

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of DMCI Holdings, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

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



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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of DMCI Holdings, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

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

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia

Partner

CPA Certificate No. 90787

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

May 12, 2015, valid until May 11, 2018

Tax Identification No. 162-410-623

BIR Accreditation No. 08-001998-74-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621337, January 9, 2018, Makati City

March 8, 2018



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of DMCI Holdings, Inc. (the Parent Company) as at and for the years ended December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 and have issued our report thereon dated March 8, 2018. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The schedules listed in the Index to the Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic parent company financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia
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March 8, 2018



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 16)	₱8,501,644,144	₱5,053,746,087
Receivables (Notes 5, 11 and 16)	2,031,544,138	2,228,479,649
Other current assets	18,077,036	15,092,191
Total Current Assets	10,551,265,318	7,297,317,927
Noncurrent Assets		
Investments in subsidiaries and associates (Note 6)	15,449,837,512	15,449,837,512
Investment properties (Note 7)	21,649,474	21,649,474
Property and equipment (Note 8)	12,032,712	14,549,594
Pension assets (Note 12)	46,579,729	49,684,240
Other noncurrent assets	11,559,410	6,025,283
Total Noncurrent Assets	15,541,658,837	15,541,746,103
	₱26,092,924,155	₱22,839,064,030
LIABILITIES AND EQUITY		
Current Liability		
Accounts and other payables (Notes 9 and 16)	₱5,190,422	₱27,129,023
Noncurrent Liabilities		
Deferred tax liability (Note 15)	13,973,919	14,925,729
Other noncurrent liabilities	1,000,000	1,000,000
Total Noncurrent Liabilities	14,973,919	15,925,729
Total Liabilities	20,164,341	43,054,752
Equity		
Capital stock (Notes 10 and 16)	13,277,473,780	13,277,473,780
Additional paid-in capital (Notes 10 and 16)	4,672,393,925	4,672,393,925
Retained earnings (Notes 10 and 16)	8,115,400,741	4,836,586,278
Remeasurement gains on retirement plan - net (Notes 12 and 15)	7,491,368	9,555,295
Total Equity	26,072,259,814	22,796,009,278
	₱26,092,924,155	₱22,839,064,030

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	2017	2016	2015
INCOME			
Dividend income (Notes 6 and 11)	₱9,627,899,386	₱6,348,634,046	₱4,913,419,015
Interest income (Note 14)	129,028,886	96,047,480	78,783,175
Management fees (Note 11)	4,200,000	4,200,000	4,200,000
Reversal of allowance for doubtful accounts (Notes 5 and 11)	519,634	–	–
Gain on sale of property and equipment and investment property - net (Notes 7, 8 and 11)	262,120	348,214	4,759,050
Foreign currency exchange gains - net	–	494,519	7,634,024
Pension income (Note 12)	–	430,461	791,316
Gain on sale of investments in associates (Note 6)	–	–	307,970,330
	9,761,910,026	6,450,154,720	5,317,556,910
COSTS AND EXPENSES			
General and administrative expenses (Note 13)	84,469,326	70,471,119	67,689,335
Pension expense (Note 11)	156,044	–	–
Loss on liquidation of subsidiary (Note 6)	–	2,590,385,419	–
	84,625,370	2,660,856,538	67,689,335
INCOME BEFORE INCOME TAX	9,677,284,656	3,789,298,182	5,249,867,575
PROVISION FOR INCOME TAX (Note 15)	25,284,593	18,156,423	48,267,758
NET INCOME	9,652,000,063	3,771,141,759	5,201,599,817
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement losses on retirement plan (Note 12)	(2,948,467)	(2,108,561)	(12,038,460)
Income tax effect (Note 15)	884,540	632,568	3,611,538
	(2,063,927)	(1,475,993)	(8,426,922)
TOTAL COMPREHENSIVE INCOME	₱9,649,936,136	₱3,769,665,766	₱5,193,172,895

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 10)	Additional Paid-in Capital (Note 10)	Unappropriated Retained Earnings (Note 10)	Remeasurement Gains on Retirement Plans - net (Note 10)	Total Equity
For the Year Ended December 31, 2017					
Balances as of January 1, 2017	₱13,277,473,780	₱4,672,393,925	₱4,836,586,278	₱9,555,295	₱22,796,009,278
Comprehensive income					
Net income	–	–	9,652,000,063	–	9,652,000,063
Other comprehensive loss	–	–	–	(2,063,927)	(2,063,927)
Total comprehensive income	–	–	9,652,000,063	(2,063,927)	9,649,936,136
Cash dividends declared (Note 10)	–	–	(6,373,185,600)	–	(6,373,185,600)
Balances as of December 31, 2017	₱13,277,473,780	₱4,672,393,925	₱8,115,400,741	₱7,491,368	₱26,072,759,814
For the Year Ended December 31, 2016					
Balances as of January 1, 2016	₱13,277,473,780	₱4,672,393,925	₱7,438,630,119	₱11,031,288	₱25,399,529,112
Comprehensive income					
Net income	–	–	3,771,141,759	–	3,771,141,759
Other comprehensive loss	–	–	–	(1,475,993)	(1,475,993)
Total comprehensive income	–	–	3,771,141,759	(1,475,993)	3,769,665,766
Cash dividends declared (Note 10)	–	–	(6,373,185,600)	–	(6,373,185,600)
Balances as of December 31, 2016	₱13,277,473,780	₱4,672,393,925	₱4,836,586,278	₱9,555,295	₱22,796,009,278
For the Year Ended December 31, 2015					
Balances as of January 1, 2015	₱13,277,473,780	₱4,672,393,925	₱8,610,215,902	₱19,458,210	₱26,579,541,817
Comprehensive income					
Net income	–	–	5,201,599,817	–	5,201,599,817
Other comprehensive loss	–	–	–	(8,426,922)	(8,426,922)
Total comprehensive income	–	–	5,201,599,817	(8,426,922)	5,193,172,895
Cash dividends declared (Note 10)	–	–	(6,373,185,600)	–	(6,373,185,600)
Balances as of December 31, 2015	₱13,277,473,780	₱4,672,393,925	₱7,438,630,119	₱11,031,288	₱25,399,529,112

See accompanying Notes to Parent Company Financial Statements.



DMCI HOLDINGS, INC.**PARENT COMPANY STATEMENTS OF CASH FLOW**

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱9,677,284,656	₱3,789,298,182	₱5,249,867,575
Adjustments for:			
Depreciation and amortization (Notes 8 and 13)	4,618,582	5,308,810	2,815,648
Pension expense (income) (Note 12)	156,044	(430,461)	(791,316)
Finance cost	303	3,918	775
Gain on sale of property and equipment and investment properties - net (Note 7, 8 and 11)	(262,120)	(348,214)	(4,759,050)
Reversal of allowance for doubtful accounts	(519,634)	-	-
Interest income (Note 14)	(129,028,886)	(96,047,480)	(78,783,175)
Dividend income (Notes 6 and 11)	(9,627,899,386)	(6,348,634,046)	(4,913,419,015)
Loss on liquidation of subsidiary (Note 6)	-	2,590,385,419	-
Unrealized foreign currency exchange gains	-	(494,519)	(7,634,024)
Gain on sale of investment in associates (Note 6)	-	-	(307,970,330)
Operating loss before changes in working capital	(75,650,441)	(60,958,391)	(60,672,912)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	(1,558,749)	29,152,723	21,671,382
Other current assets	(2,984,845)	(3,096,801)	5,460,250
Other non-current assets	(5,534,126)	(2,043,713)	-
(Decrease) increase in accounts and other payable	(17,865,405)	7,015,794	7,781,896
Net cash generated from (used for) operations	(103,593,566)	(29,930,388)	(25,759,384)
Interest received	128,042,780	90,664,800	78,994,725
Income tax paid	(29,184,870)	(20,041,238)	(46,548,668)
Interest paid	(303)	(3,918)	(775)
Net cash provided by operating activities	(4,735,959)	40,689,256	6,685,898
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received	9,327,899,386	7,148,634,046	4,313,419,015
Pension asset	3,833,007	-	-
Acquisitions of:			
Property and equipment (Note 8)	(2,356,848)	(4,905,885)	(10,010,390)
Proceeds from sale of:			
Property and equipment (Note 8)	517,267	348,214	-
Investments in subsidiaries and associates (Note 6)	-	547,120,949	-
Collections of receivables from wholly owned subsidiary (Note 11)	500,000,000	-	-
Net cash provided by investing activities	9,829,892,812	7,691,197,324	4,303,408,625
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Dividends (Note 10)	(6,377,258,796)	(6,373,758,723)	(6,376,189,944)
Net cash used in financing activities	(6,377,258,796)	(6,373,758,723)	(6,376,189,944)
EFFECT OF FOREIGN CURRENCY RATE CHANGES IN CASH AND CASH EQUIVALENTS			
	-	494,519	7,634,024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,477,898,057	1,358,622,376	(2,058,461,397)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,053,746,087	3,695,123,711	5,753,585,108
CASH AND CASH EQUIVALENTS AT END OF YEAR			
(Note 4)	₱8,501,644,144	₱5,053,746,087	₱3,695,123,711

See accompanying Notes to Parent Company Financial Statements



DMCI HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

DMCI Holdings, Inc. (the Parent Company) was incorporated on March 8, 1995 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 is a holding company which has investments on companies primarily engaged in general construction, coal and nickel mining, power generation, real estate development, water concessionaire and manufacturing.

The accompanying parent company financial statements were endorsed for approval by the Audit Committee and authorized for issue by the Board of Directors (BOD) on March 8, 2018.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying parent company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

Statement of Compliance

The accompanying parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Parent Company also prepares and issues consolidated financial statements presented in compliance with PFRS which are available at the registered office address of the Parent Company.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following pronouncements, which are effective for annual periods beginning on or after January 1, 2017.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Parent Company's financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).



Adoption of these amendments did not have any significant impact on the Parent Company's financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have no effect on the Parent Company's financial position and performance as the Parent Company has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued But Not Yet Effective

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

Effective beginning on or after January 1, 2018

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

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

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

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

- 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 Parent Company plans to adopt the new standards on mandatory effective date and will not restate comparative information.



The adoption is expected to impact the Parent Company's evaluation of credit losses and will not have any impact on the classification and measurement.

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

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Parent Company since none of its activities are primarily connected with insurance or issue insurance contracts.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Parent Company plans to adopt the new standard on the required date using the modified retrospective method.

The Parent Company has assessed that the adoption of the standard will not have any significant impact on its financial statements as its sources of revenue are only dividend income and interest income.

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

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

The amendments should be applied retrospectively, with earlier application permitted.



The Parent Company has assessed that the adoption of these amendments will not have any significant impact on its financial statements.

- 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.

The Parent Company has assessed that the adoption of the interpretation will not have any impact on its financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Parent Company has assessed that the adoption of these interpretation will not have any significant impact on its financial statements.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments will have no significant impact on the Parent Company's financial position or performance.

- 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 Parent Company has made preliminary assessment of the potential impact of the adoption of PFRS 16 and expects that the standard to impact its operating lease agreements for space and parking lots which will require recognition of right of use asset in the books and its related lease liability. The Parent Company does not have any arrangement in which it is the lessor.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments will have no significant impact on the Parent Company's financial position or performance.

- 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
- 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 other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.



The Parent Company is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

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

Significant Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

As of December 31, 2017 and 2016, the Parent Company's financial instruments are classified as loans and receivables and other financial liabilities.



Fair Value Measurement

The Parent Company discloses the fair values of financial instruments measured at amortized cost and non-financial assets measured at cost such as investment properties in Notes 7 and 16.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

'Day 1' Difference

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company recognizes the difference between the transaction price and fair value (a Day 1 difference) in the profit or loss unless it qualifies for



recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables

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

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR) and transaction costs. The amortization is included in 'Interest income' in profit or loss.

Other Financial Liabilities

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

Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. The amortization is included in 'Finance cost' in profit or loss. Any effects of restatement of foreign currency-denominated liabilities are recognized under the 'Foreign currency exchange gains or losses' in profit or loss.

Other financial liabilities relate to the parent company statement of financial position captions, 'Accounts and other payables' (excluding value added output tax and other tax related payables), and 'Other noncurrent liabilities'.

Impairment of Financial Assets

The Parent Company assesses at reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable



data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

For loans and receivables carried at amortized cost, the Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e. the EIR computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the parent company statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized.

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

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

The Parent Company assesses, at each reporting date, whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.



Derecognition of Financial Instruments

Financial Assets

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

- the rights to receive cash flows from the asset have expired, or
- the Parent Company has transferred its rights to receive cash flows from the asset and either has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Offsetting of Financial Instruments

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

Investments in Subsidiaries and Associates

The Parent Company's investments in its subsidiaries and associates are accounted for under the cost method.

A subsidiary is an entity over which the Parent Company has control. Control is achieved when the Parent Company is exposed, or has rights to, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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



The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary.

The Parent Company recognizes income from the investment only to the extent that the Parent Company receives distributions from accumulated profits of the investee arising after the date of acquisition. The Parent Company recognizes dividend from a subsidiary in the parent company statement of comprehensive income when its right to receive the dividend is established. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction from the cost of the investment.

An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. An allowance is set up for any substantial and presumably permanent decline in the aggregate carrying value of the investment.

The Parent Company recognizes income from the investment only to the extent that it receives distributions from accumulated profits of the associate. The Parent Company recognizes dividend from an associate in the parent company statement of comprehensive income when its right to receive the dividend is established.

Investment Properties

Investment properties are stated at cost less any impairment in value. The initial cost of investment property comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Investment properties are derecognized when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the profit or loss in the year in which it arises.

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged against expenses in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. All other repair and maintenance expenses are charged against current operations as incurred.



Depreciation of property and equipment commences once the assets are put into operational use. Depreciation is calculated on a straight-line method over the following estimated useful lives (EUL) of the respective assets:

	Years
Office furniture, fixtures and equipment	1-3
Leasehold Improvement	5
Transportation equipment	5

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

Impairment of Nonfinancial Assets

This accounting policy applies to the Parent Company's investment in subsidiaries and associates, investment properties and property and equipment. The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Assets Carried at Cost

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



Current and Noncurrent Classification

The Parent Company presents assets and liabilities in parent company statement of financial position based on current/noncurrent classification. An asset is current when it is either:

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

All other assets are classified as noncurrent.

A liability is current when either:

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

The Parent Company classifies all other liabilities as noncurrent.

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Dividend Income

Dividend income is recognized when the Parent Company's right to receive payment is established, which is generally when shareholders approve the dividend. This is recognized as dividend income in the parent company statement of comprehensive income.

Interest Income

Revenue is recognized as interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Management Fees

Revenue from management fees is recognized when the related services are rendered.

Other Income

Other income includes pension income and gain on sale of shares of stock and sale of investment properties. Gain or loss is recognized if the Parent Company disposes some of its investment in subsidiaries or associates and other properties. Gain or loss is computed as the difference between the proceeds of the disposal and its carrying amount, including the carrying amount of goodwill, if any.



General and Administrative Expenses

General and administrative expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or depletion of assets such as supplies, office furniture and equipment and others. Expenses are recognized in profit or loss.

Pension Costs

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

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

Defined benefit costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the Other Comprehensive Income (OCI) in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. All remeasurements recognized in OCI account 'Remeasurement gains (losses) on retirement plans' are not reclassified to another equity account in subsequent periods.

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

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



Taxes

Current Tax

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

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences with certain exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic associates and interests in joint ventures.

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

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

Provisions

A provision is recognized only when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Foreign Currency Transactions and Translations

The parent company financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial reporting date. All differences are taken to profit or loss during the period of retranslation.



Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

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

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

Equity

The Parent Company records capital stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Parent Company less dividends declared.

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

Contingencies

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

Events After the Reporting Date

Post year-end events up to the date of the auditor's report that provide additional information about the Parent Company's position at financial reporting date (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

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



Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Allowance for Impairment Losses on Receivables

The Parent Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the counterparties' current operation, financial condition and known market factors. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Parent Company provides full allowance for receivables that it deems uncollectible.

The amount and timing of recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets. The Parent Company's receivables amounted to ₱2,031.54 million and ₱2,228.48 million of December 31, 2017 and 2016, respectively (Note 5).

In 2017, the Parent Company reversed the allowance for impairment losses amounting to ₱0.52 million due to the collection of the related receivable. Allowance for impairment losses on receivables amounted to ₱2.46 million and ₱2.98 million as of December 31, 2017 and 2016 respectively (Note 5).

b. Impairment of Nonfinancial Assets

The Parent Company assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review of nonfinancial assets except investments in subsidiaries and associates include the following:

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

In addition, the Parent Company considers the following factors which could trigger impairment review of investments in subsidiaries and associates:

- a. deteriorating or poor financial condition;
- b. recurring net losses; and
- c. significant charges with an adverse effect on the subsidiaries or associates.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.



In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Parent Company is required to make estimates and assumptions that can materially affect the parent company financial statements.

As of December 31, 2017 and 2016 carrying values of the Parent Company's nonfinancial assets follow:

	2017	2015
Investments in subsidiaries and associates (Note 6)	₱15,449,837,512	₱15,449,837,512
Investment properties (Note 7)	21,649,474	21,649,474
Property and equipment (Note 8)	12,032,712	14,549,594

c. Deferred Tax Assets

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

Significant judgment is required to determine the amount of deferred tax assets that can be recognized based upon likely timing and level of future taxable income together with future planning strategies.

Deferred tax assets recognized as of December 2016 amounted to ₱0.13 million pertaining to income tax effect of the unamortized past service costs netted against deferred tax liabilities (nil in 2017) (Note 15). The Parent Company did not recognize deferred tax assets for NOLCO and MCIT as management believes that there is no taxable profit or taxable temporary difference that will reverse before the expiration of NOLCO and MCIT.

d. Estimating Pension Obligation and Other Retirement Benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 12 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

As of December 31, 2017 and 2016, pension assets amounted to ₱46.58 million and ₱49.68 million, respectively (Note 12).

e. Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the parent company statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible,



estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value by using the discounted cash flow methodology.

4. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand and in banks	₱71,195,938	₱188,441,531
Cash equivalents	8,430,448,206	4,865,304,556
	₱8,501,644,144	₱5,053,746,087

Cash in banks earn interests at the respective bank deposit rates. Cash equivalents are short-term placements made for varying periods of up to three (3) months depending on the immediate cash requirements of the Parent Company and earn annual interest ranging from 1.40% and 3.00% and 1.13% and 3.00% in 2017 and 2016, respectively.

Interest income earned from cash and cash equivalents amounted to ₱129.03 million, ₱96.05 million, ₱78.78 million, in 2017, 2016 and 2015, respectively (Note 14).

5. Receivables

This account consists of:

	2017	2016
Receivable from wholly owned subsidiary (Notes 6 and 11)	₱1,620,183,155	₱2,120,702,789
Dividends receivable (Note 11)	400,000,000	100,000,000
Accrued interest receivable	11,151,689	10,165,583
Management fee receivable (Note 11)	1,176,000	-
Receivables from officers and employees	201,952	22,500
Other receivables	1,294,986	572,055
	2,034,007,782	2,231,462,927
Less allowance for impairment losses	2,463,644	2,983,278
	₱2,031,544,138	₱2,228,479,649

Dividends receivable pertains to unpaid cash dividends from the subsidiaries of the Parent Company.

Accrued interest receivable pertains to the accrual of interest from cash equivalents. These are expected to be collected upon maturity of the short-term placements.

Management fee receivable pertains to receivable arising from management services rendered by the Parent Company to a subsidiary.

The Parent Company provided an allowance for impairment on receivables from a subsidiary amounting to ₱2.46 million and ₱2.98 million as of December 31, 2017 and 2016 respectively.



The Parent Company's receivables are expected to be realized and fall due within one year after the reporting period.

The details of Parent Company's allowance for impairment losses are as follow:

	2017	2016
Balance at beginning of year	₱2,983,278	₱2,983,278
Reversal of allowance	(519,634)	-
Balance at end of year	₱2,463,644	₱2,983,278

In 2017 the Parent Company has reversed the allowance for impairment losses previously set up amounting to ₱0.52 million due to the collection of the related receivable.

6. Investments in Subsidiaries and Associates

The details of the Parent Company's investments in subsidiaries and associates follow:

	2017	2016
Balance at beginning of year	₱15,449,837,512	₱20,705,063,391
Disposals	-	(5,255,225,879)
Balance at end of year	₱15,449,837,512	₱15,449,837,512

The details of the Parent Company's investments in subsidiaries and associate accounted for under the cost method and the corresponding percentages of ownership follow.

	Principal Activity	Country of incorporation	Effective Interest	
			2017	2016
Investments in Subsidiaries:				
Semirara Mining and Power Corporation (Semirara)	Mining and Power	Philippines	56.54	56.51
DMCI Project Developers, Inc. (PDI)	Real estate development	Philippines	100.00	100.00
D.M. Consunji, Inc. (DMCI)	General construction	Philippines	100.00	100.00
DMCI Mining Corporation (DMCI Mining)	Mining	Philippines	100.00	100.00
DMCI Power Corporation (DMCI Power)	Power	Philippines	100.00	100.00
Wire Rope Corporation of the Philippines (Wire Rope)	Steel wire manufacturing	Philippines	61.70	61.70
Semirara Cement Corporation (SemCem)*	Cement manufacturing	Philippines	100.00	100.00
Associate:				
Maynilad Water Holding Company, Inc. (MWHCI)	Investment holding for water concessionaire	Philippines	27.19	27.19

*Organized on January 29, 1998 and has not yet started commercial operations.

The voting rights held by the Parent Company in these subsidiaries and associate are in proportion of its ownership interest.

Dividend income from the Parent Company's subsidiaries and associates recognized in the parent company statement of comprehensive income amounted to ₱8,869.43 million and ₱758.47 million in 2017, ₱5,838.09 million and ₱505.74 million in 2016, ₱4,407.68 million and ₱505.74 million in 2015, respectively (Note 11).

ENK Plc. (ENK)

In 2012, the Parent Company acquired existing shares of ENK, a mining company incorporated in London, United Kingdom with significant mining assets in the Philippines. ENK is a laterite development and production company focused on developing its Acoje project in the Philippines.



From 2012 to 2014, there were series of acquisitions of ENK shares representing 60% ownership.

On March 24, 2014, the Parent Company acquired D&A Income Ltd's remaining 40% interest in ENK, for a total purchase price of GBP42.03 million or GBP0.40 price per share. As a result, ENK became a wholly owned subsidiary of the Parent Company.

On March 31, 2016, the BOD of the Parent Company approved the restructuring of ENK. The dissolution and liquidation of ENK is part of the ongoing restructuring of the Parent Company's nickel mining subsidiaries in order to simplify the structure of the nickel segment and liquidate non-operating subsidiaries. On July 1, 2016, the Parent Company has completed the restructuring and ENK was subsequently sold to a third party. Part of the transaction settlement was the assignment of ENK of its receivable from DMCI Mining of ₱2,117.72 million to the Parent Company.

Private Infra Dev Corporation (PIDC)

PIDC is primarily engaged in the business of construction, development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. On February 19, 2008, PIDC was awarded the contract for the financing, design, construction, operation and maintenance of the Tarlac-Pangasinan-La Union Expressway (TPLEX).

On September 21, 2015, the Parent Company sold its investments in PIDC following approval of the Department of Trade and Industry (DTI) and Department of Transportation and Communications (DOTC) on August 27, 2015 consenting on the sale of the investments to Rapid Thoroughfares, Inc. The Parent Company recorded gain from sale of investments in associates amounting to ₱307.97 million in 2015.

7. Investment Properties

The Parent Company's investment properties represent various land situated in Taguig City amounting to ₱21.65 million at December 31, 2017 and 2016.

The aggregate fair value as of December 31, 2017 and 2016 amounted to ₱51.30 million. The fair value of investment properties have been internally determined by reference to other similar transaction in the market. The value of the investment properties was arrived at using the Market Data Approach. In this approach, the value of the investment properties is based on sales and listings of comparable property registered in the vicinity which is classified under Level 3 hierarchy. The properties used as basis for comparison are situated within the immediate vicinity of the subject property.

There are no investment properties pledged as security to any of the Parent Company's liabilities in 2017 and 2016.

No rental income was generated from the investment properties in 2017 and 2016.



8. Property and Equipment

Rollforward of the account follow:

	2017			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱16,604,576	₱17,574,184	₱12,655,732	₱46,834,492
Additions	758,848	1,598,000	-	2,356,848
Disposals	(195,804)	(3,748,661)	-	(3,944,465)
Balances at end of year	17,167,620	15,423,523	12,655,732	45,246,875
Accumulated depreciation and amortization				
Balances at beginning of year	16,408,099	13,103,782	2,773,017	32,284,898
Depreciation and amortization (Note 13)	329,087	1,758,348	2,531,147	4,618,582
Disposals	(195,804)	(3,493,513)	-	(3,689,317)
Balances at end of year	16,541,382	11,368,617	5,304,164	33,214,163
Net Book Value	₱626,238	₱4,054,906	₱7,351,568	₱12,032,712
	2016			
	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvements	Total
Cost				
Balances at beginning of year	₱16,448,051	₱17,250,076	₱9,971,551	₱43,669,678
Additions	156,525	2,065,179	2,684,181	4,905,885
Disposals	-	(1,741,071)	-	(1,741,071)
Balances at end of year	16,604,576	17,574,184	12,655,732	46,834,492
Accumulated depreciation and amortization				
Balances at beginning of year	16,209,692	12,127,872	379,595	28,717,159
Depreciation and amortization (Note 13)	198,407	2,716,981	2,393,422	5,308,810
Disposals	-	(1,741,071)	-	(1,741,071)
Balances at end of year	16,408,099	13,103,782	2,773,017	32,284,898
Net Book Value	₱196,477	₱4,470,402	₱9,882,715	₱14,549,594

Depreciation and amortization expenses charged to operations amounted to ₱4.62 million, ₱5.31 million and ₱2.82 million in 2017, 2016 and 2015, respectively (Note 13).

In 2017, the Parent Company disposed property and equipment with a carrying value of ₱0.26 million at ₱0.52 million selling price. Net gain on sale of property and equipment amounted to ₱0.26 million. There are no property and equipment pledged as security to any of the Parent Company's liabilities in 2017 and 2016.



9. Accounts and Other Payables

This account consists of:

	2017	2016
Dividends payable	₱1,359,665	₱5,432,861
Trade payable	647,894	717,542
Accrued expenses:		
Professional fees	2,433,691	2,463,500
Other accrued expenses	–	2,551,323
Others (Note 11)	749,172	15,963,797
	₱5,190,422	₱27,129,023

Dividends payable pertains to the amount declared for dividend distributions that remains outstanding as of December 31, 2017 and 2016. These are expected to be settled within one year from the date of declaration.

Accrued professional expenses relate to accruals of professional fees such as legal and audit fees.

The accrued expenses, trade and other payables are noninterest bearing and are payable within one (1) year.

Others include advances from lessee and government liabilities.

10. Equity

Capital Stock

As of December 31, 2017 and 2016, the Parent Company's capital stock consists of:

	Shares	Amount
Preferred stock - ₱1 par value		
Authorized	100,000,000	₱100,000,000
Issued and outstanding :		
Balance at beginning and end of year	3,780	₱3,780
Common stock - ₱1 par value		
Authorized	19,900,000,000	₱19,900,000,000
Issued and outstanding :		
Balance at beginning and end of the year	13,277,470,000	₱13,277,470,000

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

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



Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2017:

Year	Number of Shares Registered (in billions)	Number of holders of securities as of year end
December 31, 2015	13.28	702
Add Movement	–	(4)
December 31, 2016	13.28	698
Add Movement	–	3
December 31, 2017	13.28	701

The Parent Company has 13,277.47 million common shares issued and outstanding which are owned by 701 and 698 shareholders in 2017 and 2016, respectively.

Retained Earnings

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2017 and 2016 amounted to ₱8,115.40 million and ₱4,836.59 million, respectively.

Dividend Declaration

The Parent Company's BOD approved the declaration of cash dividends in favor of all its stockholders as follow:

	2017	2016	2015
April 5, 2017, ₱0.24 per share cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	₱3,186,592,800	₱–	₱–
April 5, 2017, ₱0.24 per share cash dividend to stockholders on record as of April 21, 2017, payable on or before May 5, 2017.	3,186,592,800	–	–
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	–	3,186,592,800	–
May 11, 2016, ₱0.24 per share cash dividend to stockholders on record as of May 27, 2016, payable on or before June 10, 2016.	–	3,186,592,800	–
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	–	3,186,592,800
May 15, 2015, ₱0.24 per share cash dividend to stockholders on record as of May 29, 2015, payable on or before June 10, 2015.	–	–	3,186,592,800
	₱6,373,185,600	₱6,373,185,600	₱6,373,185,600



11. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions with related parties are generally settled in cash, unless otherwise specified.

In the regular course of business, the Parent Company's significant transactions with related parties include the following:

2017				
	Amount/ Volume	Due From	Terms	Conditions
Subsidiaries				
a) Management fees	₱4,200,000	₱1,176,000	Non-interest bearing; due and demandable	Unsecured, no impairment
b) Receivable from wholly owned subsidiary (Note 5)	-	2,463,644	Non-interest bearing; due and demandable	Unsecured, with impairment
c) Dividend income/ receivable (Notes 5 and 6)	8,869,427,430	400,000,000	Non-interest bearing; due and demandable	Unsecured, no impairment
d) Receivable from wholly owned subsidiary (Notes 5 and 6)	-	1,617,719,511	Non-interest bearing; due and demandable	Unsecured, no impairment
Associate				
c) Dividend income (Note 6)	758,471,956	-	Non-interest bearing; due and demandable	Unsecured, no impairment
Total		2,021,359,155		
Less allowance for impairment losses (Note 5)	-	(2,463,644)		
		₱2,018,895,511		
2016				
	Amount/ Volume	Due From/ (Due to)	Terms	Conditions
Subsidiaries				
a) Management fees	₱4,200,000	₱-	Non-interest bearing; due and demandable	Unsecured, no impairment
b) Receivable from wholly owned subsidiary (Note 5)	(2,741)	2,983,278	Non-interest bearing; due and demandable	Unsecured, with impairment
c) Dividend income/ receivable (Notes 5 and 6)	₱5,838,092,708	₱100,000,000	Non-interest bearing; due and demandable	Unsecured, no impairment
d) Receivable from wholly owned subsidiary (Notes 5 and 6)	2,117,719,511	2,117,719,511	Non-interest bearing; due and demandable	Unsecured, no impairment
e) Other payable	15,000,000	(15,000,000)	Non-interest bearing; due and demandable	Unsecured, no impairment
Associate				
c) Dividend income (Note 6)	510,541,338	-		
Total		2,205,702,789		
Less allowance for impairment losses (Note 5)		(2,983,278)		
		₱2,202,719,511		

Significant transactions with related parties follow:

- (a) The Parent Company renders general management services to a subsidiary for overall supervision and management of the subsidiary's operations. The Parent Company is entitled to a fixed fee of ₱0.35 million per month exclusive of value added tax (VAT). Management fees amounted to



₱4.20 million in 2017 and 2016. Outstanding receivables from management services amounted to ₱1.18 million and nil as of December 31, 2017 and 2016 respectively.

- (b) Receivable from wholly owned subsidiary consist of reimbursements and organization costs. In 2017, the Parent Company has reversed the allowance for impairment losses previously set up amounting to ₱0.52 million due to the collection of the related receivable. After which, the Parent Company has an outstanding allowance for impairment losses amounting to ₱2.46 million and ₱2.98 million as of December 31, 2017 and 2016, respectively.
- (c) Dividend income from the Parent Company's subsidiaries and associates recognized in the profit or loss amounted to ₱9.63 billion and ₱6.35 billion in 2017 and 2016, respectively. As of December 31, 2017 and 2016, dividends receivable from the Parent Company's subsidiaries amounted to ₱400.00 million and ₱100.00 million, respectively.
- (d) In 2017, DMCI Mining has paid the Parent Company amounting to ₱500.00 million, in connection with the restructuring and liquidation of ENK Plc. in 2016, wherein the latter assigned its receivable from DMCI Mining to the Parent Company, amounting to ₱2,117.72 million (Note 6). This reduced the receivable to ₱1,617.72 million as of December 31, 2017.
- (e) This pertains to the 2016 transaction wherein the Parent Company has received ₱15.00 million from PDI for its future dividend declaration. This amount was fully settled in 2017.

Terms and Conditions of Transactions with Related Parties

Outstanding balances at year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has allowance for impairment losses relating to the outstanding due from related parties amounting to ₱2.46 million and ₱2.93 million as of December 31, 2017 and 2016, respectively. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

Compensation of Key Management Personnel

The key management personnel of the Parent Company include all directors, executive and non-executive, and senior management personnel. The details of the compensation and benefits of key management personnel for 2017 and 2016 follows:

	2017	2016
Short-term employee benefits	₱14,770,987	₱11,044,503
Post-employment benefits	2,195,491	1,466,808
Total	₱16,996,478	₱12,511,311

12. Employee Benefits

The Parent Company has a funded, noncontributory, defined benefit plan covering substantially all of its regular employees.

Provisions for pension obligations are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. The latest actuarial valuation report of the retirement plans was made as of December 31, 2017.



The Parent Company is a participant to the DMCI Multiemployer Retirement Plan (the Plan) which is administered separately by an individual trustee, a Company executive and BDO Unibank, Inc. Trust Investment Division under the supervision of the Board of Trustees (BOT) of the Plan. The responsibilities of the BOT, among others, include the following:

- To hold, invest and reinvest the fund for the exclusive benefits of the members and beneficiaries of the retirement plan and for this purpose the BOT is further authorized to designate and appoint a qualified Investment Manager with such powers as may be required to realize and obtain maximum yield on investment of the fund;
- To make payments and distributions in cash, securities and other assets to the members and beneficiaries of the Plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Net pension assets for the retirement plan follow:

	2017	2016
Fair value of plan assets	₱138,462,522	₱151,375,250
Present value of defined benefit obligation	(32,025,131)	(50,028,785)
Surplus	106,437,391	101,346,465
Effect of asset ceiling	(59,857,662)	(51,662,225)
Net pension asset	₱46,579,729	₱49,684,240

Movements in the fair value of plan assets follow:

	2017	2016
Balance at beginning of year	₱151,375,250	₱149,633,956
Interest income	7,689,783	7,571,478
Benefits paid	(25,641,217)	-
Remeasurement gains (losses)	5,038,706	(5,830,184)
Balance at end of year	₱138,462,522	₱151,375,250

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

	2017	2016
Balance at beginning of year	₱50,028,785	₱51,113,463
Current service cost	2,201,976	2,168,473
Interest	2,776,598	2,586,341
Benefits paid	(25,641,217)	-
Remeasurement losses (gains) arising from:		
Changes in financial assumptions	(78,727)	(728,275)
Experience adjustments	2,737,716	(5,111,217)
Balance at the end of year	₱32,025,131	₱50,028,785



Components of net pension expense (income) in the parent company statements of comprehensive income follow:

	2017	2016	2015
Current service cost	₱2,201,976	₱2,168,473	₱2,138,808
Interest on the effect of asset ceiling	2,867,253	2,386,203	2,157,262
Net interest income on benefit obligation and plan asset	(4,913,185)	(4,985,137)	(5,087,386)
	₱156,044	(₱430,461)	(₱791,316)

Movements in the effect of asset ceiling follow:

	2017	2016
Effect of asset ceiling at beginning of year	₱51,662,225	₱47,158,153
Interest on the effect of asset ceiling	2,867,253	2,386,203
Changes in the effect of asset ceiling	5,328,184	2,117,869
Effect of asset ceiling at end of year	₱ 59,857,662	₱51,662,225

Movements in net pension assets follow:

	2017	2016
Balance at beginning of year	₱49,684,240	₱51,362,340
Defined benefit (expense) income recognized in profit and loss	(156,044)	430,461
Defined benefit loss recognized in other comprehensive income	(2,948,467)	(2,108,561)
Balance at end of year	₱46,579,729	₱49,684,240

As of December 31, 2017 and 2016, the Parent Company's plan assets consist primarily of the following:

	2017	2016
Cash and cash equivalents		
Cash in banks	₱1,673,837	₱2,997,488
Time deposits	957,798	7,055,062
	2,631,635	10,052,550
Investments in stocks		
Common shares of domestic corporations		
Quoted	91,479,504	99,422,741
Unquoted	1,364,240	462,182
Quoted preference shares of domestic corporations	8,230,792	1,335,692
	101,074,536	101,220,615
Investment in government securities		
Fixed rate treasury notes (FXTNs)	21,689,930	25,306,272
Retail treasury bonds (RTBs)	4,680,311	2,193,574
Retail treasury bonds (RTBs)	561,772	-
	26,932,013	27,499,846

(Forward)



	2017	2016
Investment in other securities and debt instruments		
AAA rated debt securities	₱10,201,574	₱12,088,913
Other receivables	550,470	538,383
Accrued trust fees and other payables	(23,207)	(25,057)
Benefits payable	(2,904,499)	-
Fair value of plan assets	₱138,462,522	₱151,375,250

Trust fees paid amounted to ₱0.09 million for 2017 and 2016.

The composition of the fair value of the plan assets includes:

Cash and cash equivalents - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas (BSP SDA).

Investment in stocks - includes investment in common and preferred shares traded in the Philippine Stock Exchange.

Investment in government securities - include investment in Philippine RTBs and FXTNs.

Investments in other securities and debt instruments - include investment in long-term debt notes and retail bonds.

Other receivables - pertain to interest and dividends receivable on the investments in the fund.

Accrued trust fees and other payables - pertain mainly to charges of trustor in the management of the plan.

The overall administration and management of the plan rest upon the Plan's BOT. The voting rights on the above securities are coming directly for funds directly held through the Parent Company's officers and indirectly for those entered into through other trust agreements with BDO Unibank, Inc. authorized to administer the investment and reinvestments of the funds.

The 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 assumptions used to determine pension benefits of the Parent Company follow:

	2017	2016	2015
Discount rate	6.00%	5.55%	4.68%
Salary rate increase	6.00%	6.00%	10.00%

The average duration (average number of years) of the defined benefit obligation is 15.90 years as of December 31, 2017.

The Parent Company does not expect to contribute into the pension fund in 2018.

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.

	2017	
	Increase (decrease)	Effect on defined benefit liability
Discount rates	+100 basis points	(P1,034,939)
	-100 basis points	1,214,951
Future salary increases	+2.8%	887,644
	-2.3%	(745,684)
	2016	
	Increase (decrease)	Effect on defined benefit liability
Discount rates	+100 basis points	(P1,312,586)
	-100 basis points	1,556,328
Future salary increases	+3.0%	1,491,983
	-2.6%	(1,291,875)

The BOT of the Plan ensures that its assets are available to fulfill its obligation of paying retirement as it falls due. This is done by ensuring that its assets are easily disposable and can easily be converted to cash. The allocation of the Parent Company's plan assets consists of 73.00% equity instruments, 19.45% debt instruments in government bonds, 7.37% in debt instruments in bonds other than government bonds, 1.90% in cash and cash equivalents and 0.38% to others such as receivables generated from interest and dividends.

The Parent Company is not required to pre-fund the future benefits under the Plan before they come due. For that reason, the amount and timing of contributions to the Retirement Fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Retirement Fund.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2017	2016
Less than 1 year	P28,959,113	P48,947,647
More than 1 year to 5 years	1,293,272	485,037
More than 5 years to 10 years	363,310	330,329
	P30,615,695	P49,763,013

There are no plan amendments, curtailments or settlements in 2017 and 2016.



13. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Salaries, wages and employee benefits	₱18,719,862	₱16,463,930	₱17,134,643
Professional fees	17,759,071	18,916,387	10,806,156
Advertising and promotions	8,020,918	1,852,498	3,738,622
Transportation and travel	6,702,291	2,629,669	8,000,060
Depreciation and amortization (Note 8)	4,618,582	5,308,810	2,815,648
Entertainment, amusement and recreation	4,464,095	3,866,766	3,603,012
Rent (Note 17)	3,132,592	3,132,592	2,991,206
Supplies	2,535,710	1,930,792	1,239,505
Taxes and licenses	2,593,312	2,678,038	7,061,162
Repairs and maintenance	1,557,201	2,488,550	2,271,206
Contribution and donation	1,120,000	3,160,326	160,000
Contracted services	987,400	949,399	749,475
Communication, light and water	970,911	1,201,643	1,219,211
Fuel and oil	627,946	545,250	632,684
Bank charges	303	3,918	775
Miscellaneous	10,659,132	5,342,551	5,265,970
	₱84,469,326	₱70,471,119	₱67,689,335

14. Interest Income

This account consists of:

	2017	2016	2015
Cash equivalents (Note 4)	₱128,364,054	₱94,975,763	₱73,838,558
Bank savings accounts (Note 4)	664,832	1,071,717	4,944,617
	₱129,028,886	₱96,047,480	₱78,783,175

15. Income Tax

The provision for income tax shown in the parent company statements of comprehensive income consists of:

	2017	2016	2015
Final	₱25,351,863	₱19,984,377	₱46,548,668
Current	-	56,861	-
Deferred	(67,270)	(1,884,815)	1,719,090
	₱25,284,593	₱18,156,423	₱48,267,758



The components of the deferred tax liability as of December 31, 2017 and 2016 follow:

	2017	2016
Pension asset	₱13,973,919	₱14,905,272
Past service cost	-	(127,899)
Unrealized foreign exchange gains	-	148,356
	₱13,973,919	₱14,925,729

As of December 31, 2017 and 2016, the Parent Company did not recognize deferred tax assets amounting to ₱31.27 million and ₱78.71 million pertaining to allowance for impairment losses, NOLCO and MCIT with details as follow:

	2017	2016
NOLCO	₱101,769,819	₱259,201,366
Allowance for impairment losses	2,463,644	2,983,278
MCIT	56,861	56,861
	₱104,290,324	₱262,241,505

On November 26, 2008, the Bureau of Internal Revenue issued Revenue Regulations (R.R.) No. 16-2008, Implementing the Provisions of Section 34 (L) of the Tax Code Of 1997, as Amended By Section 3 of Republic Act No. 9504, Dealing on the Optional Standard Deduction (OSD) Allowed to Individuals and Corporation in Computing their Taxable Income. Under R.R. No. 16-2008, corporate taxpayers subject to Regular Corporate Income Tax (RCIT) shall be allowed an OSD in an amount not exceeding 40% of its gross income for the period, in lieu of the itemized deductions. The Company availed of the OSD for the year ended December 31, 2017.

Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

The NOLCO available over a period of three years as follow:

Year Incurred	Amount	Applied/Expired	Balance	Year of Expiry
NOLCO:				
2017	₱1,617,162	₱-	₱1,617,162	2020
2016	51,720,118	-	51,720,118	2019
2015	48,432,539	-	48,432,539	2018
2014	159,048,709	159,048,709	-	2017
	₱260,818,528	₱159,048,709	₱101,769,819	
MCIT:				
2016	₱56,861	₱-	₱56,861	2019

The Parent Company recognized deferred tax liability in OCI amounting to ₱0.88 million and ₱0.63 million which pertains to income tax effect of the remeasurement gains on retirement plan recognized in OCI for the year ended December 31, 2017 and 2016, respectively.



The reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2017	2016	2015
Statutory income tax rate	30.00%	30.00%	30.00%
Tax effects of:			
Intercorporate dividends	(29.84)	(50.26)	(29.25)
Interest income subjected to final tax	(0.14)	(0.23)	(0.15)
Effect of OSD	0.24	-	-
Nondeductible expenses	-	0.06	0.04
Nondeductible capital loss	-	20.50	-
Expiration of NOLCO	0.49	0.02	0.01
Movement in unrecognized deferred tax assets	(0.49)	0.39	0.27
Effective income tax rate	0.26%	0.48%	0.92%

16. Financial Instruments and Capital Management

Financial Risk and Capital Management Objectives and Policies

Capital Management

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

The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Parent Company is not subject to any externally imposed capital requirements.

The following table shows the component of the Parent Company's capital as of December 31, 2017 and 2016.

	2017	2016
Total paid-up capital	₱17,949,867,705	₱17,949,867,705
Retained earnings	8,115,400,741	4,836,586,278
	₱26,065,268,446	₱22,786,453,983

Financial Risk

The Parent Company's principal financial liabilities comprise accounts and other payables (excluding statutory liabilities) and subscription payable as of December 31, 2017 and 2016. The main purpose of the Parent Company's financial liabilities is to raise financing for the Parent Company's operations. The Parent Company has various financial assets such as cash and cash equivalents and receivables, which arise directly from its operations. The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk (i.e., foreign currency risk and interest rate risk).

The BOD reviews and agrees with policies for managing each of these risks. The Parent Company monitors market price risk arising from all financial instruments and regularly report financial management activities and the results of these activities to the BOD.



The Parent Company's risk management policies are summarized below. The exposure to risk and how they arise, as well as the Parent Company's objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior years.

Credit Risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company's exposure to credit risk arises from default of the counterparties which mostly are related parties. Nevertheless, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant.

With respect to the credit risk arising from the financial assets of the Parent Company, which comprise cash and cash equivalents (excluding cash on hand), receivables and due to related parties, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Parent Company transacts only with institutions or banks that have proven track record in financial soundness.

The carrying values of loans and receivables represent the maximum exposure to credit risk.

As of December 31, 2017 and 2016, the credit quality per class of loans and receivables are as follow:

	2017				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash in bank and cash equivalents*	₱8,501,636,144	₱-	₱-	₱-	₱8,501,636,144
Receivables**	2,030,166,186	-	-	3,639,644	2,033,805,830
Total	₱10,531,802,330	₱-	₱-	₱3,639,644	₱10,535,441,974

*excludes cash on hand

**excludes receivables from officers and employees for liquidation and advances to supplier

	2016				
	Neither past due nor impaired			Past due or Individually Impaired	Total
	Grade A	Grade B	Sub-standard		
Cash in bank and cash equivalents*	₱5,053,738,087	₱-	₱-	₱-	₱5,053,738,087
Receivables**	2,227,885,094	-	-	3,555,333	2,231,440,427
Total	₱7,281,623,181	₱-	₱-	₱3,555,333	₱7,285,178,514

*excludes cash on hand

**excludes receivables from officers and employees for liquidation

Cash and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency.

Grade B are active accounts with minimal to regular instances of payment default, due to collection issues. In the Parent Company's assessment, there are no financial assets that will fall under this category since accounts are being collected on time.



Substandard grade are accounts which have probability of impairment based on historical trend or customer's current unfavorable operating conditions. In the Parent Company's assessment, there are no financial assets that will fall under this category since they are transacting only with their subsidiaries and associates who have good financial condition based on current operation.

The Parent Company determines financial assets as impaired when probability of recoverability is remote and in consideration of lapse in period which the asset is expected to be recovered.

As of December 31, 2017 and 2016, the aging analysis of the Parent Company's loans and receivables presented per class is as follows:

	2017							Impaired financial assets	Total
	Neither past due nor impaired	Past due but not impaired							
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Cash in bank and cash equivalents	₱8,501,636,144	₱-	₱-	₱-	₱-	₱-	₱-	₱8,501,636,144	
Receivables									
Dividend receivable	400,000,000	-	-	-	-	-	-	400,000,000	
Due from related parties	1,617,719,511	1,176,000	-	-	-	-	2,463,644	1,621,359,155	
Accrued interest	11,151,689	-	-	-	-	-	-	11,151,689	
Other receivable	1,294,986	-	-	-	-	-	-	1,294,986	
Total	₱10,531,802,330	₱1,176,000	₱-	₱-	₱-	₱-	₱2,463,644	₱10,535,441,974	

	2016							Impaired financial assets	Total
	Neither past due nor impaired	Past due but not impaired							
		<30 days	30-60 days	60-90 days	90-120 days	>120 days			
Cash in bank and cash equivalents	₱5,053,738,087	₱-	₱-	₱-	₱-	₱-	₱-	₱5,053,738,087	
Receivables									
Dividend receivable	100,000,000	-	-	-	-	-	-	100,000,000	
Due from related parties	2,117,719,511	-	-	-	-	-	2,983,278	2,120,702,789	
Accrued interest	10,165,583	-	-	-	-	-	-	10,165,583	
Other receivable	-	572,055	-	-	-	-	-	572,055	
Total	₱7,281,623,181	₱572,055	₱-	₱-	₱-	₱-	₱2,983,278	₱7,285,178,514	

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company's policy is to maintain a level of cash and cash equivalents deemed sufficient to fund its monthly cash requirements, at least for the next four to six months. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash equivalents, receivables, other short-term investments and due from related parties. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. The Parent Company also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities.

Fund-raising activities may include bank loans and capital market issues both on-shore and off-shore.

Moreover, the Parent Company considers the following as mitigating factors for liquidity risk:

- Available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- Diverse funding sources.
- Internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.



As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The table summarizes the maturity profile of the Parent Company's financial assets and liabilities as of December 31, 2017 and 2016 based on contractual undiscounted payments:

	2017					Total
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	
Loans and Receivables						
Cash and cash equivalents	₱8,501,636,144	₱-	₱-	₱-	₱-	₱8,501,636,144
Receivables*	2,031,342,186	-	-	-	-	2,031,342,186
	10,532,978,330					10,532,978,330
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	₱2,551,323	₱-	₱-	₱-	₱-	₱2,551,323
Dividends payable	5,432,861	-	-	-	-	5,432,861
Other current payable	15,963,797	-	-	-	-	15,963,797
Other noncurrent liabilities	-	-	-	-	-	-
	23,947,981					23,947,981
Liquidity gap	₱10,509,030,349	₱-	₱-	₱-	₱-	₱10,509,030,349

*excludes receivables from officers and employees for liquidation and advances to suppliers

**excludes statutory liabilities

	2016					Total
	< 1 year	1 to < 2 years	2 to < 3 years	3 to < 4 years	> 5 years	
Loans and Receivables						
Cash and cash equivalents	₱5,053,746,087	₱-	₱-	₱-	₱-	₱5,053,746,087
Receivables*	2,228,457,149	-	-	-	-	2,228,457,149
	7,282,203,236					7,282,203,236
Other Financial Liabilities						
Accounts and other payables**						
Accrued expenses	₱2,551,323	₱-	₱-	₱-	₱-	2,551,323
Dividends payable	5,432,861	-	-	-	-	5,432,861
Other current payable	15,963,797	-	-	-	-	15,963,797
Other noncurrent liabilities	-	-	-	-	1,000,000	1,000,000
	23,947,981				1,000,000	24,947,981
Liquidity gap	₱7,258,255,255	₱-	₱-	₱-	(₱1,000,000)	₱7,257,255,255

*excludes receivables officers and employees for liquidation

**excludes statutory liabilities

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates (interest rate risk), foreign exchange rates (foreign currency) and market prices (equity price risk).

Foreign Currency Risk

The Parent Company's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US Dollar (\$) for its cash and cash equivalents. Approximately 0.01% and 0.25% of cash and cash equivalents as of December 31, 2017 and 2016, respectively, were denominated in US Dollar.

Information on the Parent Company's foreign currency denominated monetary assets and Philippine Peso (PHP) equivalents which pertains to cash and cash equivalents as of December 31, 2017 and 2016 follow:

	USD	Peso Equivalent
2017	\$233,381	₱11,163,037
2016	\$251,688	₱12,537,244



In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the exchange rates used were ₱47.83/USD1.00 and ₱49.72/USD1.00 as at December 31, 2017 and 2016, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets). There is no impact on the Parent Company's equity other than those already affecting the income.

			Effect on income before income tax	
	2017	2016	2017	2016
US Dollar	+6.89%	+5.65%	₱768,672	₱683,720
	-6.89%	-5.65%	(768,672)	(730,354)

The Parent Company recognized nil and ₱7.63 million foreign exchange gains for the year ended December 31, 2017 and 2016, respectively, arising from the translation of the Parent Company's cash and cash equivalents.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Parent Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

As of December 31, 2017 and 2016, the Parent Company has no outstanding floating rate financial instruments. Accordingly, the Parent Company is not sensitive to cash flow interest rate fluctuations.

Short-term investments bear fixed interest rates for the period of the investment.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and accounts and other payables approximate their fair values due to the relative short-term nature of the transactions.

The carrying amounts of other noncurrent liabilities approximate their fair value because the liability is due and demandable.

17. Commitments and Contingencies

Operating Lease Commitment

Parent Company as a Lessee

The Parent Company has a lease agreement with Asia Industries, Inc. which is automatically renewable, unless termination is agreed by both parties. The lease agreement was five (5) years from June 1, 2015 to May 31, 2020.

The total rental fees charged against operations amounted to ₱3.13 million in 2017 and 2016, which are included under 'General and administrative expenses' in the parent company statements of comprehensive income (Note 13).



As of December 31, 2017 and 2016, future minimum lease payments under the aforementioned operating lease and the present value of the net minimum lease payments follow:

	2017	2016
Within one (1) year	₱3,289,832	₱3,289,832
After one (1) year but not more than five (5) years	6,033,603	9,323,435
Total future minimum lease payments	₱9,323,435	₱12,613,267

Contingencies

The Parent Company is contingently liable for lawsuits or claims filed by third parties which are either pending decision by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the parent company financial statements.

The information usually required by PAS 37, *Provisions, Contingent liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims and assessments. No provisions were made during the year.



DMCI HOLDINGS, INC.

SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATIONS 15-2010 FOR THE YEAR ENDED DECEMBER 31, 2017

RR No. 15-2010 are promulgated to amend certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying tax returns. In addition to the disclosures mandated under PFRS, RR No. 15-2010 requires disclosures regarding information on taxes, duties and license fees paid or accrued during the taxable year.

The company is a VAT-registered company with output VAT declaration of ₱424,284 for the year 2017, based on the amount reflected in the gross receipts account of ₱3,535,696.

Value added tax (VAT)

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns filed for 2017

	Net Sales	Output VAT
<u>Gross receipts</u>	<u>₱ 3,535,696</u>	<u>₱424,284</u>

b. Input VAT for 2017

Balance at January 1		₱4,680,538
Capital goods not subject to amortization	655,473	78,657
Domestic purchase of goods	2,621,789	314,614
Domestic purchase of services	22,837,966	2,740,556
		<u>7,814,365</u>
Input VAT claimed and other adjustments		(532,680)
<u>Balance at December 31</u>		<u>₱7,281,685</u>

Zero-rated/exempt transactions

The Parent Company has no zero-rated/exempt sales during the year.

Importation

The Parent Company has no importations during the year.

Custom Duties on Locally-Produced Excisable Items

The Parent Company has no custom duties or locally-produced excisable items during the year.

Other Taxes and Licenses

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees included in operating expenses for 2017:

License and permits fees	₱2,063,049
Fringe benefits taxes	514,422
Others	7,750,556
	<u>₱10,328,027</u>

Others include settlement for late filing of tax return in 2017 and excludes travel taxes paid in 2017.



Withholding Taxes

The following table shows the Parent Company's withholding taxes for 2017:

Final withholding taxes	₱223,942,862
Withholding taxes on compensation and benefits	4,490,794
Expanded withholding taxes	2,011,930
	<hr/> <hr/>
	₱230,445,586

Deficiency Tax Assessments

The Parent Company has received tax assessment notices from the National Office of BIR for the 2012 BIR audit on All Revenue Taxes assessment which was settled by the Parent Company on January 23, 2017.

The Parent Company has not been involved in any cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue (BIR).



DMCI HOLDINGS, INC.
INDEX TO THE PARENT COMPANY FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES

SUPPLEMENTARY SCHEDULES

- I. Report of Independent Auditor on Supplementary Schedules
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 - A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
 - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
 - D. Intangible Assets
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- V. Map of the relationships of the companies within the group
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DMCI HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE
FOR DIVIDENDS DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2017**

Unappropriated Retained Earnings, beginning	₱4,836,586,278
<hr/>	
Net income actually earned/realized during the period:	
Net income during the period closed to retained earnings	9,652,000,063
Less: Non actual/unrealized income net of tax	
Equity in net income of associate/joint venture	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Deferred tax asset that reduced the amount of income tax expense	—
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP-loss	—
Loss on fair value adjustment of investment property (after tax)	—
Unrealized foreign exchange loss – net (except those attributable to cash and cash equivalents)	—
Net income actually earned during the period	14,488,586,341
Add (Less):	
Dividend declarations during the period	6,373,185,600
Appropriations of retained earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	—
<hr/>	
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱8,115,400,741
<hr/> <hr/>	

DMCI HOLDINGS, INC.

SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON SRC RULE 68 AS AMENDED DECEMBER 31, 2017

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011) that are relevant to the Parent Company. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Parent Company has no financial assets in equity securities as of December 31, 2017.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

There were no advances to employees of the Parent company with balances above ₱100,000 as of December 31, 2017.

Schedule C. Amounts Receivable from/Payables to Related Parties which are eliminated during the Consolidation of Financial Statements

This schedule is not applicable.

Schedule D. Intangible Asset - Other Noncurrent Assets

The Parent Company has no intangible assets as of December 31, 2017.

Schedule E. Long-term Debt

The Parent Company has no long-term debt as of December 31, 2017.

Schedule F. Indebtedness to Related Parties (Long Term Loans from Related Companies)

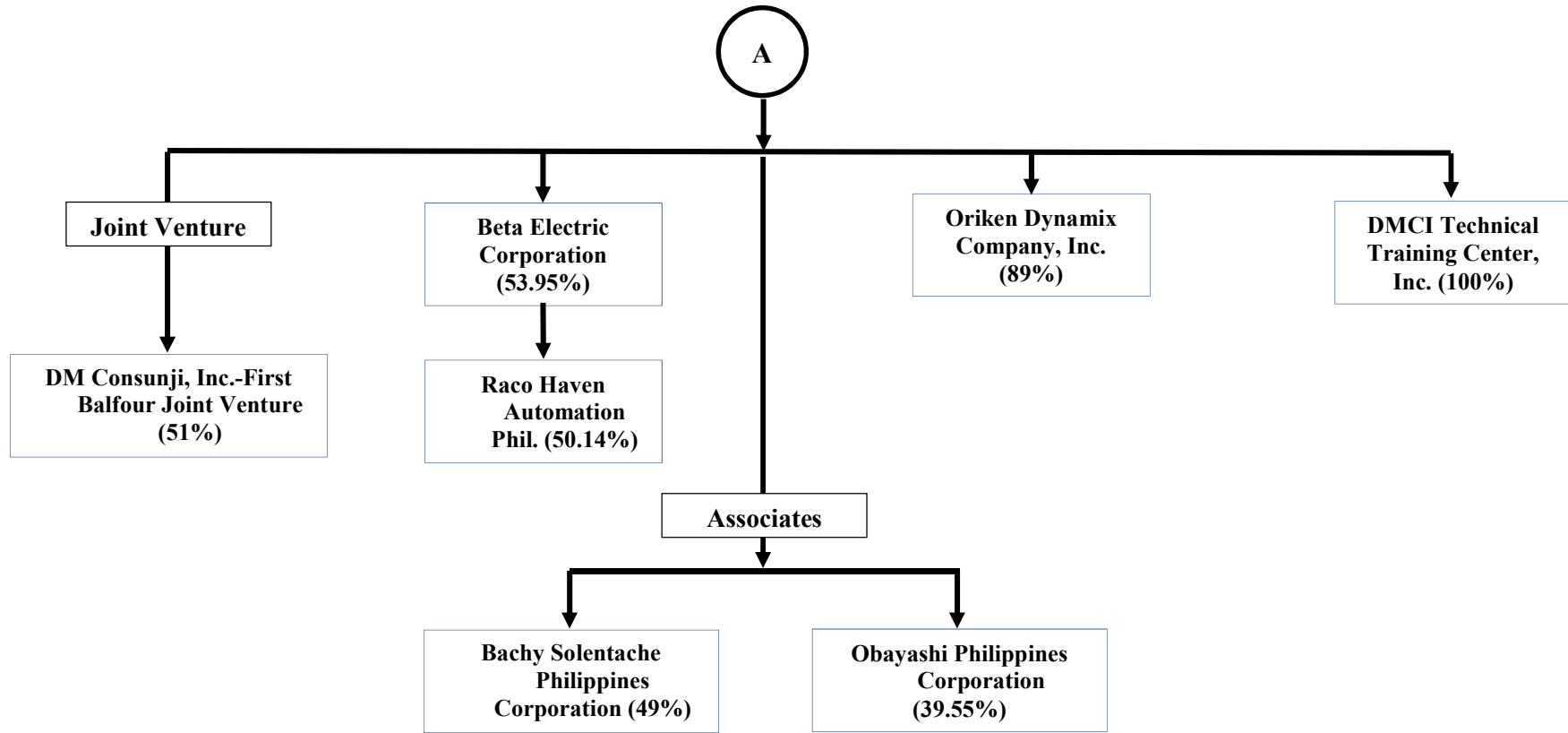
The Parent Company has no indebtedness to related parties as of December 31, 2017.

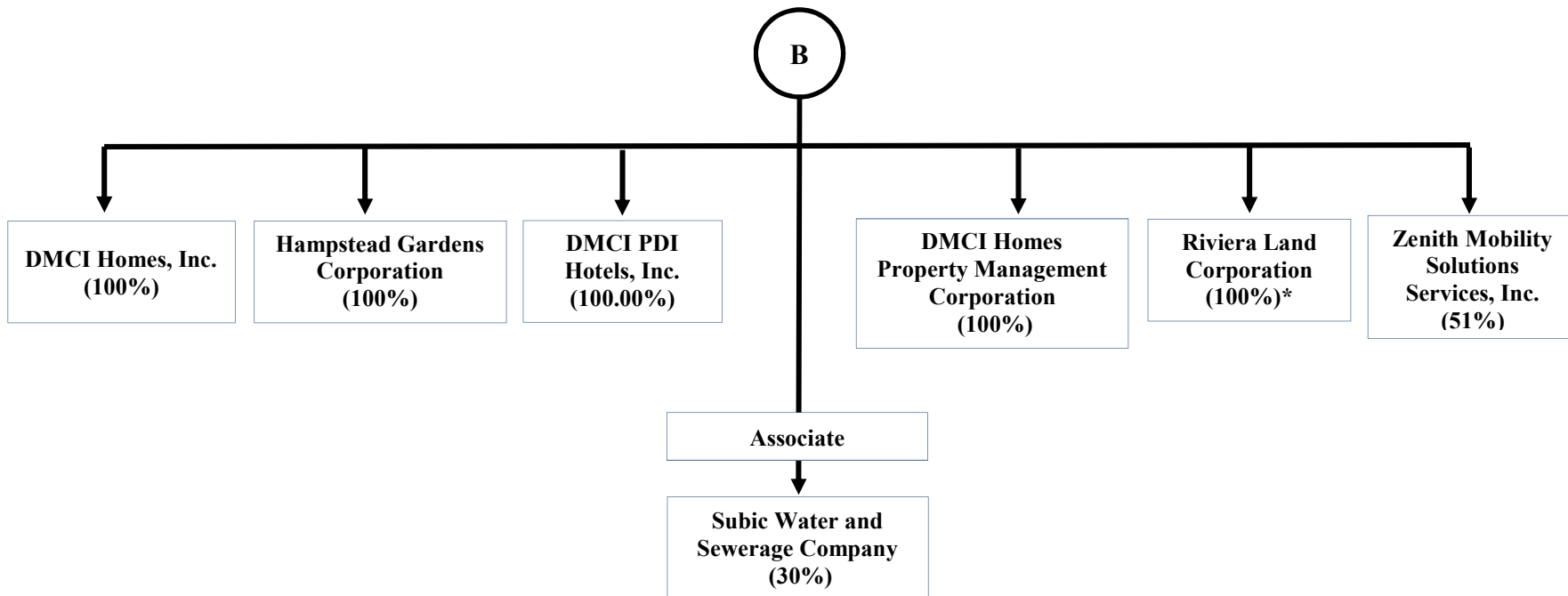
Schedule G. Guarantees of Securities of Other Issuers

As at December 31, 2017, the Parent Company does not guarantee any securities.

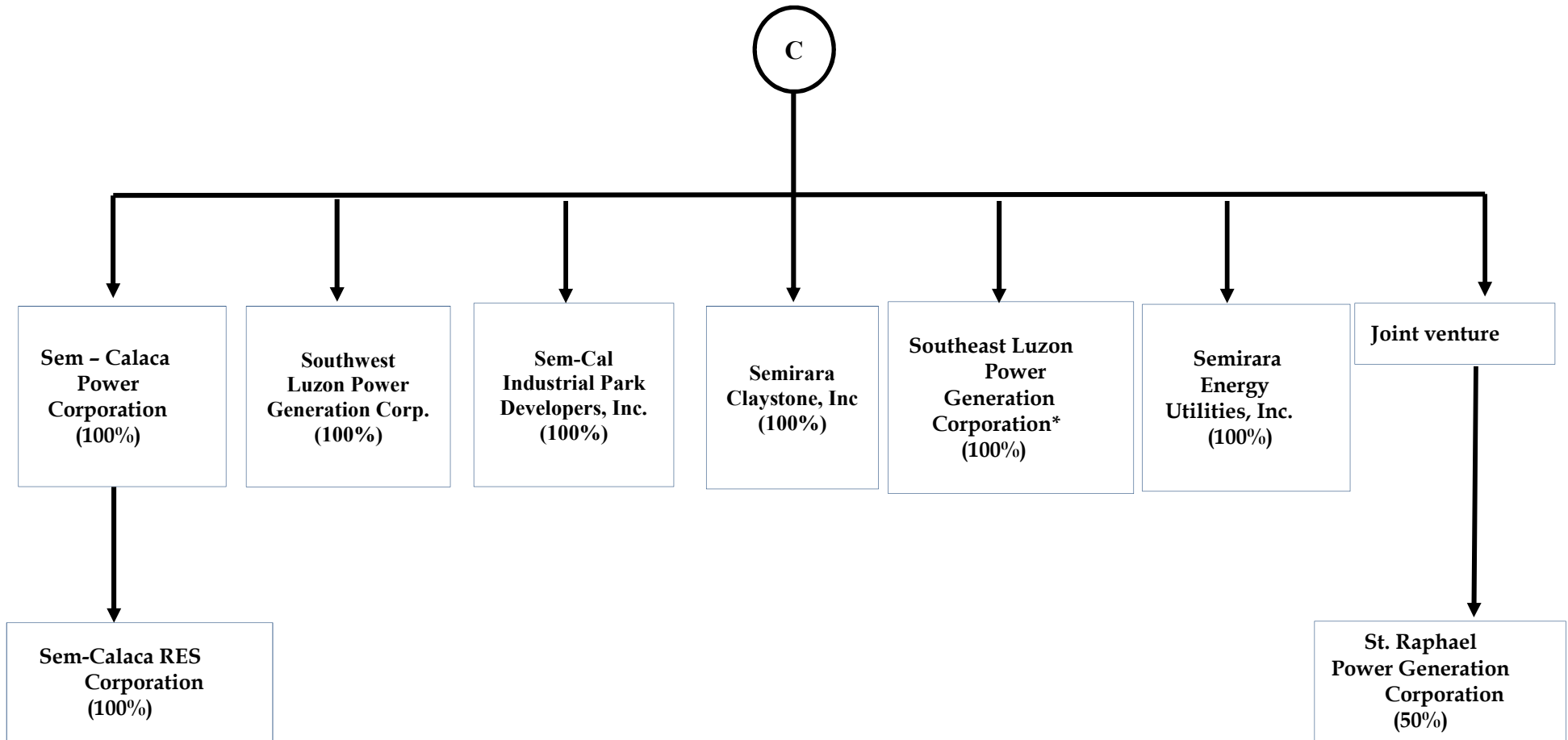
Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	19,900,000,000	13,277,470,000	9,220,031,725	391,244,885	3,666,193,390
Preferred shares	100,000,000	3,780	—	—	3,780
	20,000,000,000	13,277,473,780	9,220,031,725	391,244,885	3,666,197,170

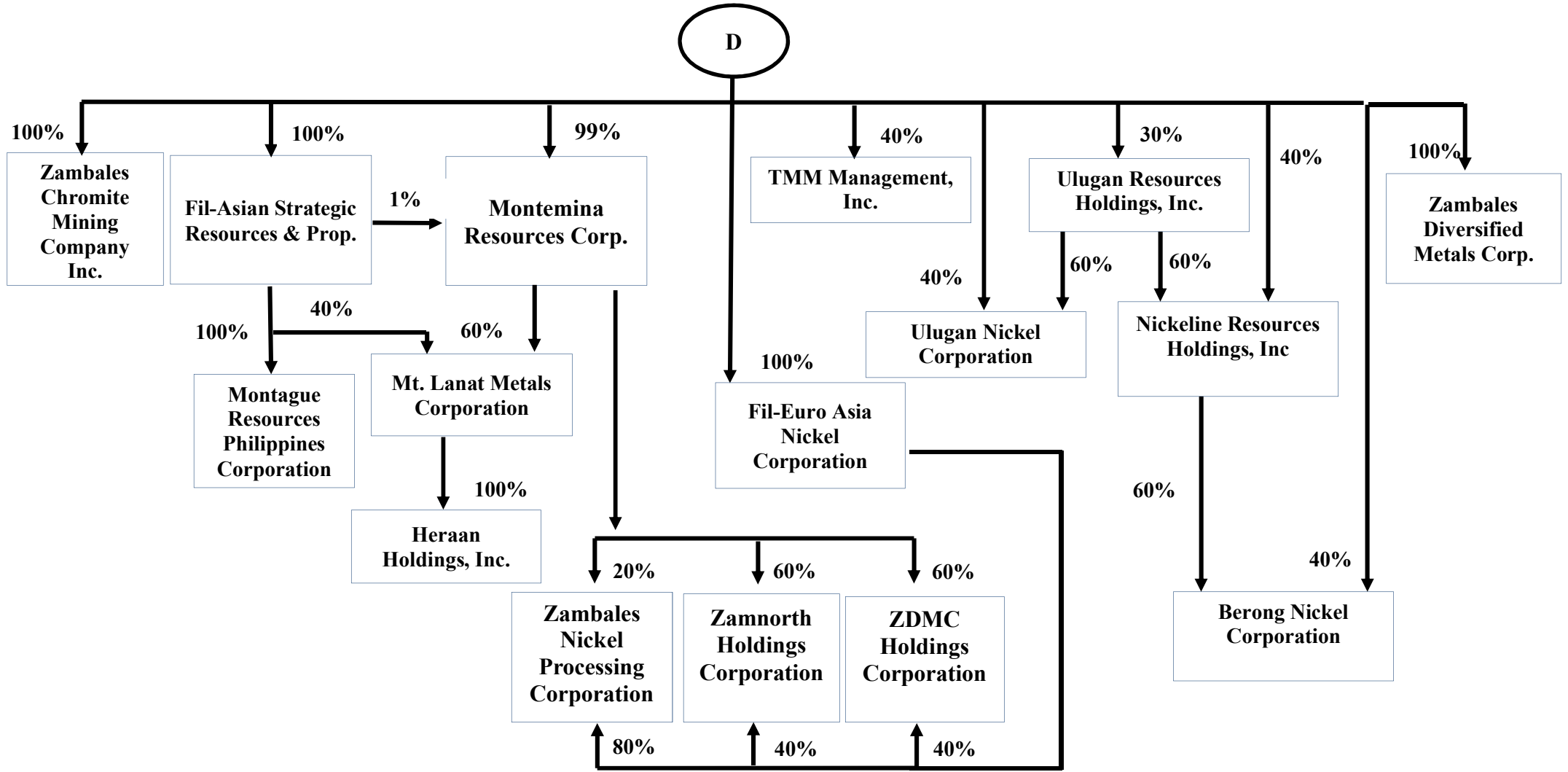




**Includes 34.12% investment of DMCI to Riviera Land.*



**Formerly Sem-Balayan Power Generation Corporation*



DMCI HOLDINGS, INC.**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER
31, 2017 and 2016***Financial Soundness Indicator*

Below are the financial ratios that are relevant to the Parent Company for the year ended December 31, 2017 and 2016:

Financial ratios		2017	2016
Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	2,032.83:1	268.99:1
Solvency ratio	$\frac{\text{Net income plus depreciation}}{\text{Total liabilities}}$	478.90:1	87.71:1
Debt to equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	0.001:1	0.002:1
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total equity}}$	1.00:1	1.00:1
Return on assets	$\frac{\text{Net income}}{\text{Average total assets}}$	0.39:1	0.16:1
Return on equity	$\frac{\text{Net income}}{\text{Average total equity}}$	0.40:1	0.16:1

DMCI HOLDINGS, INC.**SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
UNDER PHILIPPINE FINANCIAL REPORTING STANDARDS**

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 and 68.1 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below is the list of all effective Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
	Amendment to PFRS 12: Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Presentation of financial statements disclosure initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Statement of Cash Flows, Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendments to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Investment Entities: Applying consolidation exceptions			✓
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non - Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets			
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
Amendment to PAS 39: Eligible Hedged Items			✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version): Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate		✓	
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Philippine Interpretation IFRIC-22: Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Company but have no significant covered transactions for the year ended December 31, 2017.

Standards tagged as “Not adopted” are standards issued but not yet effective as of December 31, 2017. The Company will adopt the Standards and Interpretations when these become effective.