# COVER SHEET

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S.E.C. Registration Number

**A N G L O P H I L I P P I N E H O L D I N G S**

**C O R P O R A T I O N**

(Company's Full Name)

6 t h F l o o r , Q u a d A l p h a C e n t r u m

B u i l D i n g , 1 2 5 P i o n e e r S t r e e t ,

M a n d A l u y o n g C i t y

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

| | |
|---|---|
| Adrian S. Arias | (02) 635-6130 |
| Contact Person | Company Telephone Number |

**Dec. 31, 2017**

| 1 2 | 3 1 | **1 7 - A** | | |
|---|---|---|---|---|
| *Month* | *Day* | **FORM TYPE** | *Month* | *Day* |
| | | | Annual Meeting | |

N / A

Secondary License Type, If Applicable

| | |
|---|---|
| S E C | N / A |
| Dept. Requiring this Doc. | Amended Articles Number/Section |

Total Amount of Borrowings

| | | |
|---|---|---|
| 3 1 0 8 | — | — |

| Anglo Philippine Holdings Corporation | | 2 |
|---|---|---|
| Total No. of Stockholders | Domestic | Foreign |

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes

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**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-A**

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE

1. For the Fiscal Year ended : **31 December 2017**
2. SEC Identification Number : **14102**
3. BIR Tax Identification Number: **041-000-175-630**
4. Exact name of registrant as specified in its charter: **Anglo Philippine Holdings Corporation**
5. Province, Country or other jurisdiction of incorporation or organization: **Philippines**
6. Industry Classification Code : (SEC Use Only)
7. Address of principal office : **6th Floor Quad Alpha Centrum Building**
   **125 Pioneer Street, Mandaluyong City 1550**
8. Registrant's telephone number, including area code: **(632) 631-5139; (632) 635-6130**
9. Former name, former address, and former fiscal year if changed since last report: **N/A**
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

| Title of Each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| **Common stock (P1.00 par value)** | **3,003,302,538 shares** |
| **Loans Payable and Long Term Debt** | **N/A** |

11. Are any or all of these securities listed in the Philippine Stock Exchange: **YES**
12. Check whether the registrant:

    a) has filed all reports required to be filed by Section 17 of the Securities Regulation Code (SRC) and Rule 17(a)-1 thereunder and Sections 26 and 141 of the Corporation Code during the preceding 12 months (or for such shorter period that the registrant was required to file such reports).
    **Yes [ X ] No [ ]**

    **b)** has been subject to such filing requirement for the past 90 days.
    **Yes [ X ] No [ ]**

13. Aggregate market value of the voting stock held by non-affiliates: **P509,139,693**
    **(499,156,562 Shares @ P1.02/share as of December 31, 2017)**
14. Document incorporated by reference: **2017 Audited Financial Statements**

# PART I - BUSINESS AND GENERAL INFORMATION

## Item 1. Business and General Information

### (a) Description of Business

### (1) Business Development

Anglo Philippine Holdings Corporation (the "Company") was incorporated in 1958, originally as an oil and mineral exploration company with the corporate name of *"Anglo Philippine Oil Corp."*In 1996, the Company changed its primary purpose to that of an investments holding firm focused on natural resources, property development and infrastructure, and changed its corporate name to *"Anglo Philippine Holdings Corporation"*. On September 14, 2006, the SEC approved the Company's Amended Articles of Incorporation extending the life of the Company for another fifty (50) years from June 25, 2008.

On December 18, 2012, the Company acquired 100% ownership of Vulcan Materials Corporation (VMC). VMC was registered with the Philippine SEC on September 12, 1991 and is involved in the exploration and development of mineral and aggregates resources.

On December 21, 2015, the Company acquired 97.59% ownership of Tipo Valley Realty, Inc. (TVRI), a company involved in property development.

On September 26, 2016, SEC approved the incorporation of ***Anglo Philippine Power Corporation(APPC)*** (100% owned) to spearhead the Company's foray into the power generation business. Subsequently, **APPC** formed a new wholly-owned subsidiary, **Bataan Aggregates Corp. (BAC)**, which will engage in sand and gravel quarrying. SEC approved the incorporation of BAC on May 4, 2017.

<u>Natural Resources</u>

**Vulcan Materials Corporation (VMC)** (100% owned) posted a net loss of P12.6 million for 2017, compared to a net loss of P11.6 million in 2016.

Following cessation of its Montalban Quarry operations due to unfavorable operation results, VMC entered into an agreement for the sale of the crushing plant and assignment of its rights to explore, develop, operate and utilize the Montalban quarry in favor of Big Rock Aggregates Corporation, an affiliate and designee of Solid Integrated Co., Inc., for P20 million, subject to certain conditions. VMC has received the full payment and has satisfied all conditions of the assignment.

***Anglo Philippine Power Corporation(APPC)*** (100% owned) is presently evaluating various renewable energy projects for future investment and is still in its pre-operating stage.Its wholly-owned subsidiary**, Bataan Aggregates Corp. (BAC)**, has began purchasing equipment and facilities for eventual full operation of sand and gravel quarrying in Bataan.

For year 2017, **The Philodrill Corporation (OV)** (34.32% owned) registered a consolidated net loss of P6.4 million, compared to a net income of P29.1 million in 2016.

The Galoc wells continue to produce at an aggregate output of around 3,500 bopd and total production has reached about 20 million barrels as of end-2017.

**United Paragon Mining Corporation (UPM)** (25.69% owned) UPMC posted a net loss of P51.7 million in 2017, compared to a net loss of P57.8 million in 2016. UPM awaits the grant of a new permit for its Longos area, while other options are also being explored to allow UPMC to exploit the mine on a limited basis.

**Atlas Consolidated Mining & Development Corp. (AT)** (28.64% owned) posted a consolidated net loss of P1.97 billion in 2017, compared to a net loss P879.5 million in 2016.

Pending the transfer of its petroleum assets, the Company continues to participate in the following **Oil Exploration** contracts:

| | | |
|---|---|---|
| Service Contract 6A | Octon, NW Palawan | 11.11000 % |
| Service Contract 14D | Tara, NW Palawan | 2.50000 % |
| Service Contract 41 | Sulu Sea | 1.67900 % |
| Service Contract 53 | Onshore Mindoro | 5.00000 % |
| SWAN Block | NW Palawan | 33.57800 % |

In ***SC 6A (Octon),*** Philodrill completed the pre-stack depth migration (PSDM) re-processing of the 520 sq km seismic data volume on the northern block of the SC in October 2017. Subsequently, Philodrill engaged DUG to undertake a QI study using the PSDM data to investigate all identified structures and horizons of interests in the northern portion of the block.

DUG completed the QI work last March 2018, and Philodrill is currently undertaking seismic interpretation work on the reprocessed PSDM final stack and QI volumes. Focus of the interpretation works to identify areas where the Galoc sand reservoir may be expected to be better developed. Results from these activities will serve as basis to conduct scoping project activities to assess viability of pursuing drilling and development of these prospects.

In ***SC 14D (Tara, NW Palawan),*** the implementation of permanent plug and abandonment of offshore production wells Tara and Libro is well underway. The consortium has completed the refurbishment works on the Libro platform in preparations for the P&A of the Tara and Libro wells which are slated for late April-May 2018.

In ***SC 53 (Onshore Mindoro),*** the DOE approved the revised 2017 work program and budget of block operator Mindoro-Palawan Oil & Gas, Inc (MPOGI) to re-schedule the Progreso-2 drilling to December 2017.

In the meantime, between April-June 2017, MPOGI sought to farm out its interests in Mindoro due to lack of manpower and technical expertise to prosecute the work commitments for the joint venture. At the end of the year, MPOGI has yet to provide the JV with a concrete plan to carry-out the necessary works related to the JV's commitments on the drilling of Progreso-2.

In ***SC 41 (Sulu Sea)***, the DOE will reportedly re-bid the ***Area 15 (Sulu Sea)*** area where Anglo has an option to acquire portion of Philodrill's interest in Area 15 in the event that Philodrill is awarded the contract for Area 15.

In the ***SWAN Block***, The consortium continues to work on a possible swap of participating interest in some of their blocks in exchange for interest in Service Contract No. 57 and 58 of PNOC-EC, which now cover the old SWAN Block.

PNOC-EC had agreed in principle to the proposal and asked and have been granted ample time toconduct due diligence to evaluate the merits of the proposed interest swap.

Property Development

**Tipo Valley Realty, Inc. (TVRI)** (97.59% owned) – TVRI continues to complete the required documentations to obtain a DAR conversion certificate over its properties in Hermosa, Bataan.

For year 2017, TVRI posted a net loss of P3.8 Million, compared to a net loss of P4.4 million for the same period in 2016.

Following the sale of the Company's 15.79% equity in **North Triangle Depot Commercial Corporation (NTDCC)** last December 10, 2014 and February 5, 2015, the Company has entered into a Lease Agreement Assignment of development rights with NTDCC for the lease of the Company's *pro indiviso* shares in the North Avenue Lot Pads and associated Lot Pad Slivers. The lease will be *co-terminus* with the lease of the North Triangle depot with NHA (2047), subject for extension of Development Rights Period.The Lease Agreement was treated as a sale.

The Company continues to maintain 15.79% interest in ***MRT Development Corp***. which generates revenues from concessionaire rentals and advertising fees in the MRT 3 stations.

Infrastructure

The Company continues to maintain 18.6% equity in ***MRT Holdings, Inc***., the indirect majority owner of the Metro Rail Transit Corporation (MRTC). As of end-December 2017, average ridership is about 250,000 passengers per day.

Other Investments

The Company has minority investment in ***Brightnote Assets Corporation***, a holding company organized for the purpose of investing in the Calabarzon area.

***Filipinas Energy Corporation (FEC)*** has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's oil and mineral assets.

**NO** bankruptcy, receivership or similar proceeding has been filed by or against the Company and/or its subsidiary during the last three (3) years.

**NO** material reclassification, merger, consolidation, or purchase/sale of a significant amount of assets, not in the ordinary course of business, has been undertaken by the Company and/or its subsidiary during the last three (3) years, ***EXCEPT*** (i) the sale of NTDCC investment on December 10, 2014 and February 5, 2015 for P1.26 billion; (ii) the acquisition of 97.59% ownership in TVRI on December 21, 2015 for P299,089,000.00; (iii) the reclassification of the Company's AT investment from AFS investment to Investment in Associate effective as of 2015. (iv) the acquisition of additional shares in UPM last December 3, 2015 and May 5-6, 2016 for 3.5 million shares and 3.6 million shares, respectively, thereby increasing the Company's ownership therein from 22.96% to 25.69%. (v) the acquisition of additional shares in AT last February 27, 2017 and August 11, 2017, for 25.1 M shares and 819.9 M shares, respectively, thereby increasing the Company's ownership therein from 8.37% to 28.64%.

**(2) Business of Issuer**

**(A) Description of Business**

The Company is an investments holding firm focused on, and maintaining investments in, natural resources, property development and infrastructure. The Company also maintains minor investments in diversified pioneer projects with attractive economic returns.

VMC is involved in the exploration and development of mineral and aggregates resources.

TVRI is involved in property development.

APPC intends to get involved in power generation.

FEC is a petroleum and mineral exploration company which has not undertaken any business operation since its incorporation due to the deferment of the transfer of the Company's petroleum and mineral assets.

(i) Principal products or services and their markets - The Company, as an investments holding firm, does not generate sales or revenues from the sale of any product or service; rather, the Company generates revenues and income, principally: (a) from its investments by way of dividends received from, and/or equitizable share in the earnings of, investee companies; and, (b) sale of investments or of the securities to which the investment may have been converted, including interest income earned by such securities. By mutual agreement, the Company's investment advisory services with EPL was terminated effective October 31, 2014, after the Company fully paid its loan with EPL.

VMC holds an operating agreement to explore and develop the area covered by MPSA 070-97-IV located in Rodriguez, Rizal and to sell the aggregates products derived and processed therefrom. The principal buyers of VMC's aggregates are various local construction companies.

TVRI is currently in the process of applying to develop about 201 hectares, more or less, of its land in Hermosa, Bataan, adjacent to the Subic Bay Freeport Zone, into a Special Economic Zone.

(ii) Percentage of sales or revenues and net income contributed by foreign sales – In 2014, the Company recognized around P88.75 million in retainer fees for services rendered to EPL for which the Company acted as its adviser. This engagement with EPL has been terminated by mutual agreement effective October 31, 2014.

VMC and TVRI do not have foreign sales.

(iii) Distribution methods of the products or services

The Company does not openly distribute nor offer its investment advisory services to other entities except to its former client, EPL.

VMC does not have any distribution method for its products. Various construction companies pick up VMC's aggregates products from its project site in Rodriguez, Rizal.

TVRI has no products or services yet to sell or distribute.

(iv) Status of any new product or service – Not applicable.

(v) Competitive business conditions – With its avowed vision/mission of *"Helping Build the Filipino Future"*, the Company focuses its investments in natural resources, property development and infrastructure projects.

The property development sector is enjoying a boom as more development projects are undertaken to satisfy rising demands from overseas Filipino workers (OFWs),new business ventures, and a growing working class who prefers to live and work nearby to avoid severe traffic conditions in Metro Manila. Likewise, the country's stable and improved economic performance continue to contribute significantly to property demand. These factors augur well for TVRI, which is planning to develop its property portfolio.

The natural resources sector, unfortunately, has been adversely hit by the general downtrend in the prices of petroleum (OV), nickel and copper (AT) and gold (UPM). Nevertheless, the Companyremainsoptimisticthatcommoditypriceswillrecover and reboundin 2018 and generate attractive returns soon.

The infrastructure sector is in its growth stage as the infrastructure needs of the country far exceed the available supply of funds for various projects. Private sector financing, such as that provided by the Company, will continue to supplement, if not totally supplant, Government funding for infrastructure projects.

The natural resources, infrastructure and property development industries are not confined within any specific geographic area. So far, the Company and its subsidiaries have participated in projects undertaken or to be undertaken in Metro Manila, Luzon, Visayas and Mindanao.

The Company generally participates in natural resources, infrastructure and property development projects as a pure equity holder without involving itself directly in the operations of the venture beyond the level of the board of directors or operating committees.

The Company invests only in projects that yield or would yield a return on investment consistent with the economic thresholds set by the Company which are, in turn, based on accepted investment grade standards set by the international business community.

(vi) Sources and availability of raw materials – BAC's main source of aggregates is in Mariveles, Bataan.

TVRI's business of property development does not require any raw material.

(vii) Major customers - The Companyand TVRI are not dependent on any major customer. The Company's revenues and income are dependent on the financial performance of its investee companies, while BAC sells its aggregates products to any buyer meeting its prices. TVRI has not commenced any property development yet pending completion of all necessary permits.

(viii) Related party transactions – See Note 24 of the Company's 2017 Audited Financial Statements.

(ix) Patents, etc. – NONE

(x) Government approvals - Not applicable.

(xi) Effect of Government regulations - Existing government regulations do not adversely affect the business of the Company. Probable government regulation, if economically restrictive, may adversely affect the business of the Company and its subsidiary.

(xii) Research and development activities - The Company did not undertake any research and development activities and did not incur any expenses for such activities during the last three (3) years.

In the ordinary course of business, the projects in which the Company is, or becomes, involved in may incur expenses in commissioning feasibility and/or other similar studies. In cases where a separate entity specific to the project is formed, these expenses form part of project development costs of that entity and are, in turn, carried as part of project investment by the Company. In cases where no separate entity is formed or the proposed project is shelved for various reasons, such expenses are charged as ordinary operating expenses of the Company.

(xiii) Costs and effects of compliance with environmental laws – Compliance with environmental laws have not, and are not anticipated to, adversely affect the businesses and financial conditions of the Company. Costs of compliance with environmental laws are either charged as ordinary operating expenses or credited as part of project investment by the Company and its subsidiary. The Company did not incur any expenses for such activities during the last three (3) years.

VMC maintains an account with Land Bank of the Philippines for its Mine Rehabilitation Fund (MRF) pursuant to the requirements of the Philippine Mining Act of 1995. The MRF shall be used for the physical and social rehabilitation of areas and communities affected by mining activities and for research in the social, technical and preventive aspects of rehabilitation.

(xiv) Employees - As of 31 December 2017, the Company has thirteen (13) full-time employees (including officers). TVRI has not engaged any employee yet.

**(B) Additional Requirements as to Certain Issues or Issuers**

(i) Debt Issues – Not applicable.

(ii) Investment Company Securities – Not applicable.

(iii) Mining and Oil Companies – The Company, in line with its previous primary business purpose now retained as one of its secondary purposes, and VMC are participants in certain petroleum and/or mineral exploration and development ventures. These concession areas are provided in Item 1(a)1 above.

## ITEM 2. PROPERTIES

Properties of the Company consist of condominium units and improvements and office equipment located at the principal office of the Company. Properties of subsidiary, TVRI, consist of office equipment located in its principal office Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City and approximately 300 hectares of land located at Bgys. Mabiga and Sacrifice Valley, Hermosa, Bataan. These properties are carried at cost less accumulated depreciation.

The Company does not own any plant, mine or other property. Subsidiary VMC owns exploration and development rights in certain mineral exploration areas covered by Mineral Production Sharing Agreements (MPSA), Applications for Production Sharing Agreements (APSA), exploration permits and industrial sand and gravel (ISAG) permit applications, while TVRI owns about 300 hectares of land located at Bgys. Mabiga and Sacrifice Valley, Hermosa, Bataan.

As discussed under the heading *“Other Investments”*above, the Company maintains participating interests in certain petroleum and mineral concession areas. To the extent of its Participating Interests in the petroleum and mineral exploration areas, the Company shares co-ownership rights with the other concessionaires over the respective Joint Accounts and Joint Properties pertaining to each concession area which are generally expressed in monetary terms as “Deferred Exploration Costs”in the Company’s books of accounts.

Similarly, subsidiary VMC maintains interests in certain mineral concession areas. To the extent of its participating interests in the mineral concession areas, VMC shares co-ownership rights with the other concessionaires over the respective Joint Accounts and Joint Properties pertaining to each concession area which are generally expressed in monetary terms as “Deferred Exploration Costs” in VMC’s books of accounts which are, in turn, consolidated into the Company’s books of accounts.

Owing to the intermittent nature of petroleum exploration, no permanent physical property, plant or equipment are situated or being maintained in the concession areas as they are brought in only, under lease or charter, whenever there is any exploration activity to be undertaken in the areas.

On the other hand, subsidiary VMC maintains a permanent physical property, plant and equipment in the Montalban Aggregates Project area. Nevertheless, upon completion of the documentation of sale to SICI, the ownership of the crushing plant and the rights to explore, develop, operate and utilize theMontalban quarry will be assigned to SICI or its designee, Big Rock Aggregates Corporation.

## ITEM 3. LEGAL PROCEEDINGS

There is no material pending legal proceeding to which the Company or its subsidiary or affiliate is a party, or which any of their property is the subject, except the following:

In 2013, VMC filed a criminal case for qualified theft against Benjamin Villacarta, a former Assistant Manager of Finance and Accounting Department of VMC who converted several checks intended for tax payments into cash for personal gain. The case is currently archived after a hold-departure order was issued by court against Villacarta.

In July 2015, VMC filed a complaint affidavit with the prosecutor's office for qualified theft against Raizel Ann Fortin, a former general accountant of VMC who took for personal gain certain monies intended as payments for various materials sold by VMC to clients. An Information was subsequently filed against her before the Regional Trial Court of San Mateo, which issued a warrant for her arrest. Unfortunately, the warrant went unserved and no return has been submitted by the local police in charge of service thereof.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

NO matter was submitted to a vote of security holders during the fourth quarter of the fiscal year 2017.

## PART II –OPERATIONAL AND FINANCIAL INFORMATION

## ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### (a) Market Price of and Dividends on Common Equity and Related Stockholder Matters

### (1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange. The high and low sale price of the Company's shares for each quarter during the last two (2) fiscal years 2017 and 2016 and the first quarter of the current fiscal year 2018, expressed in Philippine Pesos, are as follows:

| | Stock Prices (Php) | |
|---|---|---|
| | **High** | **Low** |
| **2018-** 1st quarter | 1.18 | 0.88 |
| **2017**– 1st quarter | 1.24 | 1.10 |
| 2nd quarter | 1.35 | 1.10 |
| 3rd quarter | 1.36 | 1.35 |
| 4th quarter | 1.11 | 0.91 |
| **2016** – 1st quarter | 1.20 | 0.82 |
| 2nd quarter | 1.62 | 1.03 |
| 3rd quarter | 1.69 | 1.07 |
| 4th quarter | 1.29 | 0.99 |

### (2) Holders

As of 31 December 2017, total number of shareholders of record is 3,087 while common shares outstanding were 3,003,302,538 shares. The Company's top 20 Stockholders as of 31 December 2017 are as follows:

| Rank | Stockholders | Total Shares | Percentage |
|---|---|---|---|
| 1 | ALAKOR CORPORATION | 1,524,661,961 | 50.7662% |
| 2 | PCD NOMINEE CORPORATION CORPORATION | 1,132,738,082 | 37.7200% |
| 3 | NATIONAL BOOK STORE INC. | 313,640,759 | 10.4432% |
| 4 | SAN JOSE OIL COMPANY | 4,693,332 | 0.1563% |
| 5 | ALYROM PROPERTY HOLDINGS, INC. | 2,924,900 | 0.0974% |
| 6 | SANTIAGO TANCHAN III | 972,398 | 0.0324% |
| 7 | JALANDONI, JAYME, ADAMS & Co., INC. | 964,700 | 0.0321% |
| 8 | CONSTANTINE TANCHAN | 881,466 | 0.0293% |
| 9 | MARIANO GO BIAO | 850,000 | 0.0283% |
| | S.J. ROXAS & CO., INC. A/C # 2.19.038 | 850,000 | 0.0283% |
| 10 | JACK F. CONLEY | 825,000 | 0.0275% |
| 11 | ANSALDO, GODINEZ & CO, INC. | 753,835 | 0.0251% |
| 12 | ANTONIO M. HENARES | 660,000 | 0.0220% |
| 13 | TBG MBTC FAO CARLOS EJERCITO | 500,000 | 0.0166% |
| 14 | JESUS GARCIA | 440,000 | 0.0147% |
| | ANTONIO HENARES &/OR CARMEN HENARES | 440,000 | 0.0147% |
| 15 | ALAKOR SECURITIES CORPORATION | 400,000 | 0.0133% |
| | FRANCISCO A. NAVARRO | 400,000 | 0.0133% |
| 16 | SAN JOSE, ROBERTO V. | 373,866 | 0.0124% |
| 17 | PAMLILIO, JOSE MA. | 330,000 | 0.0110% |
| | YEE, JUANITO L. | 330,000 | 0.0110% |
| 18 | C.A. PILE AS NOMINEE FOR HSBC MANILA ACC, MANUFACTURERS HANOVR | 319,000 | 0.0106% |
| 19 | TANCHAN, JENNIFER | 293,332 | 0.0098% |
| 20 | COO, BETTY U. | 273,680 | 0.0091% |

**Of the total 1,132,738,082 shares under the name of PCD Nominee Corp., 466,031,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 259,952,900 shares (8.66%) are under the name of Alakor Securities Corporation (ASC).*

**Of the 466,031,257 shares under the name of BDOSC, National Book Store Inc.(NBSI) owns 464,143,757 shares (15.45%) and of the 259,952,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,425 shares (3.51%), while NBSI owns 115,949 shares (0.003%).*

**(3) Dividends**

| Cash Dividend | Amount | Declaration Date | Record Date | Payment Date |
|---|---|---|---|---|
| 2016 –CD 14 | P0.015/share | November 3, 2016 | November 18, 2016 | December 15, 2016 |
| 2015 –CD 13 | P0.02/share | June 01, 2015 | June 16, 2015 | July 10, 2015 |
| 2014 –CD 12 | P0.015/share | October 29, 2014 | November 12, 2014 | December 8, 2014 |
| 2013 –CD 11 | P0.03/share | October 22, 2013 | November 8, 2013 | December 4, 2013 |
| 2013 –CD 10 | P0.03/share | March 19, 2013 | April 05, 2013 | May3, 2013 |
| 2012 –CD 9 | P0.02/share | October 19, 2012 | Nov. 07, 2012 | November 23, 2012 |
| 2012 –CD 8 | P0.04/share | March 28, 2012 | April 16, 2012 | May 4, 2012 |
| 2011 –CD 7 | P0.03/share | September 28, 2011 | October 12, 2011 | November 08, 2011 |
| 2011 –CD 6 | P0.05/share | March 25, 2011 | April 08, 2011 | April 29, 2011 |
| 2010 –CD 5 | P0.03/share | April 12, 2010 | April 30, 2010 | May 24, 2010 |
| 2009 –CD 4 | P0.15/share | April 22, 2009 | May 08, 2009 | May 29, 2009 |
| 2008 - CD 3 | P0.05/share | April 25, 2008 | May 30, 2008 | June 25, 2008 |
| 2007 –CD 2 | P0.05/share | July 27, 2007 | October 15, 2007 | November 8, 2007 |
| 2007 - CD 1 | P0.10/share | April 30, 2007 | May 17, 2007 | June 8, 2007 |
| | | | | |
| **Stock Dividend** | **Rate** | **Declaration Date** | **Record Date** | **Payment Date** |
| 2008 - SD 1 | 10% | Sept. 19, 2008 | October 31,2008 | Nov. 26, 2008 |

The Company's ability to declare and pay dividends on common equity is restricted by the availability of retained earnings and cash.

**(4) Recent Sales of Unregistered Securities**

**NO** unregistered securities were sold during the past 3 years. All of the Company's issued and outstanding shares of stock are duly registered in accordance with the provisions of the Securties Regulation Code (SRC).

(a) Securities Sold – Not Applicable; NO securities were sold
(b) Underwriters and Other Purchases – Not Applicable; NO securities were sold
(c) Consideration – Not Applicable; NO securities were sold
(d) Exemption from Registration Claimed – Not Applicable; NO securities were sold.

## ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

**(A) Management's Discussion and Analysis or Plan of Operation**

**(1) Plan of Operation**

To sustain business growth, the Company plans to focus and build on its core investments in natural resources (through investments in OV, UPM, AT and APPC), property development (through investment in TVRI and MRTDC), and infrastructure (through investment in MRTC).In addition, the Company will continue to take advantage of new business opportunities that may emerge in other investment areas which provide synergies with the Company's investment portfolio.

On the other hand, APPC's subsidiary, BAC, is preparing for full operations in its aggregates area.

**(B)** Owing to the nature of the business of the Company (investment holding), VMC (mineral and aggregates exploration and development), and TVRI (property development), and APPC (power generation) and aggregates through BAC), no product research and development is expected to be undertaken in the next twelve (12) months.

**(C)** The Company does not expect to make any purchase or sale of any plant and/or significant equipment within the next twelve (12) months.

On the other hand, any plant and/or equipment that may be purchased or otherwise acquired by BAC in the next twelve (12) months are charged as ordinary expenses and will be subsequently consolidated into APPC's financial statements.

**(D)** The Company and its subsidiaries, VMC, APPC and TVRI do not expect any significant change in the number of its employees in the next twelve (12) months.

The Company and its subsidiaries, VMC, APPC and TVRI, will continue to be affected by the Philippine business environment as may be influenced by any local/regional financial and political crises.

The Company's financial statements for the year ended 31 December 2017 reflect foreign exchange gain/losses on the Company's deposits.

**2) Management's Discussion and Analysis of Financial Condition and Results of Operations**

Financial highlights for the years 2017, 2016 and 2015 are presented below:

| | **2017 (Consolidated)** | **2016 (Consolidated)** | **2015 (Consolidated)** |
|---|---|---|---|
| Revenues | 43,779,066 | 196,992,802 | 508,686,215 |
| Net income/(loss) | (234,266,384) | (113,400,211) | 280,383,996 |
| Total assets | 10,287,595,103 | 6,991,514,198 | 7,032,449,128 |
| Total Liabilities | 3,901,829,486 | 383,874,969 | 369,676,039 |
| Net worth | 6,385,765,617 | 6,607,639,229 | 6,662,773,089 |
| Issued & subscribed capital | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

The top key performance indicators of the Company and its majority-owned subsidiary are as follows:

| | December 31, 2017 (Consolidated) | December 31, 2016 (Consolidated) | December 31, 2015 (Consolidated) |
|---|---|---|---|
| **Current Ratio** | **0.06:1** | **1.07:1** | **1.51:1** |
| Current Assets | 233,560,472 | 388,165,746 | 527,778,874 |
| Current Liabilities | 3,896,396,570 | 364,120,765 | 350,140,112 |
| | | | |
| **Assets to Equity Ratio** | **1.61 : 1** | **1.06 : 1** | **1.05 : 1** |
| Total Assets | 10,287,595,103 | 6,991,514,198 | 7,032,449,128 |
| Stockholders Equity | 6,385,765,617) | 6,607,639,229 | 6,662,773,089 |
| | | | |
| **Debt to Equity Ratio** | **0.61 : 1** | **0.06 : 1** | **0.06 : 1** |
| Total Liabilities | 3,901,829,486 | 383,874,969 | 369,676,039 |
| Stockholders Equity | 6,385,765,617 | 6,607,639,229 | 6,662,773,089 |
| | | | |
| **Equity to Debt Ratio** | **1.64 : 1** | **17.21 : 1** | **18.02 : 1** |
| Stockholders Equity | 6,385,765,617 | 6,607,639,229 | 6,662,773,089 |
| Total Liabilities | 3,901,829,486 | 383,874,969 | 369,676,039 |
| | | | |
| **Book Value per share** | **2.13** | **2.20** | **2.22** |
| Stockholders Equity | 6,385,765,617 | 6,607,639,229 | 6,662,773,089 |
| Shares Outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |
| | | | |
| **Earnings/(Loss) per share** | **(0.08)** | **(0.04)** | **0.09** |
| Net Income/(Loss) | (234,266,384) | (113,400,211) | 280,383,996 |
| Average Number of shares outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

Current Ratio continue to decreased from 2015 to 2016 due to: i) the decrease in current assets cause by the decrease in cash and cash equivalents as a result of the booking of the convertible loan extended to AT in June 2015, ii) the purchase of additional UPM shares in May 2016, iii) the write off of receivable from Euronote Profits Limited (EPL). From 2016 to 2017 Current ratio decreased due to i) increased in current liabilities brought about by the advances made from shareholders and the recognition subscription payable due the Company's subscription to AT shares.

Assets to Equity Ratio slightly increased from 2015 to 2016 . In 2017, Assets to Equity Ratio increased due to increased in Total Assets as a result of the Company's subscription to AT shares.

Debt-to-Equity Ratio remains the same from 2015 to 2016, however, debt-to-equity ratio increased in 2017 due to increase in total liabilities brought about by the Company's subscription to AT shares.

Equity-to-Debt Ratio decreased from 18.02:1 in 2015 to 17:21 in 2016 due to the decrease in Stockholders Equity due to net loss incurred by the Company in 2016. In 2017, Equity to Debt Ratio decreased to 1.64:1 due to the increase in total liabilities brought about by the Company's subscription to AT shares.

Book Value per Share (BVPS) continue to decreased in 2015 to 2017 due to the decrease in Stockholders Equity resulting from the due to net loss incurred by the Company from 2016 to 2017.

Earnings Per Share (EPS) decreased from 2015 to 2016, and from 2016 to 2017 due net losses incurred by the Company in 2016 to 2017.

(i) There are **NO** known trends, demands, commitments, events or uncertainties that have or are reasonably likely to have a material impact on the Company's short-term or long-term liquidity.

(ii) The Company's internal source of liquidity comes, primarily, from revenues generated from operations. The Company's external source of liquidity comes, primarily, from loans/financing obtained from financial institutions and, alternatively, may also come from the collection of its accounts receivables.

(iii) The Company has **NO** material commitments for capital expenditures but is expected to contribute its equity share in the capital expenditures of its investee companies. However, the bulk of the funding for such expenditures will be sourced from project financing.

(iv) There are **NO** known trends, events or uncertainties that have had or are reasonably expected to have a material impact on the revenues or income from continuing operations.

(v) There are **NO** significant elements of income or loss that did not arise from the Company's operations.

(vi) There have been **NO** material changes from 2015-2017 in one or more line items of the Company's financial statements, EXCEPT as disclosed below:

a. Net Revenues decreased from 2015 to 2017 due lower revenue generated by the Company in during the years.

b. Total sales generated by the Company's subsidiary, VMC, is higher in 2015 at P72.27 million compared to P40.74 million in 2016 due to the discontinuance Montalban quarry operations as of the 3rd quarter 2016. There are no sales recorded in 2017 since the VMC has no operation for the year 2017.

c. Costs and Expenses are higher in 2016 compared to 2015 as a result of write-off of the Company's receivable from EPL. In 2017, the Company recorded a P277.0 million cost and expenses mainly due to the Company's share in net losses of its associates.

d. Income/(Loss) Before Income Tax.In 2015, the Company a recorded P284.2 million income before income tax due to higher revenues generated by the Company arising from the sale of NTDCC shares. On the other hand, The Company incurred losses before income tax of P118.2 million and P233.1 million in 2016 and 2017, respectively, due to lower income generated by the Company during the same period .

e. Basic and Diluted Earnings(Loss) Per Share is P0.09, (P0.04) and (P0.08) in for the year 2015, 2016, and 2017, respectively.

f. Retained Earnings continue to decreased in 2015 to 2017 due to net loss incurred by the Company during for the year 2016 and 2017.

g. Current Assets decreased from 2015 to 2016 mainly due i) additional loan extended to Alakor Corporation, and ii) write-off of the Company's receivable from EPL. Likewise, Current Assets decreased in 2017 due to: i) the decrease in cash and cash equivalents due the Company's additional loan/advances to its affiliates/subsidiaries.

h. Non-Current Assets increased from 2015 to 2016 due to i) additional loan extended to Alakor Corporation and ii) purchase of additional UPM shares. In 2017, Non-Current Assets increased due to the increase the Company's subscription to AT shares.

i. Current Liabilities increased from 2015 to 2016 due to booking of deposit from contractor. In 2017, Current Liabilities increased due the advances made by shareholders for the 25% payment of the Company to its subscription to AT shares, and the recognition of subscription payable to AT.

j. Stockholders' Equity continue to decreased from 2015 to 2017 due to net loss incurred by the Company during in 2016 and 2017.

(vii) There have been NO seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) There are **NO** events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(ix) There are **NO** material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

**(2) Interim Periods**

No interim financial statements are included in this report.

## ITEM 7. FINANCIAL STATEMENTS

Refer to the Audited Financial Statements as of December 31, 2017, 2016, and 2015.

## ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been **NO** changes in, nor disagreements with, accountants on accounting and financial disclosure for fiscal years 2017, 2016 an2015.

# PART III - CONTROL AND COMPENSATION INFORMATION

## ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS

### (a) Directors, Executive Officers, Promoters and Control Persons

### (1) Directors and Executive Officers

#### (A) Names and Ages of Directors and Executive Officers

| Name | Age | Citizenship | Position | Period of Service |
|---|---|---|---|---|
| Alfredo C. Ramos | 74 | Filipino | Chairman of the Board | 1989 to present |
| Adrian Paulino S. Ramos | 39 | Filipino | Director<br>EVP/Treasurer<br>President/COO | 2006 to present<br>July 2014 to 2016<br>Jan 2017 to present |
| Gerard Anton S. Ramos | 43 | Filipino | Director<br>EVP-Investments | 2011 to present<br>July 2014 to present |
| Adrian S. Arias | 55 | Filipino | EVP<br>Asst. Corporate Secretary<br>Corporate Secretary<br>EVP-Legal and Admin.<br>Director | 2005 to June 2014<br>1998 to 2016<br>2016 to June 2017<br>July 2014 to present<br>November 2014 to present |
| Christopher M. Gotanco | 68 | Filipino | Director<br>President | 1987 to present<br>1988 to 2016 |
| Roberto V. San Jose | 76 | Filipino | Director<br>Corporate Secretary | 1998 to present<br>1979 to 2016 |
| Reynaldo E. Nazarea | 67 | Filipino | Director | June 2017 to present |
| Presentacion S. Ramos | 76 | Filipino | Director | 1984 to present |
| Maureen Alexandra S. Ramos-Padilla | 45 | Filipino | Director | 2011 to present |
| Renato C. Valencia | 76 | Filipino | Independent Director | 2006 to present |

| | | | | |
|---|---|---|---|---|
| Ramoncito Z. Abad | 71 | Filipino | Independent Director | 2007 to present |
| Iris Marie U. Carpio-Duque | 39 | Filipino | Asst. Corporate Secretary<br>Corporate Secretary | July 2014 to May 2017<br>June 2017 to present |
| Deborah S. Acosta-Cajustin | 38 | Filipino | Asst. Corporate Secretary | July 2014 to present |
| Gilbert V. Rabago | 41 | Filipino | Manager, Finance and Accounting<br>Treasurer | July 2014 to present<br>Jan 2017 to present |

**(B) Positions and offices that each person named above held with the Company**

Mr. Alfredo C. Ramos has been a Director since 1975 and the Chairman of the Board since 1989.

Mr. Adrian Paulino S. Ramos has been a Director since 2006 and became Executive Vice President and Treasurer in July 2014. He became the President in January 2017.

Mr. Gerard Anton S. Ramos has been a Director since 2011 and became the Executive Vice President for Investments in July 2014.

Mr. Christopher M. Gotanco has been a Director since 1987 and the President since 1988 up to 2016. He was previously the VP-Finance and Administration.

Atty. Roberto V. San Jose has been the Corporate Secretary from 1979 up to July 2016, and a Director since 1998.

Ms. Presentacion S. Ramos and Ms. Maureen Alexandra S. Ramos-Padilla have been Directors since 1984 and 2013, respectively.

Atty. Adrian S. Arias was elected Director on November 2015. He was appointed EVP-Legal and Administration in July 2014 and Corporate Secretary from July 2016-June 2017.

**(C) Term of Office as Director and Period of Service**

The Directors of the Company are elected at the Company's annual stockholders' meeting to hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified. Officers are appointed annually by the Board of Directors at the organizational meeting following the annual stockholders' meeting, to hold office until the next organizational meeting of the Board of Directors in the following year or until a successor shall have been appointed and qualified, in accordance with Company By-Laws.

**(D) Business experience of directors/officers during the past five (5) years**

***Mr. Alfredo C. Ramos*** is the Chairman of the Board and Chief Executive Officer of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1962-present), mining (1988-present), oil and gas exploration (1989-present), property development (1991-present), shopping center (1992-present), department store (1993-present), transportation (1996-present) and retail (1999-present), among others.

***Mr. Adrian Paulino S. Ramos*** is a Director and President and COO of the Company. He is the former EVP and Treasurer of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), investment holdings (2005-present), securities (2005-present), property development and infrastructure (2006-present), mining (2006-present) and bulk water supply (2006-present), among others.

***Mr. Gerard Anton S. Ramos*** is a Director and the Executive Vice President for Investments of the Company. He serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1996-present), securities (1996-present), property development and infrastructure (1996-present), investment holdings (2000-present) and mining (2008-present), among others

***Mr. Christopher M. Gotanco*** is a Director and former President and COO of the Company. He serves as a director and/or executive officer in companies engaged in oil and gas exploration (1982-present), mining (1993-present), investment holdings (1995-present), transportation (1996-present), property development (1996-present), investment house and financial services (2007-present), among others.

***Atty. Adrian S. Arias*** is a Director of the Company. He is also the Company's Executive Vice President for Legal and Administration. He has been in active corporate law practice for more than twenty (20) years and serves as a director and/or officer of an investment house (2006-present), financial services (2006-present), logistics company (2004-present), services (2006-present), merchandising (2009-present), shared support services (2011-present), and mining (2012-present).

***Atty. Roberto V. San Jose*** is a Director of the Company. He has been in the active practice of law for more than forty five (45) years.

***Ms. Presentacion S. Ramos*** is a Director of the Company. She serves as a director and/or executive officer, and maintains business interests, in companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media (1975-present), oil and gas exploration (1984-present), department store (1993-present), mining (1993-present) and stock brokerage (1996-present), among others.

***Mr. Renato C. Valencia*** was elected independent director of the Company in December 2006. He serves as director and/or executive officer in companies engaged in banking (1998-present), investment holdings (1998 to present) and education and technology (2003 to present).

***Mr. Ramoncito Z. Abad*** was elected independent director of the Company in March 2007. He is the former president of Philippine National Construction Company (PNCC) (1989-1996) and the former Chairman of the Development Bank of the Philippines (1998-2001). He serves as director and/or executive officer in companies engaged in consumer distribution (1999-present) and construction (2000-present).

***Ms. Maureen Alexandra S. Ramos-Padilla*** is a Director of the Company. She serves as a director and/or executive officer, and maintains business interests in companies engaged in department store, media and music distribution, securities brokerage property development, oil and gas exploration and development (2013-present), among others.

***Atty. Iris Marie U. Carpio-Duque*** is the Corporate Secretary of the Company. For the past five years, she has served as officer and/or corporate secretary or assistant corporate secretary of various companies involved in mining, investment holding, securities brokering and real estate.

***Atty. Deborah S. Acosta-Cajustin*** is the Assistant Corporate Secretary of the Company. She has been in active corporate and taxation law practice for more than five (5) years and serves as an officer of companies engaged in the printing, publication, sale and distribution of books, magazines and other printed media, investment holding, and securities brokering (2013-present).

### (E) Directors with directorship(s) held in reporting companies

The following are the directorships held by the directors of the Company in other reporting companies in the past five (5 ) years:

| | | |
|---|---|---|
| *Alfredo C. Ramos* | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *Shang Properties, Inc.* |
| | *MRT Holdings, Inc.* | *The Philodrill Corporation* |
| | *MRT Dev't Corp.* | *United Paragon Mining Corp.* |
| | *National Book Store, Inc.* | |
| *Christopher M. Gotanco* | *Anglo Philippine Holdings Corporation* | *Penta Capital Investment Corp.* |
| | *Boulevard Holdings, Inc.* | *The Philodrill Corporation* |
| | *MRT Holdings, Inc.* | *United Paragon Mining Corp.* |
| | *MRT Dev't Corp.* | *Vulcan Industrial & Mining Corp.* |
| | *Penta Capital Finance Corp.* | |
| *Presentacion S. Ramos* | *Alakor Securities Corporation* | *The Philodrill Corporation* |
| | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *National Book Store Inc.* | |
| *Roberto V. San Jose* | *Anglo Philippine Holdings Corporation* | *CP Equities Corporation* |
| | *Atlas Resources Management Group* | *Mabuhay Holdings Corporation* |
| | *CP Group of Companies* | |
| *Reynaldo E. Nazarea* | *Anglo Philippine Holdings Corporation* | *The Philodrill Corporation* |
| | *Penta Capital Finance Corp.* | *Penta Capital Holdings, Inc.* |
| | *Penta Capital Investment Corp* | |

| | | |
|---|---|---|
| *Adrian Paulino S. Ramos* | *Alakor Securities Corporation* | *The Philodrill Corporation.* |
| | *Anglo Philippine Holdings Corporation* | *United Paragon Mining Corp.* |
| | *Aquatlas Inc.* | *Vulcan Industrial & Mining Corp.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *Zenith Holdings Corp.* |
| | *Carmen Copper Corporation* | |
| *Maureen Alexandra S. Ramos-Padilla* | *Anglo Philippine Holdings Corporation* | *The Philodrill Corporation* |
| *Gerard Anton S. Ramos* | *Anglo Philippine Holdings Corporation* | *National Bookstore Inc.* |
| | *Atlas Consolidated Mining &Dev't. Corp* | *United Paragon Mining Corp.* |
| | *Carmen Copper Corporation* | *The Philodrill Corporation* |
| *Renato C. Valencia* | *Anglo Philippine Holdings Corporation (ID)* | *Metropolitan Bank & Trust Company (ID)* |
| | *House of Investments (ID)* | *Roxas& Company Inc.(RD)* |
| | *i- People, Inc. (ID)* | *Roxas Holdings Inc. (RD, President & CEO)* |
| | *Malayan Insurance Co. (RD)* | *Vulcan Industrial & Mining Corp.(ID)* |
| *Ramoncito Z. Abad* | *Anglo Philippine Holdings Corporation (ID)* | *Monheim Group of Distributors (RD)* |
| *Adrian S. Arias* | *Anglo Philippine Holdings Corporation* | *Vulcan Industrial & Mining Corp.* |
| | *Penta Capital Finance Corp.* | *Penta Capital Investment Corp.* |

**RD – Regular Director* *ID – Independent Director*

## (2) Significant Employees

Other than the current officers and employees, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company.

## (3) Family Relationships

Mr. Alfredo C. Ramos (Chairman of the Board) is the husband of Ms. Presentacion S. Ramos (Director). Ms. Maureen Alexandra Ramos-Padilla (Director), Mr. Adrian Paulino S. Ramos (President/COO/Director) and Mr. Gerard Anton S. Ramos (Director/EVP-Investments) are the children of Mr. Alfredo C. Ramos and Ms. Presentacion S. Ramos.

There are no other family relationships known to the registrant other than the ones disclosed herein.

### (4) Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which a director, person nominated to become a director, executive officer, promoter, or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior that time; (2) any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses of any director, person nominated to become a director, executive officer, promoter, or control person, EXCEPT That (a) Mr. Alfredo C. Ramos, Ms. Presentacion S. Ramos, Ms. Maureen Alexandra S. Ramos-Padilla, Mr. Gerard Anton S. Ramos, Mr. Christopher M. Gotanco, and Mr. Reynaldo E. Nazarea, as directors, and Atty. Adrian S. Arias, ***as Corporate Secretary***, all of Philodrill, have been sued for alleged violation of Secs. 28 and 144 of the Corporation Code (Illegal removal of director), and (b) Mr. Reynaldo E. Nazarea and Atty. Adrian S. Arias have been sued for alleged violation of Art. 172 of the Revised Penal Code (Falsification of a Public Document). The Office of the City Prosecutor of Mandaluyong has dismissed these cases for lack of merit in separate resolutions and are nowthe subject of a Petition for Review filed by complainant Francisco Navarro with the Department of Justice; (c) Mr. Reynaldo E. Nazarea has filed separate cases of perjury and attempted estafa against Mr. Francisco Navarro, which are similarly the subject of a Petition for Review with the Department of Justice; (3) any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement in any type of business, securities, commodities or banking activities of a director, person nominated to become a director, executive officer, promoter, or control person of the Company; and, (4) judgment against a director, person nominated to become a director, executive officer, promoter, or control person of the Company found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, to have violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

## ITEM 10. EXECUTIVE COMPENSATION

### (1) Summary Compensation Table

The aggregate compensation paid to the Company's Chief Executive Officer and other four (4) most highly compensated executive and non-executive officers named below as a group for the two most recently completed fiscal years (2015 and 2016) and estimated to be paid for the ensuing fiscal year (2017) are:

| Name | Position | Year | Salary | Bonus | Other Annual Compensation |
|---|---|---|---|---|---|
| Alfredo C. Ramos | Chairman/CEO | | | | |
| Christopher M. Gotanco | President (up to Dec. 2016) | | | | |
| Adrian S. Arias | EVP-Legal and Administration | | | | |
| Adrian Paulino S. Ramos | EVP/Treasurer (up to December 2016) President/COO (Jan 2017 to present) | | | | |

| | | | | |
|---|---|---|---|---|
| Gerard Anton S. Ramos* | EVP-Investments | | | |
| | | 2016 | 5,896,910 | 6,174,745 |
| | | 2017 | 9,611,900 | 1,356,600 |
| | | 2018 (est) | 10,573,090 | 1,491,600 |
| All officers and directors as a group unnamed | | 2016 | 6,611,910 | 9,095,635 |
| | | 2017 | 10,326,900 | 1,356,600 |
| | | 2018 (est) | 11,359,590 | 1,492,260 |

**(2) Compensation of Directors**

**(A) Standard Arrangement**

For the most recently completed fiscal year, directors received and will receive a per diem of P5,000.00 per month to defray their expenses in attending board meetings.

**(B) Other Arrangements**

There are no other arrangements for compensation of directors during the last fiscal year and for the ensuing fiscal year.

**(3) Employment Contracts and Termination of Employment and Change-in-Control**

(A) The Company maintains standard employment contracts with its executives officers which provide for compensation and benefits, including entitlement to health benefits, representation expenses and company car plan.

(B) Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive more than P2,500,000.00 as a result of their resignation or any other termination of employment, or from a change in control of the Company, or a change in the executive officers' responsibilities following a change in control of the Company.

The Company maintains a retirement plan pursuant to which an eligible employee will receive one month's pay for every year of service for the first 10 years and two month's pay for every year of service beyond the first 10 years. Based on this policy, the retirement pay of some officers of the Company may exceed P2,500,000.00.

(C) There are no warrants or options outstanding in favor of directors and officers of the Company.

## ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

**(1) Security Ownership of Certain Record and Beneficial Owners**

As of 31 December 2017, the Company is not aware of anyone who beneficially owns more than 5% of its outstanding stock, except as set forth below:

| Title of Class | Name and address of record owner and relationship with Issuer | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of shares held | Percentage Ownership |
|---|---|---|---|---|---|
| Common | Alakor Corporation<br>9th Floor Quad Alpha Centrum<br>125 Pioneer St. Mandaluyong City<br>**Stockholder** | Alakor Corporation<br><br>(Direct Ownership) | Filipino | 1,524,661,961 | 50.77% |
| Common | BDO Securities Corporation<br>27 Tower 1 Exchange Plaza<br>Ayala Ave ., Makati City<br>**Stockholder** | National Book Store Inc.<br><br>Client<br>(see Note B) | Filipino | 464,143,757** | 15.45% |
| Common | PCD Nominee Corporation<br>Makati Stock Exchange Bldg.<br>6767 Ayala Avenue, Makati City<br>**Stockholder** | PCD Participants<br><br>(see note A) | Filipino/Non Filipino | 408,106,293* | 13.27% |
| Common | National Book Store Inc.<br>4th Floor Quad Alpha Centrum<br>125 Pioneer St. Mandaluyong City<br>**Stockholder** | National Book Store Inc.<br><br>(Direct Ownership) | Filipino | 313,640,759 | 10.44% |
| Common | Alakor Securities Corporation<br>9th Floor, Quad Alpha Centrum<br>125 Pioneer St., Mandaluyong City<br>**Stockholder** | Alakor Corporation<br><br>Client<br>(see Note B) | Filipino | 105,375,425** | 3.51% |

**Of the total 1,132,738,082 shares under the name of PCD Nominee Corp., 466,031,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 259,952,900 shares (8.66%) are under the name of Alakor Securities Corporation (ASC).*

**Of the 466,031,257 shares under the name of BDOSC, National Book Store Inc.(NBSI) owns 464,143,757 shares (15.45%) and of the 259,952,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,425 shares (3.51%), while NBSI owns 115,949 shares (0.003%).*

***Note A**: The shares registered under the name of PCD Nominee Corporation (PCD) are beneficially owned by its participants. Based on PCD's books, there are 195 beneficial owners of the Company's voting stock of which BDOSC and ASC are the record owner of more than 5% of the Company's voting securities*

***Note B:** Among the clients of BDOSC and ASC, NBSI and AC are the beneficial owners of more than 5% of the Company's voting securities.*

***Note C.** As a matter of practice, PCD itself does not vote the number of shares registered in its name; instead, PCD issues a general proxy constituting and appointing each of its participants as PCD's proxy to vote for the number of shares owned by such participant in PCD's books as of Record Date.*

## (2) Security Ownership of Management

As of 31 December 2017, the Company's directors and officers own the following number of shares registered in their respective names:

| Title of Class | Name of beneficial owner | Amount and nature of Beneficial ownership | | Citizenship | Percent Of Class |
|---|---|---|---|---|---|
| | | Direct | Indirect | | |
| Common | Alfredo C. Ramos (D/CEO/N) | 11,000 | 49,405,872 | Filipino | 1.65% |
| Common | Christopher M. Gotanco (D/O/N) | 110 | 17,830,540 | Filipino | 0.59% |
| Common | Adrian Paulino S. Ramos (D/N) | 18,000 | 33,000 | Filipino | <0.01% |
| Common | Gerard Anton S. Ramos (D/N) | 1,000 | 0 | Filipino | <0.01% |
| Common | Adrian S. Arias (O) | 1,000 | 19,000 | Filipino | 0.00% |
| Common | Roberto V. San Jose (D/O/N) | 373,866 | 59,386 | Filipino | 0.01% |
| Common | Reynaldo E. Nazarea (D/N) | 10,000 | 10,000 | Filipino | 0.01% |
| Common | Presentacion S. Ramos (D/N) | 55,000 | 27,481,665 | Filipino | 0.92% |
| Common | Renato C. Valencia (ID/N) | 1,100 | 0 | Filipino | <0.01% |
| Common | Ramoncito Z. Abad (ID/N) | 1,100 | 0 | Filipino | <0.01% |
| Common | Maureen Alexandra S. Ramos-Padilla (D/N) | 22,000 | 873,066 | Filipino | 0.03% |

There are no additional shares of the Company which the above listed directors and officers have the right to acquire beneficial ownership of from options, warrants, conversion privileges, or similar obligations.

### (3) Voting Trust Holders of 5% or More

To the extent known to the Company, there is no person holding more than 5% of the Company's securities under a voting trust or similar arrangement.

### (4) Changes in Control

To the extent known to the Company, there are no arrangements which may result in a change in control of the Company.

## ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

### (1) Related Transactions

Except as disclosed in Note 25 of the 2017 Audited Financial Statements hereto attached, there had been NO transactions during the last two (2) years to which the Company was or is to be a party in which any director or executive officer of the Company, or nominee for election as a director, or owner of more than 5% of the Company's voting securities, or voting trust holder of 5% or more of any class of the Company's securities, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons had or is to have a direct or indirect material interest.

In the ordinary and regular course of business, the Company had or may have transactions with other companies in which some of the foregoing persons may have an interest.

**(2) Not Applicable**

**(3) Parent of the Company**

As of December 31, 2017, Alakor Corporation holds 54.28% of the Company's outstanding capital stock.

**(4) Transaction with Promoters**

The Company has had no transaction with promoters during the last (5) years.

## PART 1V –CORPORATE GOVERNANCE

### ITEM 13. CORPORATE GOVERNANCE

(a) The Company uses the evaluation system established by the SEC in this Memorandum Circular No. 5 series of 2003, including the accompanying Corporate Governance Self Rating Form (CG-SRF) to measure or determine the level of compliance of the Board of Directors and top-level management with the Company's Corporate Governance Manual.

(b) The Company undertakes as self-evaluation process regularly and any deviation from the Company's Corporate Governance Manual is reported to the Management and the Board together with the proposed measures to achieve compliance.

(c) The Company is in full compliance with the leading practices on good corporate governance as embodied in its Revised Manual on Corporate Governance (May 2017).

1. The Company has adopted a Code of Conduct for the Board and its employees, and is being assessed regularly to cope with the dynamics of the business. The Company has existing policies and procedures that can identify and resolve potential conflicts of interest.

2. Employees and officers undergo professional development programs subject to meeting the criteria set by the Company. The Compensation & Remuneration Committee (CRC) is engaged, in the Succession Planning of the Executive officers, including the President. In the latter case, the CRC coordinates closely with the Chairman any and all activities involved in planning for the President's succession.

(d) The Company shall adopt improvement measures on its corporate governance as the exigencies of its business will require from time to time.

## PART V - EXHIBITS AND SCHEDULES

### ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

| | | | |
|---|---|---|---|
| A. | Exhibits | | see Index to Financial Statement and Supplementary Schedule |
| B. | Report on SEC Form 17-C | - | Already filed with the SEC |

**SIGNATURES**

Pursuant to the requirement of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Mandaluyong APR 2 5 2018 2018.

**ANGLO PHILIPPINE HOLDINGS CORPORATION**
**Issuer**

**ALFREDO C. RAMOS**
Chairman of the Board/CEO

**ADRIAN PAULINO S. RAMOS**
President/Director/COO

**IRIS MARIE U. CARPIO-DUQUE**
Corporare Secretary/
Compliance/Corporate Governance/
Anti-Money Laundering Officer

**GILBERT V. RABAGO**
Treasurer

APR 2 5 2018

SUBSCRIBED AND SWORN tc before me this ______ day of April 2018, affiant exhibited to me his Community Tax Certificates, as follows:

| Names | Passport Number/ Government Issued ID | Issue Date/Expiry | Date Place of Issue |
|---|---|---|---|
| Alfredo C. Ramos | E C8370209 | Jul 21, 2016/Jul 20, 2021 | DFA Manila |
| Adrian Paulino S. Ramos | EC6344702 | Jan C8, 2016/Jan 7, 2021 | DFA Manila |
| Iris Marie U. Carpio-Duque | P4323180A | Sep. 11, 2017/Sep. 10, 2022 | DFA Manila |
| Gilbert V. Rabago | PRC 0105874 | Valid until 03/24/2020 | Manila |

Doc No. 323
Page No. 65
Book No. 55
Series of 2018.

**ATTY. JAMES K. ABUGAN**
NOTARY PUBLIC
Until Dec. 31, 2018
IBP No. 021498/1-5-2018
Rizal Chapter
Roll No. 26890
MCLE No. V-0004484-10/31/2014
PTR # 3369955 - 01/05/2018
Mandaluyong City
TIN # 116-239-956
Tel. 631-40-90

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARY**
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**
**AND SUPPLEMENTARY SCHEDULE**
**SEC FORM 17-A**
**DECEMBER 31, 2017**

## CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Public Accountant

Consolidated Statements of Financial Position as at December 31, 2017and 2016

Consolidated Statements of Comprehensive Income for the Years ended
December 31, 2017, 2016 and 2015

Consolidated Statements of Changes in Equity for the Years ended
December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the Years ended
December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

**SUPPLEMENTARY SCHEDULES**

Report of Independent Auditors' on Supplementary Schedules

SCHEDULE I Financial Ratios

SCHEDULE II Map of the Relationships of the Company within the Group

SCHEDULE III Schedule of Effective Standards and Interpretations under the PFRS

SCHEDULE IV Reconciliation of Retained Earnings Available for Dividend Declaration

SCHEDULE A. Financial Assets in Equity Securities

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

SCHEDULE C. Amounts Receivable from Related Parties which are Eliminated during the
Consolidation of Financial Statements

SCHEDULE D. Intangible Assets - Other Assets

SCHEDULE E. Long-Term Debt

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

SCHEDULE G. Guarantees of Securities of Other Issuers

SCHEDULE H. Capital Stock

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

| 1 | 4 | 1 | 0 | 2 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|

**COMPANY NAME**

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

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

6th Floor Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| AACFS | SEC | N/A |

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| info@anglophil.com | (02) 631-5139 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 3,089 | Last Friday of July | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Mr. Gilbert V. Rabago | info@anglophil.com | (02) 631-5139 | +63 9176217350 |

**CONTACT PERSON's ADDRESS**

6th Floor, Quad Alpha Centrum Building, 125 Pioneer Street, Mandaluyong City

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

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

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

The management of Anglo Philippine Holdings Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error

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

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

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

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

**ALFREDO C. RAMOS**
Chairman of the Board/CEO

**ADRIAN PAULINO S. RAMOS**
President/Director/COO

**GILBERT V. RABAGO**
Treasurer

27 APR 2018
MICHAEL ROMUALDO V. VALERA
COLLECTION SECTION

SUBSCRIBED AND SWORN to before me this APR 2 5 2018 day of MANDALUYONG CITY 2018, affiant exhibited to me his Community Tax Certificates, as follows:

| Names | Passport Number/ Government Issued ID | Issue Date/Expiry Date | Place of Issue |
|---|---|---|---|
| Alfredo C. Ramos | EC8370209 | Jul 21, 2016/Jul 20, 2021 | DFA Manila |
| Adrian Paulino S. Ramos | EC6344702 | Jan 08, 2016/Jan 7, 2021 | DFA Manila |
| Gilbert V. Rabago | PRC 0105874 | Valid until 03/24/2020 | Manila |

Doc No. 255
Page No. 52
Book No. I
Series of 2018.

IRIS MARIE U. CARPIO
NOTARY PUBLIC
ROLL NO. 51028
MANDALUYONG CITY METRO MANILA

ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 0374-18 / UNTIL DECEMBER 31, 2019
QUAD ALPHA CENTRUM, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3412317/ MANDALUYONG CITY / 01-08-18
IBP NO. 024168 / 01-08-18 / QC CHAPTER
MCLE COMPLIANCE NO. IV-0014403 / 04-14-2019
ROLL NO. 51028 (2005)

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

# INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Anglo Philippine Holdings Corporation
6th Floor, Quad Alpha Centrum
125 Pioneer St. Mandaluyong City

## Opinion

We have audited the consolidated financial statements of Anglo Philippine Holdings Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

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

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

*Recoverability of Deferred Exploration Costs*

The carrying value of deferred exploration costs amounted to ₱208.6 million as at December 31, 2017. PFRSs require the Group to assess the recoverability of its deferred exploration costs when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The assessment on whether there is an indication that deferred exploration costs may be impaired requires significant management judgment regarding the ability of the Group to recover its deferred exploration costs. Hence, such assessment is a key audit matter.

The disclosures related to recoverability of deferred exploration costs are included in Notes 3 and 14 to the consolidated financial statements.

*Audit Response*

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired and reviewed relevant updates on the current status of the projects and future management plans. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired or will not expire within the period of their plan of operation. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas. We also reviewed the Group's relevant disclosures.

*Recoverability of Investments in Associates*

The Group's investments in associates amounting to ₱8.7 billion represents about 84.7% of its consolidated total assets as at December 31, 2017. In 2017, the Group's share in the net losses of associates amounted to ₱213.2 million, which is 91.0% of the Group's consolidated net loss. Under PFRSs, the Group assesses at each reporting period whether there is an indication that such investments may be impaired. We consider this matter as significant to our audit in view of the magnitude of the investments' carrying amounts and the share in the net losses of these associates and the significant management judgement and estimates applied in determining the recoverable amount of these investments.

Information on these investments is disclosed in Notes 3 and 11 to the consolidated financial statements.

*Audit Response*

We obtained an understanding of management's process in accounting for investments in associates. We obtained relevant financial information of the associates and recomputed the Group's share in equity in the associates' net earnings/losses. We obtained management's impairment analysis and gained an understanding of their impairment assessment process and the relevant controls. We discussed with management the current and projected financial performance of the associates and assessed whether these were reflected in the Group's own assumptions. We also involved our internal specialist in assessing the Group's methodology and assumptions used in calculating the recoverable amount of the investments which key assumptions include the future production levels and costs, gold prices and discount rate. We assessed future production levels and costs based on the Group's historical performance. We compared the key inputs such as gold prices against externally published data. We also assessed the discount rate used to available third party information. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in the determination of the recoverable amount of the investments in associates.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jose Rao'ul J. Balisalisa.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Balisalisa
Partner
CPA Certificate No. 109542
SEC Accreditation No. 1557-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 931-743-705
BIR Accreditation No. 08-001998-113-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621227, January 9, 2018, Makati City

April 12, 2018

27 APR 2018
COLLECTION SECTION

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|---|---|
| | 2017 | 2016 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 4) | **₱19,051,021** | ₱175,811,234 |
| Receivables (Note 5) | **196,236,889** | 183,069,404 |
| Financial assets at fair value through profit or loss (FVPL; Note 6) | **3,712,820** | 10,556,420 |
| Inventories (Note 7) | **–** | 3,636,782 |
| Prepaid expenses and other current assets (Note 8) | **14,559,742** | 15,091,906 |
| **Total Current Assets** | **233,560,472** | 388,165,746 |
| **Noncurrent Assets** | | |
| Long-term note receivable (Note 9) | **630,379,005** | 750,569,613 |
| Available-for-sale financial asset (Note 10) | **8,583,953** | 8,665,703 |
| Investments in associates (Note 11) | **8,714,846,099** | 5,211,688,844 |
| Property and equipment (Note 12) | **79,556,368** | 51,558,073 |
| Investment property (Note 13) | **305,581,329** | 305,456,767 |
| Deferred exploration costs (Note 14) | **208,611,166** | 206,353,224 |
| Pension assets (Note 25) | **7,865,186** | 6,956,287 |
| Deferred tax assets - net (Note 26) | **8,103,450** | 8,511,940 |
| Other noncurrent assets (Note 15) | **90,508,075** | 53,588,001 |
| **Total Noncurrent Assets** | **10,054,034,631** | 6,603,348,452 |
| **TOTAL ASSETS** | **₱10,287,595,103** | ₱6,991,514,198 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses (Note 16) | **₱273,981,416** | ₱314,948,081 |
| Subscription payable (Note 11) | **2,780,623,880** | 2,136,170 |
| Due to related parties (Note 24) | **841,791,274** | 47,036,514 |
| **Total Current Liabilities** | **3,896,396,570** | 364,120,765 |
| **Noncurrent Liabilities** | | |
| Deposits from customers (Note 16) | **5,432,916** | 5,432,916 |
| Decommissioning liability (Note 18) | **–** | 14,321,288 |
| **Total Noncurrent Liabilities** | **5,432,916** | 19,754,204 |
| **Total Liabilities** | **3,901,829,486** | 383,874,969 |

(Forward)

| | December 31 | |
|---|---|---|
| | **2017** | 2016 |
| **Equity** (Note 19) | | |
| Capital stock - ₱1 par value | | |
| Authorized - 4,000,000,000 shares | | |
| Issued - 3,008,919,508 shares | **₱3,008,919,508** | ₱3,008,919,508 |
| Subscribed - 7,383,030 shares (net of subscriptions receivable of ₱1,367,687) | **6,015,353** | 6,015,343 |
| Additional paid-in capital | **1,570,157,056** | 1,570,157,056 |
| Net unrealized gain on AFS financial assets (Note 10) | **163,500** | 245,250 |
| Remeasurement gains on defined benefit obligation, net of deferred taxes | **1,838,026** | 1,114,838 |
| Share in other comprehensive income of associates (Note 11) | **213,976,700** | 202,225,376 |
| Retained earnings | **1,605,072,357** | 1,839,248,015 |
| Treasury stock - 13,000,000 shares at ₱2.12 cost per share | **(27,566,075)** | (27,566,075) |
| Equity attributable to equity holders of the Parent Company | **6,378,576,425** | 6,600,359,311 |
| Non-controlling interest | **7,189,192** | 7,279,918 |
| **Total Equity** | **6,385,765,617** | 6,607,639,229 |
| **TOTAL LIABILITIES AND EQUITY** | **₱10,287,595,103** | ₱6,991,514,198 |

*See accompanying Notes to Consolidated Financial Statements.*

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **REVENUES** | | | |
| Sales | **₱–** | ₱40,735,955 | ₱72,270,725 |
| Interest income (Note 21) | **34,148,962** | 33,949,269 | 23,376,770 |
| Dividend income (Note 10) | **446,139** | 311,674 | – |
| Gains on: | | | |
| Sale of investments (Notes 6 and 11) | **780,071** | – | 379,447,677 |
| Fair value changes of financial assets at FVPL (Note 6) | – | 494,800 | – |
| Foreign exchange - net | – | 9,206,425 | 9,972,837 |
| Other income (Note 17) | **8,403,894** | 111,962,679 | 23,618,206 |
| | **43,779,066** | 196,660,802 | 508,686,215 |
| **COST AND EXPENSES** | | | |
| Cost of Sales (Note 20) | – | 42,858,065 | 72,286,430 |
| General and administrative expenses (Note 22) | **53,722,739** | 192,196,328 | 105,899,845 |
| Equity in net losses of associates (Note 11) | **213,244,350** | 78,379,530 | 40,592,683 |
| Interest and other finance charges (Note 21) | **164,449** | 1,433,156 | 5,636,904 |
| Losses on: | | | |
| Sale of assets (Note 27) | **8,915,819** | – | – |
| Foreign exchange - net | **572,194** | – | – |
| Fair value changes of financial assets at FVPL (Note 6) | **290,800** | – | 118,140 |
| | **276,910,351** | 314,867,079 | 224,534,002 |
| **INCOME (LOSS) BEFORE INCOME TAX** | **(233,131,285)** | (118,206,277) | 284,152,213 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** (Note 26) | | | |
| Current | **1,036,547** | 3,086,307 | 798,274 |
| Deferred | **98,552** | (7,892,373) | 2,969,943 |
| | **1,135,099** | (4,806,066) | 3,768,217 |
| **NET INCOME (LOSS)** | **(₱234,266,384)** | (₱113,400,211) | ₱280,383,996 |
| **Net income (loss) attributable to:** | | | |
| Equity holders of the Parent Company | **(₱234,175,658)** | (₱113,294,080) | ₱280,383,996 |
| Non-controlling interest | **(90,726)** | (106,131) | – |
| | **(₱234,266,384)** | (₱113,400,211) | ₱280,383,996 |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | | |
| *Item that will be reclassified to profit or loss in subsequent periods:* | | | |
| Share in other comprehensive income of associates (Note 11) | **₱11,751,324** | ₱104,007,149 | ₱136,922,265 |
| Net unrealized gain (loss) on AFS financial assets (Note 10) | **(81,750)** | 245,250 | (1,068,901,038) |
| Effect of reclassification of AFS financial assets to investment in associates | – | – | 1,355,246,720 |
| *Item that will not be reclassified to profit or loss in subsequent periods:* | | | |
| Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 25) | **723,188** | (936,515) | (80,967) |
| | **12,392,762** | 103,315,884 | 423,186,980 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | **(₱221,873,622)** | (₱10,084,327) | ₱703,570,976 |
| **TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:** | | | |
| Equity holders of the Parent Company | **(₱221,782,896)** | (₱9,978,196) | ₱703,570,976 |
| Non-controlling interest | **(90,726)** | (106,131) | – |
| | **(₱221,873,622)** | (₱10,084,327) | ₱703,570,976 |
| **Basic and Diluted Earnings (Loss) Per Share** (Note 28) | **(₱0.08)** | (₱0.04) | ₱0.09 |

*See accompanying Notes to Consolidated Financial Statements.*

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

| | Attributable to equity holders of the Parent Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital Stock (Note 19) | | | | | | | | | | | | |
| | Issued | Subscribed | Subscriptions Receivable | Subscribed - net | Additional Paid- in Capital (Note 19) | Net Unrealized Gain on AFS (Note 10) | Remeasurement Gains (Losses) on Defined Benefit Obligation (Note 26) | Share in Other Comprehensive Income (Loss) of Associates (Note 11) | Retained Earnings | Treasury Stock (Note 19) | Total | Non-controlling Interest | Total |
| **Balances at January 1, 2015** | ₱1,898,957,547 | ₱1,117,344,991 | (₱295,259,490) | ₱822,085,501 | ₱1,570,157,056 | (₱286,345,682) | ₱2,132,320 | (₱38,704,038) | ₱1,777,273,683 | (₱27,566,075) | ₱5,717,990,312 | ₱– | ₱5,717,990,312 |
| Net income | – | – | – | – | – | – | – | – | 280,383,996 | – | 280,383,996 | – | 280,383,996 |
| Other comprehensive income (loss) | – | – | – | – | – | 286,345,682 | (80,967) | 136,922,265 | – | – | 423,186,980 | – | 423,186,980 |
| Total comprehensive income (loss) | – | – | – | – | – | 286,345,682 | (80,967) | 136,922,265 | 280,383,996 | – | 703,570,976 | – | 703,570,976 |
| Issuance of capital stock | 1,109,961,961 | (1,109,961,961) | 293,891,803 | (816,070,158) | – | – | – | – | – | – | 293,891,803 | – | 293,891,803 |
| Cash dividends (Note 19) | – | – | – | – | – | – | – | – | (60,066,051) | – | (60,066,051) | – | (60,066,051) |
| Acquisition of a subsidiary | – | – | – | – | – | – | – | – | – | – | – | 7,386,049 | 7,386,049 |
| **Balances at December 31, 2015** | 3,008,919,508 | 7,383,030 | (1,367,687) | 6,015,343 | 1,570,157,056 | – | 2,051,353 | 98,218,227 | 1,997,591,628 | (27,566,075) | 6,655,387,040 | 7,386,049 | 6,662,773,089 |
| Net loss | – | – | – | – | – | – | – | – | (113,294,080) | – | (113,294,080) | (106,131) | (113,400,211) |
| Other comprehensive income (loss) | – | – | – | – | – | 245,250 | (936,515) | 104,007,149 | – | – | 103,315,884 | – | 103,315,884 |
| Total comprehensive income (loss) | – | – | – | – | – | 245,250 | (936,515) | 104,007,149 | (113,294,080) | – | (9,978,196) | (106,131) | (10,084,327) |
| Cash dividends (Note 19) | – | – | – | – | – | – | – | – | (45,049,533) | – | (45,049,533) | – | (45,049,533) |
| **Balances at December 31, 2016** | 3,008,919,508 | 7,383,030 | (1,367,687) | 6,015,343 | 1,570,157,056 | 245,250 | 1,114,838 | 202,225,376 | 1,839,248,015 | (27,566,075) | 6,600,359,311 | 7,279,918 | 6,607,639,229 |
| Net loss | – | – | – | – | – | – | – | – | (234,175,658) | – | (234,175,658) | (90,726) | (234,266,384) |
| Other comprehensive income (loss) | – | – | – | – | – | (81,750) | 723,188 | 11,751,324 | – | – | 12,392,762 | – | 12,392,762 |
| Total comprehensive income (loss) | – | – | – | – | – | (81,750) | 723,188 | 11,751,324 | (234,175,658) | – | (221,782,896) | (90,726) | (221,873,622) |
| Subscription of capital stock | – | 10 | – | 10 | – | – | – | – | – | – | 10 | – | 10 |
| **Balances at December 31, 2017** | ₱3,008,919,508 | ₱7,383,040 | (₱1,367,687) | ₱6,015,353 | ₱1,570,157,056 | ₱163,500 | ₱1,838,026 | ₱213,976,700 | ₱1,605,072,357 | (₱27,566,075) | ₱6,378,576,425 | ₱7,189,192 | ₱6,385,765,617 |

*See accompanying Notes to Consolidated Financial Statements.*

## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income (loss) before income tax | **(₱233,131,285)** | (₱118,206,277) | ₱284,152,213 |
| Adjustments for: | | | |
| Equity in net losses of associates (Note 11) | **213,244,350** | 78,379,530 | 40,592,683 |
| Interest income (Note 21) | **(34,148,962)** | (33,949,269) | (23,376,770) |
| Loss on sale of assets (Note 27) | **8,915,819** | – | – |
| Depreciation, depletion and amortization (Notes 12 and 22) | **1,965,600** | 6,217,450 | 9,894,417 |
| Unrealized foreign exchange losses (gains) | **(1,317,164)** | (9,210,325) | (9,452,837) |
| Dividend income | **(446,139)** | (311,674) | – |
| Interest and other finance charges (Note 21) | **164,449** | 1,433,156 | 5,636,904 |
| Movement in net pension asset (Notes 23 and 25) | **124,227** | (1,741,400) | – |
| Gain on sale of investment (Note 11) | – | – | (379,447,677) |
| Gain on sale of equipment | – | – | (120,000) |
| Other income | – | – | (6,843,473) |
| Operating loss before working capital changes | **(44,629,105)** | (77,388,809) | (78,964,540) |
| Decrease (increase) in: | | | |
| Receivables | **(11,854,785)** | 110,783,055 | (142,273,601) |
| Financial assets at FVPL | **6,843,600** | (7,194,800) | (3,361,620) |
| Inventories | – | (679,107) | (1,957,030) |
| Prepaid expenses and other current assets | **(504,383)** | (10,155,408) | (1,430,560) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | **(989,325)** | (6,146,192) | 115,666,704 |
| Due to related parties | **794,754,760** | – | – |
| Cash generated from (used in) operations | **743,620,762** | 9,218,739 | (112,320,647) |
| Interest received | **32,836,262** | 31,721,345 | 21,558,365 |
| Dividends received | **446,139** | 16,771,746 | 25,712,608 |
| Income taxes paid | – | (81,581) | (630,993) |
| Net cash flows from (used in) operating activities | **776,903,163** | 57,630,249 | (65,680,667) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Collection of long-term note receivable (Note 9) | **808,505,795** | – | – |
| Issuance of long-term note receivable (Note 9) | **(686,993,695)** | (35,569,613) | (715,000,000) |
| Additions to: | | | |
| AFS financial assets (Note 10) | – | (4,087,500) | – |
| Investments in associates (Note 11) | **(926,162,571)** | (30,144,326) | (26,342,138) |
| Property and equipment (Note 12) | **(68,505,798)** | (38,491) | (3,071,406) |
| Investment property (Note 13) | **(124,562)** | (860,530) | – |
| Deferred exploration costs (Note 14) | **(2,257,942)** | (3,222,353) | (1,517,404) |
| Decrease (increase) in other noncurrent assets | **(38,142,945)** | (12,862,781) | 2,687,018 |
| Increase (decrease) in accounts payable and accrued expenses | **(20,000,000)** | 20,000,000 | – |
| Cash acquired on acquisition of subsidiary | – | – | 311,607 |
| Proceeds from sale of: | | | |
| Investments in associates (Note 11) | – | – | 523,079,898 |
| Property and equipment | – | – | 120,000 |
| Net cash flows used in investing activities | **(933,681,718)** | (66,785,594) | (219,732,425) |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2017** | 2016 | 2015 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from subscription to capital stock | **₱10** | ₱– | ₱– |
| Payments of: | | | |
| Loans | – | – | (100,000,000) |
| Dividends (Note 19) | – | (44,841,107) | (58,359,294) |
| Interest | – | (1,214,879) | (5,421,955) |
| Net cash flows from (used in) financing activities | **10** | (46,055,986) | (163,781,249) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(156,778,545)** | (55,211,331) | (449,194,341) |
| **EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | **18,332** | 2,560,325 | 2,749,837 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **175,811,234** | 228,462,240 | 674,906,744 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 4) | **₱19,051,021** | ₱175,811,234 | ₱228,462,240 |

*See accompanying Notes to Consolidated Financial Statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. General Information and Authorization for Issue of the Consolidated Financial Statements

Anglo Philippine Holdings Corporation

Anglo Philippine Holdings Corporation (the Parent Company; APHC) was registered with the Philippine Securities and Exchange Commission (SEC) on June 25, 1958 originally as an oil and mineral exploration company with the corporate name of "Anglo Philippine Oil Corp." In 1996, the Parent Company changed its primary purpose to that of an investments holding firm focused on natural resources-based companies, infrastructure and property development. On September 14, 2006, the SEC approved the Parent Company's amended Articles of Incorporation extending the life of the Parent Company for another fifty (50) years from June 25, 2008. The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange (PSE).

The registered office address of the Parent Company is 6th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, were authorized for issue by the Board of Directors (BOD) on April 12, 2018.

## 2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at FVPL and AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRSs). All values are rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRSs.

Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively referred to as "the Group"), as of December 31 of each year.

The Group is considered to have control over an investee, if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of the subsidiary begins when the Group obtains control, and continues to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies

Profit or loss and each component of other comprehensive are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI), even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-company balances and transactions, including income, expenses, unrealized gains and losses and dividends, are eliminated in full consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any NCI;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

| | | Percentage of Ownership | |
|---|---|---|---|
| Company | Principal Activities | **2017** | 2016 |
| *Direct interest:* | | | |
| Vulcan Materials Corporation (VMC) | Mining exploration and sale of aggregates | **100** | 100 |
| Tipo Valley Realty, Inc. (TVRI) | Real estate holding and development | **97.59** | 97.59 |
| Anglo Phil. Power Corp. (APPC) | Energy resources | **100** | 100 |
| *Indirect interest:* | | | |
| Bataan Aggregates Corp. (BAC) | Sand and gravel quarrying | **100** | - |

On December 22, 2015, the Parent Company acquired 97.59% of interest in TVRI. As at April 12, 2018, TVRI has not yet started its commercial operations.

On September 26, 2016, SEC approved the incorporation of APPC. APPC is presently evaluating various renewable energy projects for future investment. Furthermore, APPC has formed a new wholly owned subsidiary, BAC, which will engage in sand and gravel quarrying. Philippine SEC approved the incorporation of BAC on May 4, 2017.

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

PFRS 12 (Amendments), *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 Group's consolidated financial statements as the Group does not have any 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.

Philippine Accounting Standards (PAS) 7 (Amendments), *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require entities to provide disclosures that enable users of consolidated financial statements to evaluate 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 impact on the Group's financial statements as the Group does not have liabilities arising from financing activities.

PAS 12 (Amendments), *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 Group applied the amendments applied the amendments retrospectively. However, the application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2017

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

*Effective beginning on or after January 1, 2018*

PFRS 2 (Amendments), *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.

PFRS 9, *Financial Instruments*

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

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

PFRS 4 (Amendments), *Insurance Contracts, Applying PFRS 9 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.

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.

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

PAS 28 (Amendments), *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.

PAS 40 (Amendments), *Investment Property, Transfers of Investment Property*
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. 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 consolidated financial statements of the reporting period in which the entity first applies the interpretation.

*Effective beginning on or after January 1, 2019*

PFRS 9 (Amendments), *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.

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.

PAS 28 (Amendments), *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.

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.

*Deferred effectivity*

PFRS 10 and PAS 28 (Amendments), *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 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.

Summary of Significant Accounting Policies

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

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the 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 Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

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

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

*"Day 1" Difference*
Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (Day 1 difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of comprehensive income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Presentation of Financial Statements
The Group has elected to present all items of recognized income and expense in single consolidated statement of comprehensive income.

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

Financial Instruments
*Date of Recognition*
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

*Initial Recognition and Measurement of Financial Instruments*
The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

*Financial Assets*
Financial assets are classified in the following categories: financial assets at FVPL, loans and receivables, AFS financial assets, held-to-maturity (HTM) investment, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the financial assets were acquired and whether they are quoted in an active market.

The Group's financial assets are in the nature of loans and receivables, financial assets at FVPL and AFS financial assets. As at December 31, 2017 and 2016, the Group has no financial assets classified as HTM investments.

*Financial Liabilities*
Financial liabilities are classified into financial liabilities at FVPL and other financial liabilities, as appropriate.

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

The Group's financial liabilities are in the nature of other financial liabilities. As at December 31, 2017 and 2016, the Group has no financial liabilities at FVPL.

*Subsequent Measurement*
The subsequent measurement of financial instruments depends on their classification as follows:

*Loans and Receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL or designated as AFS financial asset. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the "Interest income" account in the consolidated statement of comprehensive income. Any losses arising from impairment are recognized in "General and administrative expenses" in the consolidated statement of comprehensive income.

As at December 31, 2017 and 2016, the Group's loans and receivables include cash and cash equivalents, receivables, long-term note receivable, deposit and mine rehabilitation fund (MRF) under "Other noncurrent assets" (see Notes 4, 5, 9 and 15).

*Financial Assets at FVPL*
Financial assets at FVPL include financial assets held for trading purposes and financial assets designated upon initial recognition as at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Fair value gains or losses are recognized in consolidated statement of comprehensive income. Interest and dividend income or expense is recognized in the consolidated statement of comprehensive income, according to the terms of the contract, or when the right to the payment has been established. Interest earned on holding financial assets at FVPL is reported as interest income using the EIR. Dividends earned on holding financial assets at FVPL are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

Financial assets may be designated as at FVPL by management on initial recognition when any of the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- The assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative that would need to be separately recorded.

The Group's investments held for trading are classified as financial assets at FVPL as at December 31, 2017 and 2016 (see Note 6).

*AFS Financial Assets*
AFS financial assets are those non derivative financial assets designated as such or are not classified as at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses arising from the changes in fair values of AFS financial assets are reported as "Net unrealized valuation gain (loss) on AFS financial assets" in the OCI. When the investment is disposed of or determined to be impaired, the cumulative gains or losses previously recognized in OCI is recognized as income or loss in the consolidated statement of comprehensive income. Dividends earned on holding AFS financial assets are recognized when the right of payment has been established. The losses arising from impairment of such financial assets are recognized as provision for impairment losses in the consolidated statement of comprehensive income.

The fair value of AFS financial assets that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the reporting period. AFS financial assets whose fair value cannot be reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, are carried at cost.

The Group's AFS financial assets are presented as noncurrent assets in the consolidated statements of financial position. As at December 31, 2017 and 2016, the Group's AFS financial assets include quoted and unquoted equity shares (see Note 10).

*Other Financial Liabilities*
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Issued financial instruments or their components, which are not classified as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. The EIR amortization is included in the "Interest and other finance charges" in the consolidated statement of comprehensive income.

Other financial liabilities are classified as current liabilities when they are expected to be settled within twelve (12) months from the end of the reporting period or the Group does not have an unconditional right to defer settlement for at least twelve (12) months from the end of the reporting period. Otherwise, they are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Group's other financial liabilities include accounts payable and accrued expenses (excluding statutory payables), subscription payable and due to related parties (see Note 16).

Impairment of Financial Assets
The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial asset is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after initial recognition of the asset (an incurred "loss event") and that loss has an impact on the estimated future cash flows of the financial asset or the group of financial asset that can be reliably estimated.

Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

*Loans and Receivables*
For loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. 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 of impairment.

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's 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 recognized in the consolidated statement of comprehensive income. Interest income continues to be recognized based on the reduced amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Receivables, together with the associated allowance accounts, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income by adjusting the allowance account.

*AFS Financial Assets Carried at Cost*
If there is objective evidence that an impairment loss in unquoted equity instrument for AFS financial assets carried at cost, such as unquoted equity instruments 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 asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Objective evidence of impairment includes, but is not limited to, significant financial difficulty of the issuer or obligor and it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

*AFS Financial Assets Carried at Fair Value*
For AFS financial assets, the Group assesses at each end of reporting period whether there is objective evidence that an AFS financial asset is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in OCI) is removed from OCI and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. While increases in fair value after impairment are recognized directly in OCI under equity.

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In such case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

*Financial Liabilities*

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

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

Offsetting Financial Instruments

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

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined by the monthly moving average production cost during the year for finished goods and raw materials and supplies. The NRV of finished goods is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. For raw materials and supplies, the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting period. NRV of raw materials and supplies is the current replacement cost.

Prepaid Expenses
Prepaid expenses include items of goods or services purchased by the Group for use in its operations but not fully consumed by the end of the accounting period. When goods or services are initially purchased, the amount is recorded in the asset account. At the end of the period, the Group determines the portion of such expenditures that is applicable to subsequent period and the portion used up during the current period. The used up portion is recognized in profit or loss.

Investments in Associates
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in associates are accounted for using the equity method. Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate.

The consolidated statement of comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the Group's investment in associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

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

The initial cost of property and equipment comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to the consolidated statement of comprehensive income in the period when 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 additional costs of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Quarry development costs are amortized on a units-of-production (UOP) basis over the economically recoverable reserves of the quarry concerned. The unit of account for aggregates is cubic meter in loose volume (LCM).

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortized on a UOP basis whereby the denominator is the proven and probable reserves and the portion of resources expected to be extracted economically. The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortization, until the resource becomes probable of economic extraction in the future and is recognized in "Deferred exploration costs" account in the consolidated statement of financial position.

Depreciation and amortization of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the asset as follows:

| Category | Number of Years |
|---|---|
| Condominium units and improvements | 20 |
| Machinery and equipment | 10 - 15 |
| Transportation equipment | 3 - 5 |
| Furniture, fixtures and office equipment | 2 - 5 |

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

Property and equipment also include the estimated costs of rehabilitating the Group's Montalban Aggregates Project, for which the Group is liable. These costs are amortized using the UOP method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

When property and equipment are retired or otherwise disposed of, both the cost and related accumulated depletion, depreciation, amortization and any impairment in value are removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

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

Investment Properties
Investment properties pertain to the Group's investment in parcels of land and related improvements that are measured initially at cost, including transaction costs. Expenditures for the development and improvement of land are capitalized as part of the cost of the land. The carrying amounts include the costs of replacing part of an existing investment property at the time those costs are incurred if the recognition criteria are met, and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, these are carried at cost less any impairment in the books of the Group.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of comprehensive income in the period of derecognition. Transfers are made to or from investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidence by commencement of an owner-occupation or commencement of development with a view to sale.

Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Deferred Exploration Costs

Oil and gas exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Once the legal right to explore has been acquired, costs directly associated with exploration are capitalized under "Deferred exploration costs" account. The Group's deferred exploration costs are specifically identified for each Service Contract (SC)/Geophysical Survey, Exploration Contract (GSEC) area and quarrying area. All oil exploration costs relating to each SC/GSEC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the consolidated statement of comprehensive income when incurred.

If no potentially commercial hydrocarbons are discovered or mineral reserve, the deferred exploration costs are written off through the consolidated statement of comprehensive income. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried under deferred exploration costs account while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as deferred exploration costs.

At the completion of the exploration phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the deferred exploration costs relating to the SC/GSEC, where oil and gas in commercial quantities are discovered, is first assessed for impairment and (if required) any impairment loss is recognized, then the remaining balance is transferred to property and equipment in the consolidated statement of financial position.

Deferred exploration costs are assessed at each reporting period for possible indications of impairment. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case or is considered as areas permanently abandoned, the costs are written off through the consolidated statement of comprehensive income. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Group to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Other Noncurrent Assets

*Input Value-Added Tax (VAT)*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

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

*Advances for Future Land Acquisitions*

Advances for future land acquisitions represent the advance payments to the land owners plus transaction costs. These are carried at undiscounted amounts.

*Leasehold Rights*

Leasehold rights pertains to an interest in real property held under agreement by which the owner gives the Group the right to occupy or use the property for a period of time. This is amortized over the life of the contract.

Impairment of Nonfinancial Assets

*Investments in Associates*

The Group determines at each end of the reporting period whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment being the difference between the recoverable amount of the investment and the carrying value and recognizes the amount in the consolidated statement of comprehensive income.

An assessment is made at the end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reverse only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the investments is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.

*Deferred Exploration Costs*

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the deferred exploration costs may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

*Prepaid Expenses and Other Current Assets, Property and Equipment, Investment Properties and Other Noncurrent Assets (excluding Deposit and MRF)*
The Group assesses at each reporting period whether there is an indication that a nonfinancial asset may be impaired when events or changes in circumstances indicate that the carrying value of an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. As asset's recoverable amount is the higher of an asset's or CGU's fair value less costs 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 groups of assets. When 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 assessment of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

As assessment is made at each end of the reporting period 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 recoverable amount is estimated. 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. However, the 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 consolidated statement of comprehensive income. After such a reversal, the deprecation 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.

Provisions
*General*
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. 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 amount that reflects current market assessments of the time value of money and, when 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 "Interest and other finance charges" in the consolidated statement of comprehensive income.

*Decommissioning Liability*
The Group records the present value of estimated costs of legal and constructive obligations required to restore quarry site in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the quarry site. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related assets to the extent that it was incurred as a result of the development/construction of the quarry. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income. Additional disturbances or changes in rehabilitation costs are recognized as additions or charges to the corresponding assets and decommissioning liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in the consolidated statement of comprehensive income as extraction progresses.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive income.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when receipt of reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Capital Stock

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Subscription receivable pertains to the amount of subscribed capital stock less the amount paid-up. Subscription receivable is presented as deduction from capital stock.

Additional Paid-in Capital

Additional paid-in capital is the portion of paid-in capital received representing excess over par value.

Treasury Stock

Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury stock is recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given:
(1) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares are issued, and (2) retained earnings. When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to the issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividend distribution to the Parent Company's stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Parent Company's BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognized.

*Sale of Aggregates*

Sale of aggregates is recognized when the goods are delivered to and accepted by the customer.

*Dividend Income*

Dividend income is recognized when the shareholder's right to receive payment is established.

*Interest Income*

Income is recognized as the 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).

*Other Income*

Income is recognized in the consolidated statement of comprehensive income as they are earned.

Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. General and administrative expenses are generally recognized when the services are used or the expenses arise while interest and other finance charges are accrued in the appropriate period.

Earnings Per Share (EPS)

Basic EPS is computed based on the weighted average number of shares outstanding and subscribed for each respective period with retroactive adjustments for stock dividends declared, if any. When shares are dilutive, the unexercised portion of stock options is included as stock equivalents in computing diluted earnings per share.

Diluted EPS amounts are calculated by dividing the net income by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Since the Group has no potential dilutive common shares, basic and diluted earnings per share are stated at the same amount.

Business Segment

For management purposes, the Group is organized into two (2) major operating segments (mining and non-mining business) according to the nature of the products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments are presented in Note 31.

Retirement Benefits Plan

The Group has a defined retirement benefit plan which requires contributions to be made to a separately administered fund. 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, 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. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements 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 "Personnel cost" under general and administrative expenses in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Re-measurements 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 OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. These are retained in OCI until full settlement of the obligation. Re-measurements recognized in OCI after the initial adoption of Revised PAS 19 are closed to retained earnings.

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

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Income Taxes

*Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The income tax rates and income tax laws used to compute the amount are those that have been enacted or substantively enacted as at the end of the reporting period.

*Deferred Income Tax*

Deferred tax is provided using the liability method on all temporary differences at the end of the reporting period 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, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in foreign subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future 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 end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates (and income tax laws) that have been enacted or substantively enacted at each end of the reporting period.

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

Foreign Currency Transactions
The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions. All differences are taken to "Foreign exchange gains (losses) - net" in the consolidated statement of comprehensive income.

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

Events After the Reporting Period
Post year-end events that provide additional information on the Group's financial position at the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

## 3. Significant Accounting Judgments and Estimates

The Group's consolidated financial statements prepared in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect amounts reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

*Determining Whether Significant Influence Exists for Purposes of Applying PAS 28, Investment in Associates and Joint Ventures*
The Group evaluates various factors in determining whether significant influence exists. Under PAS 28, there is a presumption that if ownership is below 20%, significant influence does not exist unless otherwise supported. Among the factors being considered by management in the assessment

are, degree of representation in the BOD of the investee, representations in management committees of the investee, corporate governance arrangements, and power to veto significant operating and financial decisions.

Starting in 2015, the Group classified its 8.36% investment in Atlas Consolidated Mining and Development Corporation (ACMDC) as an investment in associate which was previously classified as AFS financial asset due to the execution of Collective Undertaking of Ramos Group to maintain its significant representation in the BOD of ACMDC. In 2017, the Group subscribed to an additional 845 million shares of ACMDC at ₱4.3842 per share and paid the corresponding paid-up capital of ₱926.2 million. As a result, the Group's percentage of ownership increased from 8.36% to 28.64%. The Group has subscription payable amounting to ₱2,778.5 million as at December 31, 2017. Total acquisition cost of this investment is ₱5,770.4 million and ₱2,065.7 million as at December 31, 2017 and 2016, respectively.

*Determining Distinction Between Investment Property and Owner-Occupied Property*
The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied property generates cash flows that are attributable not only to the property but also to the other assets used in the service process.

Properties amounting to ₱305.6 million and ₱305.5 million as at December 31, 2017 and 2016, respectively, are held for capital appreciation and are accounted for as investment properties by the Group. The Group considers each property separately in making its judgment. Further details are disclosed in Note 13.

<u>Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

*Estimating Allowance for Impairment Losses on Receivables*
The Group assesses at each end of the reporting period whether there is any objective evidence that receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the affiliated companies and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on age and status of the financial asset, as well as historical loss experience. Allowance for impairment loss is provided when management believes that the receivable balance cannot be collected or realized after exhausting all efforts and courses of action.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk and industry, as well as identified structural weaknesses or deterioration in cash flows.

No provision for impairment loss on receivables, long-term note receivable, deposit and MRF were recognized in 2017 and 2016. The aggregate carrying amount of receivables, long-term note receivable, deposit and MRF as at December 31, 2017 and 2016 amounted to ₱853.8 million and ₱934.7 million, respectively (see Notes 5, 9 and 15).

*Estimating Impairment on Investments in Associates*
PFRSs requires that an impairment review be performed when certain impairment indicators are present. In determining the fair value of the investment in associates, the Group makes estimates and assumptions that can materially affect the consolidated financial statements. The Group considers the current and projected financial performance of the associates and determines future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Furthermore, the Group makes assumptions on the future production levels and costs, as well as external inputs such as metal prices and discount rate. Future events could cause the Group to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the consolidated statement of financial position and consolidated statement of comprehensive income.

Investments in associates amounted to ₱8,714.8 million and ₱5,211.7 million as at December 31, 2017 and 2016, respectively. No provision for impairment losses recognized in 2017, 2016 and 2015 (see Note 11).

*Assessing Recoverability of Deferred Exploration Costs*
The Group assesses impairment on deferred exploration costs when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment loss. Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The carrying value of deferred exploration costs amounted to ₱208.6 million and ₱206.4 million as at December 31, 2017 and 2016, respectively. No allowance for impairment losses on deferred exploration costs was recognized by the Group in 2017 and 2016 (see Note 14).

*Estimating Useful Lives of Property and Equipment*
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. There is no change in the estimated useful lives of the property and equipment in 2017 and 2016.

There were no changes in the estimated useful lives of the Group's property and equipment. The aggregate net book values of property and equipment amounted to ₱79.6 million and ₱51.6 million as at December 31, 2017 and 2016, respectively. The balance of the accumulated depreciation of property and equipment amounted to ₱70.0 million and ₱125.8 million as at December 31, 2017 and 2016, respectively (see Note 12).

*Estimating Impairment of Prepaid Expenses and Other Current Assets, Property and Equipment, Investment Properties and Other Noncurrent Assets (except Deposit and MRF)*
The Group assesses impairment on prepaid expenses and other current assets, property and equipment, investment properties and other noncurrent assets (except deposit and MRF) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review 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.

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 net selling price and value in use. The net selling price 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 CGU to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the net selling price.

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

As at December 31, 2017 and 2016, the aggregate carrying amount of prepaid expenses and other current assets, property and equipment, investment properties and other noncurrent assets amounted to ₱463.0 million and ₱424.6 million, respectively (see Notes 8, 12, 13 and 15).

*Assessing Recoverability of Deferred Tax Assets*
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Group has deferred tax assets amounting to ₱10.3 million and ₱11.7 million as at December 31, 2017 and 2016 (see Note 26).

*Estimating Retirement Benefits Expense*
The determination of the Group's obligation and cost for retirement is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. These assumptions are described in Note 25 to the consolidated financial statements. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual

experience or significant changes in the assumptions may materially affect the Group's retirement obligations.

As at December 31, 2017 and 2016, the retirement benefit plan asset amounted to ₱7.9 million and ₱7.0 million, respectively. Net retirement benefit expense in 2017 and 2016 amounted to ₱124,227 and ₱1,467 (see Note 23).

## 4. Cash and Cash Equivalents

| | **2017** | 2016 |
|---|---|---|
| Cash on hand | **₱30,000** | ₱50,000 |
| Cash with banks | **13,997,257** | 18,001,662 |
| Short-term deposits | **5,023,764** | 157,759,572 |
| | **₱19,051,021** | ₱175,811,234 |

Cash with banks earn interest at their respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

In 2017, 2016 and 2015, interest income from cash with banks and short-term deposits, net of final tax, amounted to ₱0.7 million, ₱3.4 million, and ₱7.6 million, respectively (see Note 21).

The Group has United States dollar (US$)-denominated cash with banks and short-term deposits amounting to US$0.2 million and US$0.9 million as at December 31, 2017 and 2016, respectively.

## 5. Receivables

| | **2017** | 2016 |
|---|---|---|
| Trade | **₱15,921,190** | ₱15,921,190 |
| Advances to: | | |
| MRT Dev't. Corp. (MRTDC; Note 17) | **156,569,453** | 166,806,965 |
| Advances to related parties (Note 24) | **22,217,356** | 6,347,743 |
| Accrued interest receivable (Note 9) | **5,251,735** | 3,939,035 |
| Others | **13,357,216** | 7,134,532 |
| | **213,316,950** | 200,149,465 |
| Less allowance for impairment losses | **17,080,061** | 17,080,061 |
| | **₱196,236,889** | ₱183,069,404 |

Trade receivables are noninterest-bearing and generally have a thirty (30) day term.

Others include advances to officers and employees which are non-interest bearing and are collectible within the year.

The receivables of the Group consist of individually significant accounts that were subjected to specific impairment approach. Others that were not individually significant for which no specific impairment were subjected to collective assessment. Based on the assessment done, the Group have not recognized additional provision for impairment losses in 2017, 2016 and 2015.

| | 2017 | 2016 |
|---|---|---|
| Trade | **₱15,444,055** | ₱15,444,055 |
| Others | **1,636,006** | 1,636,006 |
| | **₱17,080,061** | ₱17,080,061 |

In 2016, accrued management fees receivables was written off by the Group. This resulted to loss on write-off of receivable amounting to ₱124.3 million recorded under "General and administrative expense" of the 2016 consolidated statement of comprehensive income (see Note 22).

## 6. Financial Assets at FVPL

| | 2017 | 2016 |
|---|---|---|
| Shang Properties, Inc. | **₱3,361,620** | ₱3,576,420 |
| Chelsea Logistics Holdings Corp. | **351,200** | – |
| Pilipinas Shell Petroleum Corp. | **–** | 6,980,000 |
| | **₱3,712,820** | ₱10,556,420 |

Movements in the financial assets at FVPL as at December 31, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Balances at beginning of year | **₱10,556,420** | ₱3,361,620 |
| Additions | **2,912,200** | 6,700,000 |
| Disposals | **(9,465,000)** | – |
| Changes in fair value of financial assets at FVPL | **(290,800)** | 494,800 |
| Balances at end of year | **₱3,712,820** | ₱10,556,420 |

Gain on sale of financial assets at FVPL recognized in 2017 amounted to ₱0.8 million.

## 7. Inventories

As at December 31, 2016, inventories, which are carried at cost, consist of:

| | |
|---|---|
| Finished goods | ₱3,546,579 |
| Raw materials | 90,203 |
| | ₱3,636,782 |

In December 2017, the Group sold a group of assets including inventories amounting to ₱3.6 million (see Note 27).

## 8. Prepaid Expenses and Other Current Assets

| | 2017 | 2016 |
|---|---|---|
| Prepaid taxes | **₱8,415,765** | ₱8,795,041 |
| Advances to suppliers | **5,915,690** | 5,007,557 |
| Prepaid expenses | **228,287** | 241,692 |
| Deposits | **–** | 477,200 |
| Others | **–** | 570,416 |
| | **₱14,559,742** | ₱15,091,906 |

Advances to suppliers consist of payments made for future purchases of goods and services which are expected to be realized within one year.

## 9. Long-term Note Receivable

Convertible Note

On June 9, 2015, the Group entered into a loan agreement with ACMDC amounting to ₱700.0 million, which bears a fixed interest rate of 4.0%, payable semi-annually in arrears. The loan will mature on June 9, 2018. The loan contains multiple embedded derivatives such as conversion, call and put options. The conversion option pertains to the right of the Group to convert the loan into common shares of ACMDC at the conversion price of ₱8.29 per share at any time beginning July 21, 2015 until June 2, 2018. The call option pertains to the right of ACMDC to early redeem the loan, in whole but not in part, on or after December 9, 2016 subject to the conditions stated in the loan agreement. On the other hand, the put option pertains to the right of the Group to require ACMDC to redeem all or some of the loan at their prepayment amount on the date fixed for prepayment beginning June 9, 2016.

In 2017, ACMDC pre-terminated the loan agreement and paid the outstanding balance of ₱700.0 million. Interest earned from this note in 2017, 2016 and 2015 amounted to ₱6.0 million ₱28.7 million and ₱15.7 million, respectively (see Note 21). Accrued interest receivable as at December 31, 2016 amounted to ₱1.7 million (see Note 5).

Fixed-interest Note

*Carmen Copper Corporation (CCC)*

On March 21, 2017, the Group entered into a loan agreement with Carmen Copper Corporation (CCC) amounting to $13.4 million (₱672.5 million), which bears an interest rate of 5.0% per annum for the first two (2) years and will increase by 1.0% in succeeding years until it reached its maturity. The loan will mature on March 21, 2024. CCC made principal and interest payments in 2017 amounting to $2.0 million (₱101.6 million) and $0.5 million (₱24.0 million), respectively. Interest earned in 2017 amounted to ₱24.8 million (see Note 21). Accrued interest receivable as at December 31, 2017 amounted to ₱0.8 million (see Note 5).

*Alakor Corporation (Alakor)*

On October 29, 2015, the Group signed a loan facility with Alakor for a total commitment of ₱60.0 million. The loan shall earn 4.25% fixed interest per annum for a term of two (2) years. The first drawdown amounting to ₱15.0 million was made on the same date. Additional drawdowns were made amounting to ₱15.0 million and ₱35.6 million in 2017 and 2016, respectively. In 2017, Alakor paid ₱5.6 million and renewed the facility for another term of two (2) years.

Interest earned in 2017, 2016 and 2015 amounted to ₱2.5 million, ₱1.9 million and ₱0.1 million, respectively (see Note 21). Accrued interest receivable as at December 31, 2017 and 2016 amounted to ₱4.5 million and ₱2.0 million, respectively (see Note 5).

## 10. AFS Financial Assets

| | 2017 | 2016 |
|---|---|---|
| Equity securities: | | |
| Unquoted | **₱4,332,953** | ₱4,332,953 |
| Quoted | **4,251,000** | 4,332,750 |
| | **₱8,583,953** | ₱8,665,703 |

Movements in the AFS financial assets as at December 31, 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Balances at beginning of year | **₱8,665,703** | ₱4,332,953 |
| Additions | **–** | 4,087,500 |
| Changes in fair value of AFS financial assets recognized in equity | **(81,750)** | 245,250 |
| Balances at end of year | **₱8,583,953** | ₱8,665,703 |

Movements in the net unrealized gain on AFS financial assets in 2017 and 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Balances at beginning of year | **₱245,250** | ₱– |
| Changes in fair value of AFS financial assets | **(81,750)** | 245,250 |
| Balances at end of year | **₱163,500** | ₱245,250 |

Quoted AFS financial assets pertain to investments in preferred shares of a local public company, San Miguel Corp. that was purchased on March 16, 2016. The fair value of the quoted instruments is based on the exit market price as at December 31, 2017 and 2016.

Unquoted AFS financial assets pertain to investments in private local companies and have no fixed maturity date or coupon rate. Unquoted investments have been carried at cost less impairment since fair value of these AFS financial assets cannot be reliably determined as they have no available bid price.

No impairment loss was recognized in 2017, 2016 and 2015 on the Group's quoted and unquoted equity instruments.

Dividend income recognized in 2017, 2016 and 2015 related to AFS financial assets amounted to ₱0.4 million, ₱0.3 million and nil, respectively.

## 11. Investments in Associates

| | 2017 | 2016 |
|---|---|---|
| Acquisition cost: | | |
| Balances at beginning of year | **₱5,260,268,704** | ₱5,230,124,378 |
| Additions during the year | **3,704,650,281** | 30,144,326 |
| Balances at end of year | **8,964,918,985** | 5,260,268,704 |
| Accumulated equity in net earnings: | | |
| Balances at beginning of year | **(250,805,236)** | (155,965,634) |
| Equity in net losses during the year | **(213,244,350)** | (78,379,530) |
| Dividends received | **–** | (16,460,072) |
| Balances at end of year | **(464,049,586)** | (250,805,236) |
| Accumulated equity share in OCI: | | |
| Balances at beginning of year | **202,225,376** | 98,218,227 |
| Equity share in other comprehensive income during the year | **11,751,324** | 104,007,149 |
| Balances at end of year | **213,976,700** | 202,225,376 |
| | **₱8,714,846,099** | ₱5,211,688,844 |

The carrying values of investments in associates are as follows:

| | Percentage of Ownership | | Amount | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| ACMDC | **28.64%** | 8.36% | **₱5,600,703,039** | ₱2,084,345,739 |
| The Philodrill Corporation (TPC) | **34.32%** | 34.32% | **2,575,846,734** | 2,575,817,651 |
| United Paragon Mining Corporation (UPMC) | **25.69%** | 25.69% | **538,296,326** | 551,525,454 |
| | | | **₱8,714,846,099** | ₱5,211,688,844 |

Investment in ACMDC

On December 18, 2015, the Group, TPC, Alakor and National Book Store individually executed an Undertaking in favor of the others to vote their shares in ACMDC in all matters affecting their rights as shareholders effective January 1, 2015. The Collective Undertaking aims to consolidate their voting rights to enable the Ramos Group to maintain its significant representation in the BOD of ACMDC.

The Collective Undertaking triggered the reclassification of the Group's 8.36% investment in ACMDC shares from AFS financial assets to investment in associate due to the Group gaining significant influence over ACMDC. The combined interest of the parties to the Collective Undertaking represents 31.48% interest in ACMDC as of December 31, 2016.

In 2017, the Group subscribed to an additional 845 million shares of ACMDC at ₱4.3842 per share and paid the corresponding paid-up capital of ₱926.2 million. Subscription payable related to this acquisition as at December 31, 2017 amounted to ₱2,778.5 million. As a result, the Group's percentage of ownership increased from 8.36% to 28.64%.

Investment in TPC

TPC is primarily engaged in petroleum and mineral exploration and development.

Investment in UPMC
UPMC's main business is the exploration, development, exploitation, recovery and sale of gold.

Investment in NTDCC
NTDCC owns and operates the Triangle North of Manila (TriNoma) Commercial Center which is built adjacent to the Metro Rail Transit (MRT) Depot. The development rights over the 8.3-hectare portion of the MRT Depot were acquired from MRT Development Corp. in 2002.

On December 10, 2014, the Group partially sold its 539,249 common shares and 2,265,507 redeemable preferred shares of NTDCC to Ayala Land, Inc. (ALI), representing 9.24% ownership for a consideration of ₱738.3 million, resulting to a gain of ₱553.6 million.

The sale of the remaining 382,072 common shares and 1,605,169 redeemable preferred shares representing 6.55% ownership in NTDCC was consummated on February 5, 2015. Consideration received amounted to ₱523.1 million, resulting to a gain of ₱379.4 million.

The summarized financial information of the associates as at and for the years ended December 31, 2017 and 2016 are as follows (in thousands):

**2017**

| | ACMDC | TPC | UPMC |
|---|---|---|---|
| Current assets | **₱5,443,457** | **₱1,065,608** | **₱34,619** |
| Noncurrent assets | **68,959,417** | **2,575,513** | **1,079,529** |
| Current liabilities | **12,364,406** | **46,778** | **1,051,115** |
| Noncurrent liabilities | **25,647,265** | **29,002** | **1,110** |
| Revenue | **11,070,571** | **388,202** | **–** |
| Net loss | **(1,967,948)** | **(6,367)** | **(51,695)** |
| Other comprehensive income | **94,386** | **6,451** | **200** |

2016

| | ACMDC | TPC | UPMC |
|---|---|---|---|
| Current assets | ₱5,888,549 | ₱1,110,145 | ₱34,284 |
| Noncurrent assets | 68,010,585 | 2,519,949 | 1,079,852 |
| Current liabilities | 23,442,695 | 40,252 | 999,688 |
| Noncurrent liabilities | 13,786,347 | 24,583,940 | 1,029 |
| Revenue | 10,924,490 | 358,688 | – |
| Net income (loss) | (P879,496) | 29,119 | (57,794) |
| Other comprehensive income | 1,069,360 | 42,647 | (108) |

## 12. Property and Equipment

| | 2017 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Condominium Units and Improvements | Transportation Equipment | Furniture, Fixtures and Office Equipment | Quarry Development Costs | Machinery and Equipment | Construction in Progress | Total |
| **Cost:** | | | | | | | |
| Balances at beginning of year | ₱22,091,617 | ₱2,924,455 | ₱2,536,379 | ₱94,665,468 | ₱55,103,561 | ₱– | ₱177,321,480 |
| Additions | – | 2,708,000 | – | – | – | 65,797,798 | 68,505,798 |
| Disposals (Note 27) | – | – | (1,644,357) | (94,665,468) | – | – | (96,309,825) |
| Balances at end of year | 22,091,617 | 5,632,455 | 892,022 | – | 55,103,561 | 65,797,798 | 149,517,453 |
| **Accumulated depreciation, depletion and amortization:** | | | | | | | |
| Balances at beginning of year | 11,266,159 | 857,281 | 2,409,782 | 56,126,624 | 55,103,561 | – | 125,763,407 |
| Depreciation, depletion and amortization (Note 22) | 1,105,211 | 779,818 | 80,571 | – | – | – | 1,965,600 |
| Disposals (Note 27) | – | – | (1,641,298) | (56,126,624) | – | – | (57,767,922) |
| Balances at end of year | 12,371,370 | 1,637,099 | 849,055 | – | 55,103,561 | – | 69,961,085 |
| **Net book values** | ₱9,720,247 | ₱3,995,356 | ₱42,967 | ₱– | ₱– | ₱65,797,798 | ₱79,556,368 |

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Condominium Units and Improvements | Transportation Equipment | Furniture, Fixtures and Office Equipment | Quarry Development Costs | Machinery and Equipment | Total |
| Cost: | | | | | | |
| Balances at beginning of year | ₱22,091,617 | ₱2,924,455 | ₱2,497,888 | ₱94,665,468 | ₱55,103,561 | ₱177,282,989 |
| Additions | – | – | 38,491 | – | – | 38,491 |
| Balances at end of year | 22,091,617 | 2,924,455 | 2,536,379 | 94,665,468 | 55,103,561 | 177,321,480 |
| Accumulated depreciation, depletion and amortization: | | | | | | |
| Balances at beginning of year | 10,160,948 | 339,009 | 2,285,588 | 51,656,851 | 55,103,561 | 119,545,957 |
| Depreciation, depletion and amortization (Notes 20 and 22) | 1,105,211 | 518,272 | 124,194 | 4,469,773 | – | 6,217,450 |
| Balances at end of year | 11,266,159 | 857,281 | 2,409,782 | 56,126,624 | 55,103,561 | 125,763,407 |
| Net book values | ₱10,825,458 | ₱2,067,174 | ₱126,597 | ₱38,538,844 | ₱– | ₱51,558,073 |

The Group disposed property and equipment with net book values amounting to ₱38.5 million on December 31, 2017 (see Note 27).

The cost of fully depreciated property and equipment that is still used in operations amounted to ₱1.1 million and ₱0.6 million as at December 31, 2017 and 2016, respectively.

## 13. Investment Properties

The movements in the land account are as follow:

| | 2017 | 2016 |
|---|---|---|
| Balances at beginning of year | **₱305,456,767** | ₱304,596,237 |
| Additions | **124,562** | 860,530 |
| Balances at end of year | **₱305,581,329** | ₱305,456,767 |

Investment property represents parcels of land amounting to ₱305.6 million and ₱305.5 million as of December 31, 2017 and 2016. The fair market value of investment properties approximate their cost as of December 31, 2017 and 2016, respectively (see Note 30).

On December 15, 2015, the BOD of the Parent Company approved the acquisition of about 2.3 million shares or 97.59% of the outstanding capital stock of TVRI at a purchase price of ₱130.59 per share or a total of ₱299.1 million. The transaction was accounted for as an asset acquisition with net assets acquired amounting to ₱217.4 million.

The excess of the Parent Company's cost of investment in TVRI over the underlying net assets at the date of acquisition amounting to ₱89.1 million was allocated to the "Investment properties" account in the consolidated statement of financial position. No deferred tax liability was recognized for the excess of investment above as the recognition of additional asset resulted from a transaction that is not a business combination.

No significant costs were incurred in maintaining these investment properties.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop its investment properties.

## 14. Deferred Exploration Costs

The Group is a participant in certain SC and GSEC with the Philippine Government, through the Department of Energy (DOE), for the exploration, development and exploitation of the contract areas situated in Northwest Palawan, Sulu Sea and Mindoro Island.

The aforementioned SC and GSEC, which provide for minimum work expenditure obligations and the drilling of a specified number of wells, are covered by operating agreements which set forth the participating interests, rights, and obligations of the participants to the contracts. The deferred exploration costs represent the Group's share in the jointly controlled assets of the aforementioned SCs and GSECs. The full recovery of the deferred exploration costs incurred in connection with the Group's participation in the exploration of the contract areas is dependent upon the discovery of mineral resources from the respective contract areas and the success of the future development.

The percentage of participation and the balances of the Group's deferred exploration costs as of December 31, 2017 and 2016 are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Percentage of Participation** | **Amount** | Percentage of Participation | Amount |
| **Parent Company** | | | | |
| SC 6 (Offshore Northwest Palawan) | | | | |
| Block A (Octon) | **11.11** | **₱60,425,147** | 11.11 | ₱59,224,694 |
| Saddle Rock Prospect | **11.11** | **7,325,360** | 11.11 | 7,325,361 |
| Esperanza Prospect | **11.11** | **823,118** | 11.11 | 823,118 |
| SC 41 (Sulu Sea) | **1.68** | **48,266,249** | 1.68 | 48,266,249 |
| SC 53 (Onshore Mindoro) | **5.00** | **31,430,961** | 5.00 | 31,430,961 |
| SWAN Block (Northwest Palawan) | | | | |
| SC 39 (Busuanga/Calauit) | **33.58** | **15,891,445** | 33.58 | 15,891,445 |
| GSEC 86 (Northwest Malampaya) | **33.58** | **10,345,190** | 33.58 | 10,345,190 |
| GSEC 83 (North Calamian Project) | **33.58** | **533,923** | 33.58 | 533,923 |
| SC 14 (Northwest Palawan, Tara Block) | **2.50** | **5,252,274** | 2.50 | 4,194,784 |
| **VMC** | | | | |
| MPSA 003-90-X (Comet Nickel-Chromite Project) | | **₱25,765,432** | | ₱25,765,432 |
| APSA 000328-III and ISAG III-02-08 (Bataan Aggregates Project) | | **1,748,121** | | 1,748,121 |
| MPSA 091-97-IV (Batangas Aggregates Project) | | **803,946** | | 803,946 |
| | | **₱208,611,166** | | ₱206,353,224 |

*Parent Company*

SC No. 6A (Octon)
Block operator Pitkin Petroleum Limited commissioned geophysical contractor Seabird Exploration to undertake bathymetric survey and 3D seismic data acquisition over the northern portion of SC 6A using the seismic vessel M/V Voyager Explorer. The 3D seismic survey was completed in November 2013. A total of 508 sq. km of full fold 3D and 48.5 line-km of 2D data were acquired without any major problems and within budget. Data processing commenced on November 22, 2013 at Fairfield's Ho Chi Minh Processing Center and completed in April 2014.

During a partners meeting in August 2014, Pitkin announced their decision to withdraw from their farming agreement and consequently from the SC 6A consortium and the Service Contract by the end of December 2014. Pitkin cited as reason their company strategy to focus resources on their other projects. With Pitkin's decision to withdraw, TPC regained majority ownership and the operatorship of the block by year-end. Effective January 1, 2015, TPC was designated block operator, in lieu of Pitkin who withdrew from the SC and returned its interest back to the consortium members. As a consequence, the Group's participating interest on the block increased from 3.33% to 11.11%.

For 2015, the new operator, TPC, continued the works done by Pitkin to mature prospects to drillable status. Detailed mapping and seismic interpretation work showed significant improvement in data quality vis-à-vis the 1997 3D volume. To resolve uncertainties in the quality and distribution of the primary target reservoir, quantitative interpretation (QI) work, involving the re-processing of 3D data to broadband quality and seismic inversion of the reprocessed data set, has been approved as the 2016 work program for the block.

In February 2017, the DOE approved the proposed Work Program and Budget (WP&B) for 2017 which consisted primarily of data-re processing and a re-run of QI on the northern portion of the block. The seismic re-processing segment was completed in September while the QI was still continuing as at end-December 2017.

SC No. 41 (Sulu Sea)
In early 2012, TPC executed a Joint Application and Participation Agreement with Philex Petroleum Corporation to jointly participate in the bidding for Area 15 under the PECR 4. Area 15 covers the old SC 41 block previously operated by Tap Oil Limited. TPC as the lead party prepared the bid application documents which it then submitted to the DOE on May 30, 2012. While results for some of the areas offered under the PECR4 were already announced, the DOE has yet to release the results for Area 15.

A new bidding round, the 5th PECR, was launched by DOE in May 2014. Nine new petroleum areas were offered for bidding which, unfortunately, did not include the Area 15 - Sulu Sea block offered under PECR4. TPC, Philex and the Parent Company, the latter having signed an earlier agreement with TPC for the transfer of a portion of its interest in the joint bid, would have likely participated in the PECR5 bidding if Area 15 was again offered.

The exclusion of the Sulu Sea block as one of the areas on offer under PECR5 was a decision of DOE as the area is within the contemplated regions proposed to be covered by the Bangsamoro Basic Law.

The DOE will reportedly rebid the area. Anglo has an option to acquire a portion of TPC's interest in the event that TPC is awarded a contract for Area 15.

SC NO. 53 (Onshore Mindoro)
In May 2012, Block Operator Pitkin Petroleum completed the reprocessing of the 200 line-kilometers onshore seismic data acquired in 2010.

A gradiometry survey was also carried out in April and May 2012, with about 9,700 line-kilometers of data acquired by contractor Bell Geospace (UK). The same contractor acquired LIDAR (Light Detection and Ranging Survey) data which provided an accurate topographic imagery of the surface. Parallel to the geophysical activities, Pitkin started preparations for the drilling of the Progreso 2 well and sent out tenders for the various services and equipment required for the drilling campaign.

The operator has also initiated consultation with local services providers and did ocular inspection of ports of entry and access facilities for various equipment to be brought in. They have likewise initiated meetings with local and provincial government units to gain approval for the various planned geophysical and drilling activities.

The Onshore Mindoro Consortium, during a Technical Committee Meeting held in April 2014, agreed to drill another well, Progreso-3, back-to-back with Progreso-2 subject to agreement on the final well locations. Interpretation of the re-processed data later in the year provided support on new locations for the proposed wells, the drilling of which is now seen to materialize in the first half of 2015. By the end of 2014, the consortium was waiting for partner RMA Limited (RMA) to approve the new well locations and drilling budget requirement.

Unfortunately, due to (1) RMA's failure to give timely approval of the proposed well locations leading to its eventual disengagement from the block; and (2) the assignment by operator Pitkin of its interests in the block to Philex Petroleum, the proposed drilling were not undertaken in 2015. The remaining consortium members are now preparing the work program for 2016.

In early February 2017, the DOE approved the revised 2017 work program and budget which was submitted in December 2017 by block operator, Mindoro-Palawan Oil & Gas, Inc. (MPOGI). The main revision involved the re-scheduling of the Progreso-2 drilling from the first quarter of 2017 to December 2017. MPOGI sought to delay the start of drilling due to the DOE's late approval of the transfer of Pitkin Petroleum's 70% participating interest to MPOGI and the latter's operatorship of the block. At the end of the year, MPOGI has yet to provide the JV with a concrete plan to carry out the necessary works related to the JV's commitments on the drilling of Progreso-2.

SWAN BLOCK (Deepwater Northwest Palawan)
The consortium continues to work on a possible swap of participating interest in some of their blocks in exchange for interest in Service Contract No. 57 and 58 of PNOC-EC, which now cover the old SWAN Block.

PNOC-EC had agreed in principle to the proposal and asked and have been granted ample time to conduct due diligence to evaluate the merits of the proposed interest swap.

Thereafter, however, Executive Order No. 556 was issued limiting PNOC-EC's ability to transact through the normal farm-in/farm-out process in acquiring or disposing of interests in any SC. The parties are hopeful of having EO 556 amended to give PNOC-EC more latitude in dealing with SCs.

SC No. 14 (Retention Block, Tara and Libro)
EDSL Consultants have undertaken and completed an integrity test program for the Libro-1, Pandan-1 and Tara South-1 wells. They have likewise prepared and completed design concept and costing for the plugging and abandonment of these wells.

In 2013, the Group reported the consortium's intention to turn over the control and ownership of the now idle Pandan and Libro platforms to the Philippine Government through the DOE. These facilities can still be used by the Philippine Navy as forward outposts in the West Philippine Sea area.

The plug and abandonment (P&A) of the Pandan-1 well in Matinloc Block was successfully carried out in 2014. The SC14 B-1 consortium has ongoing refurbishment works on the Libro platform in 2018 as part of the preparations for the P&A of the Tara and Libro.

*VMC*

Comet Nickel-Chromite Project
The Group and Comet signed a Memorandum of Agreement (MOA) on December 4, 2007, to process, occupy, use and control explore, develop, conduct mining, mine, process and market any product from the MPSA 003-90-X area which was registered with the DENR-Region VI at Surigao City on January 22, 2008.

On March 25, 2010, the Mines and Geoscience Bureau (MGB) responded to Comet's concern, regarding the application for renewal of the MPSA in subject, stating that the same was already approved through a letter dated November 20, 2009. However, Comet responded through a letter to MGB on April 7, 2010 objecting to the further evaluation and eventual approval of the MPSA. On May 13, 2014 the Group sent a letter with intent to renew. The declaration of mining project feasibility for nickel was approved on September 16, 2014. Management believes that the future outcome is favorable to the Group.

Bataan Aggregates Project
The Bataan Aggregates Project is located in Barangay Nagbalayong, Municipality of Morong, Bataan. The Aggregates Project Sharing Agreement No. 000328-III was filed on January 8, 2001 with an area of 138.0397 hectares while the ISAG Permit No. III-02-08 with an area of 12.8 hectares was granted on December 17, 2008.

Batangas Aggregates Project
The Batangas Aggregates Project is located in Barangay San Miguel, Batangas City, Batangas. It is covered by MPSA No. 091-97-IV granted on November 20, 1997 with an area of 332.3980 hectares.

The recovery of these deferred exploration costs incurred in connection with the Group's participation in the acquisition and mineral exploration activities depends upon the discovery of commercial quantities or the success of exploration activities and future development of the corresponding mining properties.

## 15. Other Noncurrent Assets

| | 2017 | 2016 |
|---|---|---|
| Advances for future land acquisitions | **₱60,865,128** | ₱50,547,269 |
| Deposit | **27,228,700** | – |
| Advance royalties | **14,336,742** | 14,336,742 |
| Input VAT | **1,051,174** | 333,102 |
| Advances to suppliers | **892,769** | 892,769 |
| Leasehold rights | **383,052** | 591,990 |
| MRF (Note 27) | **–** | 1,064,563 |
| Others | **87,252** | 158,308 |
| | **104,844,817** | 67,924,743 |
| Less allowance for impairment losses | **14,336,742** | 14,336,742 |
| | **₱90,508,075** | ₱53,588,001 |

Advances for future land acquisitions pertain to purchases of parcels of land brokered by H. George Feliciano & Associates. Payments are initially recorded as advances for future land acquisitions while awaiting for the land titles to be transferred to the name of the Group.

Deposit pertains to the cash bond paid to DAR as required by DAR Administrative Order No. 01-99 in application for the conversion of its land use from idle to industrial. The amount paid is equivalent to 2.5% of the total zonal value of the land amounting to ₱1,089.1 million as at December 31, 2017.

Advance royalties pertains to advances made to Comet Mining Exploration Corporation and Asencio Pinzon Aggregates Corporation (APAC), owner of the mining rights in Loreto, Dinagat and Rodriguez, Rizal, respectively, amounting to ₱11.5 million. The Group conducts exploration activities in those locations. It also includes advances made to Vinc Vita Mining Corporation (VVMC) amounting to ₱2.9 million which pertains to the acknowledgment of the Group to develop and exploit the area in Bolinao, Pangasinan upon securing the necessary application and exploration permit by VVMC. The advance royalties have been fully provided with allowance for impairment losses as at December 31, 2017 and 2016 since the Group assessed that these are no longer recoverable.

Advances to suppliers are non-financial assets arising mainly from advanced payments made by the Group to its suppliers before goods or services have been received or rendered. These are classified as noncurrent since the goods and services are not expected to be received or rendered within one year.

In 1997, TVRI acquired a right to a property in Subic from an officer which was used as a staff house. The lease is for a period of twenty-two (22) years up to October 2019. Leasehold right is carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the term of the lease and is being charged to general and administrative expenses. Amortization expense amounted to ₱0.2 million in 2017, 2016 and 2015 (see Note 22).

The Group maintains an account with Land Bank of the Philippines for its MRF pursuant to the requirements of Republic Act No. 7942, otherwise known as "The Philippine Mining Act of 1995". The MRF shall be used for the physical and social rehabilitation of areas and communities affected by mining activities and for research in the social, technical and preventive aspects of rehabilitation. In 2017, the Group sold a group of assets in relation to its Montalban Quarry. MRF amounting to ₱1.1 million was included in the sale (see Note 27).

The total other noncurrent assets included in the sale of group of assets amounted to ₱1.2 million.

## 16. Accounts Payable and Accrued Expenses

| | **2017** | 2016 |
|---|---|---|
| Current: | | |
| Trade | **₱2,152,313** | ₱5,377,587 |
| Due to NTDCC (Note 17) | **151,554,075** | 160,024,411 |
| Deposits from: | | |
| Metro Pacific Investments Corporation (MPIC) | **89,399,792** | 89,399,792 |
| Customers | **9,981,138** | 9,958,478 |
| Contractor (Note 27) | **–** | 20,000,000 |
| Dividends payable (Note 19) | **11,274,180** | 11,351,724 |
| Payable to regulatory agencies | **1,697,268** | 5,022,029 |
| Others | **7,922,650** | 13,814,060 |
| | **273,981,416** | 314,948,081 |
| Noncurrent: | | |
| Deposits from customers | **5,432,916** | 5,432,916 |
| | **₱279,414,332** | ₱320,380,997 |

Trade payables are noninterest-bearing and generally settled within thirty (30) days. Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business.

Deposit pertains to advances received from MPIC in relation to the potential acquisition by MPIC of the shares owned by the Group in Metro Rail Transit Holdings, Inc. (MRTHI), subject to the completion of certain closing requirements. Deposit pertains to the payment made by Laura Trading (HK) Limited Group (LTLC) amounting to $0.2 million as agreed in the exclusive marketing agreement entered by LTLC and the Group. Per marketing agreement, the former agreed to pay the latter $200,000 for the future extracted mines related to the Group's Comet Project.

Deposit from customer classified as noncurrent pertains to a deposit received from Angat Rockbase Concrete Aggregates, Inc. (ARCAI). On August 8, 2008, VMC and ARCAI entered into a MOA wherein VMC warrants the delivery of approximately 2,000-2,200 LCM per day of blasted materials to ARCAI at the agreed price equivalent to VMC's prevailing material cost plus ₱20 per LCM. ARCAI also agreed to pay ₱20.0 million as contribution to the costs incurred by VMC and to develop the quarry and cost to prepare the area to be designated for use by ARCAI.

The amount is payable as follows:

- ₱5.0 million front end signing of contract; and
- ₱15.0 million to be built in the cost of raw materials and amortized over three years at the committed volume of 600,000 LCM per annum or ₱8.33 per LCM.

On July 24, 2012, VMC and ARCAI signed a MOA extending the term of the original agreement by another five years from the original expiration date. For and in consideration of the renewal, ARCAI agreed to pay VMC ₱1.5 million upon signing to pay for the historical development cost on the last year of the extended agreement.

Deposit from contractor pertains to deposit made by Solid Integrated Co., Inc. (SICI) for the purchase of group of assets of VMC. The sale was perfected on December 31, 2017 in favor of Big Rock Aggregates Corporation (BRAC), an affiliate and designee of SICI (see Note 27).

Dividends payable pertains to unpaid cash dividends declared by the Parent Company to its stockholders.

Payable to regulatory agencies include withholding taxes and other government contributions related to employees of the Group that are payable within the year.

Other payables include accrual of interest and other expenses that are payable within one year.

## 17. Significant Agreements

*Funding and Repayment Agreement*

On December 17, 2014, the Group and other MRTDC shareholders, MRTDC and NTDCC executed a "Funding and Repayment Agreement" wherein the MRTDC shareholders agree to repay NTDCC, for the account of MRTDC, their respective pro rata share in the Total Depot Development Rights Payments (DRP) Advances (the Pre-2006 DRP Payables and the Residual Depot DRP, including 15% interest rate accrued on such DRP payables).

Commencing on January 1, 2015, the MRTDC Shareholders (except Fil Estate Properties, Inc. and Metro Global Holdings Corporation) shall effect the repayment of their respective pro rata share in the Total Depot DRP Payables, through an offset against their respective share in the net rental income termed as "commercial center royalties" to be received from NTDCC. Commercial center royalties received amounted to ₱8.4 million, ₱2.8 million and ₱19.5 million in 2017, 2016 and 2015, respectively, recorded as part of other income.

The set-off shall be effective as of the beginning of every calendar month, commencing January 30, 2015 and shall result in the settlement of the portion of the Total DRP Payables to the extent of the amount of the commercial center royalties then the balance will fall due to the relevant MRTDC Shareholders.

DRP due to NTDCC included under "Accounts Payable and Accrued Expenses" account amounted to ₱151.6 million and ₱160.0 million as at December 31, 2017 and 2016, respectively (see Note 16) while due from MRTDC included under "Receivables" account amounted to ₱156.6 million and ₱166.8 million as at December 31, 2017 and 2016, respectively (see Note 5).

*Assignment of Development Rights*
In accordance with the agreement entered by MRTDC and its shareholders, MRTDC assigned to its shareholders the following:

- Development Rights over the 4,933 square meter North Avenue Lot Pad B; and
- Development Rights over the 9,401 square meter North Avenue Lot Pad A.

As a consideration, the shareholders agreed and undertook to become liable for the following obligations:

- To remit Development Rights payment over their respective shares in Lot Pad Areas
- To remit payments accruing in respect of Development Rights over their respective shares in Lot Pad Areas.

On January 29, 2016, the Group entered into an agreement with NTDCC for the assignment of Development Rights over an aggregate of 1,964.20 square meters undivided portions of the North Avenue Lot Pad A and North Avenue Lot Pad B of the Trinoma Commercial Complex. As a consideration, NTDCC paid ₱107.6 million, exclusive of VAT. This was recorded as part of the Group's other income. The agreement shall be effective until August 8, 2047, subject to the extension of the Development Rights Period.

## 18. Decommissioning Liability

| | **2017** | 2016 |
|---|---|---|
| Balances at beginning of year | **₱14,321,288** | ₱14,103,011 |
| Accretion of interest (Note 21) | **164,449** | 218,277 |
| Disposal | **(14,485,737)** | – |
| Balances at end of year | **₱–** | ₱14,321,288 |

The Group makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Liability for mine rehabilitation and others represents the present value of future rehabilitation and other costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

The Group's decommissioning liability, net of corresponding asset, is included in the sale of group of assets on December 31, 2017 (see Note 27).

## 19. Equity

*Capital Stock*

The movements in capital stock of the Group are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | **Shares** | **Amount** | Shares | Amount |
| Issued and outstanding | **3,008,919,508** | **₱3,008,919,508** | 3,008,919,508 | ₱3,008,919,508 |
| Subscribed: | | | | |
| At beginning of year | **7,383,030** | **7,383,030** | 7,383,030 | ₱7,383,030 |
| Subscription during the year | **10** | **10** | – | – |
| At end of year | **7,383,040** | **7,383,040** | 7,383,030 | 7,383,030 |
| Less subscriptions receivable | **(1,367,687)** | **(1,367,687)** | (1,367,687) | (1,367,687) |
| | **6,015,353** | **₱6,015,353** | 6,015,343 | ₱6,015,343 |

The par value of the shares of stock is ₱1.

Below is the Parent Company's track record of registration of securities under the Securities Regulation Code of the SEC:

| Date of Registration (SEC Approval) | Description | Number of shares registered | Par value per share | Total amount |
|---|---|---|---|---|
| June 25, 1958 | Initial capital | 50,000,000 | ₱0.01 | ₱500,000 |
| November 5, 1958 | Increase in authorized capital stock | 1,000,000,000 | 0.01 | 10,000,000 |
| | | 1,050,000,000 | | 10,500,000 |
| February 26, 1970 | Increase in authorized capital stock | 1,000,000,000 | 0.01 | 10,000,000 |
| | | 2,050,000,000 | | 20,500,000 |
| March 22, 1979 | Increase in authorized capital stock | 8,000,000,000 | 0.01 | 80,000,000 |
| | | 10,050,000,000 | | 100,500,000 |
| September 14, 1990 | Increase in authorized capital stock | 19,950,000,000 | 0.01 | 199,500,000 |
| | | 30,000,000,000 | | 300,000,000 |
| March 13, 1996 | Change of par value from ₱0.01 to ₱1.00 | 300,000,000 | 1.00 | 300,000,000 |
| March 13, 1996 | Increase in authorized capital stock | 1,700,000,000 | 1.00 | 1,700,000,000 |
| | | 2,000,000,000 | | 2,000,000,000 |
| September 23, 2014 | Increase in authorized capital stock | 2,000,000,000 | 1.00 | 2,000,000,000 |
| | | 4,000,000,000 | | ₱4,000,000,000 |

On March 12, 2014, the Parent Company's BOD resolved to increase the authorized capital stock from 2 billion to 4 billion common stock with par value of ₱1 per share. On September 23, 2014, the SEC approved the increase in authorized capital stock. The shares issued from the increase in authorized capital stock were still in the process of being listed in the PSE as at April 12, 2018.

*Treasury Stock*

In 2007, the BOD approved to reacquire shares totalling 13 million common shares, which were reacquired in 2008 and were stated at acquisition cost amounting to ₱27.6 million.

<u>Retained Earnings</u>

*Dividends*

Details of the Group's dividend declaration follow:

| | 2016 | 2015 |
|---|---|---|
| Date of declaration | November 15 | June 1 |
| Dividend per share | ₱0.015 | ₱0.02 |
| Total dividends | ₱45.0 million | ₱60.0 million |
| Date of record | November 18 | June 16 |
| Date of payment | December 15 | July 10 |

The Group did not declare dividends in 2017.

## 20. Cost of Sales

Breakdown of cost of sales in 2016 and 2015 is as follows:

| | 2016 | 2015 |
|---|---|---|
| Hauling and crushing consumables | ₱13,088,533 | ₱31,450,787 |
| Rental | 10,857,621 | 8,663,165 |
| Depreciation (Note 12) | 4,402,628 | 8,122,348 |
| Communication, light and water | 3,085,299 | 5,414,720 |
| Personnel costs (Note 24) | 3,040,635 | 5,190,386 |
| Royalties | 2,347,144 | 4,279,500 |
| Fuel and oil | 2,331,875 | 4,190,477 |
| Outside services | 1,048,115 | 1,572,618 |
| Plant dues | 219,491 | 128,702 |
| Others | 2,436,724 | 3,273,727 |
| | ₱42,858,065 | ₱72,286,430 |

Rental pertains to lease of heavy equipment such as bulldozer, backhoe and loaders for use in the crushing plant and quarrying of the aggregates.

## 21. Interest and Other Finance Charges

The breakdown of interest income on bank deposits and receivables follows:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Cash in banks (Note 4) | **₱715,898** | ₱3,372,051 | ₱7,554,096 |
| Long-term note receivable (Note 9) | **33,433,064** | 30,577,218 | 15,822,674 |
| | **₱34,148,962** | ₱33,949,269 | ₱23,376,770 |

Interest and other finance charges consist of:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Unwinding of discount (Note 18) | **₱164,449** | ₱218,277 | ₱911,111 |
| Amortization of discount on long-term debt | – | – | 224,394 |
| Bank charges and others | – | 1,214,879 | 4,501,399 |
| | **₱164,449** | ₱1,433,156 | ₱5,636,904 |

## 22. General and Administrative Expenses

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Personnel costs (Note 23) | **₱20,302,441** | ₱25,975,530 | ₱21,097,407 |
| Outside services | **15,817,365** | 7,022,277 | 4,708,928 |
| Entertainment, amusement and representation | **3,242,804** | 6,882,751 | 6,824,286 |
| Transportation and travel | **3,215,579** | 846,996 | 857,775 |
| Depreciation (Note 12) | **1,965,600** | 1,814,822 | 1,772,069 |
| Seminars and trainings | **1,366,838** | 338,542 | – |
| Communication, light and water | **977,579** | 1,146,048 | 938,193 |
| Taxes and licenses | **882,078** | 11,374,962 | 66,873,143 |
| Office supplies | **735,343** | 597,053 | 518,230 |
| Insurance | **466,323** | 514,565 | 586,201 |
| Membership fees | **350,193** | 838,887 | 722,742 |
| Amortization of leasehold rights | **208,938** | 208,938 | 208,938 |
| Repairs and maintenance | **91,572** | 108,299 | 265,203 |
| Loss on write-off of receivable (Note 5) | **–** | 124,300,000 | – |
| Others | **4,100,086** | 10,226,658 | 526,730 |
| | **₱53,722,739** | ₱192,196,328 | ₱105,899,845 |

Others mainly comprise of legal fees, donations, seminars and training fees of its employees.

Taxes and licenses comprise of documentary stamps, capital gains tax, other taxes, license and fees and other tax payments.

## 23. Personnel Costs

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Salaries and wages | **₱16,517,900** | ₱29,016,165 | ₱24,562,740 |
| Retirement expense (Note 25) | **124,227** | 1,467 | – |
| Other employee benefits | **3,660,314** | 1,028,791 | 1,725,053 |
| | **₱20,302,441** | ₱30,046,423 | ₱26,287,793 |

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

## 24. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

| Category | Year | Transactions during the year | Outstanding Balance (Note 5) | Terms | Conditions |
|---|---|---|---|---|---|
| **Due from related parties** | | | | | |
| Entities under common control: | | | | | |
| Alakor | **2017** | **₱5,569,612** | **₱5,569,612** | Noninterest- | Unsecured; |
| | 2016 | ₱– | ₱– | bearing | unimpaired |
| Associate: | | | | | |
| UPMC | **2017** | **10,300,000** | **16,647,744** | Noninterest- | Unsecured; |
| | 2016 | 3,000,000 | 6,347,743 | bearing | unimpaired |
| | **2017** | | **₱22,217,356** | | |
| | 2016 | | ₱6,347,743 | | |

| Category | Year | Transactions during the year | Outstanding Balance | Terms | Condition |
|---|---|---|---|---|---|
| **Due to related parties** | | | | | |
| Entities under common control: | | | | | |
| Alakor | **2017** | **₱79,896,649** | **₱17,835,036** | 8% interest | Unsecured |
| | 2016 | ₱– | ₱17,835,036 | 8% interest | |
| | **2017** | **797,047,880** | **797,047,880** | Noninterest- | Unsecured |
| | 2016 | – | – | bearing | |
| VIMC | **2017** | – | **26,908,358** | Noninterest- | Unsecured |
| | 2016 | – | 29,201,478 | bearing | |
| | **2017** | | **₱841,791,274** | | |
| | 2016 | | ₱47,036,514 | | |

a. Alakor and VIMC are entities under common control of an individual stockholder.

b. Advances from Alakor Corporation pertains to cash provided to TVRI for working capital purposes. Loan pertains to the funding obtained by the TVRI from Alakor Corporation for capital expenditures with interest equivalent to 91-day Treasury bill for each quarter plus 2% spread.

c. In 2017, the Group received advances from Alakor amounting to ₱797.0 million to fund the acquisition of ACMDC shares in 2017.

d. In 2017, the Group made advances to UPMC amounting to ₱10.3 million for additional working capital.

e. Compensation of key management personnel represents short-term benefits amounting to ₱14.8 million, ₱15.9 million and ₱12.6 million in 2017, 2016 and 2015, respectively.

## 25. Pension Benefits Costs

The Group has a funded, non-contributory defined pension plan covering all its regular employees. The retirement benefit plan obligation is determined using the projected unit credit method. There was no plan of termination or curtailment for the years ended December 31, 2017 and 2016.

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

The following tables summarize the funded status and the amounts recognized in the consolidated statements of financial positon, the components of net retirement benefit expense (income) recognized in consolidated statements of comprehensive income and the changes in the present value of the defined benefit obligation and the fair value of plan assets.

Changes in defined benefit liability and fair value of plan assets in 2017 are as follows:

| | **Defined Benefit Liability** | **Fair Value of Plan Asset** | **Effect of the Asset Ceiling** | **Net Defined Benefit Asset** |
|---|---|---|---|---|
| **At January 1** | **₱10,151,978** | **(₱22,648,782)** | **₱5,540,517** | **(₱6,956,287)** |
| **Current service cost** | **531,866** | **–** | **–** | **531,866** |
| **Net interest** | **594,906** | **(1,327,219)** | **324,674** | **(407,639)** |
| **Pension cost (benefit) charged to profit or loss** | **1,126,772** | **(1,327,219)** | **324,674** | **124,227** |
| **Remeasurement loss on plan assets (excluding amount included in net interest)** | **–** | **346,421** | **–** | **346,421** |
| **Remeasurement gain - change in the effect of the asset ceiling** | **–** | **–** | **(868,428)** | **(868,428)** |
| **Actuarial changes arising from changes in financial assumptions** | **58,384** | **–** | **–** | **58,384** |
| **Actuarial changes arising from experience adjustments** | **(569,503)** | **–** | **–** | **(569,503)** |
| **Pension cost (benefit) charged to other comprehensive income** | **(511,119)** | **346,421** | **(868,428)** | **(1,033,126)** |
| **At December 31** | **₱10,767,631** | **(₱23,629,580)** | **₱4,996,763** | **(₱7,865,186)** |

Changes in defined benefit liability and fair value of plan assets in 2016 are as follows:

| | Defined Benefit Liability | Fair Value of Plan Asset | Effect of the Asset Ceiling | Net Defined Benefit Asset |
|---|---|---|---|---|
| At January 1 | ₱9,412,638 | (₱21,705,602) | ₱5,740,198 | (₱6,552,766) |
| Current service cost | 405,773 | – | – | 405,773 |
| Net interest | 580,760 | (1,339,236) | 354,170 | (404,306) |
| Pension cost (benefit) charged to profit or loss | 986,533 | (1,339,236) | 354,170 | 1,467 |
| Benefits paid | (1,742,867) | – | – | (1,742,867) |
| Remeasurement loss on plan assets (excluding amount included in net interest) | – | 396,056 | – | 396,056 |
| Remeasurement gain - change in the effect of the asset ceiling | – | – | (553,851) | (553,851) |
| Actuarial changes arising from changes in financial assumptions | 384,911 | – | – | 384,911 |
| Actuarial changes arising from experience adjustments | 1,110,763 | – | – | 1,110,763 |
| Pension cost (benefit) charged to other comprehensive income | 1,495,674 | 396,056 | (553,851) | 1,337,879 |
| At December 31 | ₱10,151,978 | (₱22,648,782) | ₱5,540,517 | (₱6,956,287) |

The assets of the Plan are being held by Sun Life Financial Plans, Inc. The investing decisions of the Plan are made by certain officers of the Parent Company duly authorized by the BOD.

The Plan is composed of 100% insurance as at December 31, 2017 and 2016.

The principal assumptions used to determine retirement benefit plan obligation are as follows:

| | 2017 | 2016 |
|---|---|---|
| Discount rates | **5.79%** | 5.86% |
| Wage and salary increases | **5.00%** | 5.00% |
| Average expected future service years of active plan members | **19.1** | 20.1 |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

| | Increase (decrease) | 2017 | 2016 |
|---|---|---|---|
| Discount rates | +100 basis points | **(₱791,571)** | (₱1,178,477) |
| | -100 basis points | **888,073** | 1,377,364 |
| Salary increase rate | +100 basis points | **777,149** | 1,278,950 |
| | -100 basis points | **(709,530)** | (1,122,412) |

The Group does not expect to contribute to the defined benefit pension plan in 2018.

Shown below is the maturity analysis of the undiscounted benefit payments:

| | 2017 | 2016 |
|---|---|---|
| One (1) year to five (5) years | **₱9,640,259** | ₱890,635 |
| Six (6) years and up | **3,599,958** | 7,681,678 |
| Total expected payments | **₱13,240,217** | ₱8,572,313 |

The average duration of the defined retirement benefits liability as at December 31, 2017 and 2016 is 7.8 years and 14.5 years, respectively.

## 26. Income Taxes

The provision for current income tax in 2017 and 2016 represents MCIT for the Parent Company. In 2016, provision for current income tax represents MCIT for VMC and no provision for current income tax for TVRI since it is in taxable loss position. The provision for 2015 represents regular corporate income tax for the Parent Company and no provision for VMC and TVRI since they are in taxable loss position.

The reconciliation of income tax computed at statutory tax rate to provision for (benefit from) income tax follows:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Income tax at statutory rate | **(₱69,939,386)** | (₱35,461,883) | ₱85,245,664 |
| Additions to (reductions in) income tax resulting from: | | | |
| Equity in net losses of associates | **63,973,305** | 23,513,859 | 12,177,805 |
| Change in unrecognized deferred tax assets | **4,788,474** | 3,545,012 | 2,210,847 |
| Nondeductible expenses | **2,574,077** | 4,850,503 | 20,198,991 |
| Interest income subjected to final tax and others | **(214,769)** | (1,011,615) | (2,266,229) |
| Fair value changes of financial assets at FVPL | **87,240** | (148,440) | 35,442 |
| Income subjected to capital gains tax and transfer tax | **–** | – | (113,834,303) |
| Dividend income exempt from tax | **(133,842)** | (93,502) | – |
| | **₱1,135,099** | (₱4,806,066) | ₱3,768,217 |

The components of the Group's net deferred tax assets are as follows:

| | 2017 | 2016 |
|---|---|---|
| Deferred income tax assets recognized in profit or loss: | | |
| MCIT | **₱4,839,547** | ₱3,803,000 |
| NOLCO | **4,278,459** | 5,815,886 |
| Unamortized past service cost | **1,224,085** | 2,050,127 |
| | **10,342,091** | 11,669,013 |
| Deferred income tax liabilities recognized in profit or loss: | | |
| Retirement benefit plan asset | **(1,048,970)** | (1,086,238) |
| Unrealized foreign exchange gains | **(401,947)** | (1,593,049) |
| | **(1,450,917)** | (2,679,287) |
| Deferred income tax liability on remeasurement gains on defined benefit plan recognized in other comprehensive income | **(787,724)** | (477,786) |
| | **₱8,103,450** | ₱8,511,940 |

As at December 31, 2017 and 2016, the Group did not recognize deferred tax assets on the following deductible temporary differences and carryforward benefits of MCIT and NOLCO since management believes that it is not probable that sufficient taxable profit will be available against which the benefits can be utilized:

| | 2017 | 2016 |
|---|---|---|
| Deductible temporary differences on: | | |
| NOLCO | **₱40,157,118** | ₱23,695,748 |
| Allowance for impairment losses on: | | |
| Receivables | **17,080,061** | 17,080,061 |
| Investment | **–** | 11,523,162 |
| MCIT | **81,581** | 81,581 |
| Unrealized foreign exchange loss | **22,660** | 464,411 |
| Decommissioning liability, net of the corresponding asset | **–** | 2,439,702 |

Movements in NOLCO and MCIT are as follows:

NOLCO

| Year Incurred | Expiry Date | At January 1, 2016 | Addition (Expired) | At December 31, 2016 | Addition (Application /Expired) | At December 31, 2017 |
|---|---|---|---|---|---|---|
| 2014 | 2017 | ₱1,917,252 | ₱– | ₱1,917,252 | (₱1,917,252) | ₱– |
| 2015 | 2018 | 13,664,173 | – | 13,664,173 | (3,019,697) | 10,644,476 |
| 2016 | 2019 | | 27,500,611 | 27,500,611 | (2,105,061) | 25,395,550 |
| 2017 | 2020 | – | – | – | 18,378,622 | 18,378,622 |
| | | ₱15,581,425 | ₱27,500,611 | ₱43,082,036 | ₱11,336,612 | ₱54,418,648 |

MCIT

| Year Incurred | Expiry Date | At January 1, 2016 | Addition (Expired) | At December 31, 2016 | Addition (Expired) | At December 31, 2017 |
|---|---|---|---|---|---|---|
| 2015 | 2018 | ₱798,274 | ₱– | ₱798,274 | ₱– | ₱798,274 |
| 2016 | 2019 | – | 3,086,307 | 3,086,307 | – | 3,086,307 |
| 2017 | 2020 | – | – | – | 1,036,547 | 1,036,547 |
| | | ₱798,274 | ₱3,086,307 | ₱3,884,581 | ₱1,036,547 | ₱4,921,128 |

## 27. Sale of Assets

The Group entered into an agreement for the sale of its crushing plant and its rights to explore, develop, operate and utilize the Montalban Quarry in favor of BRAC for ₱20.0 million, payable in two tranches, subject to certain conditions. The Group received the full payment in advance in September 2016 and the sale was perfected on December 31, 2017.

The following assets and liabilities were recorded at their carrying values on the date of sale:

| | Carrying Value on Date of Sale |
|---|---|
| Assets: | |
| Inventories (Note 7) | ₱3,636,782 |
| Property and equipment (Note 12) | 38,541,903 |
| Other noncurrent assets (Note 15) | 1,222,871 |
| | 43,401,556 |

(Forward)

| | Carrying Value on Date of Sale |
|---|---|
| Liability: | |
| Decommissioning liability (Note 18) | (₱14,485,737) |
| Total identifiable net assets at carrying value | ₱28,915,819 |

| | |
|---|---|
| Total consideration | ₱20,000,000 |
| Total identifiable net assets at carrying value | 28,915,819 |
| Loss on sale | (₱8,915,819) |

## 28. Basic and Diluted EPS

Basic earnings per share is calculated by dividing the net income for the year divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

Basic and diluted earnings per share are computed as follows:

| | **2017** | 2016 | 2015 |
|---|---|---|---|
| Net income (loss) attributable to equity holders of the Parent Company | **(₱234,175,658)** | (₱113,294,080) | ₱280,383,996 |
| Weighted average number of common shares | **3,003,302,538** | 3,003,302,538 | 3,003,302,538 |
| Basic and diluted earnings (loss) per share | **(₱0.08)** | (₱0.04) | ₱0.09 |

The resulting per share amounts are the same for both basic and diluted earnings per share in 2017, 2016 and 2015 since the Group does not have any debt or equity securities that will potentially cause an earnings per share dilution.

## 29. Financial Risk Management and Capital Management

The Group's main financial instruments are cash and cash equivalents, receivables, financial assets at FVPL, AFS financial assets, long-term note receivable, deposit and MRF under "Other noncurrent assets" and due to related parties. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as accounts payable and accrued expenses, due to related parties and subscription payable which arise directly from its operations and investing activities.

The BOD has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk, liquidity risk, foreign currency risk and equity price risk from the use of its financial instruments. The Board reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's cash and cash equivalents, receivables and AFS financial assets.

The Group ensures that its financial assets are considered high grade by transacting only with top banks in the Philippines and maintaining good relationships with related parties, key employees and debtors who are highly reputable and with good credit standing.

With respect to credit risk arising from cash and cash equivalents, trade and other receivables and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognized third parties, there is no requirement for collateral.

The tables below summarize the aging analyses of the Group's financial assets as at December 31, 2017 and 2016.

| | Neither | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|
| 2017 | past due nor impaired | Less than 30 days | 30 to 180 days | More than 180 days | Impaired | Total |
| **Cash and cash equivalents** | **₱19,051,021** | **₱–** | **₱–** | **₱–** | **₱–** | **₱19,051,021** |
| **Receivables** | | | | | | |
| **Trade** | – | – | – | **477,135** | **15,444,055** | **15,921,190** |
| **Due from related parties** | **22,217,356** | – | – | – | – | **22,217,356** |
| **Others** | **151,034,530** | – | **2,849,029** | **14,558,840** | **1,636,006** | **170,078,405** |
| **Financial assets at FVPL** | **3,712,820** | – | – | – | – | **3,712,820** |
| **AFS financial assets** | | | | | | |
| **Unquoted equity instruments** | **4,332,953** | – | – | – | – | **4,332,953** |
| **Quoted equity instruments** | **4,251,000** | – | – | – | – | **4,251,000** |
| **Long-term note receivable** | **630,379,005** | – | – | – | – | **630,379,005** |
| **Deposit** | **27,228,700** | – | – | – | – | **27,228,700** |
| | **₱862,207,385** | **₱–** | **₱2,849,029** | **₱15,035,975** | **₱17,080,061** | **₱897,172,450** |

| | Neither | Past due but not impaired | | | | |
|---|---|---|---|---|---|---|
| 2016 | past due nor impaired | Less than 30 days | 30 to 180 days | More than 180 days | Impaired | Total |
| Cash and cash equivalents | ₱175,761,234 | ₱– | ₱– | ₱– | ₱– | ₱175,761,234 |
| Receivables | | | | | | |
| Trade | | | | 477,135 | 15,444,055 | 15,921,190 |
| Due from related parties | 6,347,743 | – | – | – | – | 6,347,743 |
| Others | 169,065,169 | – | – | 7,779,357 | 1,636,006 | 178,480,532 |
| Financial assets at FVPL | 10,556,420 | – | – | – | – | 10,556,420 |
| AFS financial assets | | | | | | |
| Unquoted equity instruments | 4,332,953 | – | – | – | – | 4,332,953 |
| Quoted equity instruments | 4,332,750 | – | – | – | – | 4,332,750 |
| Long-term note receivable | 750,569,613 | – | – | – | – | 750,569,613 |
| MRF | 1,064,563 | – | – | – | – | 1,064,563 |
| | ₱1,122,030,445 | ₱– | ₱– | ₱8,256,492 | ₱17,080,061 | ₱1,147,366,998 |

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.

The Group has assessed the credit quality of the following financial assets:

- Cash and cash equivalents are classified as high grade since these are deposited with reputable banks.
- Receivables are classified standard grade since these are receivables from related parties which were transacted on an arm's length basis taking into account the related parties' financial standing and ability to pay. Other than the receivable which was written off in 2011, there was no history of default on the outstanding receivables as at December 31, 2017 and 2016.
- Financial assets at FVPL and quoted AFS financial assets in equity instrument are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.
- Unquoted AFS financial assets are assessed as standard grade since these belongs to companies which have good financial conditions and operate in an industry which has potential growth. The unquoted AFS financial asset with allowance for impairment pertains to the investment of the Group to a project that did not materialize.
- Long-term note receivable, deposit and MRF are classified as standard grade since these belongs to companies which have good financial conditions and operate in an industry which has potential growth.

The Group's maximum exposure to credit risk is equal to the aggregate carrying amount of its financial assets.

*Liquidity Risk*
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions.

The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies.

The Group's financial assets used for liquidity management are its cash and cash equivalents, financial assets at FVPL, receivables and AFS financial assets.

As at December 31, 2017 and 2016, the Group's cash and cash equivalents may be withdrawn anytime, while its financial assets at FVPL and quoted AFS financial assets are traded in the stock exchange and may be converted to cash by selling them during the normal trading hours on any business day.

The following tables show the maturity profiles of the Group's financial liabilities as well as undiscounted cash flows from financial assets used for liquidity management:

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 6 months | 6 to 11 months | 1 to 2 years | More than 2 years | Impaired | Total |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | ₱19,051,021 | ₱– | ₱– | ₱– | ₱– | ₱19,051,021 |
| Receivables | 178,351,885 | – | 17,407,869 | 477,135 | 17,080,061 | 213,316,950 |
| Financial assets at FVPL | 3,712,820 | | | | | 3,712,820 |
| AFS financial assets* | – | – | – | 8,583,953 | 11,523,162 | 20,107,115 |
| Long-term note receivable | – | – | 60,000,000 | 570,379,005 | – | 630,379,005 |
| Deposit | – | – | 27,228,700 | – | – | 27,228,700 |
| | 201,115,726 | – | 104,636,569 | 579,440,093 | 28,603,223 | 913,795,611 |
| *Financial liabilities* | | | | | | |
| Accounts payable and accrued expenses** | 161,322,300 | 8,400,270 | 30,097,652 | 89,399,792 | – | 289,220,014 |
| Subscription payable | 2,780,623,880 | – | – | – | – | 2,780,623,880 |
| Due to related parties | 820,819,114 | – | 20,972,160 | – | – | 841,791,274 |
| | (₱3,561,649,568) | (₱8,400,270) | ₱53,566,757 | ₱490,040,301 | ₱28,603,223 | (₱2,997,839,557) |

**Based on expected date of disposal.*
***Excluding payable to regulatory agencies*

| | 2016 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 6 months | 6 to 11 months | 1 to 2 years | More than 2 years | Impaired | Total |
| *Financial assets* | | | | | | |
| Cash and cash equivalents | ₱175,811,234 | ₱– | ₱– | ₱– | ₱– | ₱175,811,234 |
| Receivables | 166,684,100 | 10,037,561 | 6,347,743 | – | 17,080,061 | 200,149,465 |
| AFS financial assets* | – | – | – | 8,665,703 | 11,523,162 | 20,188,865 |
| Long-term note receivable | – | – | 50,569,613 | 700,000,000 | – | 750,569,613 |
| MRF | – | – | 1,064,563 | – | – | 1,064,563 |
| | 342,495,334 | 10,037,561 | 57,981,919 | 708,665,703 | 28,603,223 | 1,147,783,740 |
| *Financial liabilities* | | | | | | |
| Accounts payable and accrued expenses** | 165,401,998 | 31,351,724 | 47,036,514 | 120,741,415 | – | 364,531,651 |
| Subscription payable | 2,136,170 | – | – | – | – | 2,136,170 |
| | ₱174,957,166 | (₱21,314,163) | ₱10,945,405 | ₱587,924,288 | ₱28,603,223 | ₱781,115,919 |

**Based on expected date of disposal.*
***Excluding payable to regulatory agencies*

*Market Risk*
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and other market variables which will adversely affect the Group's total comprehensive income or value of its financial instruments. The objective of the Group's market risk management is to manage and control market risk exposures within acceptable parameters. The exposures to specific market risks are as follows:

*Foreign Exchange Risk*
The Group uses the Philippine peso as its functional currency and is therefore exposed to foreign exchange movements, primarily in US$ currency. The Group follows a policy to manage its foreign exchange risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-peso currencies.

Information on the Group's $-denominated monetary assets and liabilities and their ₱ equivalent are as follows:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | US$ | ₱ | US$ | ₱ |
| Financial assets: | | | | |
| Cash and cash equivalents | **$204,144** | **₱10,192,910** | $905,715 | ₱45,032,150 |
| Long term note | **11,423,573** | **570,379,005** | – | – |
| Foreign currency-denominated assets | **$11,627,717** | **₱580,571,915** | $905,715 | ₱45,032,150 |

As at December 31, 2017 and 2016, the exchange rate of the Philippine peso to the US$ is ₱49.93 and ₱49.72, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in Philippine ₱/US$, with all other variables held constant, of the Group's income before income tax.

There is no other impact on the Group's equity other than those affecting the consolidated statements of comprehensive income.

| | Change in ₱/US$ exchange rate | |
|---|---|---|
| | US$ strengthens by 5% | US$ weakens by 5% |
| Increase (decrease) in income/loss before income tax and in equity | | |
| **2017** | **₱29,028,595** | **(₱29,028,595)** |
| 2016 | 2,251,608 | (2,251,608) |
| 2015 | 8,217,751 | (8,217,751) |

*Equity Price Risk*
Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of the listed shares. The equity price risk exposure arises from the Group's investment in financial assets at FVPL and quoted AFS financial assets.

The effects on equity and income before income tax, (as a result of a change in the fair value of AFS financial assets and financial assets at FVPL, respectively, at December 31, 2017, 2016 and 2015 due to a reasonably possible change in bid market prices, with all other variables held constant), are as follows:

| | Change in fair market value | |
|---|---|---|
| | Increase in market indices by 5% | Decrease in market indices by 5% |
| **Financial Assets at FVPL** | | |
| Increase (decrease) in income/loss before income tax and in equity: | | |
| **2017** | **(₱185,641)** | **₱185,641** |
| 2016 | (527,821) | 527,821 |
| 2015 | 168,081 | (168,081) |
| **AFS Financial Assets** | | |
| **2017** | **₱212,550** | **(₱212,550)** |
| 2016 | 216,638 | (216,638) |
| 2015 | – | – |

The impact on the Group's equity already excludes the impact on transactions affecting the consolidated statements of comprehensive income.

## 30. Fair Value Measurement

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

*Cash and Cash Equivalents, Receivables, Accounts Payable and Accrued Expenses, Subscription Payable and Due to Related Parties*

The carrying amount of cash and cash equivalents, receivables, accounts payable and accrued expenses, subscription payable and due to related parties approximate their fair values due to their short-term maturities.

*Long-term Note Receivable*

The fair value of long-term note receivable is determined based on Level 3 inputs using the present value of future cash flows discounted using current rates available for note with the same profile as of reporting date. The fair value of long-term note receivable as at December 31, 2017 and 2016 amounted to ₱694.1 million and ₱820.4 million, respectively. Discount rates used ranged from 1.56% to 5.74% and 1.93% to 3.10% in 2017 and 2016, respectively.

*Financial Assets at FVPL and AFS Financial Assets*

The fair values of publicly traded instruments and similar investments are determined based on quoted closing market prices at the end of the reporting period. For unquoted AFS equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less impairment loss. The carrying amount of financial assets at FVPL and AFS financial assets approximate their fair values at the end of the reporting period.

*Deposit and MRF*

The carrying amount of deposit and MRF approximates its fair value. The timing and related amounts of future cash flows relating to deposit and MRF cannot be reasonably and reliably estimated for purposes of establishing the fair value using an alternative valuation technique.

Investment Properties

The fair value of investment properties is determined using the Sales Comparison Approach. In this approach, the value of the land was based on the sales of similar or substitute properties, related market data and listings of comparable property within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. This comparison was premised on the factors as property location, desirability, accessibility, neighborhood, utility, size and the time elements involved.

In determining the appropriate class of investment properties, the Group has considered the nature, characteristics and risks of its properties as well as the level of the fair value hierarchy within which the fair value measurements are categorized. This resulted in determining the fair value of investment properties under Level 3 of the fair value hierarchy. There have been no transfers between levels during the period.

Based upon analysis of the prevailing land usage in the neighborhood and the properties itself, a mix of residential, commercial and agricultural utility would represent the highest and best use of the property.

Significant increase (decrease) in the economic market value of land brought by inflation, area stability, development and improvements per hectare, per location, over time would result in a significantly higher (lower) fair value of the property.

Fair Value Hierarchy

| | 2017 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | |
| Financial assets at FVPL | **₱3,712,820** | **₱–** | **₱–** |
| AFS financial assets - quoted equity securities | **4,251,000** | **–** | **–** |
| | **₱7,963,820** | **₱–** | **₱–** |

| | 2016 | | |
|---|---|---|---|
| | Level 1 | Level 2 | Level 3 |
| Financial assets measured at fair value | | | |
| Financial assets at FVPL | ₱10,556,420 | ₱– | ₱– |
| AFS financial assets - quoted equity securities | 4,332,750 | ₱– | ₱– |
| | ₱14,889,170 | ₱– | ₱– |

In 2017 and 2016, the Group's quoted equity securities classified as AFS financial assets is composed of preferred shares to San Miquel Corporation.

For the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 measurements.

## 31. Segment Reporting

The primary segment reporting format is determined to be the business segments since the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The mining segment is engaged in exploration and mining operations. Meanwhile, the non-mining segment is engaged in realty or acts as holding company.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

**2017**

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **Segment revenue** | | | | | |
| **From external customers** | ₱– | ₱43,779,066 | ₱43,779,066 | ₱– | ₱43,779,066 |
| **From intersegment sales/services** | – | – | – | – | – |
| | ₱– | ₱43,779,066 | ₱43,779,066 | ₱– | ₱43,779,066 |
| **Segment results** | | | | | |
| **Loss before income tax** | (₱12,589,404) | (₱7,297,531) | (₱19,886,935) | (₱213,244,350) | (₱233,131,285) |
| **Benefit from income tax** | – | (1,135,099) | (1,135,099) | – | (1,135,099) |
| **Net Loss** | (₱12,589,404) | (₱8,432,630) | (₱21,022,034) | (₱213,244,350) | (₱234,266,384) |
| **Assets** | | | | | |
| **Segment assets** | ₱214,133,625 | ₱1,439,655,717 | ₱1,653,789,342 | (₱81,040,338) | ₱1,572,749,004 |
| **Investments** | – | 9,265,443,899 | 9,265,443,899 | (550,597,800) | 8,714,846,099 |
| **Liabilities** | | | | | |
| **Segment liabilities** | 67,624,135 | 4,004,524,574 | 4,072,148,709 | (170,319,223) | 3,901,829,486 |
| **Other segment information** | | | | | |
| **Depreciation, depletion and amortization** | 155,743 | 1,809,857 | 1,965,600 | – | 1,965,600 |
| **Finance charges** | 164,449 | – | 164,449 | – | 164,449 |

2016

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Segment revenue | | | | | |
| From external customers | ₱42,313,579 | ₱170,807,295 | ₱213,120,874 | (₱16,460,072) | ₱196,660,802 |
| From intersegment sales/services | – | – | – | – | – |
| | ₱42,313,579 | ₱170,807,295 | ₱213,120,874 | ₱16,460,072 | ₱196,660,802 |
| Segment results | | | | | |
| Loss before income tax | (₱11,558,107) | (₱11,808,568) | (₱23,366,675) | (₱94,839,602) | (₱118,206,277) |
| Benefit from income tax | – | 4,806,066 | 4,806,066 | – | 4,806,066 |
| Net Loss | (₱11,558,107) | (₱7,002,502) | (₱18,560,609) | (₱94,839,602) | (₱113,400,211) |
| Assets | | | | | |
| Segment assets | ₱254,135,566 | ₱1,569,992,234 | ₱1,824,127,800 | (₱44,302,446) | ₱1,779,825,354 |
| Investments | – | 5,471,452,234 | 5,471,452,234 | (259,763,390) | 5,211,688,844 |
| Liabilities | | | | | |
| Segment liabilities | ₱97,294,614 | ₱330,882,801 | ₱428,177,415 | (₱44,302,446) | ₱383,874,969 |
| Other segment information | | | | | |
| Depreciation, depletion and amortization | 367,902 | 1,630,871 | 1,998,773 | – | 1,998,773 |
| Finance charges | 218,277 | 1,214,879 | 1,433,156 | – | 1,433,156 |

The consolidated revenue in the above tables includes the non-mining revenue, which consist of interest income, royalty income, dividend income and gains.

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders
Anglo Philippine Holdings Corporation
6th Floor, Quad Alpha Centrum
125 Pioneer St. Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Anglo Philippine Holdings Corporation (the Company) as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 included in this SEC Form 17-A, and have issued our report thereon dated April 12, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibilities of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Rao'ul J. Batisalisa
Partner
CPA Certificate No. 109542
SEC Accreditation No. 1557-A (Group A),
April 14, 2016, valid until April 14, 2019
Tax Identification No. 931-743-705
BIR Accreditation No. 08-001998-113-2016,
February 15, 2016, valid until February 14, 2019
PTR No. 6621227, January 9, 2018, Makati City

April 12, 2018

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
# INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
## SEC FORM 17-A
### DECEMBER 31, 2017


**CONSOLIDATED FINANCIAL STATEMENTS**

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditor

Consolidated Statements of Financial Position as at December 31, 2017 and 2016

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2016 and 2015

Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015

Notes to Consolidated Financial Statements

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SCHEDULE III Schedule of Effective Standards and Interpretations under the PFRS

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# SCHEDULE I
## ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
### FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
### DECEMBER 31, 2017

| | 2017 | 2016 |
|---|---|---|
| **Profitability Ratios:** | | |
| Return on assets | **(2.28%)** | (1.62%) |
| Return on equity | **(3.67%)** | (1.72%) |
| Gross profit margin | **–** | – |
| Net profit margin | **(515.48%)** | (57.54%) |
| **Liquidity and Solvency Ratios:** | | |
| Current ratio | **0.06:1** | 1.07:1 |
| Quick ratio | **0.06:1** | 1.02:1 |
| Solvency ratio | **(0.06:1)** | (0.29:1) |
| **Financial Leverage Ratios:** | | |
| Asset to equity ratio | **1.61:1** | 1.06:1 |
| Debt ratio | **0.38:1** | 0.05:1 |
| Debt to equity ratio | **0.61:1** | 0.06:1 |
| Interest coverage ratio | **1,417** | 81.48 |

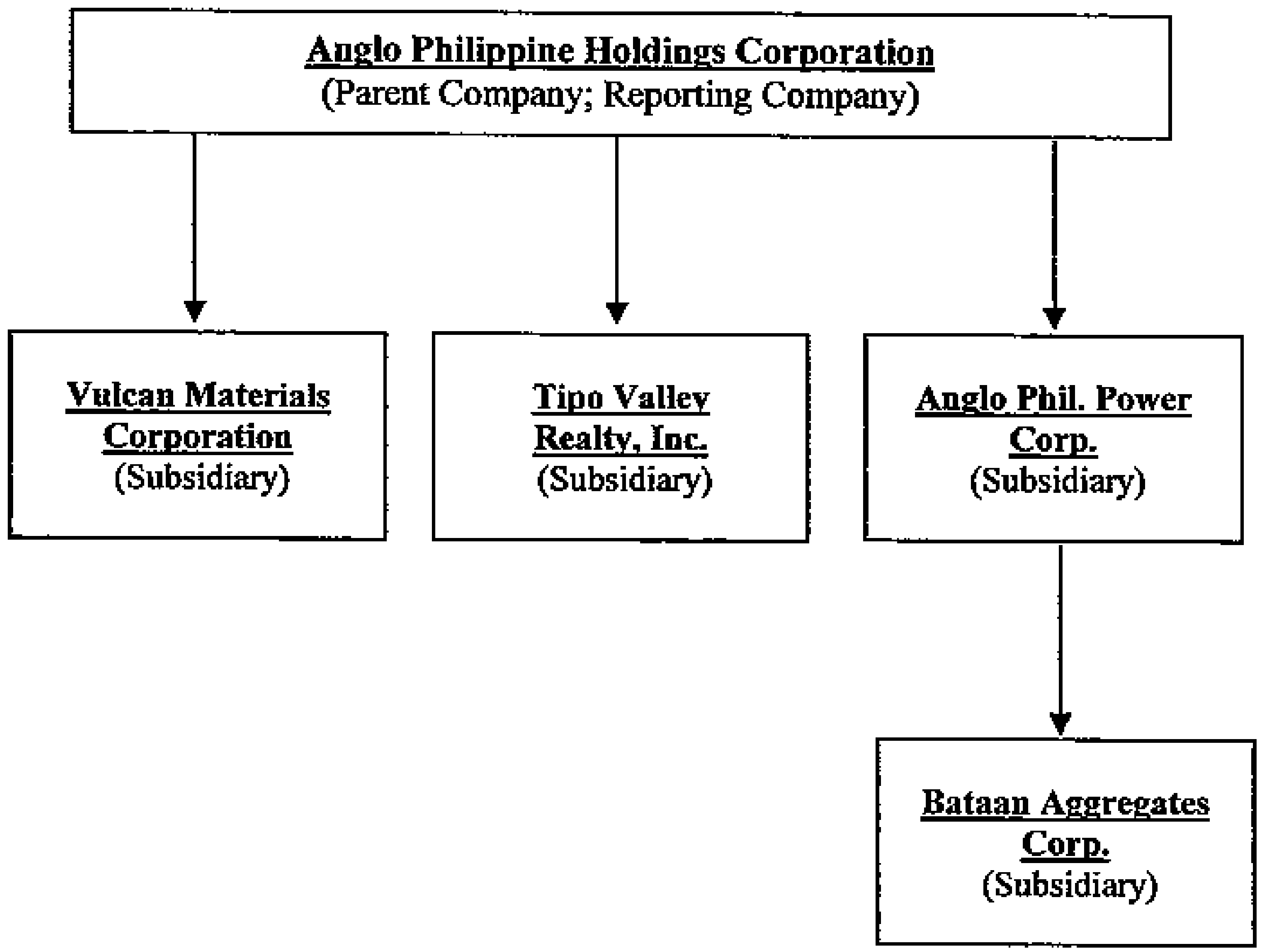
**SCHEDULE II**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**

**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**

**PURSUANT TO SRC RULE 68, AS AMENDED**

**DECEMBER 31, 2017**



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## SCHEDULE III

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

### SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as at December 31, 2017:

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **Framework for the Preparation and Presentation of Financial Statements**<br>Conceptual Framework Phase A: Objectives and qualitative characteristics | | ✓ | | |
| **PFRS Practice Statement Management Commentary** | | ✓ | | |
| **Philippine Financial Reporting Standards** | | | | |
| **PFRS 1 (Revised)** | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| | Amendments to PFRS 1: 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* | Not early adopted | | |
| **PFRS 3 (Revised)** | Business Combinations | | | ✓ |
| | Amendments to PFRS 3: Accounting for Contingent Consideration in a Business Combination | | | ✓ |
| | Amendments to PFRS 3: Scope Exceptions for Joint Ventures | | | ✓ |

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PFRS 5** | Amendment to PFRS 5: Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal | | | ✓ |
| **PFRS 4** | Insurance Contracts | | | ✓ |
| | Amendments to PFRS 4: Financial Guarantee Contracts | | | ✓ |
| | Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, *Financial Instruments*, with PFRS 4* | Not early adopted | | |
| **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 PFRS 7: Reclassification of Financial Assets | | | ✓ |
| | Amendments to 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* | Not early adopted | | |
| | Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9* | Not early adopted | | |
| | Amendments to PFRS 7: Disclosures - Servicing Contracts | | | ✓ |
| | Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements | | | ✓ |
| **PFRS 8** | Operating Segments | ✓ | | |
| | Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets | ✓ | | |
| **PFRS 9** | Financial Instruments* | Not early adopted | | |
| | Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* | Not early adopted | | |
| | PFRS 9, Financial Instruments (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)* | Not early adopted | | |

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| PFRS 9 | PFRS 9, Financial Instruments (2014)* | Not early adopted | | |
| | Amendments to PFRS 9: Prepayment Features with Negative Compensation* | Not early adopted | | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| | Amendments to PFRS 10: Transition Guidance | ✓ | | |
| | Amendments to PFRS 10: Investment Entities | | | ✓ |
| | Amendments to PFRS 10: Investment Entities - Applying the Consolidation Exception | | | ✓ |
| | Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Not early adopted | | |
| PFRS 11 | Joint Arrangements | | | ✓ |
| | Amendments to PFRS 11: Transition Guidance | | | ✓ |
| | Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| | Amendments to PFRS 12: Transition Guidance | | | ✓ |
| | Amendments to PFRS 12: Investment Entities | | | ✓ |
| | Amendment to PFRS 12, Clarification of the Scope of the Standard | | | ✓ |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| | Amendments to PFRS 13: Short-term Receivables and Payables | | | ✓ |
| | Amendments to PFRS 13: Portfolio Exception | | | ✓ |
| PFRS 14 | Regulatory Deferral Accounts | | | ✓ |
| PFRS 15 | Revenue from Contracts with Customers* | Not early adopted | | |
| PFRS 16 | Leases* | Not early adopted | | |
| **Philippine Accounting Standards** | | | | |
| PAS 1 (Revised) | Presentation of Financial Statements | ✓ | | |
| | Amendment to PAS 1: Capital Disclosures | ✓ | | |
| | Amendments to 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: Disclosure Initiatives | ✓ | | |
| PAS 2 | Inventories | ✓ | | |
| PAS 7 | Statement of Cash Flows | ✓ | | |

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 7** | Amendments to PAS 7: Disclosure Initiative | | | ✓ |
| **PAS 8** | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| **PAS 10** | Events after the Reporting Period | ✓ | | |
| **PAS 11** | Construction Contracts | | | ✓ |
| **PAS 12** | Income Taxes | ✓ | | |
| | Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets | | | ✓ |
| | Amendments to PAS 12: Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses | | | ✓ |
| **PAS 16** | Property, Plant and Equipment | ✓ | | |
| | Amendments to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Amortization | | | ✓ |
| | Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization | | | ✓ |
| | Amendments to PAS 16: Bearer Plants | | | ✓ |
| **PAS 17** | Leases | ✓ | | |
| **PAS 18** | Revenue | ✓ | | |
| **PAS 19 (Amended)** | Employee Benefits | ✓ | | |
| | Amendments to PAS 19: Defined Benefit Plans: Employee Contributions | | | ✓ |
| | Amendment to PAS 19: Discount Rate: Regional Market Issue | | | ✓ |
| **PAS 20** | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| **PAS 21** | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| | Amendment: Net Investment in a Foreign Operation | | | ✓ |
| **PAS 23 (Revised)** | Borrowing Costs | | | ✓ |
| **PAS 24 (Revised)** | Related Party Disclosures | ✓ | | |
| | Amendments to PAS 24: Key Management Personnel Services | | | ✓ |
| **PAS 26** | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| **PAS 27 (Amended)** | Separate Financial Statements | ✓ | | |
| | Amendments to PAS 27 (Amended): Investment Entities | | | ✓ |
| | Amendments to PAS 27: Equity Method in Separate Financial Statements | | | ✓ |

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>Effective as of December 31, 2017 | | Adopted | Not Adopted | Not Applicable |
|---|---|---|---|---|
| **PAS 39** | Amendments to PAS 39: 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 | | | ✓ |
| | Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting | | | ✓ |
| **PAS 40** | Investment Property | ✓ | | |
| | Amendments to PAS 40: Clarifying the Interrelationship Between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property | | | ✓ |
| | Amendments to PAS 40: Investment Property, Transfers of Investment Property* | Not early adopted | | |
| **PAS 41** | Agriculture | | | ✓ |
| | Amendments to 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: 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 Programs | | | ✓ |

**Standards and interpretations which will become effective subsequent to December 31, 2017.*

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS<br>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** | Foreign Currency Transactions and Advance Consideration* | Not early adopted | | |
| **IFRIC 23** | Uncertainty over Income Tax Treatments* | Not early adopted | | |
| **SIC-7** | Introduction of the Euro | | | ✓ |
| **SIC-10** | Government Assistance - No Specific Relation to Operating Activities | | | ✓ |
| **SIC 12** | Consolidation - Special Purpose Entities | | | ✓ |
| **IFRIC 5** | 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 | | | ✓ |
| **SIC-31** | Revenue - Barter Transactions Involving Advertising Services | | | ✓ |
| **SIC-32** | Intangible Assets - Web Site Costs | | | ✓ |

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the years ended December 31, 2017 and 2016.

## SCHEDULE IV
## ANGLO PHILIPPINE HOLDINGS CORPORATION
## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
## PURSUANT TO SEC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO. 11
## December 31, 2017

| | | |
|---|---|---|
| **Unappropriated Retained earnings as of December 31, 2016, as reflected in audited financial statements** | | ₱2,116,731,585 |
| Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized | | (11,669,013) |
| Dividend declarations | | (45,049,533) |
| Treasury shares | | (27,566,075) |
| **Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*** | | 2,032,446,964 |
| **Add: Net income actually earned/realized during the period** | (4,668,080) | |
| Net loss during the period closed to Retained Earnings | | |
| Less: Non-actual/unrealized income net of tax | | |
| Equity in net income of associate/joint venture | – | |
| Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) | 1,303,160 | |
| Unrealized actuarial gain | – | |
| Fair value adjustment (mark-to-market 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 PFRS | – | |
| Subtotal | 1,303,160 | |
| 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) | – | |
| Subtotal | – | |
| **Net loss actually earned during the period** | | (5,971,240) |
| Add (Less): | | |
| Dividend declarations during the period | – | |
| Appropriations of retained earnings | – | |
| Reversals of appropriations | – | |
| Effects of prior period adjustments | – | |
| Treasury shares | – | |
| Subtotal | – | – |
| **Unappropriated Retained Earnings, as adjusted, ending** | | ₱2,026,475,724 |

**SCHEDULE A**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**FINANCIAL ASSETS IN EQUITY SECURITIES**
**DECEMBER 31, 2017**

| Name of issuing entity and association of each issue | Number of shares or principal amounts of bonds and notes | Amount shown in the balances sheet (figures in thousands) | Income received and accrued |
|---|---|---|---|

NOT APPLICABLE

**SCHEDULE B**

# ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
## AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
## DECEMBER 31, 2017

| Name and designation of debtor | Balance at beginning period | Additions | Amounts collected / settlements | Amounts written-off | Current | Not current | Balance at end period |
|---|---|---|---|---|---|---|---|

NOT APPLICABLE

**SCHEDULE C**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**AMOUNTS RECEIVABLE FROM RELATED PARTIES**
**WHICH ARE ELIMINATED DURING THE**
**CONSOLIDATION OF FINANCIAL STATEMENTS**
**DECEMBER 31, 2017**

| Name and designation of debtor | Balance at beginning period | Additions | Amounts collected/ settlements | Amounts written-off | Current | Not current | Balance at end period |
|---|---|---|---|---|---|---|---|
| Vulcan Materials Corp. | ₱7,369,762 | ₱13,602,398 | ₱ – | ₱ – | ₱20,972,160 | ₱ – | ₱20,972,160 |
| Tipo Valley Realty, Inc. | 36,932,684 | 32,330,234 | – | – | 69,262,918 | – | 69,262,918 |
| Anglo Phil. Power Corp. | – | 79,896,649 | – | – | 79,896,649 | – | 79,896,649 |

**SCHEDULE D**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**INTANGIBLE ASSETS - OTHER ASSETS**
**DECEMBER 31, 2017**

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|---|---|---|---|---|---|---|

NOT APPLICABLE

**SCHEDULE E**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**LONG-TERM DEBT**
**DECEMBER 31, 2017**
**(Amounts in Thousands)**

| Title of Issue and type of obligation | Amount authorized by: Indenture | Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet | Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet |
|---|---|---|---|

NOT APPLICABLE

**SCHEDULE F**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**INDEBTEDNESS TO RELATED PARTIES**
**(LONG-TERM LOANS FROM RELATED COMPANIES)**
**DECEMBER 31, 2017**

| Name of Related Party | Balance at beginning of period | Balance at end of period |
| --- | --- | --- |
| | NOT APPLICABLE | |

**SCHEDULE G**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**
**DECEMBER 31, 2017**

| Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owed by person for which statement is filed | Nature of guarantee |
|---|---|---|---|---|

NOT APPLICABLE

**SCHEDULE H**

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES**
**CAPITAL STOCK**
**DECEMBER 31, 2017**

Company's authorized share capital is ₱4 billion divided into 4 billion shares at ₱1.00 par value. As at December 31, 2017, total shares issued and outstanding is 3,003,302,538 held by 3,089 shareholders, and treasury shares is 13,000,000 shares.

| Title of Issue | Number of shares authorized | Number of shares issued and outstanding as shown under related financial condition caption | Number of shares reserved for option, warrants, conversions and other rights | Directors and Officers | Principal/ Substantial Stockholders | No of shares held by Government | Banks | Others |
|---|---|---|---|---|---|---|---|---|
| Common Stock | 4,000,000,000 | 3,016,302,538* | – | 96,206,705 | 2,407,937,951 | 1,320 | – | 499,156,562 |

*Including 13,000,000 shares in Treasury Stock