimination and harassment of any nature on the basis of sex, race, religion, age, color or disability.

Our Code of Business Conduct and Ethics provides a clear system of policies, processes and controls, while our whistleblowing mechanism provides a confidential venue for employees to raise valid, fact-based ethical concerns.

Whistleblowers may report such concerns through our dedicated email address at whistleblower@dmcinet.com.

Safety and Health. We are committed to providing our employees with a workplace that protects their safety, health and welfare.

To continually improve the health and safety of our people and those working in our subsidiaries, our Board periodically reviews the policies requiring each subsidiary Board to formulate its own employee health, safety and welfare policy.

All managers are also expected to actively support the Board in the development and proper implementation of their particular Safety and Health Policy.

The Management must likewise ensure that the necessary resources of staff, facilities and finance are provided to implement this policy.

General Welfare. Annual team building and socialization events form part of our employee engagement program. This is to promote camaraderie and positive interaction among our employees and subsidiaries.

Employees are likewise provided internal and external trainings to further develop their skills.

To strengthen their industry knowledge, they are encouraged to join and participate in professional clubs and organizations outside the Company.

Customers

We are committed to meeting customer requirements in a mutually fair and satisfactory manner. Through our subsidiaries, we aim to provide construction, real estate, power, mining and water clients/consumers with superior quality products and services at a reasonable price, as provided for in our Code of Business Conduct and Ethics.

To protect customer safety and welfare, we abide by the relevant laws, rules and regulations set by the Philippine government, which include, but are not limited to, the Condominium Act (RA 4726), Electric Power Industry Reform Act (RA 9136), Mining Act (RA 7942) and National Water Crisis Act (RA 8041).

We also strive to innovate and adopt global standards wherever applicable and possible.

Our construction, integrated energy, nickel mining and water businesses have been awarded ISO certifications for Quality and Management, Health and Safety and Environmental Management, among others.

Through our subsidiaries and affiliate, we implement mechanisms, programs and activities that further promote customer welfare and engagement. These efforts include, but are not limited to, customer hotlines, site and home visits, appreciation events, client consultations and customer surveys.

Customer Welfare Mandate

Our Directors, Officers and employees are mandated to:

1. Treat customers and other stakeholders with respect, integrity, and professionalism at all times;
2. Deal with customers, suppliers, business partners, creditors and government representatives in a fair and reasonable manner; and
3. Refer complaints of unfair, deceptive and fraudulent business practice of subsidiaries and affiliate to the Chief Compliance Officer.

Suppliers and Contractors

Our Code of Business Conduct and Ethics outlines our Supplier/Contractor Relations procedures, which guide and govern the business relationships of our Company, Directors, Officers and employees, including their decisions and actions when dealing with our suppliers and contractors.

On Supplier/Contractor Selection	On Supplier/Contractor Treatment
Our Company, Directors, Officers and employees shall:	Our Company, Directors, Officers and employees shall:
• seek and maintain mutually beneficial relationships with suppliers and contractors that uphold the principles of fairness, accountability, integrity and transparency; • give qualified suppliers and contractors adequate, fair and equal opportunity to bid on goods and services for the Company's projects or requirements; • select suppliers and contractors based on organizational needs, quality requirements, cost, track record and ability to deliver according to set deadlines; • as a general rule, choose suppliers and contractors on the basis of competitive bidding. Negotiated contracts may be applied, provided that it is in the best interest of the Company to enter into such a strategic engagement; • avoid adopting and/or requiring specifications of products and services that either favors a particular supplier or contractor, or limits competitive sourcing; and • seek the best value for money from the suppliers and contractors, and avoid compromising the quality standards of the Company.	• hold in confidence all dealings with bidders and suppliers; • ensure that suppliers abide by the policies, practices and standards of the Company; • facilitate payment disbursements committed to suppliers and contractors in a prompt manner and in accordance with the applicable contract provision; • promote and observe ethical conduct in their relationships, actions and communications with suppliers and contractors at all times. Actions, speech or behavior that in any way diminishes open, honest and fair treatment of suppliers shall be avoided; • not solicit, accept or attempt to accept any bribe in exchange for being awarded a contract; • declare their personal relationships and/or previous business and official dealings and relationships with any of the owners, officers, and representatives of the supplier or contractor they are dealing with when dealing or transacting directly or indirectly with such parties; and • be vigilant against any irregular, illegal, or unethical conduct of suppliers, contractors and/or fellow Directors, Officers and employees. The Company encourages everyone to report any such violations based on the existing Whistleblowing Policy.

Creditors

We value the contributions of our creditors to our growth, development and sustainability. As we work towards improving our stakeholder value, so does our focus on strengthening our relationships with our creditors.

To service our maturing debts and finance our capital requirements, we seek to manage our liquidity profile in a prudent and proactive manner, as provided for in our Safeguarding Creditors' Rights Policy. We also maintain a level of cash and cash equivalents deemed sufficient to finance our operations.

It is our policy to disclose information on whether we have complied with our loan covenants with our lenders and all collaterals and guarantees of the loans. Such information is part of our audited financial statements, which is attested to by an independent external auditor.

We also regularly examine and monitor our debt servicing ability and financial position using relevant financial ratios. These ratios are disclosed in our annual and quarterly reports to the SEC and PSE.

Among the ratios we closely monitor are current ratio, debt to equity ratio and interest coverage ratio.

Government

In support of the government's Philippine Development Plan, we invest in businesses that contribute to the sustainable economic growth and development of the country, while improving the quality of life of Filipinos.

We comply with relevant laws, rules and regulations set by the Philippine government, and deal with their representatives in a fair, reasonable and ethical manner.

Income tax, royalties and licenses due to the government in 2018

P7.7 billion

Equally important, our income tax, royalty and license payments provide the government with significant and stable revenues to support its socio-economic programs.

In 2018, our income tax, royalties and licenses due to the government amounted to P7.7 billion.

Community and Environment

Sustainability is embedded in the way we conduct our business. In generating positive social and economic value for our stakeholders, we make sure that our procedures and practices are environmentally friendly.

To contribute to the overall sustainability of the physical environment where we operate, we comply with all applicable environmental laws and regulations. We also reduce our environmental footprint through energy conservation, responsible water use and recycling, among others.

We consider our host community as our growth partner, and contribute to its social development programs by paying appropriate taxes and complying with relevant laws, regulations, resolutions and ordinances.

Through our subsidiaries, we also empower the local communities where they operate by providing employment, livelihood opportunities and basic services that will help improve their quality of life.

Climate Change

We recognize the significance of climate change and believe that steps must be taken to mitigate its impact on ecosystems, economies and communities.

While the nature of our businesses precludes us from significantly reducing our carbon footprint, we believe that we can make meaningful contributions towards addressing the reality of climate change by:

- enhancing the knowledge, capacities and readiness of our employees and other relevant stakeholders on climate change adaptation and mitigation
- encouraging our subsidiary companies to develop and implement environmental stewardship programs in their host communities
- adopting energy-efficient technologies and energy conservation practices across the DMCI group
- partnering with stakeholders and supporting programs/ projects on climate change research, mitigation, adaptation, preparedness and resilience

Stakeholder Commitment

We uphold all laws concerning the proper and fair treatment of our internal and external stakeholders.

While we put a premium on profit maximization and shareholder value optimization, we also recognize our duty to strike a proper balance between purely short-term financial performance and long-term overall corporate performance.

To achieve long-term sustainability and strength, we will secure the loyalty, commitment and support of our internal and external stakeholders through our policies.

We uphold all laws concerning proper treatment of our internal and external shareholders.

We are committed to maintaining the highest possible ethical standards.

Anti-Corruption and Bribery

We believe that bribery and corruption are unethical, unacceptable and inconsistent with our founding principles.

In our operations, we seek to avoid even the appearance of impropriety with respect to the actions of our Directors, Officers and employees.

We are committed to maintaining the highest possible ethical standards and complying with all applicable laws.

Our policy prohibits corrupt payments in all circumstances when dealing with government officials or private sector individuals, and provides the following guidelines for strict observance by our Directors, Officers and employees:

- act lawfully, ethically and in the public interest;
- prohibit bribery and corruption in our corporate dealings;
- deter illegal or unethical behavior by clients, suppliers or government officials; and
- report any such violations based on the existing Whistleblowing Policy of the Company.

Conflict of Interest

Our Code of Business Conduct and Ethics explicitly provides guidelines on conflict of interest and fair dealings, among others. These guidelines apply to all Directors, Officers and employees.

Conflict of interest situations refer to ownership of a part of another company or business having interests adverse to our Company, and accepting commissions or share in profits from any supplier, customer or creditor.

We do not seek competitive advantages through illegal, unethical or unfair dealing practices.

Directors, Officers and employees are expected to deal with our customers, service providers, suppliers and competitors in a fair manner.

They are likewise barred from taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

Whistleblowing

We are committed to providing our stakeholders with a safe reporting channel, where they can raise serious concerns about a perceived wrongdoing or malpractice involving our Company.

Our Whistleblower Policy outlines the mechanism, safeguards, reporting channel and investigation process for serious concerns that stakeholders might have, while providing them with protection from victimization, harassment, retaliation or disciplinary proceedings.

Whistleblowers may raise their concerns through regular mail, email, telephone, fax or in-person with the Chief Compliance Officer of the Company or his designated alternate officer.

Mail:
Office of the Chief Compliance Officer
3F Dacon Building, 2281 Chino Roces Avenue, Makati City 1231

Email:
whistleblower@dmcinet.com

Telephone number:
(632) 888 3000

Fax number:
(632) 816 7362

Employee Participation

Environment, Health and Safety. Sustainability is embedded in the way we conduct our business. In generating positive social and economic value for our stakeholders, we make sure that our procedures and practices are environmentally friendly.

To contribute to the overall sustainability of the physical environment where we operate, we comply with all applicable environmental laws and regulations. Most of our subsidiary and affiliate companies also have ISO certifications for environmental management (ISO 14001).

We recognize the importance of health and safety in the workplace, and commit to continually improving the health and safety performance of our Company, subsidiaries and affiliate.

Towards this end, the Board periodically reviews the policies requiring each subsidiary Board to formulate policies relating to health, safety and welfare of its respective employees.

Each subsidiary is expected to adopt high safety standards in their individual work environments, as well as a system for measuring the performance and results of their health and safety programs.

We have also adopted a number of programs for the health and safety of our employees, in addition to facilitating their participation in emergency preparedness drills.

Through these initiatives, we hope to provide our people with an environment that fosters good health, safety and well-being.

Employee Health and Safety Initiatives

- Health care maintenance coverage
- Group term life and accident insurance coverage
- Annual physical examinations
- Free medical consultations
- Access to health facilities
- Access to wellness facilities, i.e. gym, basketball and badminton courts
- Sports and recreation programs

Training and Development. We are committed to improving the performance of our organization, including the employees of our subsidiaries. Through our training and development programs, we hope to enhance their skills and talents.

Reward and Compensation Program. We have a comprehensive program for rewarding and compensating employees who contribute to the achievement of our long-term goals.

While the program precludes employee stock ownership plans, the Company does offer incentives that address the critical needs of its employees, such as merit increases, performance bonuses, continuing education, housing loan, as well as retirement benefits and emergency assistance in the event of disability and/or death.

The mechanism for issuing rewards is based on the attainment of company and employee goals, as measured against key performance metrics. These financial and non-financial metrics are determined during the planning or goal setting sessions of the different companies.

To retain and further reward its workforce, the Company also provides retirement benefits to eligible employees. These benefits are over and above the minimum requirement set by law.

Administered and supervised by the Retirement Board of Trustees (BOT), the retirement fund is managed by a reputable trust and investment company.

To strengthen corporate governance and employee participation within the organization, qualified senior executive officers may be asked to join the Board of Directors. The presidents of the subsidiary-companies also serve on the Executive Committee, and provide regular counsel to the Board.

General Welfare and Development
- Leadership, Supervisory Development, Problem Solving, Decision Making, Foremanship Training, and other forms of training at the D.M. Consunji Technical Training Center (DMCTTC)
- Participation in organizations and professional clubs
- Fellowship activities
- Team-building activities

DISCLOSURE AND TRANSPARENCY

We uphold the principle of transparency, and commit to a system of timely disclosure of material information, including our financial situation, performance, ownership and corporate governance.

Our Annual Report, Annual Corporate Governance Report, disclosures, regulatory filings and website provide full details regarding our governance structure, objectives, key risks, financial and non-financial performance indicators, systems and policies.

Ownership Transparency

We promptly report the significant ownership, including direct and indirect beneficial ownership of our shares, relationships of related companies, and structure of crossholdings, as well as the extent of our ownership and interests in our subsidiaries.

As of 31 December 2018, the members of the Board directly and indirectly owned 4,614,000 shares and 169,940,226 shares, respectively. Further details are provided in the tables below.

Ownership Structure
(owning at least 5% of the voting stocks of the Corporation as of 31 December 2018)

Name of Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Dacon Corp.	6,839,807,440 (Common)	51.51%
DFC Holdings, Inc.	2,380,442,010 (Common)	17.93%
PCD Nominee Corp. (Foreign)	1,966,881,744 (Common)	14.81%
PCD Nominee Corp. (Filipino)	1,642,959,841 (Common)	12.37%

Shareholdings of Directors and Key Officers
(as of 31 December 2018)

Directors	Direct Ownership	Indirect Ownership	Percent of Capital Stock
Isidro A. Consunji	65,000	21,046,690	0.16%
Cesar A. Buenaventura	900,000	5,700,000	0.05%
Victor A. Consunji*	5,000	54,588,045	0.41%
Jorge A. Consunji	5,000	1,898,565	0.01%
Herbert M. Consunji	23,000	-	0.00%
Ma. Edwina C. Laperal	3,315,000	83,455,076	0.65%
Luz Consuelo A. Consunji	1,000	-	0.00%
Antonio Jose U. Periquet	125,000	3,251,850	0.03%
Honorio O. Reyes-Lao	175,000	-	0.00%
Total	**4,614,000**	**169,940,226**	**1.31%**
Officers			
Maria Cristina C. Gotianun	5,500	105,205,450	0.79%
Victor S. Limlingan	5,000	-	0.00%
Noel A. Laman	100,000	-	0.00%
Ma. Pilar P. Gutierrez	-	-	-
Brian T. Lim	-	-	-
Cherubim O. Mojica	-	-	-
Total	**110,500**	**105,205,450**	**0.79%**

*deceased 27 December 2018

Information Policy

Corporate information is disclosed in a timely and transparent manner to the investing public and other key stakeholders using a number of communication channels.

Announcements and Updates. We issue press releases, announcements and disclosures on material business developments, as needed. On a quarterly basis, we also conduct media briefings to provide our media stakeholders with updates about the Company and its subsidiaries.

Investor Relations. We organize and participate in investor relations activities such as analyst briefings and investor conferences, among others.

Periodic Reporting. We practice the timely issuance of quarterly and annual structured reports, including financial statements that are prepared in accordance with financial reporting and accounting standards.

Company Website. Our website (www.dmciholdings.com) provides up-to-date financial and business information about our investments, organizational structure, corporate governance documents and policies, disclosures, among others.

Modes of Communication

We use the following modes to communicate with investors, analysts, media contacts and other stakeholders:

- Audited Annual Financial Report.
  The Company filed its SEC From 17-A or the Audited Annual Financial Statements for the period ended 31 December 2017 on 12 April 2018 or 102 days from the end of its fiscal year
- Quarterly Report
- Company website (www.dmciholdings.com)
- Analysts Briefings
- Media Briefings
- Annual Stockholders' Meeting

Investor Relations

We recognize our duty to advance the interests of our investors. Our goal is to provide the investment community with timely, relevant and accurate information about our financial performance, operating highlights, strategic direction, growth prospects and potential risks.

We demonstrate our commitment to the investing public by adopting a policy of open and constant communication, subject to insider information guidelines and other pertinent company policies.

Institutional and prospective investors, investment analysts, fund managers and the financial community are provided material information about the Company during conference calls, investor conferences, analyst briefings and non-deal roadshows, among others.

Highlights and Activities. Investor/Analyst briefings were conducted on a regular basis to discuss the 2017 full-year and 2018 quarterly results of the Company. The Company also participated in a number of investor relations activities.

Analysts' Briefings

Subject of the Briefing	Date and Time	Venue
2017 Full Year Financial Results	16 March 2018 2:00 p.m.	East Board Room 3F Dacon Building 2281 Chino Roces Avenue, Makati City
2018 First Quarter Financial Results	16 May 2018 10:00 a.m.	DMCI Annex Training Room 2278 Chino Roces Avenue, Makati City
2018 First Half Financial Results	15 August 2018 2:00 p.m.	DMCI Annex Training Room 2278 Chino Roces Avenue, Makati City
2018 Third Quarter Financial Results	12 November 2018 3:00 p.m.	East Board Room 3F Dacon Building 2281 Chino Roces Avenue, Makati City

Media Briefings

Date	Agenda	Venue
08 March 2018	2017 Full Year Results	Chef Jessie Rockwell Club Rockwell Center, Makati City
11 May 2018	2018 First Quarter Results	Ogetsu Hime Bonifacio Global City, Taguig City
15 May 2018	Annual Stockholders' Meeting	Manila Polo Club Forbes Park, Makati City
22 – 24 June 2018	Corporate Updates	Ocean 101 General Luna, Surigao del Norte
13 August 2018	2018 First Half Results	DMCI Holdings Makati City
12 November 2018	2018 Third Quarter Results	Canton Road Restaurant Bonifacio Global City, Taguig City

Contact Information

Investor Relations concerns may be directed to:

Dr. Victor S. Limlingan
Managing Director

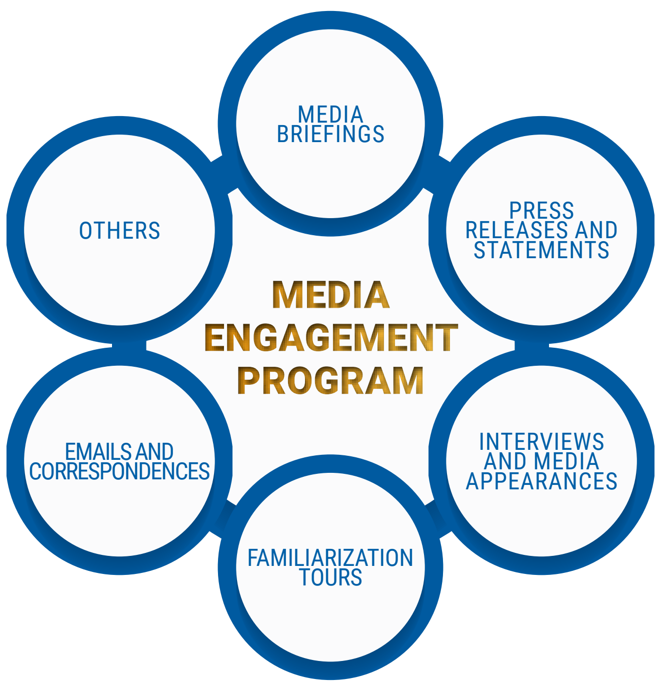
Tara Ann C. Reyes
Investor Relations Officer

Tel: (632) 888 3000 local 1023
Fax: (632) 816 7362
Email: investor.relations@dmcinet.com
Mail: 3F Dacon Building
2281 Chino Roces Avenue
Makati City, Philippines 1231

Media Engagement

The media plays an important role in promoting broader awareness and better understanding of the Company's objectives, financial targets, business prospects and other material developments.

Our media engagement program is designed to provide media professionals with the information they need to accurately and effectively report on business and investment stories that directly or indirectly concern the Company.



RESPONSIBILITIES OF THE BOARD OF DIRECTORS

Our corporate governance framework helps ensure the strategic guidance of our Company, the effective managerial performance monitoring by the Board, and the accountability of the Board to our Company and its stockholders.

In our Board Charter, the roles, duties and responsibilities of the Board are defined in accordance with relevant Philippine laws, rules and regulations, and in full compliance with the principles of corporate governance.

Board Charter

The Board Charter (Charter) governs the relationship between the Board Committees and the Board, as contained in the charters of the committees, which have been approved and adopted by the Board.

The Charter is intended to complement or supplement the Corporation Code of the Philippines, the Corporation's Articles of Incorporation and By-laws, SEC and PSE issuances and other applicable laws, rules and regulations.

All Directors are expected to fully adhere to the principles and provisions set forth in the Charter.

On 13 August 2018, the Board approved the adoption of, and the amendments to, the following:

- Manual on Corporate Governance (amendment)
- Board Charter (amendment)
- Training Policy for Directors

Strategy and Oversight

The Board establishes and approves the vision, mission, strategic objectives and key policies of the Company.

As provided in the Board Charter, it reviews the vision and mission of the Company at least once a year, or as deemed necessary.

On 13 August 2018, the Board reviewed the Vision Statement to clarify the purpose and growth direction of the Company.

Board Duties and Responsibilities

The Board establishes decision-making authority policies, levels, limits and guidelines for Management, according to its risk appetite level and required Board approvals for governance matters.

On a continuing basis, the Board also performs the following roles and responsibilities, among others:

- formulate the Corporation's vision, mission, strategic objectives, policies and procedures;
- oversee the development of, and approve, the Company's business objectives and strategy;
- ensure and adopt an effective succession planning program for Directors, Key Officers and Management;
- align the remuneration of Key Officers and Directors with the long-term interests of the Company;
- establish a formal and transparent board nomination and election policy;
- ensure that there is a group-wide policy and system governing RPTs;
- approve the selection and performance assessment of Management, led by the Chief Executive Officer (CEO), Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive;
- establish an effective performance management framework that will ensure that the performance of the CEO and other key personnel is at par with the standards set by the Board and Senior Management;
- establish an appropriate internal control system, including a mechanism for monitoring and managing potential conflicts of interest; and
- institute a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.

Likewise, the Board should observe the following norms of conduct:

- Act judiciously
- Observe confidentiality
- Exercise independent judgment
- Conduct fair business transactions for the Company
- Ensure that personal interests do not conflict with the interests of the Company
- Devote the necessary time and attention to properly and effectively perform its duties and responsibilities
- Have a working knowledge of the statutory and regulatory requirements that affect the Corporation, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of relevant regulatory agencies
- Ensure the continuing soundness, effectiveness and adequacy of the Corporation's internal control system

Code of Business Conduct and Ethics

We are committed to doing business in accordance with the highest professional standards, business conduct and ethics and all applicable laws, rules, and regulations in the Philippines.

The Company, its Directors, Officers and employees are committed to promote and adhere to the principles of good corporate governance by observing and maintaining its core business principles of accountability, integrity, fairness and transparency.

All Directors, Officers and employees of the Company are required to strictly comply with the Code. The Company will take disciplinary or preventive action as it deems appropriate to address any existing or potential violation of this Code brought to its attention. The Company will not tolerate retaliation for reports of violations of this Code made in good faith.

The details of the Code of Business Conduct and Ethics (the Code) are disclosed to the SEC and PSE. The same is uploaded on our website.

Monitoring and Compliance with the Code. At the end of each year, all Directors, Officers and employees are required to fill out and sign a compliance checklist of the Code and all Company Policies, for submission to the Chief Compliance Officer. The Chief Compliance Officer then issues a certificate of compliance with the Code and Company Policies.

The Company has established the Compliance Helpdesk Hotline below to answer queries of Directors, Officers and employees on the application of the Code:

Chief Compliance Officer
Tel (632) 888 3000
Fax (632) 816 7362

An Internal Audit team is tasked to evaluate the systems established to ensure compliance with the Code and governance processes. Any violation of the code and policies by Directors, Officers and employees can also be reported through any of the Company's Whistleblower reporting channels.

Board Structure and Composition

The full Board consists of nine (9) Directors, three (3) of whom are Executive Directors, four (4) are Non-Executive Directors and two (2) are Independent Directors.

Nomination. In consultation with the Nomination Committee, the Board reviews its profile, size and composition, taking into account the nature of its business, subsidiaries, desired expertise and Board member backgrounds.

The Committee reviews and pre-screens the qualifications of each Board candidate in accordance with the qualifications and disqualifications set in the Corporation's By-Laws and Manual on Corporate Governance.

This is to ensure that the qualifications of the candidates are aligned with the strategic direction of the Company. The shortlist of candidates is disclosed in the Definitive Information Statement to be distributed to the stockholders.

In identifying and recommending candidates for election or appointment as Directors, the Committee also reviews the effectiveness and implementation of the Diversity Policy of the Board. The committee likewise recommends any revisions that may be required.

Directorships. Our Executive Directors do not serve on more than two (2) Boards of listed companies outside of our Company. The Company does not set a limit on the number of Board seats that an individual director may hold simultaneously in other companies.

However, it ensures that the members of the Board are committed to exercising their roles and responsibilities as Directors, regardless of the number of Board seats they may have in other companies.

Based on the 2018 Board Attendance filed with the SEC and PSE, none of the incumbent Directors were absent for more than 50 percent of the board meetings, both regular and special, in any 12-month period during their incumbency.

Our Board profile, with concurrent directorships held, are likewise disclosed in the SEC 20-IS, Annual Corporate Governance Report and Integrated Annual Report.

Board Competency and Diversity

We recognize the value of a diverse Board, and commit to creating and maintaining an inclusive and collaborative governance culture that will help sustain the growth of our organization.

The Company has a Board Diversity Policy that fosters differences in skills, regional and industry experience, professional background, race and gender, among others.

These differences are considered in determining the optimum composition of the Board, and are balanced appropriately when possible.

The policy also reiterates that all Board appointments be made based on merit, in the context of the skills, experience, independence and knowledge, which the Board as a whole requires to be effective.

Board Diversity Progress Report. The Nomination and Election (Nomelec) Committee under the Corporate Governance Committee is responsible for reviewing the Board composition and profile of the candidates to the Board, leveraging the diverse background of Directors to include professional skills, regional and industry experience, race, gender and other distinctions.

Under the Policy, the Nomelec reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors.

In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, to enable it to discharge its duties and responsibilities effectively.

In identifying suitable candidates for Board appointment, the Committee will consider candidates based on merit, against objective criteria, and with due regard for the benefits of Board diversity.

Criteria
The Company has set the following criteria in selecting candidates to the Board:

- Directors with extensive industry experience primarily in construction-related businesses
- Directors with differing backgrounds and professional skills/expertise such as, but not limited to business management, finance and accounting, governance, operations and risk management, among others.
- Participation of women in the Board

Methodology
True to its commitment to Board Diversity, the Company in its annual meeting last 15 May 2018 elected a Board composed of nine (9) Directors, in which at least 22 percent are women—or two (2) females out of nine (9) Directors. Six (6) Directors, or 67 percent are non-executives, two (2) of whom are Independent Directors.

In the said ASM, the Nomelec received nine (9) candidates for the Board of Directors, all of whom were incumbent Directors. The Nomelec reviewed the profile of the candidates and made recommendations to the Board. No other Directors were nominated.

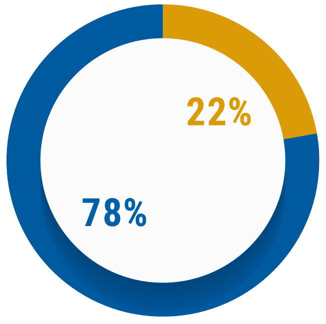
The nine (9) candidates possessed all qualifications and none of the disqualifications for nomination as regular and independent Director under SRC Rule 38 and the Code of Corporate Governance, the Corporation's By-Laws and Manual on Corporate Governance.

The final list of nominees for election for regular and independent Directors of the Corporation, was included in the Definitive Information Statement filed with the SEC and the PSE, and distributed to the stockholders of the Corporation during its 15 May 2018 ASM.

Any search firm engaged to assist the Board, or a committee of the Board, in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates. In 2018, no Directors resigned or retired from their directorship, thus, the Company did not engage the assistance of any search firm.

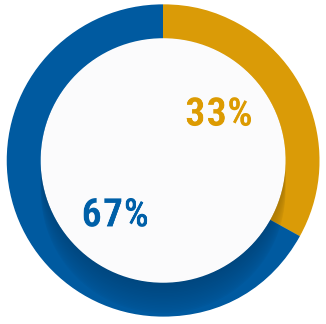
However, one of our Directors, Mr. Victor Almeda Consunji passed away on 27 December 2018. The Board did not appoint a candidate to fill the vacancy. In accordance with Company By-Laws and Board policy, the Nomelec shall consider and accept nominations for election to the Board in the 2019 ASM.

Gender



• Female Directors
• Male Directors

Type of Directorship



• Executive Directors
• Non-executive'Directors

Board Composition Matrix

Below is the Board composition matrix, based on the profile of Directors submitted to the Nomelec Committee.

Skills/Competencies	2018	2017	2016	2015	2014
Financial management	33%	33%	33%	33%	33%
Industry-related experience	44%	44%	44%	44%	44%
Strategy, resource/business development	100%	100%	100%	100%	100%
Governance	33%	33%	33%	33%	33%
Operational	44%	44%	44%	44%	44%
Risk Management	78%	78%	78%	78%	67%
Business Management	100%	100%	100%	100%	100%

For 2018, the following are the professional and demographical matrix of the nine (9) Directors elected to the Board on 15 May 2018.

	2018	2017	2016	2015	2014
Professional / Educational					
Bachelor's degree	100%	100%	100%	100%	100%
Master's degree	78%	78%	78%	78%	78%
Engineers	33%	33%	33%	33%	44%
Architect	11%	11%	11%	11%	11%
Certified Public Accountants (CPA)	11%	11%	11%	11%	11%
Other degrees	44%	44%	44%	44%	33%
Other Directorship outside the DMCI Group					
Private sector	44%	44%	44%	44%	44%
Public sector	11%	11%	11%	11%	11%
Personal Demographics					
Male	78%	78%	78%	78%	89%
Female	22%	22%	22%	22%	11%
Citizenship (Filipino)	100%	100%	100%	100%	100%
Citizenship (Others)	-	-	-	-	-
Age 30-49	-	-	-	-	-
Age 50-64	22%	33%	56%	56%	67%
Age 65+	78%	67%	44%	44%	33%

Term of Office

The elected members of the Board shall hold office for one (1) year, until their successors are elected and qualified.

Term Limits of Independent Directors

The Independent Director shall serve for a maximum cumulative term of nine (9) years.

The cumulative period shall start from the year 2012, in accordance with the rules and circulars of the SEC.

After which, the Independent Director shall be perpetually barred from re-election as such in the same company, but he/she may continue to qualify for nomination and election as a non-independent Director.

In the instance that a company wants to retain an Independent Director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the ASM.

Board Committees

To support the performance of its fiduciary functions, the Board has four (4) good governance committees:

1. Audit and Related Party Transaction (RPT);
2. Board Risk Oversight;
3. Corporate Governance (with functions of Nomination & Election and Compensation & Remuneration committees); and
4. Executive Committee.

The members of the Audit and RPT, Board Risk Oversight and Corporate Governance committees were appointed by the Board during its regular meeting on 08 March 2018. All committees are chaired by an Independent Director.

The Board likewise appointed the following individuals to key positions in compliance with the New Manual on Corporate Governance:

Appointee	Position
Antonio Jose U. Periquet (Independent Director)	Lead Independent Director
Herbert M. Consunji	Chief Risk Officer
Brian T. Lim	Internal Audit Lead Coordinator
Punongbayan & Araullo Partner In-Charge (fully outsourced internal auditor)	Chief Audit Executive

Meanwhile, the members of the different good governance committees are as follows:

Committee	Chairman	Members
Audit and RPT	Honorio O. Reyes-Lao (ID)	Antonio Jose U. Periquet (ID) Cesar A. Buenaventura (NED)
Board Risk Oversight	Antonio Jose U. Periquet (ID)	Honorio O. Reyes-Lao (ID) Cesar A. Buenaventura (NED)
Corporate Governance	Antonio Jose U. Periquet (ID)	Honorio O. Reyes-Lao (ID) Cesar A. Buenaventura (NED)
Executive	Isidro A. Consunji (ED)	Herbert M. Consunji (ED) Jorge A. Consunji (NED) Victor A. Consunji* (NED) Cesar A. Buenaventura (NED) Alfredo R. Austria (ex-officio) Cesar F. Simbulan, Jr. (ex-officio) Nestor D. Dadivas (ex-officio)

Independent Director (ID)
Executive Director (ED)
Non-Executive Director (NED)

*deceased 27 December 2018

Audit and Related Party Transaction (RPT) Committee

The Audit and RPT Committee shall consist of at least three (3) members, who shall preferably have accounting and finance backgrounds, the majority of whom shall be Independent Directors.

The Chairman of the Audit and RPT Committee shall be an Independent Director, and the members will be appointed annually by the Board.

The Committee assists the Board in the discharge of its oversight responsibilities over the financial reporting, external audit performance, internal audit function, internal control and risk management processes of the Company.

It also helps the Board ensure compliance with reporting, legal and regulatory requirements.

The Audit and RPT Committee has reviewed the effectiveness and adequacy of the internal control and risk management systems from the reports provided by internal and external auditors, Management's assessment of internal controls and its own evaluation.

The appointment, re-appointment and removal of the external auditor is a primary responsibility of the Committee.

Majority of the members of the Audit and RPT Committee are Independent Directors.

The Committee is chaired by an Independent Director.

In 2018, the Committee convened four (4) times, with the following attendance record:

Position	Name	Appointment Date	No. of Meetings Held*	Attendance
Chairman	Honorio O. Reyes-Lao**	08 March 2018	4	4
Member	Antonio Jose U. Periquet	08 March 2018	4	4
Member	Cesar A. Buenaventura	08 March 2018	4	4

*January - December 2018 period
**Mr. Reyes-Lao has a Bachelor of Science degree in Commerce, Major in Accounting

Board Risk Oversight Committee

The Board Risk Oversight Committee is composed of at least three (3) members, majority of whom are Independent Directors. It is chaired by an Independent Director.

Among the duties and responsibilities of the Committee is to promote an open discussion and awareness on the risks faced by the Company and its subsidiaries, which may have a potential impact on the Company's performance.

It is also tasked with reviewing the Company's risk management function to ensure that senior management has the proper position, staff and resources to manage such risks. The Committee met twice in 2018.

Position	Name	Appointment Date	No. of Meetings Held*	Attendance
Chairman	Antonio Jose U. Periquet	08 March 2018	2	2
Member	Honorio O. Reyes-Lao	08 March 2018	2	2
Member	Jorge A. Consunji	08 March 2018	2	2

*January - December 2018 period

Corporate Governance Committee

(with functions of Nomination & Election and Compensation & Remuneration committees)

The Corporate Governance (CG) Committee is tasked with ensuring compliance with, and proper observance of, corporate governance principles and practices. In addition, it shall perform the functions of the Nomination and Election Committee and the Compensation and Remuneration Committee.

It is composed of at least three (3) members, majority of whom should be Independent Directors, including the Chairman.

In 2018, the CG Committee convened twice, with the following attendance record:

Position	Name	Appointment Date	No. of Meetings Held*	Attendance
Chairman	Antonio Jose U. Periquet	08 March 2018	2	2
Member	Honorio O. Reyes-Lao	08 March 2018	2	2
Member	Cesar A. Buenaventura	08 March 2018	2	2

*January - December 2018 period

Nomelec:

- Reviewed and evaluated the profile of the candidates for the nomination and election of Board of Directors
- Ensured that the qualifications of candidates for Directors are aligned with the corporate strategic direction of the Company
- Prepared the final list of candidates to the Board of Directors, which was appended in the Definitive Information Statement disclosed to the PSE and SEC and sent to the stockholders
- Reviewed the effectiveness and implementation of the Diversity Policy
- Conducted Board Diversity methodology and progress report

Compensation and Remuneration

- Developed the compensation and remuneration policy of Directors
- Reviewed the compensation and remuneration policy and recommended the amount of remuneration for non-executive directors
- Developed the rewards and compensation program for employees

Attendance of Directors in Board Meetings in 2018

	Name	Number of Meetings	Number of Meetings Attended	%
Chairman	Isidro A. Consunji	11	11	100
Vice Chairman	Cesar A. Buenaventura	11	11	100
Member	Victor A. Consunji*	11	10	91
Member	Jorge A. Consunji	11	8	73
Member	Herbert M. Consunji	11	10	91
Member	Ma. Edwina C. Laperal	11	11	100
Member	Luz Consuelo A. Consunji	11	11	100
Independent Director	Honorio O. Reyes-Lao	11	11	100
Independent Director	Antonio Jose U. Periquet	11	11	100

*deceased 27 December 2018

Board Meetings and Attendance

In 2018, the Board had eleven (11) meetings. The SEC minimum board meeting attendance requirement is 50 percent.

To strengthen Board participation, the Company set the quorum for board meetings and decisions to at least 2/3 of the Board members. All Directors fully complied with the SEC and Company attendance requirement in 2018.

The CG Manual requires the disclosure of the board meeting attendance record of Directors on or before January 15 of the following year.

On 10 January 2019, the Company filed with the SEC and PSE a sworn certification of the Board's attendance record for calendar year 2018. The same disclosure was also uploaded in the company website.

For the calendar year 2018, the Board approved the schedules of board and audit committee meetings during its board meeting held on 08 November 2017.

For 2019, the Board scheduled the board and audit committee meetings on 12 November 2018. Meetings of other board committees are scheduled within the year accordingly.

Corporate Secretary

The Corporate Secretary provides a schedule of regular board meetings and board committee meetings, in line with our regulatory reporting dates. Special board meetings may be called as the need arises.

The Corporate Secretary assists the Chairman in setting the Board agenda and provides Directors with meeting agenda and related materials at least five (5) days in advance of the board meeting date.

This is to provide Directors with accurate and sufficient information to make educated decisions during the board meeting.

The Corporate Secretary likewise provides guidance on the correct legal procedures to ensure that the Board complies with its obligations under the law and the Company's Articles of Incorporation.

In addition, the Corporate Secretary maintains the integrity of the minutes of board meetings, and provides updates to the Directors and Management regarding statutory and regulatory changes.

Our Corporate Secretary is Atty. Noel A. Laman, a founder and Senior Partner at Castillo Laman Tan Pantaleon & San Jose. Serving as Assistant Corporate Secretary is Atty. Ma. Pilar P. Gutierrez, a partner at the same law firm.

Both possess the legal qualifications and competencies to effectively perform the corporate secretarial and related duties of the position.

Board Appointment and Re-election

Candidates for the Board shall be nominated by a stockholder of the Corporation.

Pursuant to the Corporation Code, any stockholder who holds at least one (1) share of stock shall be entitled to nominate and elect a candidate for Board position.

The elected members of the Board of Directors shall hold office for one (1) year, until their successors are elected and qualified.

Any vacancy in the Board other than removal by the stockholders or expiration of term, may be filled by the vote of the majority of the remaining Directors, if still constituting a quorum; otherwise the vacancy must be filled by the stockholders in a regular or special meeting called for the purpose.

A Director so elected to fill the vacancy shall be elected only for the unexpired term of his predecessor in office.

The qualifications and disqualifications of Directors are identified in the Company's CG Manual.

Remuneration of Directors

Each Director shall receive a reasonable per diem for his attendance at every board meeting.

Directors receive a per diem of P80,000 for each board meeting attended and a per diem of P40,000 for each committee meeting attended.

Subject to the approval of the stockholders owning at least a majority of the outstanding capital stock, Directors may also be granted compensation other than per diems, provided, that the total yearly compensation of Directors shall not exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The form and amount of Directors' compensation shall be determined and approved by the Compensation and Remuneration Committee in accordance with the policies and principles under its Charter.

Aggregate Remuneration Acrrued in 2018

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	P7,434,325	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance	P1,360,000	P1,600,000	P1,280,000
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-
(f) Others (Specify)	-	-	-
Total	**P8,794,325**	**P1,600,000**	**P1,280,000**

In 2018, the aggregate amount of cash bonus variable pays related to the preceding year's financial performance and total compensation package received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed the abovementioned limits set by the Company's Amended By-laws.

Details regarding Director compensation and other benefits are also disclosed in relevant sections of our SEC 20-IS Form 17-A (Annual Report) and Annual Corporate Governance Report.

Internal Controls and Risk Oversight

Our internal control process is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Everyone within the Company is responsible for the effective implementation of internal controls.

The Board is responsible for the Company's governance and oversight function, and holds Management accountable for the internal control system.

Management owns the internal control system and is responsible for instituting robust internal control policies and procedures.

The internal audit function independently evaluates the soundness of the Company's key risks and organizational and procedural controls. This assists the Board—through the Audit Committee—and Management in assessesing whether the internal control system is effectively designed and implemented.

Punongbayan & Araullo, a member firm of Grant Thornton International, Ltd., is the internal auditor of the Company.

The Board—through the Audit and RPT Committee—and Management's criteria for evaluating the soundness of internal control include a review of its control environment, risk assessment, control activities, information and communication, and monitoring activities.

In 2018, the Audit and RPT Committee reviewed the effectiveness of the internal control system based on its assessment, from the reports provided by internal and external auditors, and from Management's assessment of internal controls.

The Audit Committee approves the appointment, re-appointment and removal of the internal auditor.

Enterprise Risk Management Policy

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

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

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

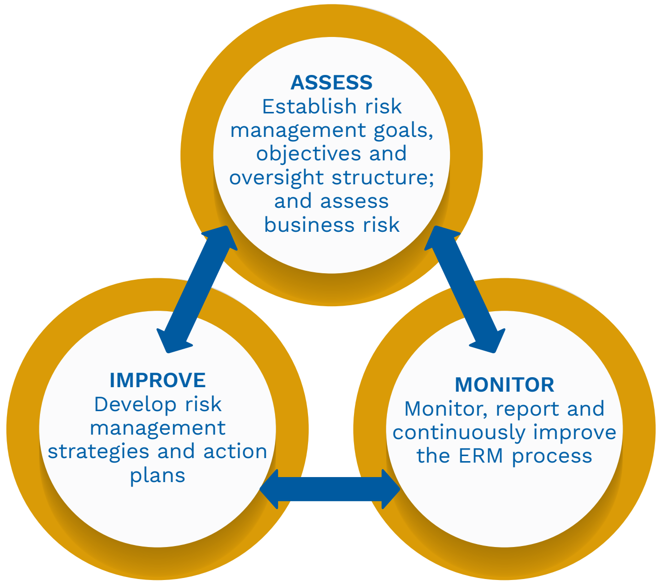
The CEO meets regularly with the Executive and Management Committees of the operating subsidiaries to discuss strategies, key result areas and critical enterprise-level risks to ensure a decisive response to their respective opportunities and challenges.

Our Chief Risk Officer leads the entire risk management function and spearheads the implementation, maintenance and continuous improvement of our ERM. He also advocates the adoption of the same by our subsidiaries.

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

Our Risk Management Framework

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.



In 2018, the Company identified three key risk management areas.

1. Key people management

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

Mentoring and talent development are 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 Risks.

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

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

Chairman and President

The Chairman and President roles are unified to ensure strong, central leadership and to enhance efficiency.

To foster an appropriate balance of power, the functions of the two positions are clearly delineated in the Board Charter, Manual on Corporate Governance and By-Laws of the Company.

To ensure that the Board gets the benefit of independent views and perspectives, the Chairman and CEO does not sit on any of the board committees. Board resolutions are also decided upon by at least two-thirds (2/3) of the Board members.

Board committees are mainly composed of independent and non-executive Directors and are tasked to recommend and report to the Board any major business decisions.

The Chairman and President roles are unified to ensure strong, central leadership and to enhance efficiency.

To ensure that the Board gets the benefit of independent views and perspectives, the Chairman and CEO does not sit on any of the board committees.

Lead Independent Director
The Board designated a Lead Independent Director among the Independent Directors since the incumbent Chairman of the Board is not independent and assumes the role of the CEO and President at the same time.

Mr. Antonio Jose U. Periquet was appointed by the Board as the Lead Independent Director.

The functions of the position include, among others, the following:

- Serve as an intermediary between the Chairman and the other Directors when necessary;
- Convene and chair meetings of the non-executive directors; and
- Contribute to the performance evaluation of the Chairman, as required.

Regular Directors
A Director's office is one of trust and confidence. Directors are expected to act in the best interest of the Corporation in a manner characterized by transparency, accountability and fairness.

They should also exercise leadership, prudence and integrity in directing the Corporation towards sustained progress.

Directors must conduct fair business transactions for the Company and ensure that his/her personal interest does not conflict with the interests of the Company.

They should also act judiciously, exercise independent judgment, and follow the norms of conduct outlined in the New Manual of Corporate Governance.

Independent Directors
An Independent Director (ID) is defined as one who, apart from his fees and shareholdings, is independent of Management and substantial shareholders, and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director of the Corporation.

Our IDs possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for IDs.

They have been nominated by a non-controlling shareholder during the nomination process, and are independent of Management and major shareholders of the Company. More importantly, they bring objectivity to Board deliberations and discussions.

The number of IDs is in compliance with the Philippine regulatory requirement for Boards of publicly listed companies.

Executive Succession Planning
Our commitment to leadership continuity is embodied in our Executive Succession Plan Policy, which ensures the stability and accountability of our Company to its stakeholders.

Under the policy, the Board will assess the permanent leadership needs of the Company to help ensure the selection of a qualified and capable leader.

While the Board assesses the leadership needs and recruits a permanent executive officer, the Board will appoint interim executive leadership to ensure that our Company's operations are not interrupted.

The interim CEO shall ensure that our Company continues to operate without disruption and that all Company commitments previously made are adequately executed, including but not limited to, loans approved, reports due, contracts, licenses, certifications, obligations to lenders or investors of the Company and others.

It is also the policy of our Company to develop a pool of candidates and consider at least three (3) finalist candidates for its permanent CEO position.

The Company shall consider an external recruitment and selection process, while at the same time encouraging the professional development and advancement of current employees.

The interim CEO and any other interested internal candidates are encouraged to submit their qualifications for review and consideration by the Transition Committee for recommendation to the Nomelec according to the guidelines established for the search and recruitment process.

Board and Director Development
To raise the quality of our Board operations, we provide our Directors with orientation, training, continuing education, committee assignments and evaluations, among others.

Newly-elected members of the Board shall undergo a comprehensive orientation or training on the Corporation's business operations, policies and other related matters for such number of hours and in accordance with the requirements of the SEC.

He/she shall participate in an induction program that covers the Corporation's strategy, general financial and legal affairs, financial reporting, compliance programs, the Code of Business Conduct and Ethics, operational and business aspects unique to the Corporation and its business activities, and the responsibilities of the Board.

The CG Committee has developed an Onboarding Program for first-time Directors to include:

- Eight-hour orientation on Corporate Governance and Company's governance policies, procedures and best practices
- Company business orientation sessions
- Meeting with key officers of the Company and subsidiaries
- Guided site visits to Company operations
- Board committee familiarization sessions

In order to facilitate the fulfillment of their responsibilities, Directors are given access to, or notice of, continuing educational programs regarding corporate governance and critical issues relating to the operation of public company Boards.

Directors are also encouraged to periodically visit our construction projects, mine sites, power plants, real estate developments and water facilities, to update their knowledge and understanding of our businesses.

Chief Executive Officer Performance Evaluation
The Board conducts annual performance reviews of the CEO based on key result areas, which consist of Board-approved financial and nonfinancial performance metrics.

The Chief Compliance Officer oversees the performance evaluation process while the Corporate Secretary tabulates the rating results and summarizes the evaluation comments. Evaluation results are then submitted to and/or discussed with the CEO for proper disposition or action.

The Board evaluated the performance of the CEO for fiscal year 2018.

Board Performance Evaluation

The Board conducts an annual performance evaluation to ensure that members effectively fulfill their obligations. The annual performance assessment is divided into four sets:

1.	Full Board Review	The Full Board Review covers Board activities, mission and purpose, governance, board organization, meetings and membership, and management support.
2.	CEO Appraisal	The Board shalll assess separately the performance of the CEO to rate his financial, strategic, governance, internal processes and business development capacities.
3.	Peer Board Review	The Peer Board Review allows each Director to assess their Co-directors in terms of leadership, interpersonal skills, strategic thinking and their contribution to the Board.
4.	Audit Committee Assessment	In compliance with SEC Memorandum Circular No. 4 Series of 2012 Guidelines for the Assessment of the Performance of the Audit Committee of listed companies, the Company adapted the Audit Committee Assessment which contains the oversight responsibilities under the Code of Corporate Governance, i.e. financial reporting, risk management, internal control, management, and internal and external audit.

For the 2018 assessment, the performance evaluation forms were distributed in July 2018. The Nomelec tallied and reviewed the results after the incumbent Directors ended their term, and were subsequently re-elected, during the May 2018 ASM.

Performance Evaluation Criteria and Process

The CG Committee develops the performance evaluation criteria and process to assess the performance of the CEO, Board of Directors, board committees, and individual Directors. The table below summarizes the criteria for each position.

	Criteria
Chief Executive Officer	1. Reviewing financial and management performance 2. Strategic planning process of management 3. Promoting good governance and ethical conduct across the organization 4. Risk and crisis management 5. Monitoring internal control and compliance systems in general 6. Upholding and supporting corporate sustainability advocacies of the Company
Board of Directors	1. Composition 2. Frequency of meetings 3. Discharge of roles and responsibilities 4. Reviewing management performance 5. Setting strategic directions and goals 6. Overseeing financial performance and fiduciary accountability of the Company 7. Exercising governance roles in establishing and upholding Company's core values, strategic objectives, key policies, governance framework and systems to optimize shareholder value
Board Committees	1. Attendance and participation 2. Ensuring the integrity of the Company's accounting and financial reporting systems, independent audit, internal audit and risk management systems 3. Overseeing management's responsibilities in internal controls 4. Monitoring compliance with corporate governance policies and practices 5. Committee contribution
Directors	1. Attendance and participation in meetings 2. Exercising duties with due diligence and reasonable care 3. Maintaining confidentiality 4. Acting in good faith and in the interests of the Company as a whole 5. Promoting and upholding corporate governance best practices 6. Leadership, roles and responsibilities 7. Board independence and stewardship 8. Strategic thinking 9. Interpersonal skills 10. Board contribution

	Process
1	The Chief Compliance Officer prepares and administers the distribution of the assessment forms to the members of the Board and committees.
2	The Directors and members of the Board committees are given fifteen (15) calendar days to accomplish the said assessment forms.
3	Accomplished assessment forms shall be submitted to the Chief Compliance Officer on the deadline set.
4	The assessment forms shall be forwarded to the Corporate Secretary to tabulate the ratings and results, after which he shall summarize the evaluation comments.
5	The Corporate Secretary shall report the results of the evaluation to the Board during a regular or special meeting.

External Audit

An external auditor examines our accounting records to make sure that our financial statements meet government and regulatory requirements.

The Audit and RPT Committee oversees the external audit function on behalf of the Board. Its oversight covers the review and approval of the appointment, reappointment or removal of the external auditor, audit work engagement, scope and related fees, among others.

No Company Director or Officer is a former employee or partner of the current external auditor in the past three (3) years.

SGV served as our external auditor in 2018. To ensure independence and in compliance with the SEC regulatory policy of rotating audit partners every five (5) years, a new Assurance Partner-In-Charge has been assigned to DMCI Holdings.

Ms. Dhonabee B. Señeres shall take over the duties of Ms. Cyril Jasmin B. Valencia and shall serve as the Assurance Partner-in-Charge starting 2018.

In 2018, audit and non-audit service fees paid to our external auditor was P3,433,360 and P100,000, respectively.

AWARDS AND CITATIONS

DAVID M. CONSUNJI AND FAMILY

- The Construction Industry Authority of the Philippines (CIAP) named DMCI Holdings Founding Chairman David M. Consunji as the Grandfather of the Construction Industry. CIAP is an attached agency of the Department of Trade and Industry.

- SGV conferred the Order of the Mango to the Consunji family for their outstanding achievements in the service of the Filipino.

- Chevalier College of New South Wales, Australia presented the Consunji family with the Esprit du Chevalier Medal for exhibiting the Chevalier qualities of courage, compassion, energy and effort.

DMCI HOLDINGS

- Ranked 61st in the Nikkei Asian Review's third annual Asia300 Power Performers, an exclusive list of the most powerful and valuable listed companies in Asia

- Among the top 25 publicly listed companies in the Philippines in terms of corporate governance practices according to the Institute of Corporate Directors

- Cited as one of the top 15 performers among Asian conglomerates by Bain & Company, the third largest management consulting firm in the world

  The ranking was based on a study that tracked the financial performance of 102 conglomerates and 287 companies that focused on a single business from 2003 to 2016.

- Won the Platinum Award in the 53rd Anvil Awards of the Public Relations Society of the Philippines for its 2016 Integrated Annual Report, after besting all the submissions in the publication category

  The company also clinched Gold Anvil Awards for Hard Hat newsletter and Delivering Real Benefits annual report; and a Silver Award for the Hard Hat newsletter special tribute issue for DMCI group founder David M. Consunji.

D.M. CONSUNJI, INC.

- Recognized as Contractor of the Year in the Top Achievement for Partners (TAP) Awards of Maynilad Water Services, Inc.

  The company also received the Most Outstanding Performer for Major Water & Wastewater Facilities for the Aguinaldo Reservoir and Pump Station project and the Most Outstanding Performer for Major Water & Wastewater Facilities for the Putatan 20MLD Brackish Water Reverse Osmosis project.

DMCI HOMES

- Received multiple recognitions in The Outlook 2018 Philippine Buyers' Choice Property Awards of Lamudi Philippines, namely:

  - Kai Garden Residences Winner,
    Best Premium Condo of the Year in Luzon
  - Verdon Parc
    Highly Commended, Best Premium Condo of the Year in Visayas and Mindanao
  - DMCI Homes
    Highly Commended, Developer of the Year in Luzon

- Won the Bronze Award for the DMCI Homes corporate AVP in the 2018 PANAta Awards of the Philippine Association of National Advertisers. The recognition is the highest award in the said category for 2018.

- Recognized as one of the Top Ten Developers in 2018 by the BCI Media Group, an acknowledged leader in providing building and construction information across the Asia Pacific region. This is the sixth recognition received by DMCI Homes from BCI Media Group.

SEMIRARA MINING AND POWER CORPORATION

- Won two Gold Anvil Awards in the 53rd Anvil Awards of the Public Relations Society of the Philippines for its 2016 Integrated Annual Report and Code of Conduct and Business Ethics

- Among the top 25 publicly listed companies in the Philippines in terms of corporate governance practices according to the Institute of Corporate Directors

DMCI MINING

- Berong Nickel Corporation (BNC) received the Safety Excellence Award for the second consecutive year from the Workplace Advocates on Safety in the Philippines, Inc. (WASPI) for achieving a Zero Accident record in the workplace from January to December, 2017.

- Safety and Health Superintendent Rolando L Sajot and Safety Officer Ralph Adrian C. Fabian, both from BNC, were recognized by WASPI for having implemented safety and health standards, which resulted in Zero Incident record from September 2014 to March 2018.

- The Department of Environment and Natural Resources - Mines and Geosciences Bureau (MIMAROPA Region) recognized BNC for achieving one million man-hours without incurring Lost Time Accident from May 2018 to January 2019.

MAYNILAD WATER SERVICES, INC.

- Won five Gold Awards and six Silver Awards in the 53rd Anvil Awards of the Public Relations Society of the Philippines

  The Gold Anvil Awards were for the *Lingkod Eskwela* advocacy initiative, Ripples newsletter, Maynilad Media Run event, *Dakilang Manggagawa* Awards and Mayni-LAD to the Rescue! wastewater video.

  The company won Silver Anvil Awards for its Green Badge and *Daloy Dunong* advocacy programs, Maynilad *Simpleng Ginhaw*a video, Maynilad 10th Anniversary video, Wastewater Social Media campaign and Maynilad 10th Anniversary campaign.

- Won three Excellence and eight Merit Awards in the 16th Philippine Quill Awards

  Excellence Awards were given for its *Isang Dekada, Dala ay Ginhawa* Maynilad 10th Anniversary Campaign, *Daloy Dunong* water education program and Maynilad 10th Anniversary video.

  Conferred Merit Awards were the Maynilad a*ng kailangan ng poso* (negro) *mo* wastewater digital campaign; *Dakilang Manggagawa* Awards for employees; Maynilad Rewards: Grandparents' Day customer program; *Lingkod Eskwela* advocacy program; Green Badge upcycling project; Ripples company newsletter; Next Generation: Maynilad 2016 Sustainability Report; and Mayni-LAD to the Rescue! wastewater video.

- Recognized for its community development and education programs during the 10th Annual Global CSR (Corporate Social Responsibility) Summit and Awards held in Lombok, Indonesia

- Won a Platinum Award during the 10th Annual Global CSR Summit and Awards for its *Daloy Dunong* water education campaign

  Maynilad also bagged a Gold Award under the Best Community Program Category for its water-for-the-poor programs *Samahang Tubig* Maynilad (STM) and *Pag-asa sa Patubig* Partnership (P3). The two initiatives addressed the water and sanitation needs of informal settler communities and gave them access to safe, affordable water.

How we SAFEGUARD key assets for you

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of DMCI HOLDINGS, INC. AND SUBSIDIARIES is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the 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.

Signed on March 7, 2019

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board of Directors ("Board") of DMCI HOLDINGS, INC. is responsible for the internal controls and risk management systems. The Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes and internal controls are strengthened, and significant risk are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

Signed on March 7, 2019

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2018

The Audit Committee Charter defines the ultimate responsibility of the Audit Committee for policies and practices relating to integrity of the financial and regulatory reporting of the Company. It assists the Board in fulfilling its oversight functions with respect to:

(a) support the Board of Directors in meeting its responsibilities to shareholders;

(b) enhance the independence of the external auditor;

(c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;

(d) increase the credibility and objectivity of the Company's financial reports and public disclosure.

In 2018, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of two (2) Independent Directors and one (1) Non-executive director.
2. The Chairman of the Audit Committee is an Independent Director.
3. The Committee convened four (4) meetings in 2018.
4. The Committee had an executive meeting with the external and internal auditors.
5. Recommended the appointment of the external auditors to the Board.
6. Reviewed the external auditor's audit plans, fees and schedules and any related services proposals
7. Reviewed and pre-approved the non-audit services provided to the Company by its external auditor prior to Board approval.
8. Ensured that the external auditor met the rotation requirements for handling partners pursuant to SRC Rule 68(3)(b)(iv) and SEC Memorandum Circular No. 8 Series of 2003.
9. Reviewed and discussed with the management and external auditors the consolidated financial statements ended December 31, 2018 including audit and accounting issues of the Company's subsidiaries, material transactions with related parties, accounting policies, and audit results prior to recommendation to Board for approval and to dissemination to stockholders and the public.
10. Assessed the integrity and independence of external auditors and exercising effective oversight in reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process
11. Reviewed and discussed the external auditor's audit plans for the year ending December 31, 2018, which focus on (1) engagement team, (2) the scope of work, (3) audit services and plans, (4) areas of audit emphasis, (5) potential key audit matters, (6) ethics and independence, (7) inquiries relating to matters relevant to the audit, and (8) overview of changes in the accounting standards, laws and regulations,
12. Reviewed and discussed the internal auditor's plans for the year ending December 31, 2018, which include (1) review of internal audit mandate. (2) business development, (3) financial consolidation and reporting, (4) treasury and cash disbursement, (5) governance, risk and compliance, and (6) 2018 year-end report.
13. The Committee reviewed the adequacy and effectiveness of the internal control and risk management system based on its assessment, from the reports provided by internal and external auditors, and from management's assessment of internal controls.
14. Reviewed and discussed with the management the quarterly financial reports which include changes in accounting policies and practices, significant adjustments resulting from the audit, compliance with accounting standards, material transactions and accounting issues of the Company's subsidiaries.
15. Reviewed the Management Discussion and Analysis of the annual and quarterly financial statements prior to public disclosures.
16. Reviewed the propriety of related party transactions (RPTs) and the required reporting disclosures, considered the terms are on arm's length and fair to the Company; determined if the significant RPTs were in the best interests of the company and the shareholders; whether the RPT met the prescribed threshold set in Company's policy and by the Securities and Exchange Commission (SEC).
17. The Committee Chairman and members attended the Annual Stockholders' Meeting on May 15, 2018.

Honorio O. Reyes-Lao
Chairman, Audit Committee

Signed on March 7, 2019

INTERNAL AUDITOR'S ATTESTATION

P&A
Grant Thornton
An instinct for growth

The Board of Directors is responsible for providing governance and overseeing the implementation of adequate risk management and internal control processes.

Management is responsible for designing and implementing adequate risk management, internal control, and compliance processes and for evaluating its adequacy and effectiveness. Due to its inherent nature, risk management and internal control processes will provide only reasonable assurance on the adequacy of controls in mitigating the risks for DMCI Holdings, Inc. (the Company).

The Audit Committee assists the Board of Directors and management by exercising oversight responsibility over the Company's financial reporting, internal control, internal and external audit activities, and compliance with applicable laws and regulations. The Company outsourced its internal audit activities to Punongbayan & Araullo, which directly reports to the Audit Committee.

Internal audit adopts a risk-based approach in developing the annual audit plan and in conducting its reviews to assess the Company's governance, risk management, internal control, and compliance processes. The results of our internal audit reviews were presented to management and the Audit Committee.

Based on the results of our reviews covering the period January 1, 2018 to December 31, 2018, we attest to the overall adequacy and effectiveness of the internal audit, internal control, and compliance system of the Company.

Isidro A. Consunji
Chairman and President
DMCI Holdings, Inc.

Michael C. Gallego
Internal Audit (Outsourced)
Partner, Punongbayan & Araullo

INDEPENDENT AUDITOR'S REPORT

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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

Opinion

We have audited the consolidated financial statements of DMCI Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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

Adoption of PFRS 15, Revenue from Contracts with Customers

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

Revenue from real estate contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue from construction contracts

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

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

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

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Audit response

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

Adoption of PFRS 9, Financial Instruments

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

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

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

Audit Response

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

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

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

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

Recoverability of Goodwill, Property and Equipment and Mining Properties

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

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

Audit Response

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

Estimation of Decommissioning and Site Rehabilitation Costs

The Group's recognized provision for decommissioning and site rehabilitation for the open pit mines of its coal mining activities amounted to ₱402.48 million as of December 31, 2018. This matter is important to our audit because the amount involved is material and the estimation of the provision requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area, inflation rate, and discount rate.

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

Audit response

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

Estimation of Mineable Ore Reserves

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

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

Audit response

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

Investment in a Significant Associate

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

Note 11 to the consolidated financial statements provide the relevant discussion regarding this matter.

Audit Response

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

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

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Dhonabee B. Señeres
Partner
CPA Certificate No. 97133
SEC Accreditation No. 1196-AR-2 (Group A),
October 18, 2018, valid until October 17, 2021
Tax Identification No. 201-959-816
BIR Accreditation No. 08-001998-98-2018,
February 2, 2018, valid until February 1, 2021
PTR No. 7332614, January 3, 2019, Makati City

March 7, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands of Pesos)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 36)	**₱15,481,964**	₱25,323,774
Current portion of receivables - net (Notes 2, 7, 21 and 36)	**16,745,426**	21,984,999
Current portion of contract assets (Notes 2 and 8)	**8,868,598**	1,201,589
Inventories (Notes 2 and 9)	**44,691,520**	34,698,636
Other current assets (Notes 2, 5, 6, 10 and 36)	**10,102,689**	8,290,495
Total Current Assets	**95,890,197**	91,499,493
Noncurrent Assets		
Receivables - net of current portion (Notes 2, 7 and 36)	**–**	6,434,989
Contract asset - net of current portion (Notes 2 and 8)	**7,583,336**	–
Investments in associates and joint ventures (Note 11)	**14,230,651**	13,460,601
Investment properties (Note 12)	**156,721**	194,241
Property, plant and equipment (Note 13)	**57,086,944**	55,701,022
Exploration and evaluation asset (Note 14)	**226,319**	225,535
Goodwill (Note 33)	**1,637,430**	1,637,430
Deferred tax assets - net (Note 29)	**606,877**	427,961
Pension assets - net (Note 23)	**915,400**	1,019,687
Other noncurrent assets (Notes 2, 5, 14 and 36)	**4,070,840**	1,213,617
Total Noncurrent Assets	**86,514,518**	80,315,083
	₱182,404,715	₱171,814,576
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt (Notes 15 and 36)	**₱7,015,276**	₱1,071,101
Current portion of liabilities for purchased land (Notes 16 and 36)	**502,591**	24,356
Accounts and other payables (Notes 2, 17, 21 and 36)	**22,040,880**	18,757,347
Current portion of contract liabilities and other customers' advances and deposits (Notes 2 and 18)	**8,954,356**	10,523,387
Current portion of long-term debt (Notes 19 and 36)	**6,342,766**	4,626,407
Income tax payable	**456,730**	152,968
Total Current Liabilities	**45,312,599**	35,155,566

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

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

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands of Pesos)

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

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands of Pesos)

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

For the Year Ended December 31, 2016

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Total Paid-in Capital (Note 22)	Unappropriated Retained Earnings (Notes 2 and 22)	Premium on Acquisition of Non-controlling Interest (Note 32)	Remeasurements on Pension Plans (Note 23)	Net Accumulated Unrealized Gain on equity investments designated at FVOCI (Note 6)	Other Equity (Notes 11 and 34)	Total	Non-controlling Interests (Note 22)	Total Equity
Balances as of January 1, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱43,610,261	(₱161,033)	₱699,491	₱21,435	₱285,105	₱62,405,127	₱12,270,467	₱74,675,594
Comprehensive income											
Net income		–	–	12,680,496	–	–	–	–	12,680,496	5,342,588	18,023,084
Other comprehensive income (loss)	–	–	–	–	–	(77,640)	5,776	2,279	(69,585)	2,465	(67,120)
Total comprehensive income	–	–	–	12,680,496	–	(77,640)	5,776	2,279	12,610,911	5,345,053	17,955,964
Disposal of subsidiaries (Note 34)	–	–	–	–	–	–	–	(285,105)	(285,105)	–	(285,105)
Acquisition of noncontrolling interest	–	–	–	–	(361,870)	–	–	–	(361,870)	(25,677)	(387,547)
Cash dividends declared (Note 22)	–	–	–	(6,373,186)	–	–	–	–	(6,373,186)	(1,841,122)	(8,214,308)
Balances as of December 31, 2016	₱13,277,474	₱4,672,394	₱17,949,868	₱49,917,571	(₱522,903)	₱621,851	₱27,211	₱2,279	₱67,995,877	₱15,748,721	₱83,744,598

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands of Pesos)

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

(Forward)

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

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 with a corporate life of 50 years from and after the date of incorporation and is domiciled in the Philippines. The Parent Company's registered office address and principal place of business is at 3rd Floor, Dacon Building, 2281 Don Chino Roces Avenue, Makati City.

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

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

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors (BOD) on March 7, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Basis of Consolidation

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

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

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

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

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

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

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

(Forward)

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

(Forward)

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

*Liquidating as of December 31, 2018
[1] DMCI's subsidiaries
[2] PDI's subsidiaries
[3] SMPC's subsidiaries
[4] DPC's subsidiaries
[5] DMC's subsidiaries
[5] DMC's subsidiaries

Noncontrolling Interests

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

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

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018:

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

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

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

  (a) Classification and measurement

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

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

  A financial asset can only be measured at amortized cost if both of the following are satisfied:
  - *Business model:* the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
  - *Contractual cash flows:* the contractual cash flows under the instrument relate solely to payments of principal and interest

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

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

At January 1, 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 and its related amendments supersede PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after January 1, 2018. PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

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

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

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

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

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

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

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

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

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

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

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

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

Consolidated Statements of Financial Position as of December 31, 2018

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

(Forward)

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

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

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

(a) Contract balances

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

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

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

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

(b) Cost recognition

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

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

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

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

(c) Cost to obtain a contract

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

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

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

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

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

(d) Other adjustments

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

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

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

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2017 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

  This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The amendments are not applicable to the Group as the Group does not measure those investments at FVPL.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

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

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

- PFRS 16, *Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

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

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

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

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

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

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

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

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

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

  The interpretation specifically addresses the following:

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

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

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

- *Annual Improvements to PFRSs* 2015-2017 Cycle

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

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

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

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

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

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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

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

Effective beginning on or after January 1, 2020

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

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

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

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

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

Effective beginning on or after January 1, 2021

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

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

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

Deferred effectivity

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

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

<u>Significant Accounting Policies</u>

<u>Current versus Noncurrent Classification</u>
The Group presents assets and liabilities in consolidated statement of financial position based on current and noncurrent classification.

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

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

All other assets are classified as noncurrent.

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

The Group classifies all other liabilities as noncurrent.

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

<u>Fair Value Measurement</u>
The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Subsequent measurement – Financial assets at amortized cost
   Financial assets are measured at amortized cost if both of the following conditions are met:
   - the asset is held within the Group's business model, the objective of which is to hold assets in order to collect contractual cash flows; and
   - the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

a. Subsequent measurement – Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
   Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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

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

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

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

<u>Offsetting of Financial Instruments</u>

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

<u>Impairment of Financial Assets</u>

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

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

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

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

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

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

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

For short term investments, the Group applies the low credit risk simplication. 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 evalution, the Group reassesses the internal credit rating of the debt instrument.

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

Recognition and Measurement of Financial Instruments (Prior to Adoption of PFRS 9)
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

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

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

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

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVPL as hedging instrument. Financial assets or financial liabilities held for trading are recorded in the consolidated statement of financial position at fair value. Changes in fair value relating to the held for trading positions are recognized in "Other income - net" account in the consolidated statement of income. Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded when the right to receive payment has been established.

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

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

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

The Group's financial assets at FVPL pertain to investment in quoted equity securities and derivatives arising from contracts for differences entered with a third party as disclosed in Notes 5, 10 and 14 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position. The Group does not have any financial liability at FVPL.

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

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

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

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

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

The Group's AFS financial assets pertain to quoted and unquoted equity securities and are included in 'Other current assets' in the consolidated statement of financial position.

Other Financial Liabilities

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

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

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

Deferred Financing Costs

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

Impairment of Financial Assets (Prior to Adoption of PFRS 9)

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

Loans and Receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

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

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

AFS Financial Assets

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

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

Financial Assets Carried at Cost

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

Embedded Derivative

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

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

Inventories
Real Estate Held for Sale and Development
Real estate held for sale and development consists of condominium units and subdivision land for sale and development.

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

Undeveloped land is carried at lower of cost and NRV.

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

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

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

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

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

Materials in Transit
Cost is determined using the specific identification basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Years
Buildings and building improvements	5-20
Condominium units	25

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

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

<u>Exploration and Evaluation Asset and Mining Properties</u>
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

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

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

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

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

Stripping Costs

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

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

	Years
Land improvements	5-17
Power plant, buildings and building improvements	5-25
Construction equipment, machinery and tools	5-10
Office furniture, fixtures and equipment	3-5
Transportation equipment	4-5
Coal mining properties and equipment	2-13
Nickel mining properties and equipment	2-5
Leasehold improvements	5-7

The EUL and depreciation, depletion and amortization methods are reviewed periodically to ensure that the period and methods of depreciation, depletion and amortization are consistent with the

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

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

The net carrying amount of mining properties is depleted using unit-of-production method based on the estimated economically, legal and environmental saleable reserves of the mine concerned which is based on the current market prices, and are written-off if the property is abandoned.

Mineable Ore Reserves

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

Intangible Assets

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

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

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

Research and Development Costs

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

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

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

Impairment of Nonfinancial Assets

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

Property, Plant and Equipment, Investment Properties and Intangible Assets

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

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

Exploration and evaluation assets

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

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

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

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

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

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are charged to "Additional paid-in capital" account.

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

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

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

The Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱3,696.86 million and ₱8,115.40 million, respectively.

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

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

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

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

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

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

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

Revenue recognition effective January 1, 2018

Revenue from contract with customers

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

Revenue recognized at a point in time

- *Coal Mining*

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

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

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

- *Nickel Mining*

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

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

- *Sales and services*

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

- *Merchandise Sales*

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

Revenue recognized over time using output method

- *Real Estate Sales*

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

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

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

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

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

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

- *Electricity Sales*

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

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

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

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

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

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

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

The asset "Costs and estimated earnings in excess of billings on uncompleted contracts" represents total costs incurred and estimated earnings recognized in excess of amounts billed. The liability "Billings in excess of costs and estimated earnings on uncompleted contracts" represents billings in excess of total costs incurred and estimated earnings recognized. Contract retention receivables are presented as part of "Trade receivables" under the "Receivables" account in the consolidated statement of financial position.

Contract Balances

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Revenue and Cost Recognition Prior to January 1, 2018</u>
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.

<u>Other Revenue and Income Recognition</u>
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.

<u>Operating Expenses</u>
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.

<u>Borrowing Costs</u>
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.

<u>Foreign Currency Translations and Transactions</u>
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.

<u>Pension Cost</u>
The Group has a noncontributory defined benefit multiemployer retirement plan.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset

- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

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

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

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

<u>Leases</u>
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

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

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

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and investments in joint ventures.
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all or part of the deferred tax assets to be recovered.

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

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

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

Earnings Per Share (EPS)
Basic EPS is computed by dividing the consolidated net income for the year attributable to equity holders of the Parent Company (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

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

Operating Segment
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 35 to the consolidated financial statements.

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

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

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

Revenue recognition effective January 1, 2018
Real Estate Revenue Recognition
Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers.

In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer reaching a level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

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

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

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

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

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

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

Mining and electrical sales - Revenue Recognition
The Group applied the following judgements that affect the determination of the amount and timing of revenue from contracts with customers:

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

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

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

<u>Revenue recognition (Prior to Adoption of PFRS 15)</u>
Real Estate Revenue Recognition
Selecting an appropriate revenue recognition method for a real estate sale transaction requires certain judgments about the buyer's commitment to continue the sale which may be ascertained through the significance of the buyer's initial payments and the stage of completion of the project. The buyers' commitment is evaluated based on collections, credit standing and historical collection from buyers. In determining whether the sales prices are collectible, the Group considers that initial and continuing investments by the buyer reaching a certain level of collection would demonstrate the buyer's commitment to pay. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of buyers' equity before allowing revenue recognition.

Exploration and evaluation expenditure
The application of the Group's accounting policy for exploration and evaluation asset requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property and equipment;
- ability to produce ore in saleable form; and,
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation or depletion commences.

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

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

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

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

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

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

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

<u>Management's Use of Estimates</u>
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a. Mining

Revenue Recognition
The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables. The Group's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of ore. These price adjustments may arise from the actual quantity and quality of delivered ore.

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

Estimating Mineable Ore Reserves
The Group uses the estimated minable ore reserve in the determination of the amount of amortization of mining properties using units-of-production method. The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist (specialists). These estimates on the mineable ore reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mining properties and mining rights, included in property, plant and equipment as presented in the consolidated statements of financial position amounted to ₱9,359.08 million and ₱11,085.74 million in 2018 and 2017, respectively (see Note 13).

Estimating Coal Stock Pile Inventory Quantities
The Group estimates the stock pile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year. The coal inventory as of December 31, 2018 and 2017 amounted to ₱3,334.52 million and ₱1,323.77 million, respectively (see Note 9).

Estimating Decommissioning and Mine Site Rehabilitation
The Group is legally required to fulfill certain obligations under its DENR issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. In addition, the Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning, mine rehabilitation, and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, (e.g., cost of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in

inflation rates and discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

As of December 31, 2018 and 2017, the provision for decommissioning and site rehabilitation for coal mining activities amounted to ₱402.48 million and ₱1,686.54 million, respectively. As at December 31, 2018 and 2017, provision for decommissioning and rehabilitation for the nickel mining activities amounted to ₱43.14 million and ₱21.95 million, respectively (see Note 20).

b. Construction

Revenue Recognition – Construction Contracts

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

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

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

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

Determining method to estimate variable consideration for variation orders

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

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

c. Real estate

Revenue Recognition – Real Estate Sales

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

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

d. Power

Estimating Decommissioning and Site Rehabilitation

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

As of December 31, 2018 and 2017, the estimated provision for decommissioning and site rehabilitation amounted to ₱20.92 million and ₱19.27 million, respectively (see Note 20).

Evaluation of Net Realizable Value of Inventories

Inventories are valued at the lower of cost and NRV. This requires the Group to make an estimate of the inventories' selling price in the ordinary course of business, cost of completion and costs necessary to make a sale to determine the NRV.

For real estate inventories, the Group adjusts the cost of its real estate inventories to net realizable value based on its assessment of the recoverability of the real estate inventories. In determining the recoverability of the inventories, management considers whether those inventories are damaged or if their selling prices have declined.

For inventories such as equipment parts, materials in transit and supplies, the Group's estimate of the NRV of inventories is based on evidence available at the time the estimates are made of the amount that these inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at reporting date. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

Likewise, management also considers whether the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. In the event that NRV is lower than the cost, the decline is recognized as an expense. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized.

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

Allowance for expected credit losses

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

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

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

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

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

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

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

Estimating Useful Lives of Property, Plant and Equipment (see 'Estimation of Minable Ore" for the Discussion of Amortization of Mining Properties)
The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

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

The Group incurred a loss from property, plant and equipment write-down due to the replacement of generation units and retirement of mining equipment amounting to ₱27.83 million in 2017 (nil in 2018; see Notes 13 and 25).

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

The carrying value of property, plant and equipment of the Group amounted to ₱57,086.94 million and ₱55,701.02 million as of December 31, 2018 and 2017, respectively (see Note 13).

Impairment Testing of Goodwill and Nickel Mining Segment Assets
The Group performed its annual impairment test of goodwill as of December 31, 2018. The goodwill of ₱1,637.43 million is attributable to the acquisition of ZDMC and ZCMC (see Note 33). In addition, due to the suspension of the MPSA of ZDMC and to the probability of renewal of ZCMC's MPSA, the nickel mining segment assets were also subjected to impairment testing in 2018. Regional suspension of BNC is lifted on September 14, 2018 (see Note 38).

Accordingly, based on the lifting of BNC suspension during the period ended December 31, 2018, BNC no longer has any impairment indicator, specifically in the regulatory environment of the Mining Industry. The recoverable amount of the CGUs and nickel mining segment assets have been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as, timing of production, nickel prices and inflation rate. The pre-tax discount rate applied to cash flow projections is 15.05%. As a result of this analysis, management concluded that the goodwill and nickel mining segment assets are not impaired.

The calculation of DCF of the CGU is most sensitive to the following assumptions:
(a) Mine production
(b) Discount rates
(c) Nickel prices
(d) Price inflation
(e) Timing of resumption of operations

(a) Mine Production
Mine production projections are based on the three-year work program prepared and developed by the Group's mining engineers and geologists (specialist) submitted to and approved by the Mines and Geosciences Bureau (MGB). The work program is updated regularly and would include detailed forecast of mine production in wet metric tons.

(b) Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the CGU is obliged to service.

Specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

(c) Nickel Prices
The Group considers the effect of commodity price changes for nickel ore. The Group considered the possible effects of the changes in the price of nickel ores as it relates to the revenues that may be generated by the Group and the attainment of the cash flow projections. The Group used the data from the China Ferro Alloy Market, which resulted to nickel prices ranging from US$12.00 per Wet Metric Ton (WMT) to US$55.00 per WMT for 2018 and 2017. The price is the function of a number of factors, which includes, among others, nickel grade, moisture content and factor rate.

Generally, a higher grade and lower moisture content would yield higher recoverable amount, otherwise lower which may indicate impairment. The Group expects that the overall price of nickel ore will improve throughout the life of the mine.

(d) Price Inflation
Forecast price inflation which impacts the forecast for costs of production and operating expenses lies within a range of 2.80% to 4.40% during the forecast period. If price increases greater than the forecast price inflation and the Group is unable to pass on or absorb these increases through efficiency improvements, the recoverable value is affected.

(e) Timing of Resumption of Operations
With the mining operations of ZDMC currently suspended and the mining activities of ZCMC yet to commence, the Group estimated that operations will resume in ZDMC and commence in ZCMC within the next four (4) years. As discussed in Note 38, DENR issued an order cancelling the MPSA of ZDMC. Also, ZCMC applied for the renewal of its MPSA before its term ended in 2016.

The cashflows prepared by the Group considered various scenarios as to the timing of the resumption of the operations. Management assessed that the quality of the ore remain the same irrespective of the timing of extraction.

The sensitivity analysis below shows the reasonably possible changes in key assumptions that would cause the carrying values of the goodwill plus net assets amounts to exceed the recoverable amounts:
(a) Discount rates: a rise in pre-tax discount rate ranging from 36.77% to 42.05%.
(b) Nickel prices: a decline in China Ferro Alloy Market ranging from 9.41% to 16.75%.
(c) Price inflation: a general price index inflation increase for specific various cost and expenses exceeding the range of 3.25% to 8.60%.

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

The deferred tax assets recognized amounted to ₱946.16 million and ₱642.24 million as of December 31, 2018 and 2017, respectively. The unrecognized deferred tax assets of the Group amounted to ₱740.17 million and ₱1,473.83 million as of December 31, 2018 and 2017, respectively (see Note 29).

Estimating Pension Obligation and Other Retirement Benefits
The cost of defined benefit pension plans and other employee benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net pension liabilities as at December 31, 2018 and 2017 amounted to ₱268.05 million and ₱315.56 million, respectively (see Note 23). Net pension assets amounted to ₱915.40 million and ₱1,019.69 million as of December 31, 2018 and 2017, respectively (see Note 23).

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

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

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

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

4. **Cash and Cash Equivalents**

This account consists of:

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

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

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

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

5. **Financial Assets at FVPL**

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

Significant inputs to the valuation are as follows:

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

*Bloomberg Valuation Service (BVAL)
**Philippine Dealing System Treasury Reference Rate (PDST - R2)

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

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

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

6. **Equity investments designated at FVOCI**

This account consists of:

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

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

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

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

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

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

7. Receivables

This account consists of:

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

Trade receivables

Real estate

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

In 2015, the Group entered into various receivable purchase agreements with various local financial institutions whereby the Group sold its installment contracts receivable on a with recourse basis in the aggregate credit facility agreement totaling to ₱3,617.70 million.

The Group retains the assigned receivables in the "real estate receivable" account and records the proceeds from these sales as loans payable (see Note 19). The carrying value of installment contracts receivable sold with recourse amounted to ₱372.44 million and ₱797.66 million as of December 31, 2018 and 2017, respectively. The installment contracts receivable on a with recourse basis are used as collaterals for the bank loans obtained. The non-current portion of trade receivable from real estate business is presented as part of 'Receivables - net of current portion' in the consolidated statements of financial position. These portion of the receivables are expected to be collected beyond one year.

Electricity sales

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

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

General construction

General construction receivables principally consist of receivables arising from third-party construction projects. These receivables are based on progress billings provided to customers over the period of construction and are normally collected on a 30 to 60 day term. Retention receivable pertains to the part of the contract which the contract owner retains as security and shall be released after the period allotted as indicated in the contract for the discovery of defects and other non-compliance from the specifications indicated.

Coal and nickel mining

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

Merchandising and others

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

Other receivables

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

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

Allowance for impairment losses
Receivables amounting to ₱1,687.40 million and ₱1,656.58 million as of December 31, 2018 and 2017, respectively, were impaired and fully provided with allowance (see Note 37).

Movements in the allowance for impairment losses are as follows:

	2018					
	Trade Receivables					
	Real Estate	**General Construction**	**Coal Mining**	**Nickel Mining**	**Electricity Sales**	**Total**
At January 1	**₱537**	**₱30,673**	**₱41,927**	**₱66,935**	**₱1,516,504**	**₱1,656,576**
Provision (Note 25)	–	**5,419**	–	**75**	**25,331**	**30,825**
At December 31	**₱537**	**₱36,092**	**₱41,927**	**₱67,010**	**₱1,541,835**	**₱1,687,401**

	2017					
	Trade Receivables					
	Real Estate	General Construction	Coal Mining	Nickel Mining	Electricity Sales	Total
At January 1	₱537	₱82,642	₱41,775	₱64,917	₱1,512,359	₱1,702,230
Provision (Note 25)	–	–	152	2,018	4,145	6,315
Reversal/write-off (Note 28)	–	(51,969)	–	–	–	(51,969)
At December 31	₱537	₱30,673	₱41,927	₱66,935	₱1,516,504	₱1,656,576

As discussed in Note 2, the Group determined the provision for credit losses using ECL model upon adoption of PFRS 9 beginning January 1, 2018. Previously credit losses are determined using the incurred loss model.

8. Contract assets

The accounts consist of:

	2018	2017
Contract asset (Note 2)	**₱14,286,979**	₱–
Costs and estimated earnings in excess of billings on uncompleted contracts	**2,164,932**	1,201,589
	16,451,911	1,201,589
Less: Contract asset - non current portion (Note 2)	**7,583,336**	–
	₱8,868,575	₱1,201,589

Contract Assets
Contract assets are initially recognized for revenue earned from real estate sales as receipt of consideration is conditional on successful completion of development. Upon completion of development and acceptance by the customer, the amounts recognized as contract assets are reclassified to receivables. Prior to adoption of PFRS 15, contract assets of real estate segment is reported under 'Receivables'.

For construction segment, contract assets include Costs and estimated earnings in excess of billings on uncompleted contracts which represents total costs incurred and estimated earnings recognized in excess of amounts billed (see Note 18).

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

	2018	2017
Total costs incurred	**₱35,839,976**	₱28,363,059
Add estimated earnings recognized	**5,835,631**	5,319,436
	41,675,607	33,682,495
Less total billings (including unliquidated advances from contract owners of ₱5.11 billion in 2018 and ₱3.17 billion in 2017)	**42,630,863**	**35,085,860**
	(₱955,256)	**(₱1,403,365)**

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

	2018	2017
Costs and estimated earnings in excess of billings on uncompleted contracts	**₱2,164,932**	₱1,201,589
Billings in excess of costs and estimated earnings on uncompleted contracts	**(3,120,188)**	(2,604,954)
	(₱955,256)	(₱1,403,365)

9. Inventories

This account consists of:

	2018	2017
At Cost:		
Real estate held for sale and development (Note 2)	**₱30,253,435**	₱27,185,364
Coal inventory	**3,334,518**	1,323,765
Equipment parts, materials in transit and supplies	**1,606,254**	1,077,162
Nickel ore	**290,210**	300,527
	35,484,417	29,886,818
At NRV:		
Equipment parts, materials in transit and supplies	**9,207,103**	4,811,818
	₱44,691,520	₱34,698,636

Real estate inventories recognized as cost of sales amounted to ₱13,405.86 million, ₱12,117.87 million and ₱7,924.42 million in 2018, 2017 and 2016, respectively (see Note 24). Costs of real estate sales includes acquisition cost of land, amount paid to contractors, development costs, capitalized borrowing costs, and other costs attributable to bringing the real-estate inventories to their intended condition. Borrowing costs capitalized in 2018 and 2017 amounted to ₱1,023.27 million and ₱1,082.95 million, respectively. The capitalization rates used to determine the amount of borrowing costs eligible for capitalization in 2018 and 2017 are 5.76% and 5.87%, respectively.

There are no real estate held for sale and development used as collateral or pledged as security to secure liabilities. Summary of the movement in real estate held for sale and development is set out below:

	2018	2017
Balance at beginning of year	**₱27,185,364**	₱26,412,544
Construction/development cost incurred	**13,347,020**	8,603,981
Land acquired during the year	**2,872,017**	3,207,417
Borrowing costs capitalized	**1,023,271**	1,082,951
Cost of undeveloped land sold during the year (Note 28)	**(768,378)**	–
Recognized as cost of sales (Note 24)	**(13,405,859)**	(12,117,873)
Other adjustment/reclassifications	**–**	(3,656)
Balance at end of year	**₱30,253,435**	₱27,185,364

The costs of equipment parts, materials in transit and supplies carried at NRV amounted to ₱9,207.10 million and ₱4,881.12 million as of December 31, 2018 and 2017, respectively.

10. Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers and contractors - current portion	**₱5,911,897**	₱3,968,421
Input Value Added Tax (VAT) - net of allowance	**1,332,235**	1,590,671
Creditable taxes withheld	**1,086,470**	1,242,676
Cost to obtain a contract-current portion (Notes 2 and 14)	**754,701**	511,468
Refundable deposits (Notes 14 and 36)	**240,118**	239,119
Prepaid expenses	**231,897**	91,587
Equity investments designated at FVOCI (Notes 6 and 36)	**130,214**	95,451
Advances to officers and employees	**72,824**	98,316
Prepaid taxes	**20,726**	261,826
Financial asset at FVPL - current portion (Notes 5 and 36)	**91,810**	82,169
Others	**229,797**	108,791
	₱10,102,689	₱8,290,495

Advances to suppliers and contractors

Advances to suppliers and contractors are recouped upon every progress billing payment depending on the percentage of accomplishment.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable in future periods.

Creditable taxes withheld

Creditable taxes withheld are attributable to taxes withheld by third parties arising from sales and services that will be applied to future taxes payable.

Cost to obtain a contract

As discussed in Note 2, beginning January 1, 2018, the incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the 'Cost of sales - real estate sales' account in the consolidated statements of income starting 2018.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

The balances below pertains to the cost to obtain contracts included in the other current and noncurrent assets:

	2018
Balance at beginning of the year	**₱511,468**
Effects of adoption of PFRS 15 as at January 1, 2018 (Note 3)	**1,948,806**
Additions	**1,753,836**
Amortization	**(1,009,645)**
Balance at end of the year	**₱3,204,465**

In line with the Group's accounting policy, as set out in Note 2, if a contract or specific performance obligation exhibited marginal profitability or other indicators of impairment, judgement was applied to ascertain whether or not the future economic benefits from these contracts were sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific key performance indicators (KPIs) that could trigger variable consideration, or service credits.

Upon adoption of PFRS 15, amortization of capitalized commission and advance commissions which are expensed as incurred totaling ₱1,119.93 million are presented under 'Cost of sales and services – real estate sales' account in the consolidated statements of comprehensive income for the year ended December 31, 2018.

Refundable deposits

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

Prepaid expenses

Prepaid expenses consist mainly of prepayments for rent and insurance.

Advances to officers and employees

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

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

Others
Others mainly include deposits for escrow funds which will be recovered within one (1) year and other prepayments relating to maintenance costs and other expenses.

11. Investments in Associates and Joint Ventures

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

	2018	2017
Acquisition cost	**₱489,368**	₱489,368
Accumulated impairment loss	**(7,828)**	(7,828)
Accumulated equity in net earnings		
Balance at beginning of year	**13,020,452**	12,277,225
Equity in net earnings	**1,825,657**	1,694,046
Dividends and others	**(1,055,607)**	(950,819)
Balance at end of year	**14,272,042**	13,020,452
Share in other comprehensive loss	**(41,391)**	(41,391)
	₱14,230,651	₱13,460,601

The details of the Group's equity in the net assets of its associates and joint ventures, which are all incorporated in the Philippines, and the corresponding percentages of ownership follow:

	Percentages of Ownership		**Equity in Net Assets**	
	2018	2017	**2018**	2017
Associates:				
Maynilad Water Holding Group, Inc. (MWHCI)	**27.19**	27.19	**₱13,832,314**	₱13,092,078
Subic Water and Sewerage Group, Inc. (Subic Water)	**30.00**	30.00	**275,678**	256,913
Bachy Soletanche Philippines Corporation (Bachy)	**49.00**	49.00	**43,060**	43,060
			14,151,052	13,392,051
Joint Ventures:				
DMCI-First Balfour Joint Venture (DMFB)	**51.00**	51.00	**₱15,320**	₱15,320
Beta-Micrologic JV Corporation	**48.50**	48.50	**846**	846
St. Raphael Power Generation Corporation (SRPGC)	**50.00**	50.00	**63,433**	52,384
			79,599	68,550
			₱14,230,651	₱13,460,601

There have been no outstanding capital commitments in 2018 and 2017.

The following table summarizes the Group's share in the significant financial information of the associates and joint ventures that are material to the Group:

	2018	
	MWHCI	**Subic Water**
Statement of financial position		
Current assets	**₱17,421,270**	**₱284,518**
Noncurrent assets	**101,750,871**	**1,522,079**
Current liabilities	**(17,913,098)**	**(197,410)**
Noncurrent liabilities	**(43,948,568)**	**(186,749)**
Non-controlling interests	**(3,332,599)**	**–**
Equity attributable to parent company	**53,977,876**	**1,422,438**
Proportion of the Group's ownership	**27.19%**	**30.00%**
Equity in net assets of associates	**14,676,584**	**426,731**
Less unrealized losses	**(844,270)**	**(151,053)**
Carrying amount of the investment	**₱13,832,314**	**₱275,678**
Statement of income		
Revenue	**₱22,023,650**	**₱707,405**
Costs and expenses	**15,025,019**	**509,856**
Net income	**6,998,631**	**197,549**
Net income attributable to NCI	**500,572**	**–**
Net income attributable to parent company	**₱6,498,059**	**₱197,549**

	2017	
	MWHCI	Subic Water
Statement of financial position		
Current assets	₱11,711,493	₱384,313
Noncurrent assets	93,030,619	1,441,426
Current liabilities	16,383,029	261,417
Noncurrent liabilities	35,136,744	290,260
Non-controlling interests	3,039,122	–
Equity attributable to parent company	50,183,217	1,274,062
Proportion of the Group's ownership	27.19%	30.00%
Equity in net assets of associates	13,644,817	382,219
Less unrealized losses	(552,739)	(125,306)
Carrying amount of the investment	₱13,092,078	₱256,913
Statement of income		
Revenue	₱20,774,241	₱659,518
Costs and expenses	14,281,667	505,420
Net income	6,492,574	154,098
Net income attributable to NCI	465,591	–
Net income attributable to parent company	₱6,026,983	₱154,098

The Group's dividend income from MWHCI amounted to ₱758.47 million in 2018 and 2017, while dividend income from Subic Water amounted to ₱40.50 million and ₱35.00 million in 2018 and 2017, respectively.

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

The carrying amount of the investment in MWHCI is reduced by unrealized gains and losses from transaction with a subsidiary of the Parent Company, relating to engineering and construction projects which are bidded out to various contractors and are awarded on an arms length basis. Equity in net earnings from MWHCI are adjusted for the realization of these unrealized gains and losses.

The aggregate carrying amount of the Group's individually immaterial investments in associates and joint ventures in 2018 and 2017 amounted to ₱122.66 million and ₱111.61 million, respectively.

MWHCI
MWHCI is a company incorporated in the Philippines. The primary contribution in the consolidated net income of MWHCI is its 92.85% owned subsidiary, MWSI. MWSI is involved in the operations of privatized system of waterworks and sewerage services including the provision of allied and ancillary services. The Group's equity in net earnings of MWHCI represents its share in the consolidated net income attributable to MWHCI.

Rollforward of the cost of investment in MWHCI follows:

	2018	2017
Acquisition cost	**₱390,428**	₱390,428
Accumulated equity in net earnings		
Balance at beginning of year	**12,701,650**	12,013,321
Equity in net earnings	**1,766,822**	1,647,818
Dividends received and other adjustments	**(1,026,586)**	(959,489)
Balance at end of year	**13,441,886**	12,701,650
	₱13,832,314	₱13,092,078

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

On April 1, 2016, the PDI disposed its 10% share in Subic Water. The related gain on sale amounting to ₱131.49 million is included under "Gain on sale of investments" in the "Other Income (Expenses)" account in the consolidated statements of income. The remaining percentage of ownership in Subic Water after the sale is 30%.

SRPGC
On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity; to sell electricity to any person or entity through electricity markets, by trading, or by contract; to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities. SMPC accounted its 50% ownership in SRPGC as a joint venture.

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

12. Investment Properties

The movements in this account follow:

	2018			
	Land	**Buildings and Building Improvements**	**Condominium Units**	**Total**
Cost				
Balances at beginning and end of year	**₱21,649**	**₱209,498**	**₱44,347**	**₱275,494**
Disposals	**–**	**–**	**(2,731)**	**(2,731)**
Transfer	**(21,649)**	**–**	**–**	**(21,649)**
	–	**209,498**	**41,616**	**251,114**
Accumulated Depreciation and Amortization				
Balances at beginning of year	**–**	**67,182**	**14,071**	**81,253**
Depreciation and amortization (Note 24)	**–**	**12,902**	**1,924**	**14,826**
Disposal	**–**	**–**	**(1,686)**	**(1,686)**
Balances at end of year	**–**	**80,084**	**14,309**	**94,393**
Net Book Value	**₱–**	**₱129,414**	**₱27,307**	**₱156,721**

	2017			
	Land	Buildings and Building Improvements	Condominium Units	Total
Cost				
Balances at beginning of year	₱21,649	₱209,498	₱44,347	₱275,494
Accumulated Depreciation and Amortization				
Balances at beginning of year	–	54,371	11,982	66,353
Depreciation and amortization (Note 24)	–	12,811	2,089	14,900
Balances at end of year	–	67,182	14,071	81,253
Net Book Value	₱21,649	₱142,316	₱30,276	₱194,241

The aggregate fair values of the investment properties as of December 31, 2018 and 2017 amounted to ₱593.67 million and ₱411.27 million, respectively.

The fair values of investment properties were determined using either the discounted cash flow (DCF) method or by the market data approach. These are both categorized within Level 3 of the fair value hierarchy. The fair value of investment properties, which has been determined using DCF method with discount rates ranging from 3.10% to 5.70%, exceeds its carrying cost. The fair values of the investment properties which was arrived at using the market data approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

Rental income from investment properties (included under 'Other income') amounted to ₱124.77 million, ₱110.01 million and ₱86.60 million in 2018, 2017 and 2016, respectively (see Note 28). Direct operating expenses (included under 'Cost of sales and services' in the consolidated statements of income) arising from investment properties amounted to ₱12.90 million, ₱14.90 million and ₱22.15 million in 2018, 2017 and 2016, respectively (see Note 24).

There are no investment properties as of December 31, 2018 and 2017 that are pledged as security against liabilities.

13. **Property, Plant and Equipment**

The movements in this account follow:

	2018									
	Land and Land Improvements	**Power Plant, Buildings and Building Improvements**	**Coal Mining Properties and Equipment**	**Nickel Mining Properties and Equipment**	**Construction Equipment, Machinery and Tools**	**Office Furniture, Fixtures and Equipment**	**Transportation Equipment**	**Leasehold Improvements**	**Construction in Progress**	**Total**
Cost										
Balances at beginning of year	**₱2,251,386**	**₱45,655,202**	**₱26,730,415**	**₱5,596,804**	**₱9,200,029**	**₱635,359**	**₱614,687**	**₱252,859**	**₱2,787,902**	**₱93,724,643**
Additions	**133,350**	**1,354,470**	**3,043,175**	**–**	**1,223,412**	**61,334**	**97,655**	**89,942**	**6,035,879**	**12,039,217**
Transfers	**21,521**	**2,775,287**	**291,405**	**–**	**12,932**	**–**	**(12,932)**	**–**	**(3,088,213)**	**–**
Write-down and disposals	**–**	**(1,269,660)**	**(329,503)**	**–**	**(311,447)**	**(3,350)**	**(45,516)**	**–**	**(166,876)**	**(2,126,352)**
Adjustments (Note 20)	**–**	**–**	**(218,200)**	**21,151**	**–**	**–**	**(2,322)**	**–**	**(4,114)**	**(203,485)**
Balances at end of year	**2,406,257**	**48,515,299**	**29,517,292**	**5,617,955**	**10,124,926**	**693,343**	**651,572**	**342,801**	**5,564,578**	**103,434,023**
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	**807,381**	**10,935,911**	**17,270,611**	**625,579**	**7,201,201**	**599,057**	**360,168**	**223,713**	**–**	**38,023,621**
Depreciation, depletion and amortization (Notes 24 and 25)	**94,397**	**4,111,703**	**4,733,600**	**74,862**	**1,117,007**	**56,323**	**64,019**	**8,623**	**–**	**10,260,534**
Write-down and disposals	**–**	**(1,269,660)**	**(193,576)**	**–**	**(453,194)**	**(3,241)**	**(17,405)**	**–**	**–**	**(1,937,076)**
Balances at end of year	**901,778**	**13,777,954**	**21,810,635**	**700,441**	**7,865,014**	**652,139**	**406,782**	**232,336**	**–**	**46,347,079**
Net Book Value	**₱1,504,479**	**₱34,737,345**	**₱7,706,657**	**₱4,917,514**	**₱2,259,912**	**₱41,204**	**₱244,790**	**₱110,465**	**₱5,564,578**	**₱57,086,944**

	2017									
	Land and Land Improvements	Power Plant, Buildings and Building Improvements	Coal Mining Properties and Equipment	Nickel Mining Properties and Equipment	Construction Equipment, Machinery and Tools	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Construction in Progress	Total
Cost										
Balances at beginning of year	₱2,245,464	₱46,783,551	₱26,020,980	₱5,600,848	₱9,419,980	₱658,982	₱642,767	₱221,279	₱2,431,664	₱94,025,515
Additions	11,992	1,113,109	4,110,897	–	899,430	64,930	116,833	31,580	1,726,001	8,074,772
Transfers	–	1,307,943	45,849	–	13,771	–	–	–	(1,367,563)	–
Write-down, transfers and disposals	(6,070)	(3,549,401)	(3,607,042)	–	(1,133,152)	(88,553)	(144,913)	–	(2,200)	(8,531,331)
Adjustments (Note 20)	–	–	159,731	(4,044)	–	–	–	–	–	155,687
Balances at end of year	2,251,386	45,655,202	26,730,415	5,596,804	9,200,029	635,359	614,687	252,859	2,787,902	93,724,643
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	724,132	10,978,481	17,324,454	615,377	7,393,919	620,869	438,216	178,365	–	38,273,813
Depreciation, depletion and amortization (Notes 24and 25)	85,183	3,478,628	3,553,199	10,202	940,434	66,741	66,865	45,348	–	8,246,600
Write-down, transfers and disposals	(1,934)	(3,521,198)	(3,607,042)	–	(1,133,152)	(88,553)	(144,913)	–	–	(8,496,792)
Balances at end of year	807,381	10,935,911	17,270,611	625,579	7,201,201	599,057	360,168	223,713	–	38,023,621
Net Book Value	₱1,444,005	₱34,719,291	₱9,459,804	₱4,971,225	₱1,998,828	₱36,302	₱254,519	₱29,146	₱2,787,902	₱55,701,022

In 2018, 2017 and 2016, the Group sold various equipment items at a net gain included under the consolidated statements of income caption "Other income" amounting to ₱37.30 million, ₱144.93 million and ₱0.39 million, respectively (see Note 28).

In 2017 and 2016, the Group incurred a loss on write-down of property, plant and equipment amounting to ₱27.83 million and ₱14.32 million, respectively, (nil in 2018) due to the replacement of components of power plant and retirement of mining equipment (see Note 25).

The cost of fully depreciated assets that are still in use as of December 31, 2018 and 2017 amounted to ₱26,323.75 million and ₱18,336.04 million, respectively.

Construction-in-progress
In 2018 and 2017, there were reclassifications from construction in progress to power plant and building in the amount of ₱2,775.29 million and ₱1,307.94 million, respectively, for the ongoing regular rehabilitation of the Group's coal-fired thermal power plant.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million in 2016 with the average capitalization rate at 4.00% in 2016 . There was no capitalization of borrowing cost starting 2017 since the 2x150MW coal-fired thermal power plant of SLPGC already started commercial operation.

Coal and nickel mining properties
Coal mining properties include the expected cost of decommissioning and site rehabilitation of minesites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 20). Mining properties also includes the stripping activity assets and exploration and evaluation assets for costs of materials and fuel used, cost of operating dump trucks, excavators and other equipment costs amount others.

As of December 31, 2018 and 2017, coal mining properties included in "Coal Mining Properties and Equipment" amounted to ₱4,341.36 million and ₱5,575.86 million, respectively.

The following nickel mining rights were acquired through business combination in 2014 and were recognized at fair value at the date of acquisition (see Note 33).

Acoje project
The project is within the Mineral Production Sharing Agreement (MPSA) No. 191-2004-III which is located in the Municipalities of Sta. Cruz and Candelaria, Province of Zambales.

Berong project
The project is within the MPSA No. 235-2007-IVB covering a contract area of approximately 288 hectares situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

As of December 31, 2018 and 2017, nickel mining properties included in "Nickel Mining Properties and Equipment" amounted to ₱5,017.72 million and ₱5,509.88 million, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SLPGC created, established, and constituted in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real estate assets and chattels owned by SLPGC. The carrying values of these mortgaged assets of SLPGC amounted to ₱18,513.63 million and ₱17,983.44 million as of December 31, 2018 and 2017, respectively.

14. Exploration and Evaluation Asset and Other Noncurrent Assets

Exploration and evaluation assets are capitalized expenditures that are directly related to the exploration and evaluation of the area covered by the Group's nickel and coal mining tenements.

Nickel
Rollforward of exploration and evaluation asset related to nickel follows:

	2018	2017
Balance at beginning of year	**₱225,535**	₱224,645
Addition	**784**	890
Balance at end of year	**₱226,319**	₱225,535

These costs pertain to exploration activities on various nickel projects mainly in Candelaria and Sta. Cruz, Zambales and on the Moorsom, Dangla and Longpoint project in Palawan areas that were covered by related exploration permits granted to the nickel mining entities.

Other noncurrent assets consists of the following:

	2018	2017
Cost to obtain a contract – net of current portion (Notes 2 and 10)	**₱2,449,764**	₱–
Deferred input VAT	**745,873**	467,825
Claims for refunds and tax credits - net	**188,455**	188,455
Financial asset at FVPL - net of current portion (Notes 5 and 36)	**153,634**	137,499
Deposits and funds for future investment	**136,666**	136,666
Deposit for future land acquisition	**97,937**	–
Refundable deposits (Notes 10 and 36)	**78,047**	79,537
Software cost	**75,948**	77,598
Prepaid rent (Note 37)	**67,002**	71,788
Security deposits (Note 36)	**5,436**	5,335
Others	**72,078**	48,914
	₱4,070,840	₱1,213,617

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

Claims for refunds and tax credits - net
This amount pertain to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld Value-added taxes (VAT) on VAT exempt coal sales which were ruled by the Supreme Court in favor of SMPC. The balance as of December 31, 2018 and 2017 is presented net of allowance for impairment losses amounting to ₱15.29 million.

Deposits and funds for future investment
On October 18, 2012, the Group entered into an Omnibus Agreement (OA) with a third party wherein the Group will purchase 33% each of the three holding companies (HoldCos). The intention in the OA is for the Group to eventually own HoldCos at 73% valued at US$13.20 million. Full value is at US$18.00 million. The Group opened a bank account as required by the OA and made available

US$2.80 million cash (bank account) from which payments of the shares will be drawn. On the same date, the Group entered into a Deed of Assignment of Shares with the third party wherein 33% share in the HoldCos were assigned to Group. The Group paid an initial US$0.25 million for the assignment of shares which was drawn from the bank account. The acquisition of shares, which are final and effective on date of assignment, imposes a condition that all pending cases faced by the third party, the three holding companies (HoldCos) and three development companies (DevCos) with which the HoldCos have investments, are resolved in their favor.

On March 21, 2014, a Memorandum of Agreement (MOA) was entered into by the Group and a third party setting out the intention of final ownership of the HoldCos and DevCos, where the Group will eventually own 73% of the HoldCos and 84% of the DevCos. The full value of the DevCos is at US$12.00 million. On the same date, the Group entered into a Deed of Assignment of Shares wherein 40.00% of DevCos are assigned to the Group. The Group paid an initial amount of US$0.75 million for the assignment of shares and was drawn from the bank account.

As of December 31, 2018 and 2017, the Group has not yet complied with all the conditions set forth under the agreement.

Deposit for future land acquisition
This pertains to the downpayment for the acquisition of land for the construction of the Group's warehouse. The amount paid is treated as deposit until title of the property is fully transferred to the Group.

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

Software cost
Movements in software cost account follow:

	2018	2017
Cost		
Balance at beginning of year	**₱376,182**	₱320,550
Additions	**46,460**	55,632
Balance at end of year	**422,642**	376,182
Accumulated Amortization		
Balance at beginning of year	**298,584**	246,657
Amortization (Notes 24 and 25)	**48,110**	51,927
Balance at end of year	**346,694**	298,584
Net Book Value	**₱75,948**	₱77,598

Prepaid rent
The Group entered into a Land Lease Agreement (LLA) with PSALM for the lease of land in which the plant is situated for a period of 25 years. The Group paid US$3.19 million or its peso equivalent of ₱150.57 million as payment for the 25 years of rental (see Note 37). Long-term portion of the prepaid rent amounted to ₱67.00 million and ₱71.79 million as of December 31, 2018 and 2017, respectively.

Security Deposits
Security deposits represent payments to and held by the lessor as security for the faithful and timely performance by the Group of all its obligations and compliance with all provisions of the equipment rental agreement (see Note 36). These deposits shall be returned by the lessor to the Group after deducting any unpaid rental, and/or any other amounts due to the lessor for any damage and expense incurred to put the vehicle in good working condition.

15. Short-term Debt

This account consists of the following:

	2018	2017
Bank loans	**₱6,903,668**	₱971,875
Acceptances and trust receipts payable	**111,608**	99,226
	₱7,015,276	₱1,071,101

Bank loans
The Group's bank loans consist of unsecured peso-denominated short-term borrowings from local banks which bear annual interest ranging from 3.73% to 6.75% and 2.90% to 5.00% in 2018 and 2017, respectively, and are payable on monthly, quarterly and lump-sum bases on various maturity dates within the next 12 months after the reporting date.

The Group's agreements with local banks contain some or all of the following restrictions relating to, among others: purchase of issued and outstanding capital stock; disposal of encumbered properties; change in the ownership or management and nature of its business; dividend declaration and distribution; guarantees; incurrence of additional liabilities; and merger and consolidation.

During 2018 and 2017, the Group obtained various short term loans from local banks primarily to finance its capital expenditures and working capital requirements.

On December 13, 2018, the Group obtained a loan secured by its receivables amounting to ₱1,272.23 million with discount rate of 5.40% per annum due on January 4, 2019 (Note 7).

Loan secured by receivables obtained on December 13, 2018 with discount rate of 5.40% per annum due on January 4, 2019.

As of December 31, 2018 and 2017, the Group is in compliance with the loan covenants required by the creditors. Finance costs incurred on bank loans and short-term borrowings, net of capitalized borrowing cost, amounted to ₱298.77 million, ₱228.71 million and ₱421.41 million in 2018, 2017 and 2016, respectively (see Note 27).

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

16. **Liabilities for Purchased Land**

Liabilities for purchase of land represent the balance of the Group's obligations to various real estate property sellers for the acquisition of certain parcels of land and residential condominium units. The terms of the deed of absolute sale covering the land acquisitions provided that such obligations are payable only after the following conditions, among others, have been complied with: (a) presentation by the property sellers of the original transfer certificates of title covering the purchased parcels of land; (b) submission of certificates of non-delinquency on real estate taxes; and (c) physical turnover of the acquired parcels of land to the Group.

The outstanding balance of liabilities for purchased land as of December 31, 2018 and 2017 follow:

	2018	2017
Current	**₱502,591**	₱24,356
Noncurrent	**1,499,552**	2,195,790
	₱2,002,143	₱2,220,146

Liabilities for purchased land were recorded at fair value at initial recognition. These liabilities for purchased land are payable over a period of two (2) to four (4) years. The fair value is derived using discounted cash flow model using the discount rate ranging from 6.80% to 7.02% and 3.03% to 4.92% in 2018 and 2017, respectively, based on applicable rates for similar types of liabilities.

Rollforward of unamortized discount are as follows:

	2018	2017
Balance at beginning of year	**₱813**	₱2,364
Accretion for the year (Note 27)	**(813)**	(1,551)
Balance at end of year	**₱–**	₱813

Accretion amounting to ₱0.81 million, ₱1.55 million and ₱4.52 million are recorded as finance costs in 2018, 2017 and 2016, respectively (see Note 27).

17. **Accounts and Other Payables**

This account consists of the following:

	2018	2017
Trade and other payables:		
Suppliers and subcontractors	**₱12,914,767**	₱10,016,382
Others	**313,516**	585,087
Accrued costs and expenses		
Project cost	**3,040,487**	3,342,663
Payable to DOE and local government Units (LGU) (Note 31)	**713,351**	1,542,238
Various operating expenses	**483,961**	251,287
Withholding and others taxes	**245,862**	277,211
Salaries	**213,407**	263,135

(Forward)

	2018	2017
Rental	**₱89,105**	₱86,079
Interest	**51,449**	34,223
Commission payable (Note 20)	**3,111,852**	–
Output VAT payable-net	**2,095,138**	2,198,674
Payable to related parties (Note 21)	**438,359**	339,543
Refundable deposits	**354,791**	349,157
Financial benefits payable	**12,086**	29,541
	24,078,131	19,315,220
Less noncurrent portion of accounts and other payables and commission payable (Note 20)	**2,037,251**	557,874
	₱22,040,880	₱18,757,346

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

Subcontractors
Subcontractors payable arise when the Group receives progress billing from its subcontractors for the construction cost of a certain project and is recouped against monthly billings. These subcontractors were selected by the contract owners to provide materials, labor and other services necessary for the completion of a project. Payables to subcontractors are noninterest-bearing and are normally settled on 15 to 60 day credit terms.

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

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

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

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

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

Payable to DOE and LGU
Liability to DOE and LGU represents the share of DOE and LGU in the gross revenue from SMPC's coal production (including accrued interest on the outstanding balance), computed in accordance with the Coal Operating Contract between SMPC, DOE and the local government units dated July 11, 1977, as amended on January 16, 1981 (see Note 31).

Accrued rental
Accrued rental pertains to the rental payable for building and office leases, equipment rentals and rental of various barges and tugboats for use in the delivery of nickel ore to various customers.

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

Other accrual
Others include accruals for contracted services, utilities, supplies, advertising, commission and other administrative expenses.

18. Contract Liabilities and Other Customers' Advances and Deposits

Contract liabilities

	2018	2017
Contract liabilities (Note 2)	**₱5,209,298**	₱–
Billings in excess of costs and estimated earnings on uncompleted contracts (Note 8)	**3,120,188**	2,604,954
Other customers' advances and deposits	**2,923,853**	7,918,434
	11,253,339	10,523,388
Less: Contract liabilities-non current portion (Note 2)	**2,298,983**	–
	₱8,954,356	₱10,523,387

Contract Liabilities
Customers' advances and deposits from real estate customers represent reservation fees and initial collections received from customers before the two (2) parties enter into a sale transaction. These were payments from buyers which have not yet met the revenue recognition conditions which includes: (a) related project is fully completed and (b) buyers' payment reaching the minimum required percentage of equity investment. When the conditions for revenue recognition are met for the related customer account, sale is recognized and these deposits will be recognized as revenue and will be applied against the receivable balance.

For construction segment, contract liabilities include billings in excess of costs and estimated earnings on uncompleted contracts which represents billings in excess of total costs incurred and estimated earnings recognized (see Note 8).

Other Customers' Advances and Deposits
This account consists of advances from real estate customers and nickel ore supply contracts.

Real estate customers
Other customers' deposits consist of collections from real estate customers for taxes and fees payable for the transfer of title to customer such as documentary stamp taxes, transfer taxes and notarial fees amounting to ₱2,876.81 million and ₱7,869.70 million in 2018 and 2017, respectively.

Nickel ore supply contracts
These deposits represent advances from the customers of the Group amounting to ₱47.04 million and ₱48.74 million in 2018 and 2017, respectively. Nickel ore deposit is applied to related receivables upon consummation of the sale transaction.

19. Long-term Debt

Long-term debt pertains to the following obligations:

	2018	2017
Bank loans	**₱34,506,056**	₱38,437,581
Less current portion of bank loans	**6,342,766**	4,626,407
Noncurrent portion	**₱28,163,290**	₱33,811,174

Details of the bank loans follow (amounts in millions):

Loan Type	Outstanding Balances 2018	2017	Maturity	Interest Rate	Payment Terms
Subsidiaries:					
Loans from banks and other institutions					
Peso-denominated loans	**₱7,829.18**	₱7,940.21	Various maturities from 2017 to 2025	Floating PDST-R2 + spread; 4.73% - 15.16%	Amortized/ Bullet
Dollar-denominated loans	**2,325.14**	3,403.96	2017 and 2019	3-month LIBOR + spread	Amortized
Mortgage payable	**5,952.69**	7,647.96	Various quarterly maturities starting 2015 until 2022	PDST-F + Spread or BSP Overnight Rate, whichever is higher	Amortized
Fixed rate corporate notes	**17,979.01**	18,676.61	Various maturities from 2016 to 2023	PDST-F Issue Date and ending three (3) months after such Issue Date, and every three (3) months thereafter. Initially, PDST-F benchmark for 5-yr treasury securities + 1.25%, PDST-R2 issued date for 5-year and 7-year treasury securities + 1.50%	Payments shall be based on aggregate percentage of issue amount of each series equally divided over applicable quarters (4th/7th to 27th quarter) and the balance payable at maturity
HomeSaver Bonds	**420.04**	768.84	Various maturities from 2017 to 2023	4.5% to 5% p.a.	Trache A, C, D, and F are payable 3 years from the initial issue date; Tranche B, E and G is payable 5 years from the initial issue date.
	34,506.06	38,437.58			
Less current portion	**6,342.77**	4,626.41			
Long-term debt, net of current portion	**₱28,163.29**	₱33,811.17			

SMPC
The maturities of long-term debt at nominal values as of December 31, 2018 and 2017 follow:

	2018	2017
Due in:		
2018	**₱–**	₱1,852,257
2019	**2,850,138**	2,732,953
2020	**2,675,000**	2,675,000
2021	**131,250**	131,250
	₱5,656,388	₱7,391,460

Interest expenses on long-term debt, net of capitalized interest, recognized under 'Finance cost' amounted to ₱249.49 million, ₱196.72 million and ₱128.85 million in 2018, 2017 and 2016, respectively (see Note 27).

All bank loans are clean and are compliant with loan covenants.

SLPGC
On February 4, 2012, SLPGC entered into an ₱11.50 billion Omnibus Agreement with local banks. As security for the timely payment of the loan and prompt observance of all the provision of the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by SMPC were pledged on this loan. The proceeds of the loan were used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant (see Note 13).

Details of the loan follow:

a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.

b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing which is on 2022.

As of December 31, 2018 and 2017, outstanding loan payable is ₱5,952.69 million and ₱7,647.96 million, respectively.

Rollforward of unamortized debt issuance cost follows:

	2018	2017
Balance at beginning of year	**₱18,712**	₱26,811
Amortization (Note 27)	**(8,443)**	(8,099)
Balance at end of year	**₱10,269**	₱18,712

In 2018, 2017 and 2016, SLPGC incurred interest expense on long-term debt (net of capitalized borrowing cost) amounting to ₱320.24 million, ₱295.73 million and ₱272.38 million, respectively (see Note 27).

SCPC
On May 20, 2010, the Group entered into a ₱9,600.00 million Omnibus Loan Security Agreement ("the Omnibus Agreement") with local banks. On May 30, 2017, SCPC has paid the last amortization of the Omnibus Agreement. The Omnibus Agreement was entered into to finance the remaining balance of the purchase price of the Power Plant pursuant to the Asset Purchase Agreement (APA) and permanent working capital requirements of SCPC.

On February 24, 2017 and April 12, 2017, the lenders approved SCPC's release of all security arrangements.

On December 22, 2017, SCPC entered into a ₱3,000.00 million interest bearing Promissory Note with a local bank. Interest is payable every three months at a fixed annual interest rate of 4.9% per annum. The principal amount shall be payable in sixteen (16) equal consecutive quarterly installments commencing on the thirty-ninth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing.

Rollforward of the deferred financing cost follows:

	2018	2017
Balance at beginning of year	**₱14,936**	₱120
Addition	**–**	15,000
Amortization (Note 27)	**(2,650)**	(184)
Balance at end of year	**₱12,286**	₱14,936

Amortization of deferred financing cost recognized under "Finance cost" account in the consolidated statements of income amounted to ₱2.65 million, ₱0.18 million and ₱6.12 million in 2018, 2017 and 2016, respectively (see Note 27).

In 2018, 2017 and 2016, SCPC incurred interest expense on long-term debt amounting to ₱148.23 million, ₱1.53 million and ₱22.15 million, respectively (see Note 27).

As of December 31, 2018 and 2017, outstanding loan payable is ₱2,987.71 million and ₱2,985.06 million, respectively.

DMPC
In September 2018, DMPC secured a loan facility from a local bank amounting to ₱2,200.00 million, intended to support the construction of the coal-fired power plant in Masbate. In the fourth quarter of 2018, drawdowns were made by DMPC for a total of ₱1,130.50 million, payable for a maximum term of 7 years with the first installment payment scheduled in October 2021.

In 2018, DMPC incurred interest expense on long term debt capitalized as part of 'Property, plant and equipment' amounting to ₱10.28 million (see Note 13).

Wire Rope
Loans payable represents unsecured loans from local banks bearing annual interests of 10.98% and 8.97% to 15.16% in 2018 and 2017, respectively. Wire Rope availed of additional loans amounting to ₱1.54 million in 2017. It made payments to the loans amounting to ₱0.90 million and ₱0.55 million in 2018 and 2017, respectively. Wire Rope has no debt covenants to be complied with.

On December 22, 2018, Wire Rope obtained long-term loan from a local bank amounting to ₱3.35 million bearing an annual interest rate of 10.98% payable on 36 months. Interest expense is paid monthly. In 2018, 2017 and 2016, Wire Rope incurred interest expense amounting to ₱0.11 million, ₱0.06 million and ₱0.32 million, respectively (see Note 27).

Beta Electromechanical
Long-term debt represents peso-denominated long-term borrowings from local banks which bear interest ranging from 5.90% to 9.52% per annum in 2018 and 2017, and are payable in equal monthly installments starting April 2010 up to September 2020. The loans are secured by a chattel mortgage for the whole amount of Beta Electromechanical's transportation equipment purchased using the proceeds of these loans.

Transportatation equipment with book value of ₱3.44 million and ₱6.12 million as of December 31, 2018 and 2017, were pledged as collateral to secure Beta Electromechanichal's loan payable.

Interest expense on these long-term debt amounted to ₱2.08 million and ₱0.32 million in 2018 and 2017, respectively (see Note 27).

As of December 31, 2018 and 2017, the outstanding balance from loans amounted to ₱2.89 million and ₱2.66 million, respectively.

BNC
On May 20, 2015, BNC obtained long-term loan from a local bank amounting to US$6.63 million bearing an annual interest rate of 5.04% and of which interest expense are paid quarterly. The loan amounted to nil and ₱165.52 million as at December 31, 2018 and 2017, respectively. The loan matured and was paid in 2018.

PDI
<u>Fixed rate corporate notes</u>
In December 2015, PDI signed corporate notes facility agreement on the issuance of peso-denominated notes in the aggregate amount of ₱10,000.00 million with local banks. Proceeds of the notes facility will be used to fund its capitalization of real estate properties, fund its project development costs, refinance its existing indebtedness and fund other general corporate purposes.

Tranches 1 (Series F) and 2 (Series G) of the ₱10,000.00 million were issued on December 18, 2016 with principal amount of ₱1,000.00 million each. Tranches 3 (Series H) and 4 (Series I) were issued in January 2016 with principal amount of ₱2,500.00 million each. Tranches 5 (Series J) and 6 (Series K) were issued in February 2017 with principal amount of ₱1,500.00 million each.

The note is issued in registered form in the minimum denominations of ₱75.00 million and multiples of ₱25.00 million each. Corporate notes shall bear interest from PDST-R2 Issue Date and ending 3 months after such Issue Date and every 3 months thereafter. The interest rate shall initially be the PDST-R2 rate for five-year (Tranche 1) and seven-year (Tranche 2) treasury securities on banking day immediately preceding an Issue Date plus the Margin (150 basis points) for each of the Tranche, gross any applicable withholding taxes. Interest is payable quarterly.

In October 2012, PDI signed corporate notes facility agreement on the issuance of 7-year peso denominated notes in the aggregate amount of ₱10,000.00 million with local banks. Proceeds of the notes facility were used to fund land acquisition, general operations and project development and construction.

Tranche 1 of the ₱10,000.00 million Series C was issued on October 31, 2012 in the aggregate amount principal amount of ₱1,000.00 million. Tranche 2 (Series D) and 3 (Series E) were issued on April 10, 2013 and July 30, 2013 in the aggregate principal amount of ₱4,000.00 million and ₱5,000.00 million, respectively.

The note is issued in registered form in the minimum denominations of ₱100.00 million and multiples after such Issue Date, and every 3 months thereafter. The interest rate shall initially be the PDST-F rate for seven-year treasury securities on banking day immediately preceding an Issue Date plus the Margin (125 basis points) for each of the Tranche, gross any applicable withholding taxes. Interest is payable quarterly.

In January 2011, the PDI signed a corporate notes facility agreement with local banks relating on the issuance of 5-year peso denominated notes in the aggregate amount of ₱5,000.00 million. Proceeds of the said notes facility will be used to fund land acquisition, general operations and project development and construction. The notes have been issued in two (2) tranches, redeemable in full at the end of third year following the issue date of the second tranche note. Payments shall be made in each tranche is equal to 1% every year from the issue date and the balance payable at maturity.

Tranche 1 (Series A) of ₱5,000.00 million corporate notes was issued on January 28, 2011, in the aggregate principal amount of ₱2,000.00 million while Tranche 2 (Series B) was issued on March 17, 2011, in the aggregate principal amount of ₱3,000.00 million. They were issued in registered form in the minimum denominations of ₱100.00 million and multiples of ₱10.00 million each. As of December 31, 2017, Tranche 1 (Series A) and Tranche 2 (Series B) has been fully paid.

Corporate notes shall bear interest from Tranche 1 and 2 PDST-F Issue Date and ending three (3) months after such issue date, and every three (3) months thereafter. The interest rate shall initially be the PDST-F benchmark yield for five-year treasury securities (Base Rate) on banking day immediately preceding an issue date plus the margin (125 basis points) for each of the Tranche, gross of any applicable withholding taxes. Interest is payable quarterly.

Unamortized debt issuance costs included in fixed rate corporate notes as of December 31, 2018 and 2017 amounted to ₱77.66 million and ₱109.22 million, respectively.

The rollforward analysis of unamortized debt issuance cost follows:

	2018	2017
Balance at beginning of year	**₱109,224**	₱116,305
Additions	**–**	23,025
Amortization of debt issue cost (Note 27)	**(31,566)**	(30,106)
Balance at end of year	**₱77,658**	₱109,224

In 2018 and 2017, interest expense incurred amounted to ₱1,131.09 million and ₱1,149.90 million while capitalized interest related to long-term debt amounted to ₱1,023.27 million and ₱1,082.95 million, respectively. The average capitalization rates used are 5.76% and 5.87% of the average expenditures in 2018 and 2017, respectively.

The ₱10,000.00 million and ₱5,000.00 million corporate notes facility agreement requires the Group to ensure that debt-to-equity ratio will not exceed 3.2 times and 2.0 times, respectively, and current ratio is at least 1.75 times. As of December 31, 2018 and 2017, the Group is fully compliant with these requirements.

As of December 31, 2018 and 2017, corporate notes recognized are unsecured.

Agreement to purchase receivables
The installment contracts receivable under these purchase agreements are used as collaterals in the loans payable obtained. These amounted to ₱372.44 million and ₱797.66 million as of December 31, 2018 and 2017, respectively, represent net proceeds from sale of portion of the PDI installment contracts receivable to local banks pursuant to the receivable purchase agreements entered into by PDI on various dates (see Note 7). The agreements also provide the submission of condominium certificates of title and their related postdated checks issued by the buyers. These loans bear interest at prevailing market rates and are payable in various maturity dates. The average effective interest rate ranges from 5.09% to 8.17% in 2018 and 2017.

HomeSaver bonds
On November 16, 2015, PDI offered and issued to the public deferred coupon-paying HomeSaver Bonds (the Bonds) in an aggregate principal amount of ₱1,000.00 million with an initial offering of ₱500.00 million for working capital and other general corporate purposes, such as marketing and administrative expenses.

The Bonds were offered through three investment options, namely, Tranche A, Tranche B and Tranche C.

Tranche A was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱3.60 million and less over a period of thirty-six (36) months, beginning November 16, 2015 (the Initial Issue Date) at a fixed interest rate of 4.5% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche A bonds issued by PDI amounted to ₱1.98 million and ₱78.61 million, respectively.

Tranche B was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱6.00 million and less over a period of sixty (60) months, beginning on the Initial Issue Date at a fixed interest rate of 5.00% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche B bonds issued by PDI amounted to ₱20.78 million and ₱14.63 million, respectively.

Tranche C was issued one-time with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 4.50% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche C bonds issued by PDI amounted to ₱8.98 million and ₱324.87 million, respectively.

On March 21, 2016, PDI offered and issued the second bonds of up to ₱500.00 million to the public through four (4) investment options, namely, Tranche D, Tranche E, Tranche F, and Tranche G.

Tranche D was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱3.60 million and less over a period of thirty six (36) months, beginning on the Initial Issue Date at a fixed interest rate of 4.75% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche D bonds issued by the Group amounted to ₱68.62 million and ₱43.91 million, respectively.

Tranche E was issued in equal monthly installments with no maximum subscription, but priority will be given to aggregate subscriptions amounting to ₱6.00 million and less over a period of sixty (60) months, beginning on the Initial Issue Date at a fixed interest rate of 5.25% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche E bonds issued by the Group amounted to ₱35.69 million and ₱22.65 million, respectively.

Tranche F was issued one-time with no maximum subscription, but priority is given to aggregate subscriptions amounting ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 4.75% per annum and shall mature three (3) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche F bonds issued by the Group amounted to ₱155.63 million and ₱155.81 million, respectively.

Tranche G was issued one-time with no maximum subscription, but priority is given to aggregate subscriptions amounting ₱7.00 million and less on the Initial Issue Date as a single upfront investment and payable in lump sum on the Initial Issue Date at a fixed interest rate of 5.25% per annum and shall mature five (5) years from the Initial Issue Date. As of December 31, 2018 and 2017, total Tranche G bonds issued by the Group amounted to ₱128.36 million.

As of December 31, 2018 and 2017, the aggregate HomeSaver Bonds issued amounted to ₱420.04 million and ₱768.84 million, respectively. The remaining unissued bonds amounted to ₱143.22 million and ₱231.15 million as of December 31, 2018 and 2017, respectively.

The loan agreements on long-term debt of the certain subsidiaries provide for certain restrictions and requirements such as, among others, maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the respective subsidiaries as of December 31, 2018 and 2017.

20. Other Noncurrent Liabilities

The details of this account consist of:

	2018	2017
Commission payable (Notes 2 and 17)	**₱1,649,082**	₱–
Provision for decommissioning and site rehabilitation (Note 13)	**466,535**	1,727,750
Noncurrent trade and other payables (Note 17)	**388,169**	557,874
	₱2,503,786	₱2,285,624

Provision for decommissioning and site rehabilitation
The Group makes full provision for the future cost of rehabilitating mine sites on a discounted basis on the development of mines. There are currently two minesites identified with coal deposits which are currently operational, namely Molave and Narra. Panian minesite has been depleted and its operations closed in September 2016. All minesites are located in Semirara Island in Antique province. These provisions have been created based on the Group's internal estimates. Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost are from 7.07% to 7.27% in 2018 and 4.80% to 7.50% in 2017. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Provision for decommissioning and site rehabilitation also includes cost of rehabilitation of the Group's power plant and nickel ore mine sites. Segment breakdown of provision for decommissioning and site rehabilitation follows:

	2018	2017
Coal	**₱402,476**	₱1,686,536
Nickel	**43,137**	21,948
On-grid power	**20,922**	19,266
	₱466,535	₱1,727,750

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

	2018	2017
Balance at beginning of year	**₱1,727,750**	₱1,632,162
Additions (Note 24)	**436,523**	147,270
Effect of change in estimates (Note 13)	**(221,639)**	155,687
Actual usage	**(1,598,420)**	(293,107)
Accretion of interest (Note 27)	**122,321**	85,738
Balance at end of year	**₱466,535**	₱1,727,750

The addition of ₱147.27 million in 2017 pertains to a significant change in the timing of the rehabilitation plan of Panian mine pit. The additional costs represent the incremental cost of moving the overburden from Narra and Molave pits, while the effect of change in estimate is due to the updating of discount rate and inflation rate (see Note 24).

In 2018, as required by DENR, the accelerated rehabilitation activity of Panian minesite has started and the Group recognized additional provision for site rehabilitation amounted to ₱915.96 million pertaining to cost of new equipment acquired and used in the rehabilitation and was charged to cost of sales under 'Provision for site rehabilitation'. The change in estimates amounted to ₱697.63 million resulted to corresponding adjustment in the related mining assets under 'Property and equipment' amounted to ₱218.20 million (see Note 13) and to 'Provision for site rehabilitation' amounted to ₱479.44 million (see Note 24).

Trade and other payables
Noncurrent trade and other payables includes noninterest-bearing payable to suppliers and subcontractors and accrued expenses which are expected to be settled within 2 to 3 years from the reporting date and retention contract payment that is being withheld from the contractors as guaranty for any claims which are expected to be settled a year after the turn-over of projects. Noncurrent trade and other payable also includes cash received as advances from construction customers which are to be fulfilled by future construction services.

21. Related Party Transactions

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

Transactions entered into by the Group with other related parties are at arm's length and have terms similar to the transactions entered into with third parties. These are settled in cash, unless otherwise specified. The 'Other related parties' are entities under common control. In the regular course of business, the Group's significant transactions with 'Other related parties' include the following:

	2018		
	Reference	**Due from (Due to)**	**Amount / Volume**
Affiliates			
Receivable from related parties (Note 7)			
Construction contracts	(a)	**₱48,952**	**₱5,979**
Receivable from affiliates	(b)	**107,378**	**48,402**
Equipment rentals	(c)	**2,954**	–
Payroll processing	(d)	**31,478**	**8,126**
Sale of materials and reimbursement of shared and operating expenses	(e)	**11,862**	**379**
		202,624	
Payable to related parties (Note 17)			
Payable to affiliates	(f)	**(15,837)**	**₱32**
Mine exploration, coal handling and hauling services	(g)	**(333,955)**	**64,800**
Labor charges	(o)	**(20,863)**	**19,363**
Equipment rental expenses	(h)	**(2,325)**	–
Other general and administrative expense	(i)	**(3,102)**	**2,255**
Office and parking rental	(k)	**(36,322)**	**64,983**
Aviation services	(j)	**(25,953)**	**25,953**
Purchases of office supplies and refreshments	(m)	**(2)**	–
		(₱438,359)	

	2017		
	Reference	Due from(Due to)	Amount / Volume
Affiliates			
Receivable from related parties (Note 7)			
Construction contracts	(a)	₱42,972	₱2,105
Receivable from affiliates	(b)	58,976	5,078
Equipment rentals	(c)	16,214	–
Payroll processing	(d)	23,352	7,459
Sale of materials and reimbursement of shared and operating expenses	(e)	11,484	8,902
		₱152,998	
Payable to related parties (Note 17)			
Payable to affiliates	(f)	(₱20,729)	₱32
Mine exploration, coal handling and hauling services	(g)	(209,739)	64,800
Labor charges	(o)	(1,500)	–
Equipment rental expenses	(h)	(2,325)	–
Other general and administrative expense	(i)	(847)	–
Office and parking rental	(k)	(74,975)	64,983
Arrastre and cargo services	(l)	(1,723)	6
Nickel delivery	(n)	(3,140)	–
Construction contracts	(a)	(24,563)	–
Purchases of office supplies and refreshments	(m)	(2)	–
		(₱339,543)	

(a) The Group provides services to its other affiliates in relation to its construction projects. Outstanding receivables lodged in "Receivables from related parties" amounted to ₱48.95 million and ₱42.97 million as of December 31, 2018 and 2017, respectively.

In addition, receivables/payables of the Group from its affiliate amounting to nil and ₱24.56 million is lodged in "Costs and estimated earnings in excess of billings on uncompleted contracts" or "Billings in excess of costs and estimated earnings on uncompleted contracts" in 2018 and 2017, respectively.

(b) The Group has outstanding receivable from its affiliates amounting to ₱107.38 million and ₱58.98 million as of December 31, 2018 and 2017, respectively. This mainly pertains to the sale of investment in 2014 which remain uncollected to date and receivables pertaining to port and arrastre charges shouldered by the Group.

(c) The Group rents out its equipment to its affiliates for their construction projects. Outstanding receivables from equipment rentals amounted to ₱2.95 million and ₱16.21 million as of December 31, 2018 and 2017, respectively.

(d) The Group processes the payroll of its affiliates and charges Electronic Data Processing (EDP) expenses. Total outstanding EDP charges to the related parties under common control amounted to ₱31.48 million and ₱23.35 million as of December 31, 2018 and 2017, respectively.

(e) The Group paid for the contracted services, material issuances, rental expenses and other supplies of its affiliates. The outstanding balance from its affiliates included under "Receivable from related parties" amounted to ₱11.86 million and ₱11.48 million as of December 31, 2018 and 2017, respectively.

(f) The Group has outstanding payable to affiliates amounting to ₱15.84 million and ₱20.73 million as at December 31, 2018 and 2017, respectively. This mainly pertains to receivables collected by the Group in behalf of the affiliates.

(g) An affiliate had transactions with the Group for services rendered relating to the Group's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within the Island, dewatering well drilling along cut-off wall of mine sites and fresh water well drilling for industrial and domestic supply under an agreement.

The affiliate also provides to the Group marine vessels for use in the delivery of coal to its various customers. The coal freight billing is on a per metric ton basis plus demurrage charges when delay will be incurred in the loading and unloading of coal cargoes. The outstanding payable of the Group amounted to ₱333.96 million and ₱209.74 million as of December 31, 2018 and 2017, respectively.

(h) The Group rents from its affiliate construction equipment for use in the Group's construction projects. The outstanding payable lodged under "Payable to related parties" amounted to ₱2.33 million as of December 31, 2018 and 2017.

(i) A shareholder of the Group, provided maintenance of the Group's accounting system, Navision, which is used by some of the Group's subsidiaries to which related expenses are included under "Miscellaneous" of "Operating expenses". Outstanding payable of the Group recorded under "Payable to related parties" amounted to ₱3.10 million and ₱0.85 million as of December 31, 2018 and 2017, respectively.

(j) An affiliate of the Group transports visitors and employees from point to point in relation to the Group's ordinary course of business and vice versa and bills the related party for the utilization costs of the aircrafts. The related expenses are included in “Cost of sales and services”. The outstanding balance to the affiliate amounted to ₱25.95 million as of December 31, 2018 and nil in 2017.

(k) An affiliate had transactions with the Group for space rental to which related expenses are included under “Operating expenses” in the consolidated statements of income (see Notes 25 and 37). Outstanding payable amounted to ₱36.32 million and ₱74.98 million as at December 31, 2018 and 2017, respectively.

(l) In 2017, an affiliate had transactions with the Group for shipsiding services. The outstanding balance to the affiliate amounting to ₱1.72 million is lodged under “Payable to related parties” in the consolidated statements of financial position as of December 31, 2017.

(m) In 2018 and 2017, the Group engaged its affiliates to supply various raw materials, office supplies and refreshments. The outstanding balance to its affiliates is lodged in the "Payable to related parties" as of December 31, 2018 and 2017, respectively.

(n) An affiliate provides the Group various barges and tugboats for use in the delivery of nickel ore to its various customers. The Group has outstanding payable to the affiliate amounting to nil and ₱3.14 million as of December 2018 and 2017, respectively.

(o) Payable to affiliate pertains to labor charges incurred by the Group, which are initially paid by the affiliate in behalf of the Group. The outstanding payable to the affiliate amounted to ₱20.86 million and ₱1.50 million as of December 2018 and 2017, respectively.

Terms and conditions of transactions with related parties
Outstanding balances as of December 31, 2018 and 2017, are unsecured and interest free, are all due within one year, normally within 30-60 day credit term. As of December 31, 2018 and 2017, the Group has not made any allowance for expected credit loss relating to amounts owed by related parties. The Group applies a general approach in calculating the ECL. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the affiliates and the economic environment.

Compensation of Key Management Personnel
Key management personnel of the Group include all directors and senior management. The aggregate compensation and benefits of key management personnel of the Group follows:

	2018	2017	2016
Short-term employee benefits	**₱336,947**	₱306,075	₱249,795
Post-employment benefits (Note 23)	**62,214**	21,863	27,302
	₱399,161	₱327,938	₱277,097

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

22. **Equity**

Capital Stock
As of December 31, 2018 and 2017, the Parent Company’s capital stock consists of:

Authorized capital stock

	No. of shares
Common stock, ₱1 par value	19,900,000,000
Preferred stock - ₱1 par value	100,000,000

Outstanding capital stock

	No. of shares	
	2018	2017
Common shares	13,277,470,000	13,277,470,000
Preferred shares	3,780	3,780
Less: treasury shares	2,820	–
	960	3,780

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

On October 1, 2018, the Board authorized the Parent Company to make an offer (the “Redemption Offer”) to the outstanding preferred shareholders for the Parent Company to acquire the remaining outstanding 3,780 preferred shares at the purchase price of ₱2,500 per preferred share from October 8 to November 29, 2018. The Redemption Offer is intended to provide the preferred shareholders a final chance to divest of their preferred shares in view of their previous inability to avail of the Exchange Offer in 2002. On November 29, 2018, the Parent Company has redeemed a total of 2,820 preferred shares for a total cost of ₱7.07 million.

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

Below is the summary of the Parent Company’s track record of registration of securities with the SEC as of December 31, 2018:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2016	13.28	697
Add/(Deduct) Movement	–	(2)
December 31, 2017	13.28	695
Add/(Deduct) Movement	–	1
December 31, 2018	13.28	696

Increase in Authorized Capital Stock
On August 5, 2014, the SEC approved the increase in authorized capital stock of the Parent Company from ₱6,000.00 million divided into ₱5,900.00 million common shares and ₱100.00 million preferred shares both with par value of ₱1.00 per share, to ₱20,000.00 million divided into ₱19,900.00 million common shares and ₱100.00 million preferred shares both with a par value of ₱1.00 per share.

Retained Earnings
In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2018 and 2017 amounted to ₱3,696.86 million and ₱8,115.40 million, respectively.

Under the tax code, publicly held corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Dividend declaration
The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follows:

	2018	2017	2016
November 19, 2018, ₱0.48 per share special cash dividend to shareholders on record as of December 5, 2018, payable on or before December 18, 2018.	**₱6,373,186**	₱–	₱–
March 8, 2018, ₱0.28 per share regular cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	**3,717,692**	–	–
March 8, 2018, ₱0.20 per share special cash dividend to shareholders on record as of March 23, 2018, payable on or before April 6, 2018.	**2,655,494**	–	–
April 5, 2017, ₱0.24 per share regular cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	**–**	3,186,593	–
April 5, 2017, ₱0.24 per share special cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	**–**	3,186,593	–
May 11, 2016, ₱0.24 per share regular cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	**₱–**	₱–	₱3,186,593
May 11, 2016, ₱0.24 per share special cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	**–**	–	3,186,593
	₱12,746,372	₱6,373,186	₱6,373,186

On various dates in 2018, 2017 and 2016, partially owned subsidiaries of the Group declared dividends amounting to ₱9,753.68 million and ₱10,652.86 million and ₱4,281.44 million, respectively, of which dividends to non-controlling interest amounted to ₱4,010.62 million, ₱4,604.86 million, and ₱1,841.12 million, respectively.

The unappropriated retained earnings include accumulated equity in undistributed net earnings of consolidated subsidiaries, associates and jointly controlled entities accounted for under the equity method of ₱44,821.35 million and ₱36,531.75 million as of December 31, 2018 and 2017, respectively. These are not available for dividend declaration until declared by the subsidiaries, associates and the jointly controlled entities.

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

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

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

23. Employee Benefits

Retirement Plans
The Group has a funded, noncontributory, defined benefit pension plan covering substantially all of its regular employees. Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2018.

The Group has a Multiemployer Retirement Plan (the Plan) which is administered separately by an individual trustee, a Group executive and BDO Unibank, Inc. Trust Investment Division under the supervision of the Board of Trustees (BOT) of the Plan. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund;
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

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

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

Pension Expense

	2018	2017	2016
Current service cost	**₱115,697**	₱134,628	₱126,975
Net interest expense on benefit obligation and plan assets	**7,545**	3,577	8,017
Effect of the asset limit	**3,790**	3,003	1,393
Settlement loss	**–**	220	4,423
Past service cost - curtailment	**–**	–	(22,412)
Total pension expense	**₱127,032**	₱141,428	₱118,396

Pension Income

	2018	2017	2016
Current service cost	**₱38,463**	₱31,172	₱35,336
Effect of the asset limit	**44,362**	43,402	36,947
Net interest income on benefit obligation and plan assets	**(95,242)**	(88,240)	(83,040)
Total pension income	**(₱12,417)**	(₱13,666)	(₱10,757)

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

	2018	2017
Balance at beginning of year	**₱2,979,366**	₱2,766,764
Interest income	**171,016**	155,915
Remeasurement gains (losses)	**(255,916)**	112,406
Benefits paid from plan assets	**(58,154)**	(88,122)
Contributions	**79,380**	32,403
Adjustments	**26**	–
Balance at end of year	**₱2,915,718**	₱2,979,366

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

	2018	2017
Balances at beginning of year	**₱1,432,419**	₱1,277,624
Current service cost	**154,160**	165,800
Interest expense	**83,319**	71,252
Settlement loss	**–**	220
Benefits paid - from plan assets	**(58,154)**	(88,122)
Benefits paid - direct payments	**(7,416)**	(47,150)
Remeasurement losses (gains) arising from:		
Financial assumptions	**(193,189)**	(61,259)
Demographic assumptions	**(30,716)**	24,478
Experience adjustments	**(1,882)**	89,576
Adjustments	**(8,637)**	–
Balances at end of year	**₱1,369,904**	₱1,432,419

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

	2018	2017
Fair value of plan assets	**₱2,823,690**	₱2,491,735
Present value of funded defined benefit obligations	**(944,427)**	(629,227)
	1,879,263	1,862,508
Effect on asset ceiling	**(963,863)**	(842,821)
Net pension asset	**₱915,400**	₱1,019,687

Movements in the net pension asset follow:

	2018	2017
Net pension asset at beginning of year	**₱1,019,687**	₱893,764
Remeasurements gain (loss) recognized in other comprehensive income	**(201,348)**	135,556
Reclassification	**68,291**	–
Net pension expense	**(41,875)**	(10,086)
Contributions	**70,645**	453
Net pension asset at end of year	**₱915,400**	₱1,019,687

Movements in the effect of asset ceiling follow:

	2018	2017
Effect of asset ceiling at beginning of year	**₱842,821**	₱812,846
Interest on the effect of asset ceiling	**48,152**	46,405
Changes in the effect of asset ceiling	**72,890**	(16,430)
Effect of asset ceiling at end of year	**₱963,863**	₱842,821

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

	2018	2017
Present value of funded defined benefit obligations	**(₱360,074)**	(₱803,192)
Fair value of plan assets	**92,028**	487,631
Net pension liability	**(₱268,046)**	(₱315,561)

Movements in the net pension liability follow:

	2018	2017
Net pension liability at beginning of year	**(₱315,561)**	(₱217,470)
Net pension expense	**72,740**	(117,676)
Remeasurement loss recognized in other comprehensive income	**(41,376)**	(59,515)
Benefits paid - direct payment	**7,416**	47,150
Contributions	**8,735**	31,950
Net pension liability at end of year	**(₱268,046)**	(₱315,561)

Breakdown of remeasurements recognized in other comprehensive income in 2018 and 2017 follow:

	2018	2017
Remeasurement gains (losses) on plan assets	**(₱255,916)**	₱112,406
Remeasurement gains (losses) on defined benefit obligations	**225,787**	(52,795)
Changes in the effect of asset ceiling	**(72,890)**	16,430
Remeasurement gains (losses) on pension plans	**(103,019)**	76,041
Income tax effect	**30,905**	(15,953)
Net pension liability	**(₱72,114)**	₱60,088

The Group does not expect to contribute to the pension funds in 2019.

The major categories and corresponding fair values of plan assets and liabilities by class of the Group's Plan as at the end of each reporting period are as follows:

	2018	2017
Cash and cash equivalents		
Cash in banks	**₱39,592**	₱40,861
Time deposits	**20,048**	20,048
	59,640	60,909
Investments in stocks		
Common shares of domestic corporations		
Quoted	**2,064,130**	1,914,768
Unquoted	**28,555**	28,555
Preference shares	**31,338**	177,545
	2,124,023	2,120,868
Investment in government securities		
Fixed rate treasury notes (FXTNs)	**₱449,218**	₱507,831
Treasury bills (T-bills)	**11,759**	11,759
Retail treasury bonds (RTBs)	**33,498**	101,201
	494,475	620,791
Investment in other securities and debt instruments		
AAA rated debt securities	**213,530**	213,530
Not rated debt securities	**11,893**	11,940
	225,423	225,470
Other receivables	**12,674**	12,639
Accrued trust fees and other payables	**(517)**	(517)
Benefits payable	**–**	(60,794)
Fair value of plan assets	**₱2,915,718**	₱2,979,366

The investment in stocks is further categorized as follows:

Trust fees paid in 2018, 2017 and 2016 amounted to ₱1.87 million, ₱1.87 million and ₱1.78 million, respectively.

The composition of the fair value of the Fund includes:

- *Cash and cash equivalents* - include savings and time deposit with various banks and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA)
- *Investment in stocks* - includes investment in common and preferred shares both traded and not traded in the PSE.
- *Investment in government securities* - include investment in Philippine RTBs and FXTNs.
- *Investments in other securities and debt instruments* - include investment in long-term debt notes and retail bonds.
- *Other receivables* - includes interest and dividends receivable generated from investments included in the plan.
- *Accrued trust fees and other payables* - pertain mainly to charges of trust or in the management of the plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities rest to the BOT for funds directly held through the Group's officers and indirectly for those entered into through other trust agreements with the trustee bank authorized to administer the investment and reinvestments of the funds.

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

	2018	2017	2016
Discount rate	**7.34% to 7.91%**	5.62% to 6.22%	5.00% to 5.87%
Salary increase rate	**3.00% to 10.00%**	3.00% to 10.00%	3.00% to 10.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years):

	2018
Construction and others	23 years
Coal mining	25 years
Nickel mining	19 to 21 years
Real estate development	30 years
Power - On grid	17 to 24 years
Power - Off grid	22 years

There are no unusual or significant risks to which the Plan exposes the Group. However, in the event a benefit claim arises under the Retirement Plan and the Retirement Fund is not sufficient to pay the benefit, the unfunded portion of the claim shall immediately be due and payable from the Group to the Retirement Fund.

There was no plan amendment, curtailment, or settlement recognized for the year ended December 31, 2018 and 2017.

Sensitivity analysis on the actuarial assumptions
Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Increase (decrease)	2018	2017
Discount rates	+100 basis points	**(₱60,265)**	(₱105,922)
	-100 basis points	**111,864**	168,477
Salary increases	+1.00%	**111,751**	151,475
	-1.00%	**(62,631)**	(94,309)

Asset-liability matching strategies
Each year, an Asset-Liability Matching Strategy (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. It is the policy of the Trustee that immediate and near-term retirement liabilities of the Group's Retirement Fund are adequately covered by its assets. As such, due considerations are given that portfolio maturities are matched in accordance with due benefit payments. The retirement fund's expected benefit payments are determined through the latest actuarial reports.

Funding arrangements
The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2018	2017
Less than 1 year	**₱472,716**	₱359,293
More than 1 year to 5 years	**353,401**	315,542
More than 5 years to 10 years	**792,226**	657,243
	₱1,618,343	₱1,332,078

24. Costs of Sales and Services

Details of costs of sales and services follow:

	December 31, 2018	December 31, 2017	December 31, 2016
Cost of Sales			
Cost of real estate inventory (Note 9)	**₱13,405,859**	₱12,117,873	₱7,924,419
Fuel and lubricants	**3,192,436**	2,677,270	1,493,340
Depreciation and amortization (Notes 12, 13 and 14)	**3,347,696**	2,888,171	1,261,886
Materials and supplies	**3,672,345**	3,602,912	4,508,399
Commission expense (Notes 2 and 10)	**1,119,930**	–	–
Production overhead	**1,023,793**	611,404	369,227

(Forward)

	December 31, 2018	December 31, 2017	December 31, 2016
Cost of Sales			
Direct labor	**₱973,100**	₱964,537	₱805,636
Outside services	**851,188**	1,333,889	1,742,566
Provision for decommissioning and site rehabilitation (Note 20)	**436,523**	147,270	1,089,423
Hauling, shiploading and handling costs (Note 21)	**18,594**	145,016	425,909
Others	**73,828**	168,888	81,219
	₱28,115,292	₱24,657,230	₱19,702,024
Cost of Services			
Materials and supplies	**₱9,093,678**	₱8,073,780	₱6,944,590
Depreciation and amortization (Notes 12, 13 and 14)	**4,381,879**	3,541,100	3,216,474
Direct labor	**3,432,717**	2,892,880	2,965,631
Outside services	**2,301,411**	2,144,059	2,225,965
Fuel and lubricants	**1,452,632**	1,796,344	1,618,843
Spot purchases of electricity	**1,203,199**	1,252,555	2,495,357
Production overhead	**1,105,418**	1,363,895	1,494,561
Hauling, shiploading and handling costs (Note 21)	**278,321**	283,496	127,518
Others	**523,784**	227,342	190,985
	23,773,039	21,575,451	21,279,924
	₱51,888,331	₱46,232,681	₱40,981,948

Cost of real estate sales presented in the consolidated statement of income includes cost of running hotel and property management operations amounting to ₱177.74 million, ₱249.17 million and ₱162.36 million for 2018, 2017 and 2016, respectively.

Related revenue from hotel and property management operations amounted to ₱339.96 million, ₱423.50 million and ₱330.81 million, respectively for 2018, 2017 and 2016.

Depreciation, depletion and amortization included in the consolidated statements of income follow:

	December 31, 2018	December 31, 2017	December 31, 2016
Included in:			
Cost of electricity sales	**₱3,706,189**	₱2,836,265	₱2,439,553
Cost of coal mining	**3,028,172**	2,832,373	1,183,837
Cost of construction contracts and others	**675,690**	704,452	776,316
Cost of nickel mining	**97,580**	55,416	78,049
Cost of real estate development	**221,944**	765	605
Operating expenses (Note 25)	**1,702,225**	1,625,490	914,462
	₱9,431,800	₱8,054,761	₱5,392,822

(Forward)

	December 31, 2018	December 31, 2017	December 31, 2016
Depreciation, depletion and amortization of:			
Property, plant and equipment (Note 13)	**₱10,260,534**	₱8,246,600	₱5,963,672
Other noncurrent assets (Note 14)	**48,110**	51,927	50,551
Investment properties (Note 12)	**14,826**	14,900	22,045
	₱10,323,470	₱8,313,427	₱6,036,268

Depreciation, depletion and amortization capitalized in ending inventories and mine properties included in 'Property, Plant and Equipment' amounted to ₱891.67 million, ₱258.67 million and ₱643.45 million in 2018, 2017 and 2016, respectively.

Salaries, wages and employee benefits included in the consolidated statements of income follow:

	2018	2017	2016
Presented under:			
Costs of sales and services	**₱4,405,817**	₱3,857,417	₱3,771,267
Operating expenses (Note 25)	**1,905,353**	1,552,390	1,527,526
	₱6,311,170	₱5,409,807	₱5,298,793

25. Operating Expenses

This account consists of:

	2018	2017	2016
Government share (Note 31)	**₱3,569,015**	₱4,306,811	₱2,649,979
Salaries, wages and employee benefits (Notes 23 and 24)	**1,905,353**	1,552,390	1,527,526
Depreciation and amortization (Notes 3, 12, 13, 14 and 24)	**1,702,225**	1,625,490	914,462
Taxes and licenses	**1,270,078**	1,269,111	869,076
Repairs and maintenance	**844,949**	753,741	562,020
Advertising and marketing	**311,480**	411,894	505,228
Outside services	**306,854**	507,743	493,887
Rent (Notes 21 and 37)	**230,045**	271,773	216,635
Insurance	**179,835**	168,074	129,704
Communication, light and water	**166,778**	155,425	148,154
Transportation and travel	**152,507**	120,221	91,549
Entertainment, amusement and recreation	**151,683**	126,957	93,214
Supplies	**100,621**	95,767	75,694
Association dues	**72,928**	65,866	44,462
Allowance for expected credit losses, probable losses and loss on sale of assets (Notes 7, 10, and 14)	**30,825**	6,315	217,632
Commission (Note 2)	**2,182**	995,327	694,182
Loss on write-down of property, plant and equipment and other non-current assets (Notes 13 and 14)	–	183,897	14,316
Miscellaneous	**643,303**	377,023	439,040
	₱11,640,661	₱12,993,825	₱9,686,760

In 2018 and 2017, the Group recorded accelerated depreciation for its generation units amounting to ₱1,210 milllion and ₱840.08 million, respectively, due to planned rehabilitation of the Group's 2x300MW coal-fired power plant in Calaca, Batangas.

26. Finance Income

Finance income is derived from the following sources:

	2018	2017	2016
Interest on:			
Short-term placements (Note 4)	**₱360,666**	₱140,205	₱107,414
Real estate installment receivables (Note 7)	**253,288**	169,130	205,923
Bank savings account (Note 4)	**152,248**	140,825	121,629
Investment from sinking fund (Note 10)	**28,196**	687	11,359
	₱794,398	₱450,847	₱446,325

27. Finance Costs

The finance costs are incurred from the following:

	2018	2017	2016
Long-term debt (Note 19)	**₱674,012**	₱522,532	₱458,817
Short-term debt (Note 15)	**298,773**	228,711	421,413
Amortization of debt issuance cost (Note 19)	**42,659**	38,389	44,302
Accretion on unamortized discount on liabilities for purchased land and provision for decommissioning and site rehabilitation (Notes 16 and 20)	**123,134**	87,289	30,450
	₱1,138,578	₱876,921	₱954,982

28. Other Income

This account consists of:

	2018	2017	2016
Gain on sale of undeveloped parcel of land (Note 9)	**₱1,021,763**	₱–	₱73,182
Forfeitures and cancellation of real estate contracts	**770,951**	607,216	490,940
Recoveries from insurance claims and claims from third party settlement (Note 7)	**287,766**	380,079	218,089

(Forward)

	2018	2017	2016
Sales of fly ash	**₱189,762**	₱178,932	₱129,153
Rental income (Note 12)	**184,076**	123,521	87,794
Gain on revaluation of financial asset at FVPL (Note 5)	**91,592**	256,270	–
Gain on sale of property, plant and equipment and investment properties - net (Notes 12 and 13)	**₱37,269**	₱144,934	₱390
Management fee	**1,009**	3,101	1,362
Reversal of allowance for doubtful accounts (Notes 7 and 14)	**–**	51,969	29,803
Pension income (Note 23)	**12,417**	13,666	10,757
Income from default payments	**–**	–	15,588
Income from commissioning	**–**	–	595,343
Foreign exchange losses (Note 36)	**(388,172)**	(363,508)	(406,511)
Others	**50,546**	36,886	99,138
	₱2,258,979	₱1,433,066	₱1,345,028

Gain on financial assets at FVPL
Net gain on financial assets at FVPL related to the fair value gain settle differences with a retail electricity supplier. This includes realized gain amounting to ₱65.82 million and ₱36.60 million in 2018 and 2017, respectively (see Note 5).

Recoveries from insurance claims and claims from third party settlement
In 2017, the Group recognized recoveries from settlement agreement from the EPC contractor representing compensation for the delay in completion of construction 2x150 MW coal-fired thermal power plant and income from claims from PSALM and NPC as discussed in Note 7. In 2018, recoveries from insurance claims pertain to reimbursement by the insurer on insured equipment of SLPGC amounting to ₱476.14 million. The amount of other income recognized from the insurance claims is net of related cost of repairs amounting to ₱250.77 million.

Others
Others include penalty charges, holding fees, fees for change in ownership, transfer fees, restructuring fees, lease facilitation fees, legal claims and others.

29. Income Tax

The provision for income tax shown in the consolidated statements of income consists of:

	December 31, 2018	December 31, 2017	December 31, 2016
Current	**₱2,733,108**	₱3,081,114	₱1,495,548
Deferred	**363,744**	135,829	950,686
Final	**108,387**	44,859	43,668
	₱3,205,239	₱3,261,802	₱2,489,902

The components of net deferred tax assets as of December 31, 2018 and 2017 follow:

	2018	2017
Deferred tax assets on:		
Allowance for:		
Expected credit losses	**₱499,771**	₱467,529
Inventory obsolescence	**20,218**	20,218
Impairment	**4,588**	11,705
Unrealized gross loss on construction contracts	**113,331**	–
Pension liabilities - net	**45,314**	67,274
Accruals of expenses	**11,350**	4,152
Provision for decommissioning and site rehabilitation	**10,787**	3,581
NOLCO	**3,280**	126
Others	**22,465**	10,375
	₱731,104	₱584,960
Deferred tax liabilities on:		
Recoveries from claims from third party settlement	**(₱99,696)**	(₱99,024)
Pension assets - net	**(10,143)**	(31,919)
Unrealized foreign exchange gain	**(14,388)**	(15,743)
Unrealized gross profit on construction contracts	**–**	(10,313)
	(124,227)	(156,999)
	₱606,877	₱427,961

The components of net deferred tax liabilities as of December 31, 2018 and 2017 follow:

	2018	2017
Deferred tax assets on:		
Deferred commission expense	**₱165,469**	₱–
Allowance for:		
Expected credit losses	**21,421**	21,421
Probable losses	**7,648**	7,648
Pension liabilities - net	**15,069**	22,297
Unamortized discount on payable to landowners	**5,451**	5,916
	215,058	57,282
Deferred tax liabilities on:		
Excess of book over tax income pertaining to real estate sales	**(3,342,153)**	(2,582,418)
Effect of business combination	**(1,370,931)**	(1,370,931)
Capitalized interest on real estate for sale and development deducted in advance	**(292,745)**	(273,424)
Unrealized gross profit on construction contracts	**(135,472)**	(73,620)
Unrealized foreign exchange gain - net	**(107,651)**	(98,342)
Unrealized gain on financial assets at FVPL	**(73,633)**	(65,900)
Pension assets - net	**(30,473)**	–
Unamortized transaction cost on loans payable	**(15,010)**	(27,313)
Mine rehabilitation	**(4,524)**	(4,524)
Others	**(121,466)**	(5,117)
	(5,494,058)	(4,501,589)
	(₱5,279,000)	(₱4,444,307)

The Group has the following deductible temporary differences, NOLCO and MCIT that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2018	2017
NOLCO	**₱2,104,911**	₱4,509,443
Allowance for impairment losses	**280,693**	280,693
Allowance for probable losses	**52,957**	52,957
Pension liabilities - net	**16,993**	16,993
MCIT	**3,499**	7,782
Allowance for doubtful accounts	**–**	26,743

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group did not recognize deferred tax assets on NOLCO and MCIT from the following periods:

Year Incurred	NOLCO	MCIT	Expiry Year
2018	₱157,975	₱728	2021
2017	419	2,549	2020
2016	1,946,517	222	2019
	₱2,104,911	₱3,499	

Rollforward analysis of the Group's NOLCO and MCIT follows:

	NOLCO		MCIT	
	2018	2017	**2018**	2017
Balances at beginning of year	**₱4,509,864**	₱10,289,786	**₱7,782**	₱2,814
Additions	**157,975**	419	**728**	6,205
Expirations and usage	**(2,562,928)**	(5,780,341)	**(5,011)**	(1,237)
Balances at end of year	**₱2,104,911**	₱4,509,864	**₱3,499**	₱7,782

The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2018	2017
Statutory income tax rate	**30.00%**	30.00%
Adjustments for:		
Nondeductible expenses	**0.47**	0.27
Changes in unrecognized deferred tax assets	**0.30**	0.45
NOLCO	**0.04**	–
Interest income subjected to final tax at a lower rate - net	**(0.22)**	(0.30)
Excess costs of construction contracts	**(0.37)**	(0.27)
Effect of OSD	**(0.73)**	(0.39)
Nontaxable equity in net earnings of associates and jointly controlled entities	**(2.38)**	(2.10)
Income under income tax holiday	**(13.73)**	(14.59)
Others	**0.52**	0.42
Effective income tax rate	**13.90%**	13.49%

Registrations with Department of Energy and BOI

a. *Certain power generation companies - Registration with the BOI*
Certain power generation companies in the Group have been registered with the BOI. Accrodingly, they are entitled, among others, to ITH incentives covering (four) 4 to 10 years. To be able to avail of the incentives, these Companies are required to maintain a minimum equity level. As of December 31, 2018 and 2017, the Group have complied with the requirements.

In 2018 and 2017, the Group availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱289.55 million and ₱848.59 million, respectively.

b. *SMPC - Expanding Producer of Coal*
Narra and Molave Minesite
On August 31, 2012 and February 24, 2016, BOI has granted SMPC COR as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (COR No. 2012-183) and Molave Minesite (COR No. 2017-042).

As a registered entity, SMPC is entitled to ITH incentive for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. Income qualified for ITH availment shall not exceed by more than 10% the projected income represented by SMPC in its application provided the project's actual investments and employment match SMPC's representation in the application.

SMPC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱2,889.53 million, ₱2,679.13 million and ₱2,747.09 million in 2018, 2017 and 2016, respectively.

30. Earnings Per Share

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

	December 31, 2018	December 31, 2017	December 31, 2016
Net income attributable to equity holders of Parent Company	**₱14,512,939**	₱14,764,557	₱12,680,496
Divided by weighted average number of common shares	**13,277,470**	13,277,470	13,277,470
Basic/diluted earnings per share	**₱1.09**	₱1.11	₱0.96

There were no dilutive potential ordinary shares. Accordingly, no diluted earnings per share is presented in 2018, 2017 and 2016.

31. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to SMPC which gives it the exclusive right to conduct exploration, development and coal mining operations on Semirara Island. In return for the mining rights granted to SMPC, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by SMPC to feed its power plant in determining the amount due to DOE. SMPC's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱3,569.02 million, ₱4,306.81 million and ₱2,650.00 million in 2018, 2017 and 2016, respectively, included under "Operating expenses" in the consolidated statements of income (see Note 25). Payable to DOE and LGU, amounting to ₱713.35 million and ₱1,542,24 million as of December 31, 2018 and 2017 are included under the "Accounts and other payables" account in the consolidated statements of financial position (see Note 17).

32. Material Partly-Owned Subsidiary

The financial information of the Group's subsidiaries with material non-controlling interest (NCI) are provided below. These information are based on amounts in the consolidated financial statements of the subsidiary.

Semirara Mining and Power Corporation (SMPC) and Subsidiaries

	2018	2017
Consolidated statements of financial position		
Current assets	**₱25,739,223**	₱24,471,151
Noncurrent assets	**45,309,715**	44,070,264
Total assets	**71,048,938**	68,541,415
Current liabilities	**20,372,104**	13,751,022
Noncurrent liabilities	**10,744,148**	17,111,013
Total liabilities	**31,116,252**	30,862,035
Equity	**₱39,932,686**	₱37,679,380
Consolidated statements of comprehensive income		
Revenue	**₱41,968,513**	₱43,943,489
Cost of sales	**20,844,170**	20,333,482
Gross profit	**21,124,343**	23,610,007
Operating expenses	**(7,775,795)**	(8,207,029)
Other income (expenses)	**(593,665)**	61,490
Income before income tax	**12,754,883**	15,464,468
Provision for income tax	**729,501**	1,255,328
Net income	**12,025,382**	14,209,140
Other comprehensive income (loss)	**50,243**	(62,835)
Total comprehensive income	**₱12,075,625**	₱14,146,305
Cash flow information		
Operating	**₱9,503,159**	₱18,197,454
Investing	**(8,572,238)**	(7,272,338)
Financing	**(7,489,807)**	(9,440,375)
Effect of exchange rate changes on cash and cash equivalents	**(9,071)**	(6,871)
Net increase (decrease) in cash and cash equivalents	**(₱6,567,957)**	₱1,477,870

The accumulated balances of material noncontrolling interest as at December 31, 2018 and 2017 amounted to ₱26,854.36 million and ₱21,635.36 million, respectively. Dividends paid to noncontrolling interests amounted to ₱4,010.62 million and ₱4,633.44 million in 2018 and 2017, respectively.

In 2018 and 2017, SMPC bought back own shares of 7,863,000 shares for P251.61 million and 2,735,100 shares for P100.37 million, respectively.

This resulted to an increase in the effective ownership of the Parent Company on SMPC and its subsidiaries by 0.11% and 0.03% and the recognition of premium on acquisition of non-controlling interest amounting to ₱218.88 million and ₱76.18 million in 2018 ans 2017, respectively.

33. Goodwill

Goodwill arising from business combination in the Group's consolidated statements of financial position as of December 31, 2018 and 2017 relates to the acquisition of the nickel mining entities with operations in Zambales area.

The goodwill recognized amounting to ₱1,637.43 million comprises the expected cash flows generated from the mining rights and properties mainly attributable to CGUs of ZDMC and ZCMC amounting to ₱877.19 million and ₱760.24 million, respectively. The acquisition of these entities will enable the Group to strengthen its strategic objective in the nickel mining segment. With a more diversified portfolio, the Group expects to generate revenue from its nickel mining segment. These recurring revenues can, in turn, be used to provide internally generated funding for other projects.

34. Other Equity

Other equity includes share of the Group in the other comprehensive income (loss) of its associates (see Note 11).

35. Operating Segments

Business Segment Information
For management purposes, the Group is organized into seven (7) major business units that are largely organized and managed separately according to industry.

Construction and others - engaged in various construction component businesses such as production and trading of concrete products, handling steel fabrication and electrical and foundation works.

Coal mining - engaged in the exploration, mining and development of coal resources on Semirara Island in Caluya, Antique.

Nickel mining - engaged primarily in mining and selling nickel ore from existing stockpile in Acoje mines in Zambales and Berong mines in Palawan.

Real estate - focused in mid-income residential development carried under the brand name DMCI Homes.

On-grid Power - engaged in power generation through coal-fired power plants providing electricity to distribution utilities and indirect members of WESM.

Off-grid Power - engaged in power generation through satellite power plants providing electricity to areas that are not connected to the main transmission grid.
Water - includes share in net earnings from associates, MWHCI and Subic Water, which are engaged in water services for the west portion of Metro Manila and Olongapo City and Subic Bay Freeport, respectively.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, earnings before interest, income taxes and depreciation and amortization (EBITDA) and operating profit or loss, and is measured consistently in the consolidated financial statements.

The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 in the summary of significant accounting policies under PFRS.

EBITDA is the measure of segment profit (loss) used in segment reporting and comprises of revenues, cost of sales and services and selling and general administrative expenses before interest, taxes and depreciation and amortization.

The Group, through its on-grid power segment, has electricity sales to a power distribution utility company that accounts for about 10% and 11% of the Group's total revenue in 2018 and 2017, respectively.

Group financing (including finance costs and finance income) and income taxes are also managed per operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The Group disaggregates its revenue information in the same manner as it reports its segment information.

Business Segments
The following tables present revenue, net income and depreciation and amortization information regarding business segments for the years ended December 31, 2018, 2017 and 2016 and property, plant and equipment additions, total assets and total liabilities for the business segments as of December 31, 2018, 2017 and 2016.

Year ended December 31, 2018

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power *On-Grid*	Power *Off-Grid*	Water	Parent Company	Total
Revenue	₱15,011,271	₱23,185,658	₱1,211,751	₱20,572,250	₱18,782,906	₱4,079,024	₱–	₱–	₱82,842,860
Equity in net earnings of associates and joint ventures	–	(430)	–	–	–	–	1,826,087	–	1,825,657
Other income (expense)	9,685	(328,621)	31,771	1,964,492u	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
Cost of sales and services (before depreciation and amortization	12,005,694	9,233,912	294,683	14,481,585	5,203,521	2,939,376	–	–	44,158,771
Government Share (Note 25)	–	3,569,015	–	–	–	–	–	–	3,569,015
General and administrative expense (before depreciation and amortization)	633,521	727,021	509,665	2,263,714	1,822,599	335,980	–	76,906	6,369,406
	12,639,215	13,529,948	804,348	16,745,299	7,026,120	3,275,356	–	76,906	54,097,192
EBITDA	2,381,741	9,326,659	439,174	5,791,873	12,312,326	825,850	1,826,087	(72,976)	32,830,304
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(4,124)	(361,787)	326	214,485	(452,138)	(33,508)	–	292,566	(344,180)
Depreciation and amortization (Notes 24 and 25)	(700,536)	(3,060,127)	(116,187)	(368,260)	(4,962,269)	(223,328)	–	(1,093)	(9,431,800)
Pretax income	1,677,081	5,904,745	323,313	5,638,098	6,897,919	569,014	1,826,087	218,497	23,054,324
Provision for income tax (Note 29)	404,678	19,906	128,397	1,762,763	724,427	104,468	–	60,600	3,205,239
Net income	₱1,272,403	₱5,884,839	₱194,916	₱3,875,335	₱6,173,492	₱464,546	₱1,826,087	₱157,897	₱19,849,085
Net income attributable to non-controlling interest	₱40,079	₱2,554,605	₱77,449	₱–	₱2,664,013	₱–	₱–	₱–	₱5,336,146
Net income attributable to equity holders of the Parent Company	₱1,232,324	₱3,330,234	₱117,467	₱3,875,335	₱3,509,479	₱464,546	₱1,826,087	₱157,897	₱14,512,939
Segment Assets									
Cash	₱1,881,020	₱863,765	₱605,546	₱6,158,935	₱1,039,043	₱308,805	₱–	₱4,624,850	₱15,481,964
Receivables and contract assets	6,770,091	2,433,171	164,572	17,627,209	4,885,401	1,306,806	–	10,110	33,197,360
Inventories	1,480,882	7,799,002	290,691	30,262,122	4,564,381	294,442	–	–	44,691,520
Investment in associates and joint venture	80,045	51,955	–	234,858	–	–	–	13,863,793	14,230,651
Property, plant and equipment	2,403,776	11,144,571	5,568,132	1,399,443	33,235,079	3,707,894	–	11,088	57,469,983
Others	3,392,404	2,426,216	2,297,993	5,004,160	3,635,478	501,136	–	75,850	17,333,237
	₱16,008,218	₱24,718,680	₱8,926,934	₱60,686,727	₱47,359,382	₱6,119,083	₱–	₱18,585,691	₱182,404,715
Segment Liabilities									
Contract liabilities	₱–	₱–	₱–	₱8,086,109	₱1,710,015	₱–	₱–	₱–	₱8,086,109
Short-term and long-term debt	175,756	7,906,388	–	18,771,487	12,583,200	2,084,500	–	–	41,521,331
Others	9,675,708	7,639,087	2,548,496	20,141,261	2,373,213	1,387,346	–	38,814	43,803,925
	₱9,851,464	₱15,545,475	₱2,548,496	₱38,912,748	₱14,956,413	₱3,471,846	₱ –	₱38,814	₱85,325,256
Other disclosures									
Property, plant and equipment additions (Note 13)	₱1,068,059	₱4,636,119	₱55,857	₱463,926	₱4,367,137	₱1,446,366	₱ –	₱1,753	₱12,039,217
Acquisition of land for future development (Note 9)	–	–	–	2,872,017	–	–	–	–	2,872,017

**Revenue from construction segment includes sales and service revenue from WRCP*

Year ended December 31, 2017

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power *On-Grid*	Power *Off-Grid*	Water	Parent Company	Total
Revenue	₱13,383,344	₱23,489,591	₱759,267	₱19,903,980	₱20,453,899	₱2,712,659	₱–	₱–	₱80,702,740
Equity in net earnings of associates and joint ventures	–	–	–	–		–	1,694,046	–	1,694,046
Other income (expense)	52,445	(153,360)	42,193	762,670	710,866	17,663	–	589	1,433,066
	13,435,789	23,336,231	801,460	20,666,650	21,164,765	2,730,322	1,694,046	589	83,829,852
Cost of sales and services (before depreciation and amortization	10,708,122	9,078,062	267,530	12,366,273	5,887,497	1,495,926	–	–	39,803,410
General and administrative expense (before depreciation and amortization)	512,191	5,134,764	322,428	2,933,511	1,832,125	555,982	–	77,334	11,368,335
	11,220,313	14,212,826	589,958	15,299,784	7,719,622	2,051,908	–	77,334	51,171,745
EBITDA	2,215,476	9,123,405	211,502	5,366,866	13,445,143	678,414	1,694,046	(76,745)	32,658,107
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(9,662)	(312,695)	(6,661)	117,547	(319,362)	(24,270)	–	129,029	(426,074)
Depreciation and amortization (Notes 24 and 25)	(730,854)	(2,822,107)	(110,257)	(377,755)	(3,799,839)	(209,271)	–	(4,678)	(8,054,761)
Pretax income	1,474,960	5,988,603	94,584	5,106,658	9,325,942	444,873	1,694,046	47,606	24,177,272
Provision for (benefit from) income tax (Note 29)	381,896	2,785	(10,386)	1,555,651	1,221,890	85,874	–	24,092	3,261,802
Net income	₱1,093,064	₱5,985,818	₱104,970	₱3,551,007	₱8,104,052	₱358,999	₱1,694,046	₱23,514	₱20,915,470
Net income attributable to non-controlling interest	₱40,938	₱2,568,078	(₱8,053)	₱–	₱3,549,950	₱–	₱–	₱–	₱6,150,913
Net income attributable to equity holders of the Parent Company	₱1,052,126	₱3,417,740	₱113,023	₱3,551,007	₱4,554,102	₱358,999	₱1,694,046	₱23,514	₱14,764,557
Segment Assets									
Cash	₱1,241,340	₱5,795,920	₱617,074	₱6,297,837	₱2,674,918	₱195,041	₱–	₱8,501,644	₱25,323,774
Receivables	5,390,226	2,059,670	101,187	15,868,781	4,128,079	859,706	–	12,339	28,419,988
Inventories	993,776	3,147,852	301,905	27,185,537	2,766,261	303,305	–	–	34,698,636
Investment in associates and joint venture	73,613	52,384	–	224,084		–	–	13,110,520	13,460,601
Property, plant and equipment	2,002,264	10,690,823	5,354,146	1,178,986	33,773,982	2,688,884	–	11,937	55,701,022
Others	3,912,585	1,716,181	2,585,307	2,375,899	2,967,347	555,060	–	98,176	14,210,555
	₱13,613,804	₱23,462,830	₱8,959,619	₱53,131,124	₱46,310,587	₱4,601,996	₱–	₱21,734,616	₱171,814,576
Segment Liabilities									
Customers' advances and deposits	₱–	₱48,733	₱3	₱7,869,698	₱–	₱–	₱–	₱–	₱7,918,434
Short-term and long-term debt	126,575	7,391,459	165,518	20,243,111	10,633,019	949,000	–	–	39,508,682
Others	8,363,044	8,955,003	2,332,812	7,339,173	2,699,047	1,114,410	–	(22,583)	30,780,906
	₱8,489,619	₱16,395,195	₱2,498,333	₱35,451,982	₱13,332,066	₱2,063,410	₱–	(₱22,583)	₱78,208,022
Other disclosures									
Property, plant and equipment additions (Note 13)	₱875,674	₱4,301,913	₱45,311	₱431,280	₱2,038,976	₱379,261	₱–	₱2,357	₱8,074,772
Acquisition of land for future development (Note 9)	–	–	–	3,207,417	–	–	–	–	3,207,417

*Revenue from construction segment includes sales and service revenue from WRCP

Year ended December 31, 2016

	Construction and Others*	Coal Mining	Nickel Mining	Real Estate Development	Power *On-Grid*	Power *Off-Grid*	Water	Parent Company	Total
Revenue	₱14,068,939	₱20,079,462	₱1,573,086	₱13,758,636	₱16,504,913	₱2,302,452	₱–	₱–	₱68,287,488
Equity in net earnings of associates and joint ventures	–	–	–	–	–	–	1,926,337	–	1,926,337
Other income (expense) - net	39,281	(180,270)	43,229	717,150	679,858	44,507	–	1,273	1,345,028
	14,108,220	19,899,192	1,616,315	14,475,786	17,184,771	2,346,959	1,926,337	1,273	71,558,853
Cost of sales and services (before depreciation and amortization	11,502,888	9,829,662	441,599	8,086,011	5,600,300	1,043,128	–	–	36,503,588
General and administrative expense (before depreciation and amortization)	416,792	3,188,888	730,525	2,488,687	1,213,733	670,978	–	62,695	8,772,298
	11,919,680	13,018,550	1,172,124	10,574,698	6,814,033	1,714,106	–	62,695	45,275,886
EBITDA	2,188,540	6,880,642	444,191	3,901,088	10,370,738	632,853	1,926,337	(61,422)	26,282,967
Other income (expenses)									
Finance income (cost) (Notes 26 and 27)	(28,339)	(187,463)	(9,081)	(46,566)	(328,294)	(4,958)	–	96,044	(508,657)
Gain on sale of investments (Note 11)	–	–	–	131,498	–	–	–	–	131,498
Depreciation and amortization (Notes 24 and 25)	(825,523)	(1,203,505)	(307,425)	(342,215)	(2,535,864)	(172,981)	–	(5,309)	(5,392,822)
Pretax income	1,334,678	5,489,674	127,685	3,643,805	7,506,580	454,914	1,926,337	29,313	20,512,986
Provision for income tax (Note 29)	358,957	12,019	131,375	1,113,699	826,147	31,014	–	16,691	2,489,902
Net income	₱975,721	₱5,477,655	(₱3,690)	₱2,530,106	₱6,680,433	₱423,900	₱1,926,337	₱12,622	₱18,023,084
Net income attributable to non-controlling interest	₱29,627	₱2,362,363	₱60,894	₱–	₱2,889,704	₱–	₱–	₱–	₱5,342,588
Net income attributable to equity holders of the Parent Company	₱946,094	₱3,115,292	(₱64,584)	₱2,530,106	₱3,790,729	₱423,900	₱1,926,337	₱12,622	₱12,680,496
Segment Assets									
Cash	₱1,315,224	₱4,298,080	₱1,300,526	₱3,861,944	₱2,694,924	₱213,662	₱–	₱5,053,746	₱18,738,106
Receivables	4,281,336	2,329,040	100,919	10,439,630	3,235,482	673,460	–	10,166	21,070,033
Inventories	1,103,222	2,960,195	267,845	26,407,995	2,426,266	209,040	–	–	33,374,563
Investment in associates and joint venture	73,613	52,385	–	268,268	–	–	–	12,366,778	12,761,044
Property, plant and equipment	2,143,003	10,212,665	5,411,375	1,064,841	34,328,632	2,576,636	–	14,550	55,751,702
Others	4,127,656	978,207	2,415,505	3,087,886	3,020,508	449,521	–	92,752	14,172,035
	₱13,044,054	₱20,830,572	₱9,496,170	₱45,130,564	₱45,705,812	₱4,122,319	₱–	₱17,537,992	₱155,867,483
Segment Liabilities									
Customers' advances and deposits	₱–	₱25,281	₱3	₱5,480,262	₱–	₱–	₱–	₱–	₱5,505,546
Short-term and long-term debt	606,156	5,618,308	329,643	18,340,823	11,071,439	919,000	–	–	36,885,369
Others	8,240,197	8,702,926	2,362,501	5,799,450	3,589,662	998,973	–	38,261	29,731,970
	₱8,846,353	₱14,346,515	₱2,692,147	₱29,620,535	₱14,661,101	₱1,917,973	₱–	₱38,261	₱72,122,885
Other disclosures									
Property, plant and equipment additions (Note 13)	₱492,677	₱3,134,107	₱108,317	₱227,532	₱3,032,163	₱524,844	₱–	₱4,906	₱7,524,546
Acquisition of land for future development (Note 9)	–	–	–	647,298	–	–	–	–	647,298

36. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise financing for its operations and capital expenditures. The Group also has various significant other financial assets and liabilities, such as receivables and payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, market risk and credit risk. The Group's BOD reviews and approves policies for managing each of these risks and they are summarized below.

a. *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group seeks to manage its liquidity profile to be able to service its maturing debts and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.
- The Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore which is included in the Group's corporate planning for liquidity management.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2018 and 2017, based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Group's financial assets in order to provide a complete view of the Group's contractual commitments.

	2018					
	On Demand	**Within 1 year**	**Beyond 1 year to 2 years**	**Beyond 2 years to 3 years**	**Beyond 3 years**	**Total**
Financial assets at amortized cost						
Cash in banks and cash equivalents	**₱15,465,119**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,465,119**
Receivables - net						
Trade:						
Real estate	**2,075,202**	–	–	–	–	**2,075,202**
General construction	**620,735**	**3,701,448**	–	–	–	**4,322,183**

(Forward)

	2018					
	On Demand	**Within 1 year**	**Beyond 1 year to 2 years**	**Beyond 2 years to 3 years**	**Beyond 3 years**	**Total**
Electricity sales	**₱4,916,490**	**₱819,390**	**₱–**	**₱–**	**₱–**	**₱5,735,880**
Coal mining	**2,362,775**	–	–	–	–	**2,362,775**
Nickel mining	–	**87,223**	–	–	–	**87,223**
Merchandising and others	**40,103**	**32,014**	–	–	–	**72,117**
Receivables from related parties	**202,624**	–	–	–	–	**202,624**
Other receivables	**1,887,422**	–	–	–	–	**1,887,422**
Refundable deposits	–	**240,118**	**78,047**	–	–	**318,165**
Security deposits	–	–	**5,436**	–	–	**5,436**
	27,570,470	**4,880,193**	**83,483**	–	–	**32,534,146**
Financial asset at FVTPL	–	**91,810**	**76,817**	**76,817**	–	**245,444**
	27,570,470	**4,972,003**	**160,300**	**76,817**	–	**32,779,590**
Equity investment designated at FVOCI						
Quoted securities	**128,037**	–	–	–	–	**128,037**
Unquoted securities	**2,177**	–	–	–	–	**2,177**
	130,214	–	–	–	–	**130,214**
Total undiscounted financial assets	**27,700,684**	**4,972,003**	**160,300**	**76,817**	–	**₱32,909,804**
Other Financial Liabilities						
Short-term debt	–	**7,015,276**	–	–	–	**7,015,276**
Accounts and other payables*	**450,445**	**19,081,829**	**2,037,251**	–	–	**21,569,525**
Liabilities for purchased land	–	**502,591**	**1,250,337**	**82,428**	**166,787**	**2,002,143**
Long-term debt	–	**6,342,766**	**12,321,163**	**4,692,908**	**11,149,219**	**34,506,056**
Total undiscounted financial liabilities	**450,445**	**32,942,462**	**15,608,751**	**4,775,336**	**11,316,006**	**65,093,000**
Liquidity gap	**₱27,250,239**	**(₱27,970,459)**	**(₱15,448,451)**	**(₱4,698,519)**	**(₱11,316,006)**	**(₱32,183,196)**

**Excludes non-financial liabilities.*

	2017					
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 years to 3 years	Beyond 3 years	Total
Financial assets at amortized costs						
Cash in banks and cash equivalents	₱25,291,895	₱–	₱–	₱–	₱–	₱25,291,895
Receivables						
Trade:						
Real estate	8,452,326	3,265,294	1,515,710	265,003	1,871,900	15,370,233
General construction	3,532,603	137,637	1,403,264	18,493	–	5,091,997
Electricity sales	4,189,964	545,381	–	–	–	4,735,345
Coal mining	2,049,942	–	–	–	–	2,049,942
Nickel mining	5,539	27,536	–	–	–	33,075
Merchandising and others	16,752	46,617	–	–	–	63,369
Receivables from related parties	152,998	–	–	–	–	152,998
Other receivables	923,029	–	–	–	–	923,029
Security deposits	–	–	5,335	–	–	5,335
Refundable deposits	–	239,119	79,537	–	–	318,656
	44,615,048	4,261,584	3,003,846	283,496	1,871,900	54,035,874
Financial asset at FVTPL	–	82,169	48,766	44,785	43,948	219,668
	44,615,048	4,343,753	3,052,612	328,281	1,915,848	54,255,542
Equity investment designated at FVOCI						
Quoted securities	91,577	–	–	–	–	91,577
Unquoted securities	3,874	–	–	–	–	3,874
	95,451	–	–	–	–	95,451
Total undiscounted financial assets	44,710,499	4,343,753	3,052,612	328,281	1,915,848	54,350,993
Other Financial Liabilities						
Short-term debt	–	1,071,101	–	–	–	1,071,101
Accounts and other payables*	339,543	15,912,377	557,874	–	–	16,809,794
Liabilities for purchased land	–	24,356	1,937,416	63,795	194,579	2,220,146
Long-term debt	–	4,626,407	6,423,536	12,878,778	14,508,860	38,437,581
Total undiscounted financial liabilities	339,543	21,634,241	8,918,826	12,942,573	14,703,439	58,538,622
Liquidity gap	₱44,370,956	(₱17,290,488)	(₱5,866,214)	(₱12,614,292)	(₱12,787,591)	(₱4,187,629)

*Excludes non-financial liabilities.

b. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in equity prices, market prices, interest rates and foreign currency exchange rates.

The sensitivity analyses have been prepared on the following bases:

- Equity price risk - movements in equity indices
- Market price risk - movements in one-year historical coal and nickel prices
- Wholesale Electricity Spot Market (WESM) price risk - movement in WESM price for energy
- Interest rate risk – movement in market interest rate on unsecured bank loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2018 and 2017.

Equity Price Risk

The Group's equity price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity securities classified as Equity investment designated at FVOCI.

Quoted securities are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market. The Group's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each industry or sector.

The analyses below are performed for reasonably possible movements in the Philippine Stock Exchange (PSE) index for quoted shares and other sources for golf and club shares with all other variables held constant, showing the impact on equity:

	Change in variable		Effect on equity (Other comprehensive income)	
	2018	2017	**2018**	2017
PSE	**+14.42%**	+24.73%	**(₱260)**	(₱846)
	-14.42%	-24.73%	**260**	846
Others	**+47.89%**	+8.65%	**67,604**	8,384
	-47.89%	-8.65%	**(67,604)**	(8,384)

The sensitivity analyses shown above are based on the assumption that the movement in PSE composite index and other quoted equity securities will be most likely be limited to an upward or downward fluctuation of 14.42% and 47.89% in 2018 and 24.73% and 8.65% in 2017, respectively.

The Group, used as basis of these assumptions, the annual percentage change in PSE composite index and annual percentage change of quoted prices as obtained from published quotes of golf and club shares.

The impact of sensitivity of equity prices on the Group's equity excludes the impact on transactions affecting the consolidated statements of income.

Commodity Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Coal

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved. Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2018	2017
Domestic market	**43.67%**	33.51%
Export market	**56.33%**	66.49%
	100.00%	100.00%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2018 and 2017 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2018 and 2017.

	Effect on income before income tax	
Change in coal price	**2018**	2017
Based on ending coal inventory		
Increase by 21% in 2018 and 19% in 2017	**₱394,955**	₱182,729
Decrease by 21% in 2018 and 19% in 2017	**(394,955)**	(182,729)
Based on coal sales volume		
Increase by 21% in 2018 and 19% in 2017	**₱1,835,205**	₱2,814,557
Decrease by 21% in 2018 and 19% in 2017	**(1,835,205)**	(2,814,557)

WESM Price Risk
This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences discussed in Note 5.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of ₱3.35, with all variables held constant of the Group's income before taxes.

	2018	2017
Increase by 2% in average WESM price	**(₱481,800)**	(₱77,381)
Decrease by 2% in average WESM price	**219,000**	114,619

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity of the Group's income before income tax and equity to a reasonably possible change in interest rates, with all variables held constant, through the impact on floating rate borrowings:

	2018		
	Change in basis points	**Effect on income before income tax**	**Effect on equity**
Dollar floating rate borrowings	**+100 bps**	**₱23,251**	**₱16,276**
	-100 bps	**(23,251)**	**(16,276)**
Peso floating rate borrowings	**+100 bps**	**321,809**	**225,266**
	-100 bps	**(321,809)**	**(225,266)**

	2017		
	Change in basis points	Effect on income before income tax	Effect on equity
Dollar floating rate borrowings	+100 bps	(₱35,695)	(₱24,986)
	-100 bps	35,695	24,986
Peso floating rate borrowings	+100 bps	(358,171)	(250,720)
	-100 bps	358,171	250,720

The sensitivity analyses shown above are based on the assumption that the interest movements will be more likely be limited to hundred basis points upward or downward fluctuation in both 2018 and 2017. The forecasted movements in percentages of interest rates used were derived based on the Group's historical changes in the market interest rates on unsecured bank loans.

Foreign Currency Risk
Foreign currency risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's currency risks arise mainly from cash and cash equivalents, receivables, accounts and other payable, short-term loans and long-term loans of the Group which are denominated in a currency other than the Group's functional currency. The effect on the Group's consolidated statements of income is computed based on the carrying value of the floating rate receivables as at December 31, 2018 and 2017.

The Group does not have any foreign currency hedging arrangements.

The following tables demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities):

	Increase (decrease) in foreign currency rate		**Effect on income before income tax (in PHP)**	
	2018	2017	**2018**	2017
US Dollar[1]	**+0.36%**	+2.39%	**(15,596)**	(₱1,524)
	-0.36%	-2.39%	**15,596**	1,524
Japanese Yen[2]	**+2.41%**	+4.63%	**14**	52
	-2.41%	-4.63%	**(14)**	(52)
UK Pounds[3]	**+2.04%**	+9.25%	**151**	688
	-2.04%	-9.25%	**(151)**	(688)
E.M.U. Euro[4]	**+2.87%**	+8.14%	**(651)**	(58)
	-2.87%	-8.14%	**651**	58
Australian Dollar[5]	**+0.48%**	–	**(8,196)**	–
	-0.48%	–	**8,196**	–

1.The exchange rates used were ₱52.80 to $1 and ₱49.93 to $1 for the year ended December 31, 2018 and 2017, respectively.
2 The exchange rates used were ₱0.48 to ¥1 and ₱0.44 to ¥1 for the year ended December 31, 2018 and 2017, respectively.
3 The exchange rates used were ₱66.73 to £1 and ₱67.12 to £1 for the year ended December 31, 2018 and 2017, respectively.
4 The exchange rates used were ₱60.31 to €1 and ₱59.61 to €1 for the year ended December 31, 2018 and 2017, respectively.
5. The exchange rates used were ₱37.08 to AUD 1 for the year ended December 31, 2018.

Information on the Group’s foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents as of December 31, 2018 and 2017 follows:

	2018					
	U.S. Dollar	**Japanese Yen**	**UK Pounds**	**E.M.U Euro**	**Australian Dollar**	**Equivalent in PHP**
Financial assets						
Cash and cash equivalents	$9,614	¥5,882	£111	€10	$–	₱511,063
Receivables	27,168	–	–	–	46,463	3,152,004
	36,782	5,882	111	10	46,463	3,663,067
Financial liabilities						
Accounts payable and accrued expenses	(75,520)	(4,682)	–	(386)	–	(3,918,815)
Long-term loans	(44,221)	–	–	–	–	(2,325,138)
	(119,741)	(4,682)	–	(386)	–	(6,243,953)
	($82,959)	¥1,200	£111	(€376)	$46,463	(₱2,550,886)

	2017					
	U.S. Dollar	Japanese Yen	UK Pounds	E.M.U Euro	**Australian Dollar**	Equivalent in PHP
Financial assets						
Cash and cash equivalents	$71,221	¥2,548	£111	€17	–	₱3,565,150
Receivables	17,430	–	–	–	–	870,206
	88,651	2,548	111	17	–	4,435,356
Financial liabilities						
Accounts payable and accrued expenses	(15,848)	(9)	–	(29)	–	(793,023)
Long-term loans	(74,077)	–	–	–	–	(3,367,650)
	(89,925)	(9)	–	(29)	–	(4,160,673)
	($1,274)	¥2,539	£111	(€12)	–	₱274,683

The effect on the Group’s income before tax is computed on the carrying value of the Group’s foreign currency denominated financial assets and liabilities as at December 31, 2018 and 2017.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group’s maximum exposure to credit risk for the components of the consolidated statement of financial position at December 31, 2018 and 2017 is the carrying amounts except for real estate receivables. The Group’s exposure to credit risk arises from default of the counterparties which include certain financial institutions, real estate buyers, subcontractors, suppliers and various electric companies. Credit risk management involves dealing only with recognized, creditworthy third parties. It is the Group’s policy that all counterparties who wish to trade on credit terms are subject to credit verification procedures. The Treasury Department’s policy sets a credit limit for each counterparty. In addition, receivable balances are monitored on an ongoing basis. The Group’s financial assets are not subject to collateral and other credit enhancement except for real estate receivables. As of December 31, 2018 and 2017, the Group’s exposure to bad debts is significant for the power on-grid segment and those with doubtful of collection had been provided with allowance as discussed in Note 7.

Real estate contracts

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis starting 2018 is performed at each reporting date using a provision matrix to measure expected credit losses (using incurred loss model prior to adoption of PFRS 9). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 2. Title of the real estate property is only transferred to the customer if the consideration had been fully paid. In case of default, after enforcement activities, the Group has the right to cancel the sale and enter into another CTS to another customer after certain proceedings (e.g. grace period, referral to legal, cancellation process, reimbursement of previous payments) had been completed. Given this, based on the experience of the Group, the maximum exposure to credit risk at the reporting date is nil considering that fair value less cost to repossess of the real estate projects is higher than the exposure at default (i.e., recovery rate is more than 100%). The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Electricity sales

The Group earns substantially all of its revenue from bilateral contracts, WESM and from various electric companies. WESM and the various electric companies are committed to pay for the energy generated by the power plant facilities.

Under the current regulatory regime, the generation rate charged by the Group to WESM is determined in accordance with the WESM Price Determination Methodology (PDM) approved by the ERC and are complete pass-through charges to WESM. PDM is intended to provide the specific computational formula that will enable the market participants to verify the correctness of the charges being imposed. Likewise, the generation rate charged by the Group to various electric companies is not subject to regulations and are complete pass-through charges to various electric companies.

Mining

The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group’s approval, hence, mitigating the risk on collection.

The Group generally offers 80% of coal delivered payable within thirty (30) days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

Construction contracts

The credit risk for construction receivables is mitigated by the fact that the Group can resort to carry out its contractor’s lien over the project with varying degrees of effectiveness depending on the jurisprudence applicable on location of the project. A contractor’s lien is the legal right of the Group to takeover the projects-in-progress and have priority in the settlement of contractor’s receivables and claims on the projects-in-progress and have priority in the settlement of contractor’s receivables and claims on the projects in progress is usually higher than receivables from and future commitments with the project owners. Trade and retention receivables from project owners are normally high standard because of the creditworthiness of project owners and collection remedy of contractor’s lien accorded contractor in certain cases.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

Generally, trade receivables are writtenoff when deemed unrecoverable and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

Given the Group's diverse base of counterparties, it is not exposed to large concentrations of credit risk.

The information about the credit risk exposure on the Group's receivables and contract assets using a provision matrix and the credit quality of other financial assets is as follows:

	2018				
	Neither past due nor impaired			**Past due or Individually Impaired**	
	Grade A	**Grade B**	**Grade C**		**Total**
Cash in bank and cash equivalents	**₱15,465,119**	**₱–**	**₱–**	**₱–**	**₱15,465,119**
Equity investment designated at FVOCI					
Quoted	**–**	**128,037**	**–**	**–**	**128,037**
Unquoted	**–**	**2,177**	**–**	**108,211**	**110,388**
Receivables					
Trade					
Real estate	**2,075,202**	**–**	**–**	**537**	**2,075,739**
Electricity sales	**4,388,826**	**57,890**	**327,022**	**2,503,977**	**7,277,715**
General construction	**3,237,753**	**–**	**–**	**1,120,522**	**4,358,275**
Coal mining	**2,196,589**	**–**	**–**	**208,113**	**2,404,702**
Nickel mining	**58,563**	**–**	**–**	**95,670**	**154,233**
Merchandising	**72,117**	**–**	**–**	**–**	**72,117**
Receivable from related parties	**202,624**	**–**	**–**	**–**	**202,624**
Other receivables	**1,887,422**	**–**	**–**	**–**	**1,887,422**
Security deposits	**5,436**	**–**	**–**	**–**	**5,436**
Refundable deposits	**318,165**	**–**	**–**	**–**	**318,165**
Financial asset at FVTPL	**245,444**	**–**	**–**	**–**	**245,444**
Total	**30,143,260**	**188,104**	**327,022**	**4,037,030**	**34,705,416**
Allowance for expected credit losses:					
Real estate	**–**	**–**	**–**	**537**	**537**
General construction	**–**	**–**	**–**	**36,092**	**36,092**
Electricity sales	**–**	**–**	**–**	**1,541,835**	**1,541,835**
Coal mining	**–**	**–**	**–**	**41,927**	**41,927**
Nickel mining	**–**	**–**	**–**	**67,010**	**67,010**
Total allowance	**–**	**–**	**–**	**1,687,401**	**1,687,401**
Net amount	**₱30,143,260**	**₱188,104**	**₱327,022**	**₱2,349,629**	**₱33,018,015**

	2017				
	Neither past due nor impaired			Past due or Individually Impaired	
	Grade A	Grade B	Grade C		Total
Cash in bank and cash equivalents	₱25,291,895	₱–	₱–	₱–	₱25,291,895
Equity investment designated at FVOCI					
Quoted	–	91,577	–	–	91,577
Unquoted	–	3,874	–	108,211	112,085
Receivables					
Trade					
Real estate	13,009,687	765,567	73,661	1,521,855	15,370,770
Electricity sales	2,544,215	354,592	374,863	2,978,179	6,251,849
General construction	1,811,856	–	–	3,310,814	5,122,670
Coal mining	1,908,687	–	–	183,182	2,091,869
Nickel mining	4,340	–	–	95,670	100,010
Merchandising	63,369	–	–	–	63,369
Receivable from related parties	152,998	–	–	–	152,998
Other receivables	923,029	–	–	–	923,029
Security deposits	5,335	–	–	–	5,335
Refundable deposits	318,656	–	–	–	318,656
Financial asset at FVTPL	219,668	–	–	–	219,668
Total	46,253,735	1,215,610	448,524	8,197,911	56,115,780
Allowance for expected credit losses:					
Real estate	–	–	–	537	537
General construction	–	–	–	30,673	30,673
Electricity sales	–	–	–	1,516,504	1,516,504
Coal mining	–	–	–	41,927	41,927
Nickel mining	–	–	–	66,935	66,935
Total allowance	–	–	–	1,656,576	1,656,576
Net amount	₱46,253,735	₱1,215,610	₱448,524	₱6,541,335	₱54,459,204

Cash and Cash Equivalents
Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top 10 banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Equity investment designated at FVOCI
The Group's Equity investment designated at FVOCI are classified as Grade B because these assets are susceptible to untoward consequences due to the current financial positions of counterparties.

Receivables
Included under Grade A are accounts considered to be of high value and are covered with coal supply, power supply, and construction contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Grade B accounts are active accounts with minimal to regular instances of payment default, due to collection issues or due to government actions or regulations. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

For real estate receivables, and other receivables, Grade A are classified as financial assets with high credit worthiness and probability of default is minimal. While receivables under Grade B and C have favorable and acceptable risk attributes, respectively, with average credit worthiness.

Receivable from related parties are considered Grade A due to the Group's positive collection experience.

Starting 2018, an impairment analysis (using incurred loss model prior to adoption of PFRS 9 as discussed in Note 2) is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer segments with similar loss patterns (i.e., by geographical region, payment scheme, type of customers, etc.). The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Security and Refundable Deposits
Security and refundable deposits are classified as Grade A since these are to be refunded by the lessor and utility companies at the end of lease term and holding period, respectively, as stipulated in the agreements.

As of December 31, 2018 and 2017, the aging analysis of the Group's past due financial assets presented per class follows:

	2018						
	Past due but not impaired					**Past due and impaired**	
	<30 days	**30-60 days**	**61-90 days**	**91-120 days**	**>120 days**		**Total**
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**

	2017						
	Past due but not impaired					Past due and impaired	
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		Total
Receivables							
Trade							
Real estate	₱172,672	₱12,651	₱31,924	₱543,412	₱760,659	₱537	₱1,521,855
General construction	3,191,811	30,614	10,719	46,997	–	30,673	3,310,814
Electricity sales	547,767	51,089	53,048	28,768	781,003	1,516,504	2,978,179
Coal mining	40,233	–	–	101,022	–	41,927	183,182
Nickel mining	5,054	–	3,617	20,064	–	66,935	95,670
	₱3,957,537	₱94,354	₱99,308	₱740,263	₱1,541,662	₱1,656,576	₱8,089,700

The repossessed lot and residential houses are transferred back to inventory under the account Real estate for sale and held for development and are held for sale in the ordinary course of business. The total of these inventories is ₱290.94 million and ₱105.37 million at December 31, 2018 and 2017, respectively. The Group performs certain repair activities on the said repossessed assets in order to put their condition at a marketable state. Costs incurred in bringing the repossessed assets to its marketable state are included in their carrying amounts.

The Group did not accrue any interest income on impaired financial assets.

Fair Value of Financial Instruments
The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as of December 31, 2018 and 2017:

	2018		2017	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Loans and Receivables				
Cash and cash equivalents				
Cash in banks	**₱6,315,956**	**₱6,315,956**	₱7,131,799	₱7,131,799
Cash equivalents	**9,149,163**	**9,149,163**	18,160,096	18,160,096
Receivables - net				
Trade				
Real estate	**2,075,202**	**2,075,202**	15,370,233	15,201,104
General construction	**4,322,183**	**4,322,183**	5,091,997	5,091,997
Electricity sales	**5,735,880**	**5,735,880**	4,735,345	4,735,345
Coal mining	**2,362,775**	**2,362,775**	2,049,942	2,049,942
Nickel mining	**87,223**	**87,223**	33,075	33,075
Merchandising and others	**72,117**	**72,117**	63,369	63,369
Receivable from related parties	**202,624**	**202,624**	152,998	152,998
Other receivables	**1,887,422**	**1,887,422**	923,029	923,029
Security deposits	**5,436**	**5,436**	5,335	5,335
Refundable deposits	**318,165**	**318,165**	318,656	318,656
	32,534,146	**32,534,146**	54,035,874	53,866,745
Financial assets at FVTPL				
Financial assets at FVTPL	**245,443**	**245,443**	219,668	219,668
Equity investment designated at FVOCI				
Quoted securities	**128,037**	**128,037**	91,577	91,577
Unquoted securities	**2,177**	**2,177**	3,874	3,874
	375,657	**375,657**	315,119	315,119
	₱32,909,803	**₱32,909,803**	₱54,350,993	₱54,181,864
Other Financial Liabilities				
Accounts and other payables	**₱24,567,139**	**₱24,567,139**	₱16,251,920	₱16,251,920
Liabilities for purchased land	**2,002,143**	**1,748,219**	2,220,146	2,092,414
Short-term and long-term debt	**41,521,332**	**40,083,445**	39,508,682	44,196,501
	₱68,090,614	**₱66,398,803**	₱57,980,748	₱62,540,835

Financial assets
The fair values of cash and cash equivalents and receivables (except installment contract receivables) approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

The fair values of installment contracts receivables are based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables. The discount rates used for installment contracts receivable range from 3.05% to 4.91% in 2017.

Refundable deposits are carried at cost since these are mostly deposits to a utility company as a consequence of its subscription to the electricity services of the said utility company needed for the Group's residential units.

In the absence of a reliable basis of determining fair values due to the unpredictable nature of future cash flows and the lack of suitable methods in arriving at a reliable fair value, security deposits other than those pertaining to operating leases and unquoted equity investment designated at FVOCI are carried at cost less impairment allowance, if any.

Financial liabilities
The fair values of accounts and other payables and accrued expenses and payables to related parties approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Estimated fair value of long-term fixed rate loans and liabilities for purchased land are based on the discounted value of future cash flows using the applicable rates for similar types of loans with maturities consistent with those remaining for the liability being valued. For floating rate loans, the carrying value approximates the fair value because of recent and regular repricing (quarterly) based on market conditions.

The discount rates used for long term debt range from 3.05% to 4.91% in 2018 and 2017. The discount rates used for liabilities for purchased land range from 6.80% to 7.02% in 2018 and 3.03% to 4.92% in 2017.

Fair values of receivables, long-term debt, liabilities for purchased land and investment properties are based on level 3 inputs while that of quoted Equity investment designated at FVOCI and financial assets at FVTPL are from level 1 inputs.

There has been no reclassification from Level 1 to Level 2 or 3 category as of December 31, 2018 and 2017.

37. Contingencies and Commitments

SCPC - Provision for Billing Disputes
On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the ERC against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Group (MERALCO) allocation of SCPC, as provided under the Schedule W of the Asset Purchase Agreement (APA).

In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC wrote-off the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income-net' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the reconciled amount plus 6% per annum as interests. PSALM's Motion for Reconsideration on the Decision was denied by ERC on February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC 10 days to file its Comment/Opposition to PSALM's motion for reconsideration; and, (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

On July 18, 2017, the ERC issued an Order granting PSALM's Motion for Reconsideration (MR) and setting aside its Order dated 23 June 2014. In the said Order, the ERC stated that the grant of PSALM's motion is without prejudice to the filing of SCPC of the appropriate money claims with Commission on Audit (COA).

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines
Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court (Court).

Subsequently the Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.
On December 16, 2016, the Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Supreme Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.

On February 22, 2017, due to the denial with finality of PSALM's Motion for Reconsideration by the Supreme Court, SCPC filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. SCPC prayed that the MR be denied and a writ of execution be issued in favor of SCPC.

Petition for Money Claim versus PSALM before the Commission on Audit (COA)
On November 27, 2017, SCPC filed before the COA a Petition for Money Claim against PSALM for the enforcement of the Decision dated July 6, 2011 and Order dated February 13, 2012 issued by the ERC in ERC Case No. 2010-058MC, as affirmed by the Court of Appeals in its Decision dated September 4, 2012 in CA-C.R. No. 123997, and by the Supreme Court in its Decision dated December 5, 2016 in G.R. No. 204719.

On December 11, 2017, SCPC received a copy of the Order dated November 29, 2017 issued by COA directing PSALM to submit its answer to SCPC's Petition dated November 27, 2017 within fifteen (15) days from receipt thereof. Upon confirmation from the Philippine Post Office - Quezon City, PSALM received a copy of the foregoing Order on December 14, 2017. PSALM has until December 29, 2017 within which to file its answer.

As of December 31, 2017, since this case involves issues which have been settled by no less than the Supreme Court in a final and executory judgment, i.e., PSALM's liability in the principal amount of ₱ 476.70 million inclusive of VAT, the recovery of SCPC's money claim is certain. The filing of Petition with COA is for the purpose of executing the money judgment since the ERC refused to execute the same based on the rule that all money claims against the government must first be filed with the COA.

On February 7, 2018, SCPC filed with COA a Motion to Declare Respondent Power Sector Assets and Liabilities Management Corporation in Default in view of PSALM's failure to file Answer within the period provided by COA in the Order dated November 29, 2017. However, on February 15, 2018, SCPC received a copy of PSALM's Motion to Admit Attached Answer with Answer both dated February 12, 2018. In its Answer, PSALM confirmed that it had not made any payments in connection with the ERC Decision dated July 6, 2011 but contended that SCPC's prayer for payment of interest should be denied because allegedly, SCPC's Petition dated November 27, 2017 and the ERC decision failed to state as to when the interest should be counted from. On March 1, 2018, SCPC filed its reply to PSALM's answer and refuted PSALM's claim regarding imposition of interest.

On November 29, 2018, SCPC filed an Urgent Motion for Resolution with the COA praying for immediate resolution of the case. On December 14, 2018, PSALM filed its comment to SCPC Urgent Motion for Resolution raising the same arguments raised in its Answer. On Jnauary 4, 2019, SCPC filed its reply to PSALM's comment to the Urgent Motion for Resolution,

To date, the case is pending for decision with the COA.

Dispute Resolution Proceedings with MERALCO (Line Loss Rental)
On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the ERC against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC.

The total amount claimed by MERALCO against SCPC representing line loss amounts allegedly received by SCPC beginning 2009 amounts to ₱265.54 million.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013 during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial heating on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2018 the Joint Motion to Dismiss has yet to be resolved.

Temporary Restraining Order on MERALCO
On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the ERC from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including Philippine Electricity Market Corporation (PEMC), the operator of the WESM, as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof.

PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned Distribution Utilities (DUs) in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month from June 2014 to May 2016. Total payments amounted to ₱674.00 million.

On December 14, 2017, SCPC received Meralco's and ERC's Motion for Reconsideration of the Court Appeal's Decision dated December 8 and 12, 2017, respectively. Likewise, SCPC received Motions for Leave to Intervene with Motion to Admit Attach Motion for Reconsideration filed by several third parties such as Mercury Drug Corporation, Riverbanks Development Corporation, Philippine Steelmakers Association and Ateneo de Manila University, seeking intervention in the instant case and reconsideration of the Court of Appeal's Decision.

On July 30, 2018, SCPC filed its Consolidated Comment on MERALCO's and ERC's Motion for Reconsideration. On November 29, 2018, the CA directed SCPC to comment on the Motion for Leave to Intervene and to Admit Motion for Reconsideration in Intervention of the CA's decision filed by movant-intervenors PRHC Property Managers Inc. and the Philippine Stock Exchange Centre Condominium Corporation. On December 2018, SCPC instead submitted a Manifestation in lieu of a comment since the grounds relied upon by the movants are similar to the grounds to the other movants already addressed by SCPC in its Consolidated Comment and duly passed upon by the CA in its Resolution dated March 22, 2018.

In a decision dated November 7, 2018, the Court of Appeals granted SCPC's Petition and declared the ERC's Orders dated March 3, 2014, March 27, 2014 and October 15, 2014 in ERC Case No. 2014-021 as null and void for being issued in violation of the Constitution and the applicable laws.

To date, the CA has yet to resolve ERC and MERALCO'S Motion for Reconsideration.

Please see judgments and estimates in Note 3 and the related disclosures on allowance for expected credit loss in Note 7.

Power Supply Agreement with MERALCO
On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO which took effect on December 26, 2011 and shall have a term of seven (7) years, extendable upon mutual agreement by the parties for another three (3) years. Based on this agreement, SCPC shall provide MERALCO with an initial contracted capacity of 210MW and shall be increased to 420MW upon commercial operation of the plant's Unit 1. Commercial operation of plant's Unit 1 started in June 2013. On May 5, 2017, the parties mutually agreed to extend the agreement for a contracted capacity of 250MW which shall be made available by SCPC to MERALCO from December 26, 2018 to December 25, 2019 or the date of the commencement of the Major Rehabilitation of Unit 2 of the plant, whichever is earlier.

On March 12, 2012, MERALCO filed an application for the Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority, docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, ERC issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of ₱4,785.12/Kw/year. On February 8, 2013, MERALCO filed its Supplemental Motion for Partial Reconsideration with Motion for Clarification (Supplemental Motion) to include the recovery of cost of diesel not as part of the variable O&M Fee.

On May 2, 2018, the ERC issued an Order of even date, requiring submission of documentary requirements to support its Motion for Partial Reconsideration and the Supplemental Motion. On May 23, 2018, SCPC submitted its Compliance with Motion for Early Resolution to the ERC. On May 29, 2108, 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 MERALCOs prayer to adjust the approved FOM of Php4,785.12/kW-Year to PhP4,977.45/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 P1,170.44 million and P407.46 million, respectively.

On August 20, 2018, SCPC received a copy of MERALCO's Motion for Clarification with Manifestation seeking to clarify the details of the approved components of the Fixed O&M Fee, including the amounts pertaining to diesel and bunker oil. MERALCO also sought to clarify that the ERC grant of the Power Plant's Startup and Shutdown under Reimbursable Cost refers to Component E of the Payment Structure discussed in Appendix E of the PSA to avert any erroneous/invalid billing from SCPC regarding Reimbursable Costs. On August 30, 2018 MERALCO filed with the ERC its Urgent Motion for Resolution of its earlier Motion for Clarification with Manifestation.

To date, ERC has yet to resolve the pending motions filed by MERALCO.

Power Supply Agreement with MERALCO RES
On May 5, 2017, SCPC entered into a new power supply agreement with MERALCO through its retail electricity supply business segment which will take effect on June 26, 2019 and shall have a term of ten years extendable upon mutual agreement by the parties for another four years.

SCPC will be providing MERALCO RES with an initial contracted capacity of 170MW from June 26, 2019 until December 25, 2019 and will be increased to 420MW from December 26, 2019 until the end of the term.

SLPGC - Application for Approval on the Ancillary Services Procurement Agreement (ASPA) between the National Grip Corporation of the Philippines (NGCP)
On July 12, 2018, SLPGC and NGCP filed an Application for approval of the Ancillary Services Procurement Agreement, with a Prayer for the Issuance of Provisional Authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and SLPGC agreed to supply Ancillary Services in the form of Regulating Reserve under a firm and non-firm arrangement and Contingency Reserve and Dispatchable Reserve under a non-firm arrangement.

Both Companies filed their Joint Pre-trial brief and filed their Compliance with the Jurisdictional Requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed SLPGC and NGCP to submit additional documents to file its Formal Offer of Evidence.

On November 9, 2018, SLPGC and NGCP filed their Formal Offer of Evidence and Compliance.

As of this date, no decision or resolution from the ERC with regard to the parties' prayer for the issuance of Provisional Authority or the application was received.

PDI - Legal Claims
On June 16, 2015, the Supreme Court (SC) issued a temporary restraining order (TRO) that provisionally suspends the construction of the Torre de Manila, effective until further orders from the SC. Subsequently, on June 18, 2015, the Housing and Land Use Regulatory Board ("HLURB") issued an order temporarily suspending the License to Sell of PDI in respect of Torre de Manila. The order covers the temporary suspension and discontinuation of selling and advertising of units in Torre de Manila and the collection of amortization payments from unit buyers, until further orders from the HLURB. The SC ordered oral arguments for this case that commenced on July 21, 2015 and thereafter.

On April 25, 2017, the SC, in its en banc session, has dismissed the petition filed by the Order of the Knights of Rizal (OKOR) against the construction of Torre de Manila and has lifted the TRO issued on June 16, 2015. With the dismissal of OKOR's petition, PDI resumed selling and construction of the project in 2017.

Lease Commitments
Operating Lease - As Lessor
The Group entered into lease agreements with third parties covering its investment property portfolio (see Note 12). The lease agreements provide for a fixed monthly rental with an escalation of 3.00% to 10.00% annually and are renewable under the terms and condition agreed with the lessees.

As of December 31, 2018 and 2017, future minimum lease receivables under the aforementioned operating lease are as follows:

	2018	2017
Within one year	**₱17,527**	₱27,153
After one year but not more than five years	**28,608**	55,156
More than five years	**22,979**	32,605
	₱69,114	₱114,914

Operating Lease - As Lessee
The Group has a noncancellable lease agreement with a various lessors covering office premises, for seven (7) years, with escalation rate ranging from 5.00% to 10.00%. The leases are renewable under such terms and conditions that are agreed upon by the contracting parties.

As of December 31, 2018 and 2017, future minimum lease payments under the above mentioned operating lease are as follows:

	2018	2017
Within one year	**₱74,560**	₱90,521
After one year but not more than five years	**63,277**	147,746
More than five years	**12,613**	28,574
	₱150,450	₱266,841

LLA with PSALM
As discussed in Note 14, SCPC entered into a LLA with PSALM for the lease of land in which its plant is situated, for a period of 25 years, renewable for another 25 years, with the mutual agreement of both parties. In 2009, SCPC paid US$3.19 million or its peso equivalent ₱150.57 million as payment for the 25 years of rental.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Optioned assets are parcels of land that form part of the leased premises which the lessor offers for the sale to the lease.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one (1) year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the “Option” to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the “Option” and paid the Option Price amounting to US$0.32 million (₱14.72 million), exercisable within one year from the issuance of the OEN.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of ‘Property, plant and equipment’ (see Note 13).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of CTS between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sublease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM’s Board approved SCPC’s request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

As of the December 31, 2018, PSALM has yet to make any response in connection therewith.

Surety Arrangement and Guarantees
The Group is contingently liable for contractor’s guarantees arising in the ordinary course of business, including letters of guarantee for performance, surety, warranty bonds and outstanding irrevocable standby letters of credit related to its construction projects amounting to ₱6,670 million and ₱9,750 million as at December 31, 2018 and 2017, respectively.

Standby Letters of Credit
The Group has outstanding irrevocable standby letters of credit amounting to ₱6,670 million and ₱5,450 million, respectively in 2018 and 2017, from local banks which are used as bid security, performance securities and downpayments received from ongoing construction projects.

Effectivity of Revenue Regulations (RR) 1-2018
On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law introduced changes in capital income taxes, raised the excise tax rates on domestic and imported coal and made amendments to other taxes (e.g. documentaty stamp tax, personal income tax).

Contingent Assets and Contingent Liabilities
The Group is currently negotiating certain claims filed by third parties for construction related activities. It is also currently negotiating claims from third parties arising from sub-contracting activities or claims from insurance companies.

The Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The information usually required by PAS 37 is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made in 2018, 2017 and 2016 for these lawsuits and claims.

38. **Other Matters**

a. Electric Power Industry Reform Act (EPIRA)
In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates, and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Group (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that SMPC, its parent company, is a publicly listed Company.

WESM
With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act
On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole that need to be complied within 44 months from the effectivity date, subject to the approval by DENR. The Group's power plant uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group's assessment of its existing power plant facilities, the Group believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

c. Contract for the Fly Ash of the Power Plant
On April 30, 2012, SCPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). The Pozzolanic contract is valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase 100 % percent of fly ashes produced or generated by the Power Plant of SCPC.

d. Supplemental Agreement with PALECO
On January 11, 2016, DPC and PALECO signed and executed the "Supplemental Agreement to the July 25, 2012 Power Supply Agreement" for the construction and operation of the 2x4.95MW bunker-fired power plant to augment capacity of DPC's power plants in the province of Palawan. The Supplemental Agreement shall be valid and effective until such time that DPC's coal-fired power plant becomes operational. The provisions of the PSA, in so far as they are not inconsistent with the provisions of the Supplemental Agreement, shall remain valid and binding between PALECO and DPC.

The DOE, through a letter dated June 24, 2016 to the BOI has endorsed and acknowledged the 2x4.95MW bunker-fired power plant as part of DPC's augmentation plan to deliver its committed Guaranteed Dependable Capacity (GDC) under the PSA.

On November 23, 2016, the BOI issued the Certificate of Registration (COR) for the Group as New Operator of 15MW Bunker-Fired Power Plant on a Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No.226).

In the latter part of December 2016, the 2x4.95MW bunker-fired power plant started its commercial operation.

On January 5, 2017, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) relative to DPC's application for the issuance of Certificate of Compliance (COC) for its 2x4.95MW Bunker-Fired Power Plant (BFPP).

e. Energy Supply Agreement (ESA) with Sultan Kudarat Electric Cooperative, Inc. (SUKELCO)
On June 23, 2015, SUKELCO and DPC entered into an ESA wherein DPC shall construct, install, operate and maintain a 3MW Modular Diesel Power Plant in Brgy. Dukay, Esperanza, Sultan Kudarat.

The ESA has a period of three years commencing on the Commercial Operation Date (COD) and ending on the 3rd year, which may be extended for another one year pursuant to the provisions of the ESA, subject to mutual consent of the parties. The COD shall be the day upon which Oriental Mindoro Electric Cooperative (ORMECO) and DPC jointly certified that the project is capable of operating in accordance with the operating parameters, and has successfully completed all its tests in accordance with the schedules of the ESA.

f. SMPC - Special Order (SO) No. 2018-042, Series of 2017, Creation of DENR Regional Team to Conduct Investigation on the Semirara Mining and Power Corporation

On February 9, 2017, the SMPC received a Special Order (SO) No. 2018-042, Series of 2017 from Department of Environment and Natural Resources - Environment Management Bureau (DENR - EMB) Region VI. The DENR Team that was created through the SO conducted monitoring, inspection and investigation of the following in relation to the SMPC's activities in Semirara Island:

- Compliance to their ECC;
- Ambient Air and Water Monitoring of Semirara Island;
- Investigation of alleged reclamation of the Parent Company; and
- Livelihood and Community Status in Semirara Island.

In accordance with the SO, the DENR Team proceeded with the investigation, monitoring and inspection on February 9 and 10, 2017. On March 13, 2017, the DENR-EMB Region 6 provided the Parent Company with the results of the investigation without adverse findings in particularly the report noted that the Parent Company was in compliant with its ECC conditions.

g. ZDMC - Status of Mineral Production Sharing Agreements (MPSA)
On February 8, 2017, the secretary of the DENR issued an order cancelling ZDMC's MPSA. On March 2, 2017, ZDMC filed a for motion for reconsideration (MR) with the DENR from which the DENR failed to act promptly upon the lapse of substantial period. Consequently, ZDMC filed a Notice of Appeal before the Office of the President (OP) on March 31, 2017 to question the cancellation of its MPSA.

On November 12, 2018, the DENR issued a resolution modifying the order of cancellation of ZDMC's MPSA into an order suspending the mining production and shipment of ores of ZDMC subject to fulfillment of corrective measure. On November 27, 2018, ZDMC submitted the detailed action plan to DENR and was evaluated, reviewed, and approved on November 28, 2018. Upon completion of all activities stated in the action plan, and verification/acceptance thereof by DENR, the suspension of ZDMC'S operations and shipment of ores shall be lifted.

h. BNC – Updates on suspension of nickel mining operations
On June 28, 2016, BNC, received an indefinite Regional Suspension Order from Regional Office No. IV-B of MGB in connection with the discoloration of the Llabongan River which extended towards the surrounding area of the causeway within the Berong Bay.

On February 8, 2017, the DENR issued an order to BNC maintaining the suspension of its mining operations. BNC filed a motion before the Office of DENR Secretary on February 28, 2017 from which the DENR failed to act promptly upon the lapse of substantial period. Consequently, BNC filed a Notice of Appeal before the Office of the President (OP) on March 31, 2018 to question the order maintaining the suspension of its mining operations.

On July 9, 2018, the Company received a Memorandum from the DENR-EMB with regard to the issuance of a formal lifting order on BNC violation of R.A 9275 and its implementing rules and regulations upon settlement of imposed fines.

On September 14, 2018, BNC received a letter from DENR-MGB lifting the regional suspension order No. 2016-01. Through a resolution dated November 12, 2018, DENR had set aside and lifted its earlier order dated February 8, 2017 suspending BNC'S mine operations. BNC resumes its operations on the 4th quarter of 2018. .

i. Sales Agreement
BNC and ZDMC entered into various sales agreements with different customers to sell and deliver existing inventory of nickel laterite ores, which the DENR ordered to be removed to avoid environmental hazard. The selling price of the nickel laterite ores depends on its ore grading.

High grade (1.8%) and mid -grade (1.5%) are priced at US$43 and US$26, respectively. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. With the permission and upon directive of DENR, BNC and ZDMC exported a total of 0.64 million WMT and 0.53 million WMT of nickel laterite ores in 2018 and 2017, respectively.

Provisional payment covering 90% of the total amount as reflected in provisional invoice and final settlement can be made upon receipt of final invoice.

39. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2018	2017	2016
Depreciation capitalized in inventory (Note 24)	**₱892,219**	₱258,666	₱157,309
Depreciation capitalized as Mine properties, mining tools and other equipment (Note 24)	–	–	486,141
Transfer from Exploration and evaluation asset to Property, plant and equipment (Notes 13 and 14)	–	–	4,967,882

Changes in liabilities arising from financing activities

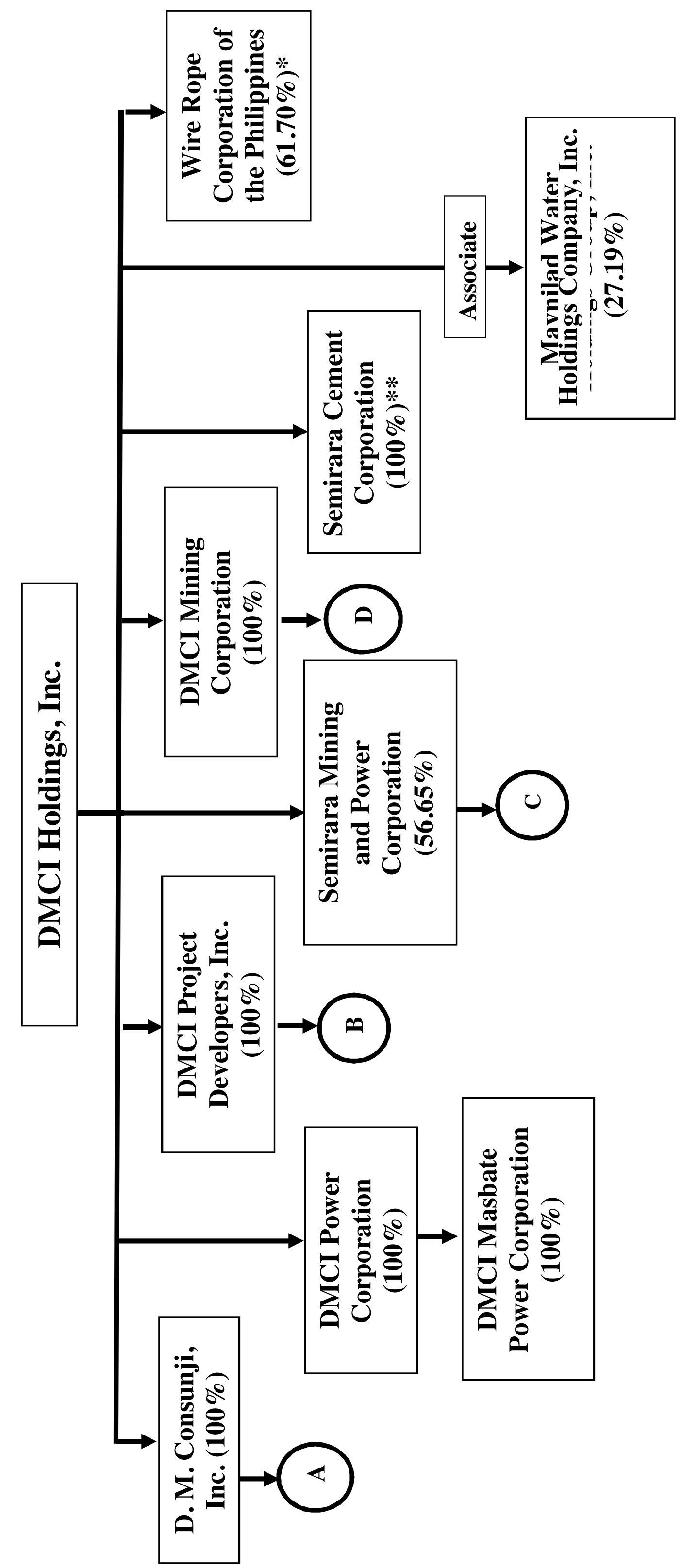
	December 31, 2017	Cash flows	Foreign exchange movement	Other	**December 31, 2018**
Short-term debt	₱1,071,101	₱5,983,232	₱–	(₱39,057)	₱7,015,276
Long-term debt*	38,437,581	(3,877,398)	22,764	(76,890)	34,506,057
Dividends	41,562	(16,767,832)	–	16,815,375	89,105
Other noncurrent liabilities	2,603,184	(3,318,122)	–	(2,056,894)	2,771,832

	December 31, 2016	Cash flows	Foreign exchange movement	Other	December 31, 2017
Short-term debt	₱2,621,109	(₱1,550,008)	₱–	₱	₱1,071,101
Long-term debt*	34,264,260	4,119,862	15,070	38,389	38,437,581
Dividends	24,476	(10,982,121)	–	10,999,207	41,562
Other noncurrent liabilities	2,969,204	(508,017)	–	(169,377)	2,603,184

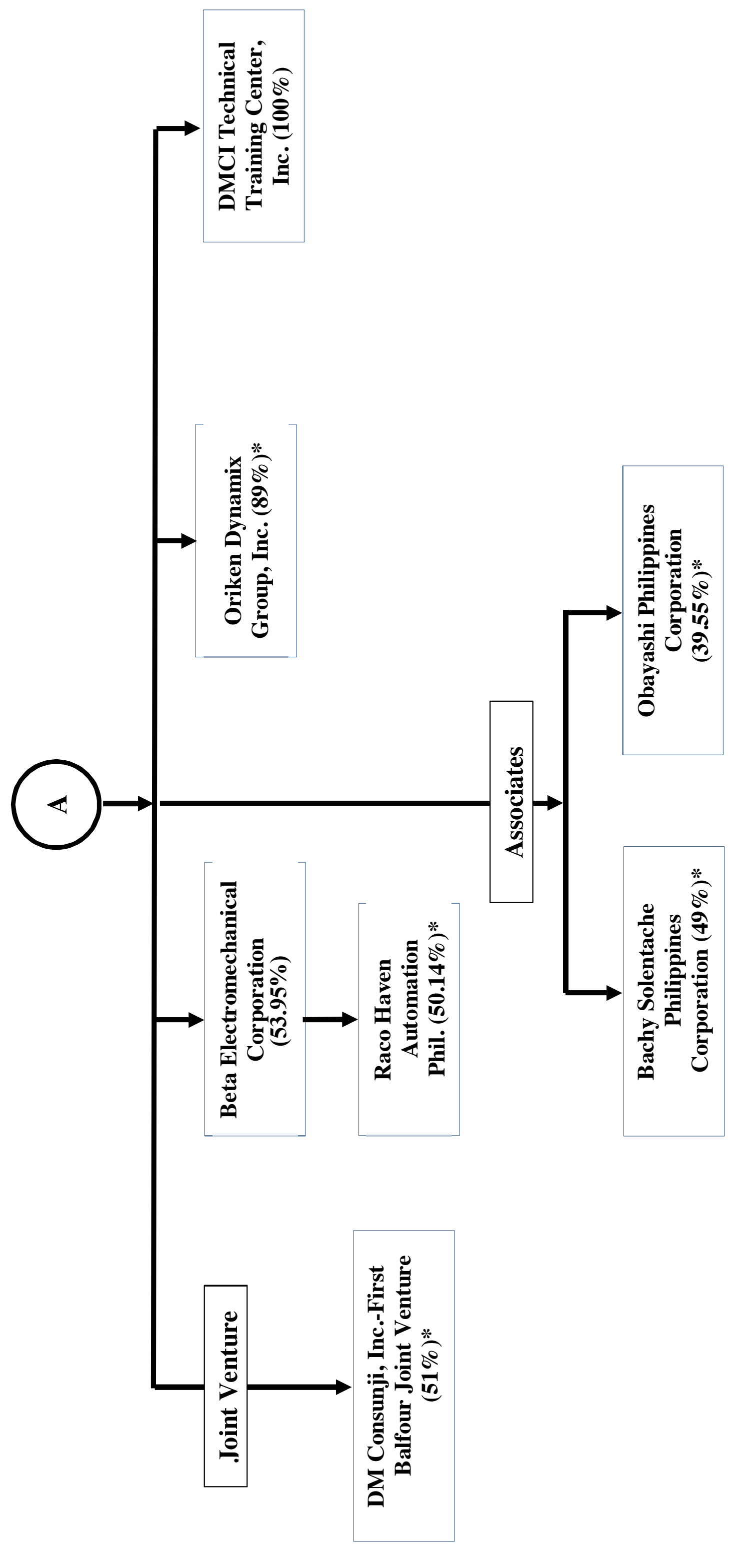
**Includes current portion*

Other changes in liabilites above includes amortization of debt issuance cost, accretion of unamortized discount and effect of change in estimate on provision for decommissioning and site rehabilitation, change in pension liabilities and dividends declared by the Parent Company and its partially-owned subsidiaries to non-controlling interest.

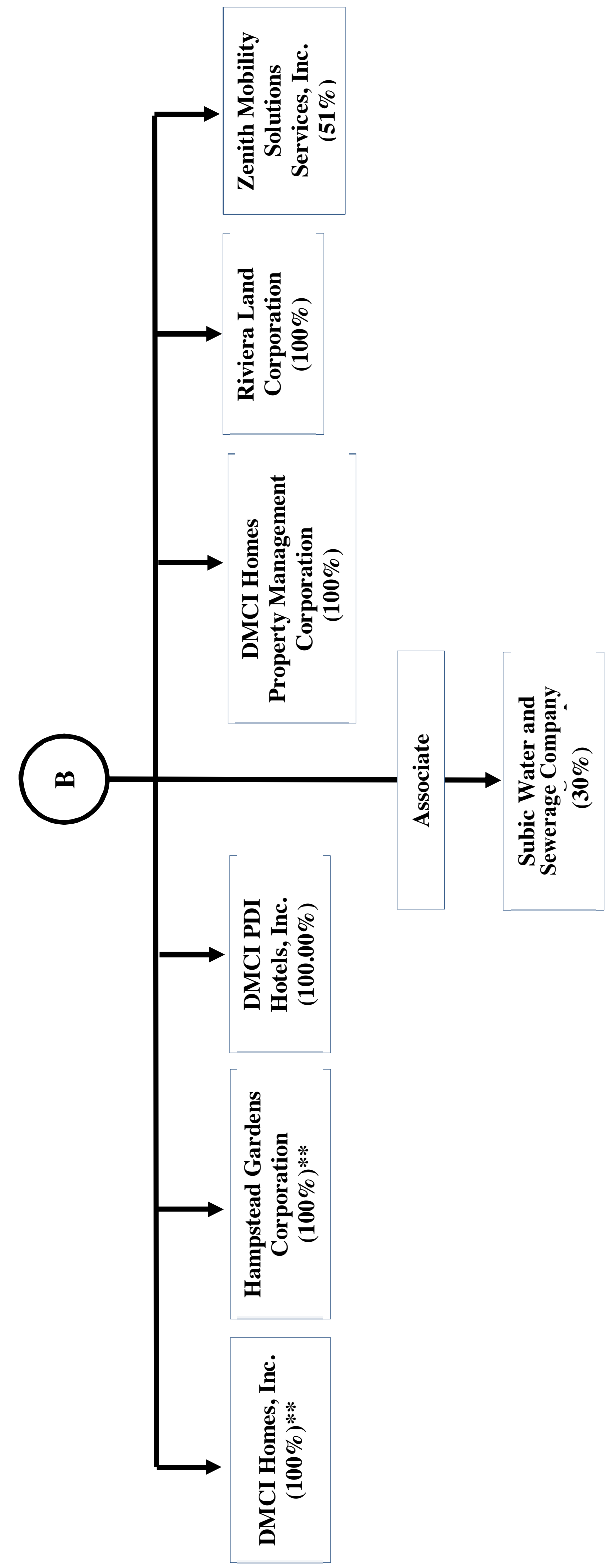
DMCI HOLDINGS, INC.
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



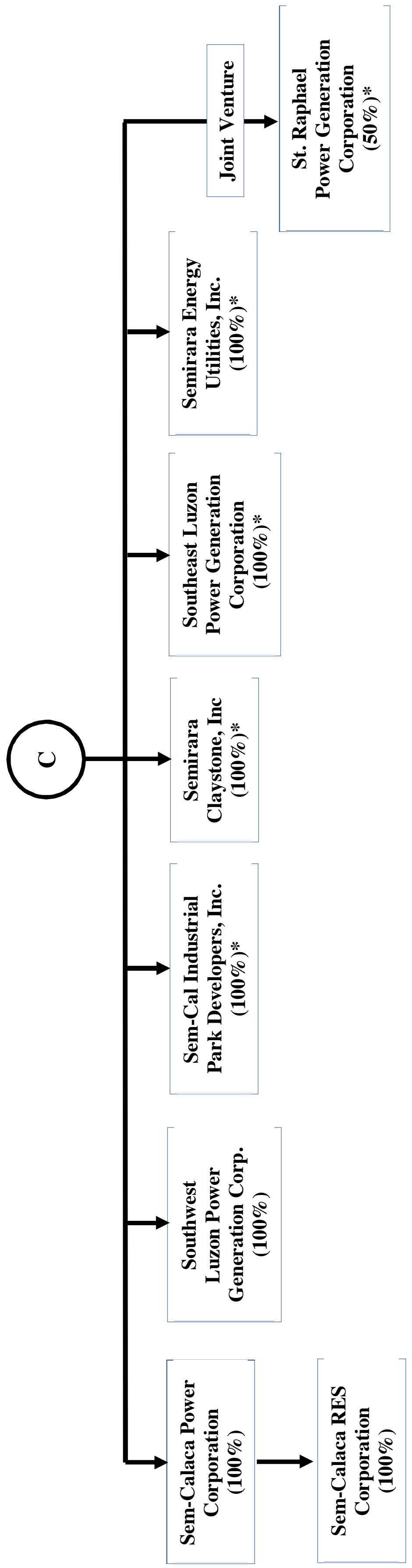
** Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.*
***Non-operating entities*



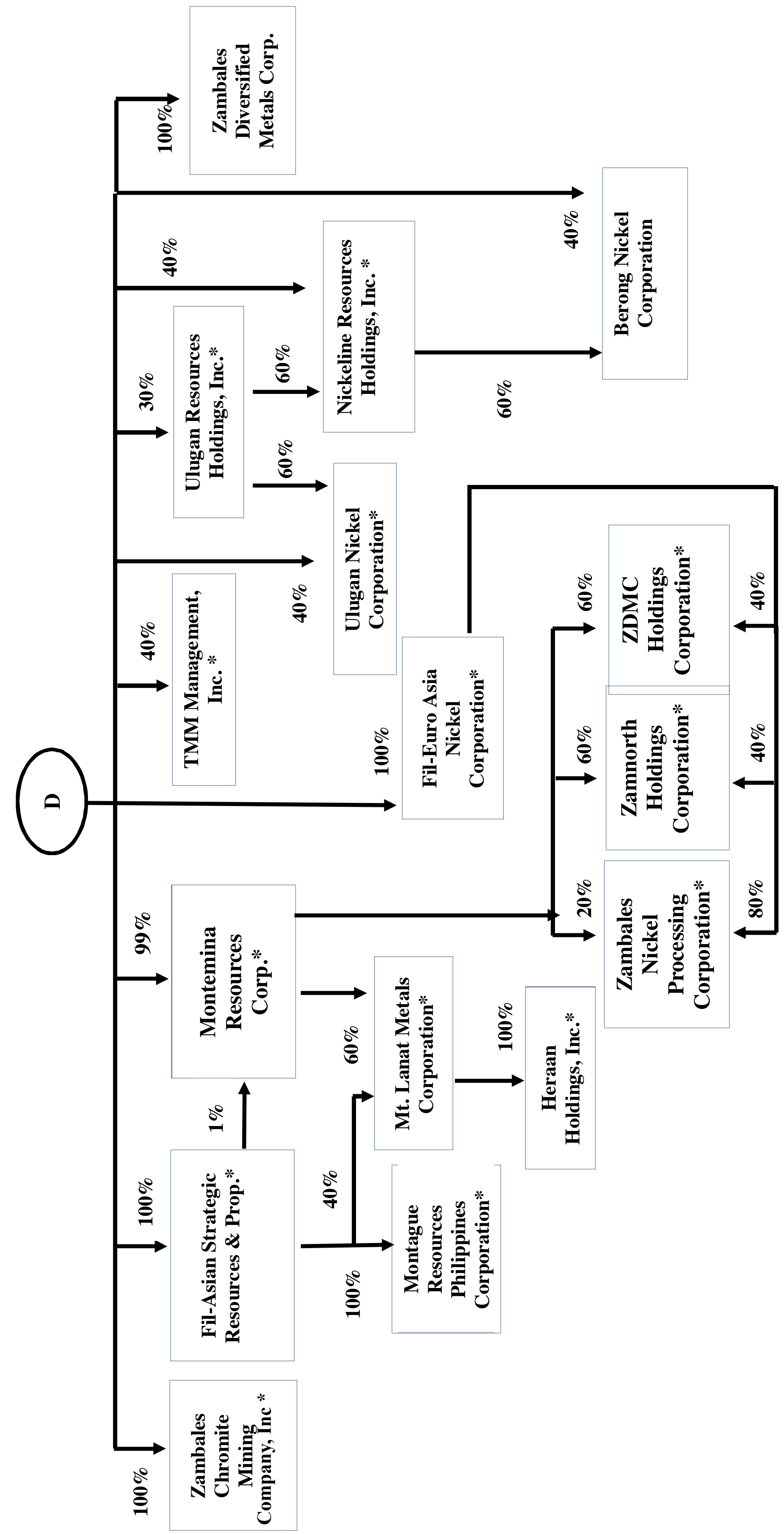
*Non-operating entities



*Includes 34.12% investment of DMCI to Riviera Land.
**Liquidating as of December 31, 2018



*Non-operating entities



*Non-operating entities

ANNEX

ADDITIONAL INFORMATION

FURTHER INFORMATION ON BOARD OF DIRECTORS

ISIDRO A. CONSUNJI, 69

Filipino, Chairman and President

BOARD APPOINTMENT
Date of appointment as Chairman: November 2014
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 23

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- Atlas Consolidated Mining and Development Corp.

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Masbate Power Corp.
- Maynilad Water Holdings Co., Inc.
- Maynilad Water Services, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation
- Sem Calaca Res Corporation (formerly DMCI Calaca Corporation)
- Semirara Claystone, Inc.
- Dacon Corporation
- DFC Holdings, Inc.
- Wire Rope Corporation of the Philippines
- Sem-Cal Industrial Park Developers, Inc.

EDUCATION
- BS Civil Engineering, University of the Philippines Diliman
- Master of Business Economics, Center for Research and Communication (now University of Asia and the Pacific)
- Master of Business Management, Asian Institute of Management (AIM)
- Advanced Management IESE School, Barcelona, Spain

CIVIC AFFILIATIONS
- Philippine Overseas Construction Board, Chairman
- Construction Industry Authority of the Philippines, Board Member
- AIM, Trustee
- Philippine Constructors Association, Past President
- Philippine Chamber of Coal Mines, Past President
- AIM Alumni Association, Member
- UP Alumni Engineers, Member
- UP Aces Alumni Association, Member

CESAR A. BUENAVENTURA, 89

Filipino, Vice Chairman
Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 23

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- iPeople, Inc.
- Petroenergy Resources Corporation
- Pilipinas Shell Petroleum Corporation
- Concepcion Industrial Corporation
- International Container Terminal Services, Inc. (ICTSI)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.

EDUCATION
- BS Civil Engineering
  University of the Philippines Diliman
- MS Civil Engineering, Major in Structures
  Lehigh University, Bethlehem, Pennsylvania, USA (Fulbright Scholar)

CIVIC AFFILIATIONS
- Makati Business Club, Founding Member and Former Trustee
- University of the Philippines, Former Regent
- AIM Former Trustee
- Benigno Aquino Foundation, Past President
- Pilipinas Shell Foundation, Founding Chairman
- Bloomberry Cultural Foundation, Trustee
- ICTSI Foundation Inc., Trustee

SPECIAL RECOGNITION
- Honorary Officer, Order of the British Empire (OBE) by Her Majesty Queen Elizabeth II
- MAP Management Man of the Year 1985
- One of the top 100 graduates of the University of the Philippines College of Engineering in its 100-year history

PRIOR GOVERNMENT POSITION
- Monetary Board of the Central Bank of the Philippines, Member

HERBERT M. CONSUNJI, 66

Filipino, Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 23

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- Maynilad Water Holdings Co., Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation
- Sem Calaca Res Corporation (formerly DMCI Calaca Corporation)
- Subic Water & Sewerage Co. Inc.
- Sem-Cal Industrial Park Developers, Inc.

EDUCATION
- B.S. Commerce Major in Accounting
  De La Salle University, Manila
- Top Management Program
  Asian Institute of Management

CIVIC AFFILIATIONS
- Philippine Institute of Certified Public Accountants, Member
- Financial Executives Institute of the Philippines, Member
- Shareholders' Association of the Philippines, Member

MA. EDWINA C. LAPERAL, 57

Filipino, Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995 (until July 2006)
Date of re-appointment as a Director: July 2008
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 21

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

EDUCATION
- B.S. Architecture
  University of the Philippines Diliman
- Master in Business Administration
  University of the Philippines Diliman
- Certificate in Strategic Business Economics
  Center for Research and Communication (now UA&P)

CIVIC AFFILIATIONS
- Institute of Corporate Directors Inc., Fellow
- UP College of Architecture Alumni Foundation Inc., Member
- United Architects of the Philippines, Member
- Guild of Real Estate Entrepreneurs and Professionals* (GREENPRO), Member

* formerly Society of Industrial-Residential-Commercial Realty Organizations

VICTOR A. CONSUNJI, 68*
Filipino, Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 24

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Masbate Power Corp.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation
- Sem Calaca Res Corporation (formerly DMCI Calaca Corporation)
- Dacon Corporation
- DFC Holdings, Inc.
- Wire Rope Corporation of the Philippines

EDUCATION
- A.B. Political Science
  Ateneo de Davao University

JORGE A. CONSUNJI, 67
Filipino, Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: March 1995
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 24

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- D.M. Consunji, Inc.
- DMCI Project Developers, Inc.
- DMCI Mining Corporation
- DMCI Power Corporation
- DMCI Masbate Power Corp.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation
- Maynilad Water Holdings Co., Inc.
- Maynilad Water Services, Inc.
- Dacon Corporation
- DFC Holdings, Inc.
- Wire Rope Corporation of the Philippines

EDUCATION
- B.S. Industrial Management Engineering
  De La Salle University, Manila
- Advanced Management Program Seminar
  University of Asia and the Pacific
- Top Management Program
  Asian Institute of Management

CIVIC AFFILIATIONS
- Construction Industry Authority of the Philippines, Board Member
- ASEAN Constructors Federation, Former Chairman
- Philippine Constructors Association, Past President/Chairman
- Philippine Contractors Accreditation Board, Former Chairman
- Association of Carriers & Equipment Lessors, Past President

* deceased 27 December 2018

LUZ CONSUELO A. CONSUNJI, 65
Filipino, Non-Executive Director

BOARD APPOINTMENT
Date of first appointment as a Director: July 2015
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 3

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- Dacon Corporation

EDUCATION
- Bachelor's Degree in Commerce, Major in Management
  Assumption College
- Master in Business Economics
  University of Asia and the Pacific

CIVIC AFFILIATIONS
- Missionaries of Mary Mother of the Poor, Treasurer

HONORIO O. REYES-LAO, 74
Filipino, Independent Director

BOARD APPOINTMENT
Date of first appointment as a Director: July 2009
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 5*

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- Semirara Mining and Power Corporation (within Company Group)
- Philippine Business Bank

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- DMCI Project Developers, Inc.
- Sem-Calaca Power Corporation
- Southwest Luzon Power Generation Corporation

EDUCATION
- BA Major in Economics
  De La Salle University
- BS Commerce, Major in Accounting
  De La Salle University
- Master 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

* based on SEC Circular No. 9-2011 which took effect on 02 January 2012

ANTONIO JOSE U. PERIQUET, 57

Filipino, Independent Director

BOARD APPOINTMENT
Date of first appointment as a Director: August 2010
Date of last re-election as a Director: 15 May 2018
Length of service as a Director: 5*

PRESENT DIRECTORSHIPS IN LISTED COMPANIES
- ABS-CBN Corporation
- Ayala Corporation
- Bank of the Philippine Islands
- Max's Group, Inc.
- Philippine Seven Corporation

OTHER DIRECTORSHIPS WITHIN COMPANY GROUP
- Nil

EDUCATION
- AB Economics
  Ateneo de Manila University
- Master of Science (Economics)
  Oxford University, United Kingdom
- Master in Business Administration
  Darden Graduate School of Business Administration
  University of Virginia, USA

CIVIC AFFILIATIONS
- Global Advisory Council Darden Graduate School
  of Business Administration
  University of Virginia, Member
- Philippine Jesuit Provincial Finance Committee,
  Member
- Lyceum of the Philippines University, Trustee

* based on SEC Circular No. 9-2011 which took effect on 02 January 2012

DMCI HOLDINGS KEY OFFICERS

ISIDRO A. CONSUNJI
Chairman and President

Appointed President of the Company in March 1995. He concurrently holds top management positions in various DMCI Holdings subsidiary companies.

A civil engineering graduate from the University of the Philippines in Diliman, he pursued further studies at the Center for Research and Communication (Master of Business Economics), Asian Institute of Management (Master of Business Management) and IESE Business School in Barcelona, Spain (Advanced Management Program).

HERBERT M. CONSUNJI
Executive Vice President and Chief Finance Officer

Also serves as Chief Compliance Officer of the Company. He concurrently occupies senior management positions in various DMCI subsidiary and affiliate companies. A Certified Public Account, he graduated from De La Salle University in Manila with a degree in Commerce Major in Accounting.

MA. EDWINA C. LAPERAL
Treasurer

Concurrently holds Treasury positions in a number of DMCI Holdings subsidiary companies. After completing a BS Architecture degree from the University of the Philippines in Diliman, she obtained a Master in Business Administration degree from the same university and an Executive Certificate for Strategic Business Economics from the University of Asia and the Pacific.

MARIA CRISTINA C. GOTIANUN
Assistant Treasurer

Also holds executive positions in various DMCI Holdings subsidiary companies. A Business Economics graduate from the University of the Philippines in Diliman, she also completed further studies in Spanish from Instituto de Cultura Hispanica in Madrid, Spain and Strategic Business Economics from the University of Asia & the Pacific.

DR. VICTOR S. LIMLINGAN
Managing Director

Appointed as Managing Director in February 2009, he is a published author and recognized professor at the Asian Institute of Management. A Bachelor of Arts (major in engineering) graduate of the Ateneo de Manila University, he earned his Master in Business Management from the same university and received his Doctor of Business Administration from Harvard Business School.

BRIAN T. LIM
Vice President and Senior Finance Officer

Appointed Vice President and Senior Finance Officer in November 2016. A former Auditor at SGV, he graduated with a BS Accountancy degree from University of St. La Salle and topped the Certified Public Accountant Board Exam in May 2007.

CHERUBIM O. MOJICA
Vice President and Corporate Communications Officer

Appointed Vice President for Corporate Communications in November 2016. A Communication Research (cum laude) and Industrial Relations graduate from the University of the Philippines-Diliman, she served as Corporate Communications Head of Maynilad Water Services, Inc. from October 2008 to September 2014.

TARA ANN C. REYES
Investor Relations Officer

Joined the Company in January 2013 as Investor Relations Officer. She trained with Metro Pacific Investment Corporation's Financial Forecasting Division for eight (8) months.

SHAREHOLDING STATISTICS

DMCI Holdings has 13,277,470,000 outstanding shares as of 31 December 2018, with the top 20 shareholders as follows:

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

EFFECTIVE PERCENTAGES OF OWNERSHIP

		2018			2017		
	Nature of Business	Direct	Indirect	Effective Interest	Direct	Indirect	Effective Interest
General Construction:							
D.M. Consunji, Inc. (DMCI)	General Construction	**100.00**	**–**	**100.00**	100.00	–	100.00
Beta Electromechanical Corporation (Beta Electric) [1]	General Construction	**–**	**53.95**	**53.95**	–	53.95	53.95
Raco Haven Automation Philippines, Inc (Raco) [1]	Non- operational	**–**	**50.14**	**50.14**	–	50.14	50.14
Oriken Dynamix Group, Inc. (Oriken) [1]	Non- operational	**–**	**89.00**	**89.00**	–	89.00	89.00
DMCI Technical Training Center (DMCI Training) [1]	Services	**–**	**100.00**	**100.00**	–	100.00	100.00
Real Estate:							
DMCI Project Developers, Inc. (PDI)	Real Estate Developer	**100.00**	**–**	**100.00**	100.00	–	100.00
Riviera Land Corporation (Riviera) [2]	Real Estate Developer	**–**	**100.00**	**100.00**	–	100.00	100.00
DMCI-PDI Hotels, Inc. (PDI Hotels) [2]	Hotel Operator	**–**	**100.00**	**100.00**	–	100.00	100.00
DMCI Homes Property Management Corporation (DPMC) [2]	Property Management	**–**	**100.00**	**100.00**	–	100.00	100.00
Zenith Mobility Solutions Services, Inc. [2]	Services	**–**	**51.00**	**51.00**	–	51.00	51.00
Hampstead Gardens Corporation (Hampstead) [2]	Real Estate Developer	**–**	**100.00**	**100.00**	–	100.00	100.00
DMCI Homes, Inc. (DMCI Homes) [2*]	Marketing Arm	**–**	**100.00**	**100.00**	–	100.00	100.00
Coal Mining:							
Semirara Mining and Power Corporation (SMPC)	Mining	**56.65**	**–**	**56.65**	56.65	–	56.65
On-grid Power:							
Sem-Calaca Power Corporation (SCPC) [3]	Power Generation	**–**	**56.65**	**56.65**	–	56.65	56.65
Southwest Luzon Power Generation Corporation (SLPGC) [3]	Power Generation	**–**	**56.65**	**56.65**	–	56.65	56.65
Sem-Calaca RES Corporation (SCRC) [3]	Retail	**–**	**56.65**	**56.65**	–	56.65	56.65
SEM-Cal Industrial Park Developers, Inc. (SIPDI) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65
Semirara Energy Utilities, Inc. (SEUI) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65
Southeast Luzon Power Generation Corporation (SeLPGC) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65
Semirara Claystone, Inc. (SCI) [3]	Non-operational	**–**	**56.65**	**56.65**	–	56.65	56.65
Off-grid Power:							
DMCI Power Corporation (DPC)	Power Generation	**100.00**	**–**	**100.00**	100.00	–	100.00
DMCI Masbate Power Corporation (DMCI Masbate) [4]	Power Generation	**–**	**100.00**	**100.00**	–	100.00	100.00
Nickel Mining:							
DMCI Mining Corporation (DMC)	Mining	**100.00**	**–**	**100.00**	100.00	–	100.00
Berong Nickel Corporation (BNC) [5]	Mining	**–**	**74.80**	**74.80**	–	74.80	74.80
Ulugan Resouces Holdings, Inc. (URHI) [5]	Holding Company	**–**	**30.00**	**30.00**	–	30.00	30.00
Ulugan Nickel Corporation (UNC) [5]	Holding Company	**–**	**58.00**	**58.00**	–	58.00	58.00
Nickeline Resources Holdings, Inc. (NRHI) [5]	Holding Company	**–**	**58.00**	**58.00**	–	58.00	58.00
TMM Management, Inc. (TMM) [5]	Services	**–**	**40.00**	**40.00**	–	40.00	40.00
Zambales Diversified Metals Corporation (ZDMC) [5]	Mining	**–**	**100.00**	**100.00**	–	100.00	100.00
Zambales Chromite Mining Company, Inc. (ZCMC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Fil-Asian Strategic Resources & Properties Corporation (FASRPC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Montague Resources Philippines Corporation (MRPC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Montemina Resources Corporation (MRC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Mt. Lanat Metals Corporation (MLMC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Fil-Euro Asia Nickel Corporation (FEANC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Heraan Holdings, Inc. (HHI) [5]	Holding Company	**–**	**100.00**	**100.00**	–	100.00	100.00
Zambales Nickel Processing Corporation (ZNPC) [5]	Non-operational	**–**	**100.00**	**100.00**	–	100.00	100.00
Zamnorth Holdings Corporation (ZHC) [5]	Holding Company	**–**	**100.00**	**100.00**	–	100.00	100.00
ZDMC Holdings Corporation (ZDMCHC) [5]	Holding Company	**–**	**100.00**	**100.00**	–	100.00	100.00
Manufacturing:							
Semirara Cement Corporation (SemCem)	Non-operational	**100.00**	**–**	**100.00**	100.00	–	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Manufacturing	**45.68**	**16.02**	**61.70**	45.68	16.02	61.70

* Liquidating as of December 31, 2018
[1] DMCI's subsidiaries
[2] PDI's subsidiaries
[3] SMPC's subsidiaries
[4] DPC's subsidiaries
[5] DMC's subsidiaries

SUBSIDIARIES AND AFFILIATE KEY OFFICERS

(As of December 31, 2018)

D.M. CONSUNJI, INC.

ENGINEERS • CONTRACTORS

ISIDRO A. CONSUNJI
Chairman

JORGE A. CONSUNJI
President and CEO

MARIA CRISTINA C. GOTIANUN
Vice President and Chief Finance Officer

EDWINA C. LAPERAL
Treasurer

DAVID R. VILLAVIRAY
Managing Director

CHRISTOPHER R. RODRIGUEZ
Deputy Managing Director and Energy Business Unit Head

REBECCA E. CIVIL
Senior Vice President, Business Strategy and Development

GERRY L. PUNZAL
Senior Vice President, Building Business Unit

RONALDO R. ELEPAÑO, JR.
Senior Adviser, Business Development

JESUS V. PRINDIANA
Senior Adviser, Infrastructure Business Unit

TEDDY A. IRENEA
Senior Adviser, Special Projects Business Unit

RUSTOM R. FRONDOZA
Senior Adviser, Equipment Management Division

GERARDO S. ANCHETA, JR.
Vice President, Technical Services and Business Development (Rails)

DWIGHT A. TAALA
Vice President, Infrastructure Business Unit

FRANCISCO M. ZALAMEDA, JR.
Vice President, Concrete Products Business Unit

JOFFREY B. GACULA
Vice President, Energy Business Unit (Deputy Head)

FRANCES GRACE B. MERCADO
Vice President, Investments

LEONILA C. ALABASTRO
Vice President, Finance

JESUS T. CAMMAYO, JR.
Assistant Vice President, Technical Services

VINCENT RAMON A. ALMACEN
Assistant Vice President, Infrastructure Business Unit Operations

ERICH GO
Assistant Vice President, Supply Chain Management

JUAN JOSE C. LARAGAN
Assistant Vice President, Utilities and Plants Business Unit

GERALDINE G. GARDINER
Legal Compliance Officer

DMCI HOMES

ISIDRO A. CONSUNJI
Chairman

ALFREDO R. AUSTRIA
President

ELMER G. CIVIL
Senior Vice President, Construction and Post Construction

MA. EDWINA C. LAPERAL
Senior Vice President and Treasurer

FLORANTE C. OFRECIO
Senior Vice President, Sales

ENRICO C. WONG
Senior Vice President, DMCI Property Management Corporation General Services, Leasing Management, Purchasing and Alta Vista de Boracay

EVANGELINE H. ATCHIOCO
Vice President, Finance

ADRIAN CRISANTO M. CALIMBAS
Vice President, Design, Engineering and Asset Disposal

ATTY. ROEL A. PACIO
Vice President, Legal and Permits

MA. SEVERINA M. SORIANO
Vice President, Architectural and Interior Design

JONATHAN DAVID C. BOTE
Assistant Vice President, Sales

JESUS MA. A. FERRER
Assistant Vice President, Information Technology and Asset Management

JOSEPHINE C. ISIDRO
Assistant Vice President, Quality Management System, Environment, Health & Safety, Data Protection, and Business Process Unit

FLORENCE L. LORETO
Assistant Vice President, Business Development

TERESA P. TIONGSON
Assistant Vice President, Human Resources

JANUEL MIKEL O. VENTURANZA
Assistant Vice President, Marketing, Customer Care and Corporate Planning

DENNIS O. YAP
Assistant Vice President, Project Development

SEMIRARA MINING & POWER CORPORATION

ISIDRO A. CONSUNJI
Chairman and CEO

VICTOR A. CONSUNJI*
Vice Chairman, President and COO

MARIA CRISTINA C. GOTIANUN
Executive Vice President and Chief Information Officer

RUBEN P. LOZADA
Vice President, Coal Operations and Resident Manager

JUNALINA S. TABOR
Vice President and Chief Finance Officer

JAIME B. GARCIA
Vice President, Procurement and Logistics

JOSE ANTHONY T. VILLANUEVA
Vice President, Marketing–Coal

ANDREO O. ESTRELLADO
Vice President, Commercial and Market Operations

ANTONIO R. DELOS SANTOS
Vice President, Treasury

ATTY. JOHN R. SADULLO
Vice President, Legal and Corporate Secretary

NENA D. ARENAS
Vice President, Chief Governance Officer and Compliance Officer

CARLA CRISTINA T. LEVINA
Vice President, Chief Audit Executive

JOJO L. TANDOC
Vice President, Human Resources and Organizational Development

SHARADE E. PADILLA
Assistant Vice President, Investor and Banking Relations

KARMINE ANDREA B. SAN JUAN
Assistant Vice President, Corporate Planning–Power

TERESITA B. ALVAREZ
Head, Information and Communications Technology

MARK R. HERNANDEZ
Information Security Officer and Data Privacy Officer

DMCI POWER CORPORATION

ISIDRO A. CONSUNJI
Chairman

VICTOR A. CONSUNJI*
Vice Chairman

NESTOR D. DADIVAS
President

ANTONINO E. GATDULA, JR.
Senior Vice President, Accounting and Finance

MARIA CRISTINA C. GOTIANUN
Treasurer

HENRY V. ALCALDE
Vice President, Operations and Maintenance

MARICHU O. DEE
Vice President, Treasury and Risk Management

LOIDES C. CASTRO
Vice President, Project Development and Data Protection Officer

DMCI MINING CORPORATION

ISIDRO A. CONSUNJI
Chairman

CESAR F. SIMBULAN, JR.
President

ALDRIC G. BORLAZA
Vice President, Human Resources and Administration and Chief Finance Officer

TULSI DAS C. REYES
Vice President, Business Development and Marketing

HERBERT M. CONSUNJI
Treasurer

ATTY. MIRACLE JOY P. SEVILLA
Data Protection Officer

Maynilad

MANUEL V. PANGILINAN
Chairman

ISIDRO A. CONSUNJI
Vice Chairman

RAMONCITO S. FERNANDEZ
President and Chief Executive Officer

RANDOLPH T. ESTRELLADO
Chief Operating Officer

RICARDO F. DELOS REYES
Chief Finance Officer

CHRISTOPHER J. LICHAUCO
Head, Customer Experience and Retail Operations

JOHN PATRICK C. GREGORIO
Head, Commercial and Marketing

FRANCISCO C. CASTILLO
Head, Information Technology Services

LOURDES MARIVIC P. ESPIRITU
Head, Legal and Regulatory Affairs

IRINEO L. DIMAANO
Head, Central Non-Revenue Water

ANTONIO F. GARCIA
Head, Wastewater Management

YOLANDA C. LUCAS
Head, Program Management

MARCOS D. DE JESUS
Head, Technical Services

RONALDO C. PADUA
Head, Water Supply Operations

ARTURO CELSO D. BARANDA
Head, Supply Chain Management

ATTY. ROEL S. ESPIRITU
Head, Corporate Quality, Environment, Safety and Health

ERIC J. MONTES
Head, Integrated Asset Management

MARTIN B. DE GUZMAN
Head, Human Resources

JOSE RIZAL O. BATILES
Head, Enterprise Risk Management and Internal Audit

ATTY. NINA GUILBERT
Data Privacy Officer

* deceased 27 December 2018

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WE USE KODAK SONORA PROCESS FREE PLATES

The DMCI Holdings, Inc. Integrated Annual Report 2018 is printed on FSC-certified paper. We used Kodak Sonora process-free plates, soy-based ink and a Heidelberg carbon neutral press in the printing of this report.

CORPORATE INFORMATION

DMCI Holdings, Inc.
3rd Floor, Dacon Building
2281 Chino Roces Avenue, Makati City,
Metro Manila, Philippines

Tel (632) 888 3000
Fax (632) 816 7362
Website http://www.dmciholdings.com

Investor Relations
3rd Floor, Dacon Building
2281 Chino Roces Avenue, Makati City,
Metro Manila, Philippines

Tel (632) 888 3000 local 1023
Fax (632) 816 7362
Email investors.dmciholdings@gmail.com

Legal Counsel
Castillo Laman Tan Pantaleon &
San Jose Law Offices
4th Floor, The Valero Tower
122 Valero Street, Salcedo Village
Makati City, Metro Manila, Philippines

Tel (632) 810 4371 and 817 2724
Fax (632) 819 2724, 819 2725 and 817 5938

Stock Transfer Agent
Stock Transfer Service, Inc.
34th Floor, Rufino Plaza
Ayala Avenue, Makati City
Metro Manila, Philippines

Tel (632) 403 2410 and 403 2412
Fax (632) 403 2414

SUBSIDIARY AND AFFILIATE DIRECTORY

D.M. Consunji, Inc.
DMCI Plaza Bldg.
2281 Chino Roces Avenue, Makati City,
Metro Manila, Philippines

DMCI Homes
DMCI Homes Corporate Center
1321 Capt. Apolinario St., Brgy. Bangkal
Makati City, Metro Manila, Philippines

Semirara Mining and Power Corporation
2nd Floor, DMCI Plaza
2281 Chino Roces Avenue, Makati City,
Metro Manila, Philippines

DMCI Power Corporation
3rd Floor, DMCI Plaza
2281 Chino Roces Avenue, Makati City,
Metro Manila, Philippines

DMCI Mining Corporation
3rd Floor, DMCI Homes Corporate Center
321 Capt. Apolinario St., Brgy. Bangkal
Makati City, Metro Manila, Philippines

Maynilad Water Services Inc.
Maynilad Building
MWSS Compound, Katipunan Avenue
Balara, Quezon City, Philippines

www.dmciholdings.com.