

COVER SHEET

1 4 1 0 2

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)

Atty. Adrian S. Arias

Contact Person

+63(2)6315139

Company Telephone Number

SEC FORM 20-IS

Definitive Information Statement - 2019

0 4

Month

3 0

Day

FORM TYPE

Secondary License
Type, If Applicable

Month

Day

S E C

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

3 0 8 6

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes



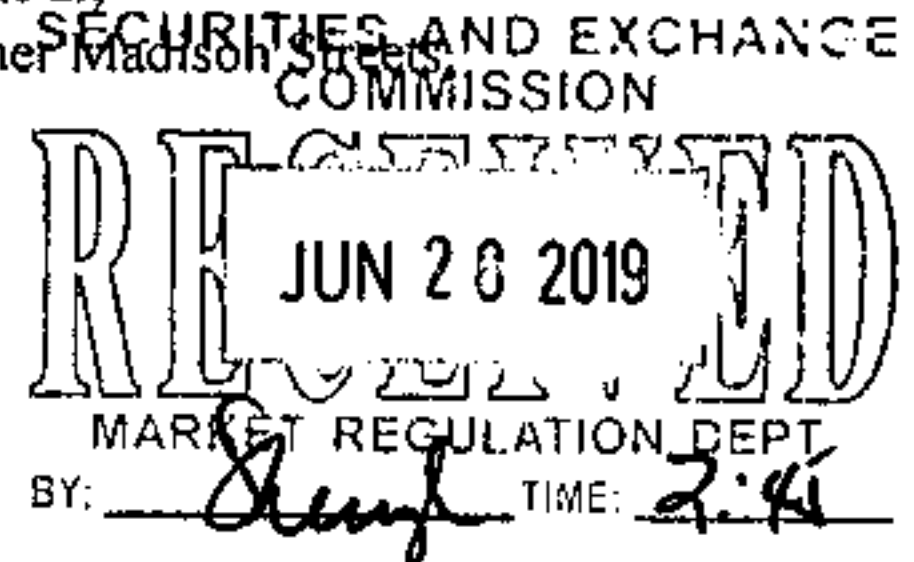
ANGLO PHILIPPINE HOLDINGS CORPORATION

AN INFRASTRUCTURE AND PROPERTY DEVELOPMENT COMPANY

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

The Annual Stockholders' Meeting of Anglo Philippine Holdings Corporation will be held on the following date and place:

FRIDAY, 26 JULY 2019, 2:30 P.M.,
Rajah Room, The Legend Villas 60 Pioneer St. corner Madison Street,
Mandaluyong City, Philippines



The agenda for the Meeting shall be, as follows:

1. Call to Order
2. Proof of Notice and Certification of Quorum
3. Approval of Minutes of Stockholders' Meetings – July 27, 2018
4. Management Report
5. Approval of the Company's Annual Report
6. Ratification of Corporate Acts and Resolutions
7. Election of Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

Registration for the Meeting begins at 1:30 p.m. For purposes of the Meeting, stockholders of record as of **26 April 2019** are entitled to notice of and to vote at the Meeting. If you will not be able to attend the Meeting but would like to be represented thereat, you may submit your proxy form, duly signed and accomplished, to the Corporate Secretary at the 6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, no later than **16 July 2019**. Corporate stockholders should also provide a notarized secretary's certificate attesting to the appointment of the corporation's proxy for the Meeting as well as the execution and delivery of the proxy form.

THE COMPANY IS NOT SOLICITING PROXIES.

All information and materials for the meeting may be accessed online for viewing or download at <http://www.anglophil.com> disclosure section.

Mandaluyong City, Metro Manila, Philippines, April 10, 2019.


IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

"Helping Build the Filipino Future"

6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines

Telephone Nos.: (632) 631-5139 • (632) 635-6130 • Fax No.: (632) 631-3113 • E-mail: info@anglophil.com • Website: www.anglophil.com

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

GENERAL INSTRUCTIONS

(a) Use of SEC Form 20-IS

This form shall be used in connection with every annual or other meeting of stockholders, by an issuer, which is subject to the reporting requirements of Section 17 of the Securities Regulation Code (Code), to notify its shareholders who are entitled to vote or give an authorization or consent to any matter to be acted upon. In case of proxy solicitations, Part II of this form shall also be accomplished and filed with the Commission prior to distribution to stockholders, in accordance with SRC Rule 20.

(b) Preparation of Form

- (1) This is not a blank form to be filled in. This is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.
- (2) These general instructions are not to be filed with the report. The instructions to the various captions of the Form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions shall be omitted.

(c) Signature and Filing of the Form

- (1) Three (3) complete copies of the report, including any exhibits or other papers or documents filed as a part thereof, shall be filed with the Commission.

In accordance with the requirements of paragraph (6) of SRC Rule 20, preliminary copies of the information statement (including proxy form and other solicitation materials, in case of proxy solicitations) shall be filed at least ten (10) business days prior to the date definitive copies of such material are first sent or given to security holders. The information statement (including proxy form and other solicitation materials, in case of proxy solicitations) shall be sent or given to security holders at least fifteen (15) business days prior to the meeting date.

- (2) At least one complete copy of the report filed with the Commission and one such copy filed with the Exchange shall be manually signed. Copies not manually signed shall bear typed or printed signatures. See also SRC Rule 72.1(2) and (3) concerning copies, binding, signatures, paper, printing, language and pagination.

(d) Filing an Amendment

If any information statement and other material filed pursuant to **SRC Rule 20** are amended or revised, copies of such amended or revised material shall be filed pursuant thereto and shall be marked to indicate clearly and precisely the changes affected therein.

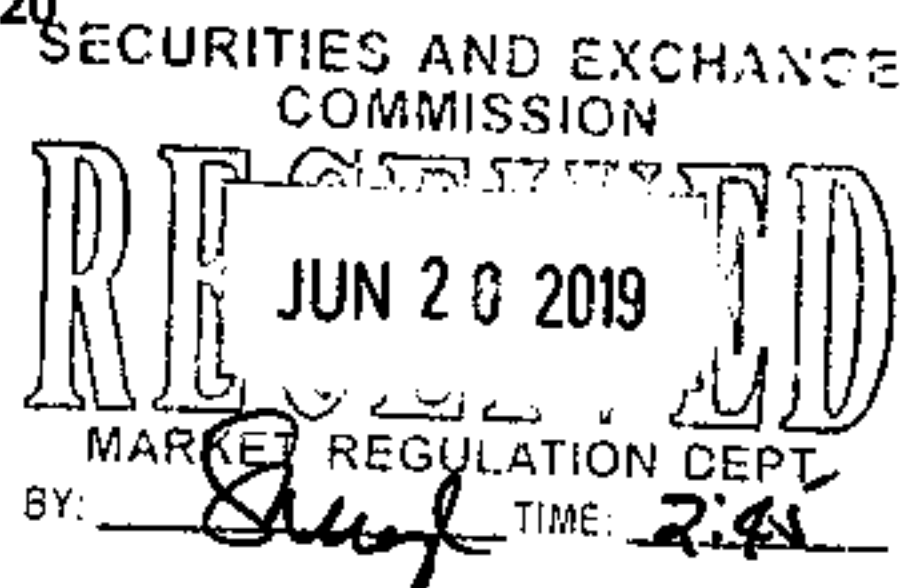
(e) Attachment

For verification purposes, attach to this report a copy of the Notice of Agenda for the meeting.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE



1. Check the appropriate box:
☐ Preliminary Information Statement
☒ Definitive Information Statement
2. Name of Registrant as specified in its charter ANGLO PHILIPPINE HOLDINGS CORP.
3. PHILIPPINES
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number 14102
5. BIR Tax Identification Code 000-175-630
6. QUAD ALPHA CENTRUM, 125 PIONEER, MANDALUYONG CITY 1550
 Address of principal office Postal Code
7. Registrant's telephone number, including area code (632) 631-5139; 635-6130
8. July 26, 2019 at 2:30PM in The Legend Villas, Pioneer Street, Mandaluyong City
 Date, time and place of the meeting of security holders
9. Approximate date on which the Information Statement is first to be sent or given to security holders on or before July 05, 2019
10. In case of Proxy Solicitations: N/A
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| Common Stock | 3,003,302,538 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

PHILIPPINE STOCK EXCHANGE

ANGLO PHILIPPINE HOLDINGS CORPORATION

6th Floor, Quad Alpha Centrum
125 Pioneer, Mandaluyong City 1550, Philippines
Tel (632) 631-5139; 631-6530; Fax (632) 631-3113

INFORMATION STATEMENT

PART I

A. General Information

Item 1. Date, time and place of meeting of stockholders

The 2019 Annual Meeting of Stockholders (the "Meeting") of Anglo Philippine Holdings Corporation (the "Company") will be held on **Friday, 26 July 2019, 2:30 P.M., Rajah Room, The Legend Villas**, 60 Pioneer St. corner Madison Streets, Mandaluyong City, Philippines. The complete mailing address of the Company is 6th Floor, Quad Alpha Centrum, 125 Pioneer, Mandaluyong City 1550, Philippines.

- (a) This Information Statement will be sent to stockholders at least fifteen (15) business days prior to the date of the Meeting in accordance with existing rules and the Company's Amended By-Laws, or on or before July 05, 2019.

Item 2. Dissenters' Right of Appraisal

A stockholder has the right to dissent and demand payment of the fair market value of his shares in case: (i) any amendment to the Company's Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences over the outstanding shares, or of extending or shortening the term of corporate existence; (ii) of any sale, lease, mortgage or disposition of all or substantially all of the corporate property or assets; and, (iii) of merger or consolidation.

At any time after this Information Statement has been sent out, any stockholder who voted against a proposed action and wishes to exercise his right of appraisal must make a written demand, within thirty (30) days after the date of the Meeting or when the vote was taken, for the payment of the fair market value of his shares. Upon payment, he must surrender his stock certificate(s). No payment shall be made to any stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.

NO corporate action is being proposed or submitted in the Meeting that may call for the exercise of a stockholder's right of appraisal.

Item 3. Interest or Opposition of Certain Persons in Matters to be Acted Upon

- (a) At any time since the beginning of the last fiscal year, **NO** director, officer, nominee for election as director, or associate of such director, officer or nominee has any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the Meeting, other than election to office.

- (b) As of the date this Information Statement is given to stockholders of record, **NO** director of the Company has informed the Company in writing that he intends to oppose any action to be taken by the Company at the Meeting.

B. Control and Compensation Information

Item 4. Voting Securities and Principal Holders Thereof

- (a) **Class and Number of Shares.** The Company has only one (1) class of shares – common shares – which are issued and transferable to both Philippine and non-Philippine nationals; *provided*, that the Company's common shares shall not be issued to non-Philippine nationals in excess of forty percent (40%) of the Company's outstanding capital stock. As of Record Date, the Company's issued and outstanding capital stock is 3,003,302,538 shares of which only 0.26 % is owned by non-Philippine nationals.
- (b) **Record Date.** The Record Date with respect to this solicitation is **April 26, 2019**. Only stockholders of record as at the close of business on **April 26, 2019** are entitled to notice of, and to vote at, the Meeting.

No solicitation shall be conducted and no proxies shall be solicited for this annual stockholders' meeting.

All stockholders who will not attend, or do not expect to attend the meeting in person may prepare, date and sign the proxy form and submit the same to the Office of the Corporate Secretary at 6th Floor Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City 1550, Philippines.

Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five (5) years at one time. No broker or dealer shall give any proxy, consent or authorization, in respect of any security carried for the account of a customer, to a person other than the customer, without the express written authorization of each customer.

Any stockholder may revoke or cancel his proxy anytime and he may attend the Meeting even if he has already submitted a proxy form to the Corporate Secretary.

- (c) **Outstanding Shares.** As of Record Date, the Company has an outstanding capital stock of 3,003,302,538 common shares owned by 3,085 stockholders. Each common share is entitled to one (1) vote.
- (d) **Cumulative Voting.**
1. A stockholder entitled to vote at the Meeting shall have the right to vote in person or by proxy the number of shares registered in his name in the stock and transfer book of the Company for as many persons as there are directors to be elected.

2. Each stockholder shall have the right to cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same cumulative voting principle among as many nominees as he shall see fit; *provided*, that the number of votes cast

by a stockholder shall not exceed the number of his shares multiplied by the number of directors to be elected.

3. Voting during annual meetings is usually done *viva voce*, or by the raising of hands, unless voting by ballot is specifically requested.

- (e) **Stock Ownership of Certain Record and Beneficial Owners.** The following persons are known to the Company to be directly or indirectly the owner of more than 5% of the Company's voting securities as of Record Date of April 26, 2019:

| <u>Title of Class</u> | <u>Name/address of record owner</u> | <u>Relationship with Issuer</u> | <u>Name of Beneficial Owner and Relationship with Record Owner</u> | <u>Citizenship</u> | <u>No. of shares held</u> | <u>Percentage Ownership</u> |
|-----------------------|---|---------------------------------|--|--------------------------|---------------------------|-----------------------------|
| Common | Alakor Corporation 9F Quad Alpha Centrum 125 Pioneer, Mandaluyong | Stockholder | Alakor Corporation (Direct Ownership) (see Note C) | Filipino | 1,524,661,961 | 50.77% |
| Common | BDO Securities Corporation 27F Tower 1, Exchange Plaza Ayala Ave., Makati | Stockholder | National Book Store Inc. Client (see Notes B,C) | Filipino | 466,031,757* | 15.52% |
| Common | PCD Nominee Corporation Makati Stock Exchange Bldg. 6767 Ayala Avenue, Makati | Stockholder | PCD Participants (see notes A,C) | Filipino/Non Filipino | 405,303,553* | 13.27% |
| Common | National Book Store Inc. 4F Quad Alpha Centrum 125 Pioneer, Mandaluyong | Stockholder | National Book Store Inc. (Direct Ownership) (see Note C) | Filipino | 313,640,759 | 10.44% |
| Common | Alakor Securities Corporation 5F Quad Alpha Centrum 125 Pioneer, Mandaluyong | Stockholder | Alakor Corporation Client (see Notes B,C) | Filipino | 105,375,525* | 3.51% |

**Of the total 1,126,646,276 shares under the name of PCD Nominee Corp., 466,031,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 243,671,900 shares (8.11%) are under the name of Alakor Securities Corporation (ASC).*

Of the 466,031,757 shares under the name of BDOSC, National Book Store Inc. (NBSI) owns 464,143,757 shares (15.45%). Of the 243,671,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,525 shares (3.51%), while NBSI owns 115,949 shares (0.00%).

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 127 beneficial owners of the Company's voting stock of which BDOSC and ASC are the record owners 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: *The shares registered in the name of PCD are beneficially owned by its clients. 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.*

The proxies of NBSI and AC are appointed by their respective Boards of Directors and the Company becomes aware of such proxies only when the appointments are received by the Company. Based on previous practice, Mr. Alfredo C. Ramos has been appointed proxy for NBSI and AC in previous years. Mr. Ramos has direct/indirect interest/shareholdings in NBSI and AC.

- (f) **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 voting stock under a voting trust or similar agreement.
- (g) **Stock Ownership of Management.** The Company's directors (D), Chief Executive Officer (CEO), other officers (O), and nominees (N) own the following number of shares as of Record Date April 26, 2019.

| <u>Title of Class</u> | <u>Name of beneficial owner</u> | <u>Amount and nature of Beneficial ownership</u> | | <u>Citizenship</u> | <u>Percent of Class</u> |
|-----------------------|--|--|-----------------|--------------------|-------------------------|
| | | <u>Direct</u> | <u>Indirect</u> | | |
| Common | Alfredo C. Ramos (D/CEO/N) | 11,000 | 49,405,872 | Filipino | 1.65% |
| Common | Christopher M. Gotanco (D/N) | 110 | 17,830,540 | Filipino | 0.59% |
| Common | Adrian Paulino S. Ramos (D/O/N) | 18,000 | 33,000 | Filipino | <0.01% |
| Common | Gerard Anton S. Ramos (D/O/N) | 1,000 | 0 | Filipino | <0.01% |
| Common | Adrian S. Arias (D/O/N) | 1,000 | 19,000 | Filipino | <0.01% |
| Common | Roberto V. San Jose (D/N) | 373,866 | 59,386 | 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% |
| Common | Reynaldo E. Nazarea (N) | 10,000 | 10,000 | Filipino | 0.01% |

The total number of shares owned by the Company's directors, Chief Executive Officer, other officers, and nominees for election as directors is 96,206,705 shares, or approximately 3.2% of the Company's outstanding capital stock. Except for the shares appearing on record in the names of the directors and officers above, the Company is not aware of any shares which said persons may have the right to acquire beneficial ownership of.

There has been **NO** change in the control of the Company since the beginning of the last fiscal year.

Item 5. Directors and Executive Officers

- (a) **Information.** The names, ages, citizenship, positions and periods of service of directors, executive officers and persons nominated to become such are as follows:

| Name | Age | Citizenship | Position | Period of Service as such D/O | Committee Membership/ Position | Period of service as such member |
|------------------------------------|-----|-------------|---------------------------------|--|--|--|
| Alfredo C. Ramos | 75 | Filipino | Chairman of the Board | 1989-present | Nomination-Member | 2004-May 2014 |
| Christopher M. Gotanco | 69 | Filipino | Director | 1987-present | Nomination-Member | 2004-2017 |
| | | | President | 1988-2016 | Compensation-Member Audit - Member | 2004-Present 2017-present |
| Adrian Paulino S. Ramos | 40 | Filipino | Director | 2006-present | Compensation-Member | 2006-present |
| | | | President EVP/Treasurer | Jan 1, 2017 to present July 2014 - 2016 | Audit - Member | 2006-2017 |
| Gerard Anton S. Ramos | 44 | Filipino | Director | 2011-present | Nomination-Member | 2014 -present |
| | | | EVP-Investments | July 2014 - present | | |
| Adrian S. Arias | 56 | Filipino | Director | Nov. 2015 to present | Nomination-Member (Non Voting) | May 2014-2017 |
| | | | EVP-Legal & Admin. | July 2014 - present | | |
| | | | Corporate Secretary | July 2016 - June 2017 | | |
| | | | Executive Vice President | 2005-2014 | | |
| | | | Assistant Corporate Secretary | 1998 - July 2016 | | |
| Roberto V. San Jose | 76 | Filipino | Director | 1998-present | | |
| | | | Corporate Secretary | 1979-2016 | | |
| Presentacion S. Ramos | 77 | Filipino | Director | 1984-present | | |
| Maureen Alexandra S. Ramos-Padilla | 46 | Filipino | Director | 2013-present | | |
| Reynaldo E. Nazarea | 68 | Filipino | Director | | Audit-Member | June 2017-present |
| Renato C. Valencia | 77 | Filipino | Independent Director | 2006-present | Nomination-Chairman Audit-Chairman Compensation-Member | 2006-present |
| Honorio A. Poblador III | 72 | Filipino | Independent Director | Nominated for the ensuing fiscal year 2019 | Nominated for Compensation-Chairman Audit-Member Nomination-Member | Nominated for the ensuing fiscal year 2019 |
| Iris Marie U. Carpio-Duque | 41 | Filipino | Corporate Secretary | June 2017 to present | Nomination-Member (Non Voting) | June 2017-present |
| | | | Assistant Corp. Sec. | July 2014 to May 2017 | | |
| Deborah S. Acosta-Cajustin | 39 | Filipino | Asst. Corporate Secretary | July 2014 to present | | |
| Gilbert V. Rabago | 42 | Filipino | Manager, Finance and Accounting | July 2014 to Dec 2017 | | |
| | | | Treasurer | Jan 1, 2017 to present | | |

Directors elected in the annual stockholders' meeting have a term of office of one (1) year and serve as such until their successors are elected in the next succeeding annual stockholders' meeting; *provided*, that a director elected to fill a vacancy in the Board shall only serve the unexpired term of his predecessor.

All of the Company's incumbent directors were elected in the 2018 Annual Stockholders' Meeting held on 27 July 2018 and have since served in such capacity.

The names of the members and chairpersons of the Company's Corporate Governance Committees are, as follows:

Corporate Governance & Nomination Committee

Members : RENATO C. VALENCIA (Independent Director), Chairman
RAMONCITO Z. ABAD (Independent Director), Member (deceased)
GERARD ANTON S. RAMOS (Director), Member
IRIS MARIE U. CARPIO-DUQUE, Non-Voting Member

Compensation & Remuneration Committee

Members : RAMONCITO Z. ABAD (Independent Director), Chairman (deceased)
RENATO C. VALENCIA (Independent Director), Member
ADRIAN PAULINO S. RAMOS (Director), Member
CHRISTOPHER M. GOTANCO (Director), Member

Audit Committee

Members : RENATO C. VALENCIA (Independent Director), Chairman
RAMONCITO Z. ABAD (Independent Director), Member (deceased)
REYNALDO E. NAZAREA (Director), Member
CHRISTOPHER M. GOTANCO (Director), Member

Compliance/Corporate Governance/
Anti-Money Laundering Officer : IRIS MARIE U. CARPIO-DUQUE

Internal Auditor/Chief Audit Officer : ISABELITA L. MATELA

Chief Risk Officer : GILBERT V. RABAGO

There are NO arrangements that may result in a change in control of the Company.

Independent Directors. Pursuant to Securities Regulation Code (SRC) Sec. 38 and Rule 38.1, the Company is required to have at least two (2) independent directors. The Company's incumbent independent directors are Messrs. Renato C. Valencia and Ramoncito Z. Abad. However, Mr. Abad passed away on June 8, 2019 and had not

yet been replaced. Mr. Honorio A. Poblador III is nominated as independent director for election during the annual meeting.

The Company's Amended By-Laws incorporating the provisions of SRC Rule 38 were approved by the Securities and Exchange Commission on September 14, 2006.

In line with the guidelines set by the Nomination Committee and approved by the Board of Directors, the Nomination Committee receives the names of nominees and screens them based on the policies and parameters for screening nominees for independent directorship. The final list of candidates, with the information required under Part IV(A) and (C) of Annex C of SRC Rule 12, is herewith attached. Mr. Jeciel J. Benavidez nominated Mr. Renato C. Valencia, while Mr. Adrian S. Ramos nominated Mr. Honorio A. Poblador III, for election as independent directors of the Company for fiscal year 2019. Messrs. J. Benavidez and A. Ramos are not related to either and neither to both Messrs. Valencia and Poblador. Neither Messrs. J. Benavidez nor A. Ramos has any business relationship to either or both Messrs. Valencia and Poblador.

Messrs. Valencia and Poblador possess the qualifications and none of the disqualifications of an independent director.

Business Experience of Executive Officers and Director-Nominees

The following are the business experience/s of the Company's directors, including 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 currently the President and/COO 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 the former President/COO of the Company. He also serves as a director 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 and the Corporate Secretary 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.

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.

Mr. Reynaldo E. Nazarea is a Director of the Company. He also serves as a director of companies involved in oil exploration and production (The Philodrill Corporation), financial services (Penta Capital Finance Corporation), investment house (Penta Capital Investment Corp.), and property development (Penta Capital Holdings, Inc.). He is also the Treasurer and Vice President for Administration of The Philodrill Corporation.

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. Honorio A. Poblador III is nominated as independent director of the Company for the ensuing fiscal year 2019. He holds a Bachelor of Arts degree from the Ateneo de Manila. He is a businessperson who has been at the head of nine different companies and presently is Chairman for Aviatica Travel & Management Corp., Chairman of Megalex, Inc., Chairman & President for Asmaco, Inc., Chairman at Asuncion Realty Corp., President of Asian Aesthetic Excellence, Inc., President for Mayriad Human Resources & Services, Inc., President of Eastern Manufacturing Corp. (Philippines), President at Worldwide Paper Mills, Inc. and President for Montemar Resort & Development Corp.

Atty. Iris Marie U. Carpio-Duque is the Corporate Secretary of the Company. For the past five (5) 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 an Assistant Corporate Secretary of the Company. She has been in active corporate and taxation law practice for more than ten (10) 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).

Directors and Nominee with other 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:

| | | |
|---|--|---|
| <i>Alfredo C. Ramos</i> | <i>The Philodrill Corporation</i> | <i>Vulcan Industrial & Mining Corp.</i> |
| | <i>Atlas Consolidated Mining & Dev't. Corp</i> | <i>Shang Properties, Inc.</i> |
| | <i>Penta Capital Investment Corp.</i> | <i>United Paragon Mining Corp.</i> |
| | <i>Penta Capital Finance Corp.</i> | |
| <i>Christopher M. Gotanco</i> | <i>Penta Capital Finance Corp.</i> | <i>The Philodrill Corporation</i> |
| | <i>Boulevard Holdings, Inc.</i> | <i>United Paragon Mining Corp.</i> |
| | <i>Penta Capital Investment Corp.</i> | <i>Vulcan Industrial & Mining Corp.</i> |
| <i>Presentacion S. Ramos</i> | <i>Alakor Securities Corporation</i> | <i>The Philodrill Corporation</i> |
| | <i>United Paragon Mining Corporation</i> | <i>Vulcan Industrial & Mining Corp.</i> |
| <i>Roberto V. San Jose</i> | <i>Vulcan Industrial & Mining Corporation</i> | <i>CP Equities Corporation</i> |
| | <i>Atlas Resources Management Group</i> | <i>Mabuhay Holdings Corporation</i> |
| | <i>CP Group of Companies</i> | |
| <i>Adrian Paulino S. Ramos</i> | <i>Alakor Securities Corporation</i> | <i>The Philodrill Corporation.</i> |
| | <i>Vulcan Industrial & Mining Corp</i> | <i>United Paragon Mining Corp.</i> |
| | <i>Atlas Consolidated Mining &Dev't. Corp</i> | . |
| <i>Maureen Alexandra S. Ramos-Padilla</i> | <i>Anglo Philippine Holdings Corporation</i> | <i>The Philodrill Corporation</i> |
| | <i>Vulcan Industrial & Mining Corp.</i> | <i>Alakor Securities Corporation</i> |
| | <i>United Paragon Mining Corporation</i> | |
| <i>Gerard Anton S. Ramos</i> | <i>Alakor Securities Corporation</i> | <i>The Philodrill Corporation</i> |
| | <i>Atlas Consolidated Mining &Dev't. Corp</i> | <i>United Paragon Mining Corp.</i> |
| <i>Adrian S. Arias</i> | <i>Penta Capital Investment Corp</i> | <i>Vulcan Industrial & Mining Corp.</i> |
| | <i>Penta Capital Finance Corp.</i> | . |
| <i>Reynaldo E. Nazarea</i> | <i>Penta Capital Holdings, Inc.</i> | <i>Penta Capital Investment Corp</i> |

Penta Capital Finance Corp.

The Philodrill Corporation

Renato C. Valencia

United Paragon Mining Corp. (ID)

Vulcan Industrial & Mining Corp.(ID)

EEI Corporation (ID)

GT Capital Holdings , Inc. (ID)

i- People, Inc. (ID)

Malayan Insurance Co.

Honorio A. Poblador III

Alsons Consolidated Resources

The Philodrill Corporation (ID)

**ID – Independent Director*

Significant Employees. Other than its executive officers, the Company has not engaged the services of any person who is expected to make significant contributions to the business of the Company. The Company is not dependent on the services of certain key personnel and there are no arrangements to ensure that these persons will remain with the Company and not compete upon termination.

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

Involvement in Certain Legal Proceedings. For the past five (5) years up to the date this Information Statement is sent to stockholders, the Company is not aware of:

- (1) Any bankruptcy petition filed by or against any business of which any director, nominee for election as director, executive officer, underwriter or control person of the Company was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses involving any director, nominee for election as director, executive officer, underwriter or control person of the Company; 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 The Philodrill Corporation, 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 now the subject of a Petition for Review filed by complainant Francisco A. Navarro with the Department of Justice; (c) Mr. Reynaldo E. Nazarea has filed separate cases of perjury and attempted estafa against Mr. Francisco A. Navarro, which are similarly the subject of a Petition for Review with the Department of Justice.

- (3) Of any director, nominee for election as director, executive officer, underwriter or control person of the Company being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and,
- (4) Of any director, nominee for election as director, executive officer, underwriter or control person of the Company being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Involvement of Directors with Government Agencies or its Instrumentalities: No directors or officers are connected with any government agencies or its instrumentalities, (see attached Certification).

Related Party Transactions. There had been NO transaction during the last two 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 director, or owner of more than 10% of the Company's voting stock, or voting trust holder of 10% or more of the Company's shares, or any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of these persons, had or is to have a direct or indirect material interest, *EXCEPT* that 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, including the following:

- A. Acquisition of UPM shares on December 3, 2015, for P26.3 million thereby increasing the Company's ownership therein from 22.96% to 24.30%, and on May 5 and 6, 2016 for a total of P30.04 million thereby increasing the Company's ownership therein from 24.30% to 25.69%.

Alakor Corporation, National Book Store, are the principal shareholders of the Company and UPM, and Alfredo C. Ramos, Christopher M. Gotanco, Presentacion S. Ramos, Adrian Paulino S. Ramos and Gerard Anton S. Ramos are directors of the Company and UPM.

- B. On December 21, 2015, the Company acquired 97.59% ownership of Tipo Valley Realty, Inc. (TVRI) using the proceeds from the private placement of Company shares. TVRI is a property development company owning about 300 hectares of land in Bgys. Sacrifice Valley and Mabiga, Hermosa, Bataan, adjacent to the Subic Bay Freeport Zone. As part of its property development

initiatives, the Company intends to have the TVRI properties developed into a Special Economic Zone.

The principal shareholders of TVRI are Alakor Corporation (AC) and Presentacion S. Ramos, and its directors are Presentacion S. Ramos, Alfredo C. Ramos, Maureen Alexandra S. Ramos-Padilla, Gerard Anton S. Ramos and Adrian Paulino S. Ramos, all of whom are likewise directors of the Company and AC. They did not participate in the deliberation and approval of the acquisition of 97.59% ownership of TVRI.

- C. The Company acquired 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%.

Alakor Corporation (AC) is one of the principal shareholders of AT, and its directors include Alfredo C. Ramos, Adrian Paulino S. Ramos and Gerard Anton S. Ramos, all of whom are likewise directors of the Company.

- E. In the ordinary and regular course of business, the Company had transactions with related parties (i.e. companies with shareholders common with the Company) which principally consist of advances TO related parties and loans/advances FROM related parties. The identities of these related parties, including the amounts and details of the transactions are disclosed in Note 24 of the Company's 2017 Audited Financial Statements, a copy of which is included in this Information Statement.

- (1) Business purpose of the arrangement. The business purpose of related party transactions is to address immediate working capital requirements of related parties (in the case of advances TO related parties) or of the Company (in the case of loans/advances FROM related parties).
- (2) Identification of the related parties' transaction business with the registrant and nature of the relationship. See Note 24 of the Company's 2017 Audited Financial Statements.
- (3) How transaction prices were determined by parties. All transactions with related parties are based on prevailing market/commercial rates at the time of the transaction.
- (4) If disclosures represent that transactions have been evaluated for fairness, a description of how the evaluation was made. There are **NO** disclosures representing that the transactions with related parties have been evaluated for fairness inasmuch as the bases of all transactions with related parties were the prevailing market/commercial rates at the time of the transaction over which neither the Company nor the related parties have any control or influence whatsoever; EXCEPT That, an Appraisal Report was prepared by Cuervo Appraisers, Inc. to determine the indicative fair market valuation of the properties owned by TVRI prior to the acquisition by the Company of TVRI's 97.59% equity.
- (5) Any on-going contractual or other commitments as a result of the arrangement. **NONE**, other than the repayment of money lent or advanced.

- (6) There were **NO** transactions with parties that fall outside the definition of "related parties" under SFAS/IAS No. 24. Neither were there any transactions with persons with whom the Company or its related parties have a relationship that enabled the parties to negotiate terms of material transaction that may not be available from other, more clearly independent parties on an arms' length basis.

Parent of the Company. As of December 31, 2018, Alakor Corporation holds 54.28% of the Company's outstanding capital stock.

- (b) **Resignation or Declination to Stand for Re-Election.** **NO** director elected in the 2018 Annual Stockholders' Meeting has resigned or declined to stand for re-election to the Board of Directors.

Item 6. Compensation of Directors and Executive Officers

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 (2017 and 2018) and the ensuing fiscal year (2019) are:

| Name | Position | Year | Salary | Bonus | Other Annual Compensation |
|---|-------------------------------------|-------------|---------------|--------------|----------------------------------|
| Alfredo C. Ramos | Chairman/CEO | | | | |
| Adrian S. Arias | EVP-Legal and Administration | | | | |
| Adrian Paulino S. Ramos | President/COO (Jan 2017 to present) | | | | |
| Gerard Anton S. Ramos* | EVP-Investments | | | | |
| | | 2017 | 9,611,900 | 1,356,600 | |
| | | 2018 | 10,633,100 | 1,526,800 | |
| | | 2019 (est) | 11,696,410 | 1,679,800 | |
| All officers and directors as a group unnamed | | 2017 | 10,326,900 | 1,356,600 | |
| | | 2018 | 11,348,100 | 1,526,800 | |
| | | 2019 (est) | 12,482,910 | 1,679,800 | |

In 2017-2018, executive officers were paid the 13th month pay and bonuses. In 2017-2018, directors were paid the 13th month pay and bonuses.

For the most recently completed fiscal year and the ensuing fiscal year, directors received and will receive a per diem of ₱5,000 per month to defray their expenses in attending board meetings. There are no other arrangements for compensation of directors, as such, during the last fiscal year and for the ensuing fiscal year.

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.

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 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 10 years. Based on this policy, the retirement pay of some officers and employees of the Company may exceed P2,500,000.

There are NO warrants or options outstanding in favor of directors and officers of the Company.

Item 7. Independent Public Accountants

The accounting firm of SycipGorresVelayo and Co. (SGV), with address at 6760 Ayala Avenue, 1226 Makati City, was appointed external auditor of the Company in the 2016, 2017, and 2018 Annual Stockholders Meetings with Ms. Ma. Genalin Q. Arevalo as the new partner-in-charge. Ms. Eleanore A. Layug was the partner-in-charge in 2014 to 2016 and Jose Rao'ul J. Balisalisa was the partner in-charge in 2017.

SRC Rule 68, paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) requires that the signing partner shall be rotated after five (5) years of engagement and, prior to re-engagement if desired, should first observe a 2-year cooling off period. Pursuant to this, Mr. John T. Villa, signing partner for the examination of the Company's Financial Statements from 2009-2013; Ms. Eleanore A. Layug was signing partner for the examination of the Company's Financial Statements from 2014-2016; Mr. Jose Rao'ul J. Balisalisa is signing partner for the examination of the Company's Financial Statements in 2017, and Ms. Ma. Genalin Q. Arevalo is signing partner for the examination of the Company's Financial Statements in 2018.

No signing partner of the Company's external auditor has repeated as signing partner after serving their initial term.

For 2019, SGV is recommended to stockholders for appointment as independent external auditor of the Company, Ms. Ma. Genalin Q. Arevalo as the partner-in-charge.

The fees of the external auditor in the past three (3) years are as follows:

| <u>Year</u> | <u>Audit & Audit Related Fees</u> | <u>Tax Fees</u> | <u>Other Fees</u> |
|-------------|---------------------------------------|-----------------|-------------------|
| 2016 | P562,000 | P67,552 | 0 |
| 2017 | P579,700 | P69,564 | 0 |
| 2018 | P622,900 | P74,748 | 0 |

For the past three (3) years, the Company has engaged the services of the SGV for the audit

and review of the annual financial statements in connection with statutory and regulatory filings for the years 2016, 2017 and 2018. The amounts under the caption "*Audit & Audit Related Fees*" for the years 2016, 2017 and 2018 pertain to these services. The Audit Committee has an existing policy prohibiting the Company from engaging the external auditor to provide services that may adversely impact its independence, including those expressly prohibited by regulations of the Securities & Exchange Commission (SEC).

SGV representatives are expected to be present at the Meeting and they will have the opportunity to make a statement and respond to appropriate questions.

The Company **NEVER** had any disagreement with its auditors, SGV, on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedures and the Company did not engage any new independent external auditor, either as principal accountant to audit the Company's financial statements or as an independent accountant on whom the principal accountant has expressed or is expected to express reliance in its report regarding a significant subsidiary, during the two most recent fiscal years or any subsequent interim period.

NO independent accountant engaged by the Company as principal accountant, or an independent accountant on whom the principal accountant expressed reliance in its report regarding a significant subsidiary, has resigned, or has declined to stand for re-election after completion of the current audit, or was dismissed. The auditor's representatives are expected to be present at the Meeting and will have the opportunity to make a statement and respond to appropriate questions.

The Company's audit committee is headed by Mr. Renato C. Valencia, as Chairman, and the members are Messrs. Ramoncito Z. Abad, Christopher m. Gotanco and Reynaldo E. Nazarea. The Audit Committee reviews and recommends to the Board and the stockholders the appointment of the external auditor and the fixing of the audit fees for the Company.

Item 8.Compensation Plans.

Not applicable.

C. Issuance and Exchange of Securities

Item 9. Authorization or Issuance of Securities Other than for Exchange

(a) Title and Amount of Securities to be Authorized or Issued

On March 12, 2014, the Board of Directors approved a proposal to undertake a private placement of up to 2,300,000,000 Company shares in favour of Alakor Corporation (AC) and its designated affiliate(s) to be taken from a proposed increase in capital stock from P2 billion to P4 billion and, if necessary, partly from the existing unissued capital stock of the Company.

Alfredo C. Ramos, Presentacion S. Ramos, Maureen Alexandra S. Ramos-Padilla, Gerard Anton S. Ramos and Adrian Paulino S. Ramos are directors of the Company and of AC. They did not participate in the deliberation and approval of the proposed capital increase and private placement.

The proposed capital increase was submitted and approved by the stockholders at the annual stockholders' meeting on May 20, 2014. A waiver of the requirement to undertake a stock rights offer, concurrent with the private placement, was also obtained from the minority stockholders at the same meeting.

On June 17, 2014, AC and its affiliate, National Book Store, Inc. (NBSI) subscribed to 414,700,000 shares and 85,300,000 shares, respectively, at a subscription price of Php1.8516 per share, from the increase in capital stock of the Company as approved by a majority of the stockholders at the meeting held on May 20, 2014.

On September 23, 2014, the amendment to the Company's Articles of Incorporation, was approved by the Securities and Exchange Commission, amending the following articles:

1. Third Article - specifying the place of principal office from "Metro Manila, Philippines," to "Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, 1550, Philippines"; and

2. Sixth Article - increasing the authorized capital stock of the Company from Two Billion Pesos (P2,000,000,000.00) divided into Two Billion (2,000,000,000) shares with a par value of One Peso (P1.00) per share, to Four Billion Pesos (P4,000,000,000.00) divided into Four Billion (4,000,000,000) shares with a par value of One Peso (P1.00) per share.

On October 03, 2014, NBSI subscribed to an additional 228,340,759 shares of the Company at a subscription price of Php1.8516 per share, from the unissued capital stock of the Company.

On October 24, 2014, AC further subscribed to an additional 1,109,961,961 shares of the Company at a subscription price of Php1.8516 per share from the unissued capital stock of the Company.

On December 3, 2014, the Company issued stock certificates to fully paid subscription of Alakor and NBSI for a total of 414,700,000 shares and 313,640,759 shares respectively.

On February 1, 2016, the Company issued stock certificates to fully paid subscription of AC of 1,109,961,961. Listing application have been filed with the PSE on February 22, 2016.

Item 10. Modification or Exchange of Securities

Not Applicable.

Item 11. Financial and Other Information

See the Company's 2018 Audited Financial Statements accompanying this Information Statement.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

1. On December 3, 2015, the Company acquired additional shares in UPM, for P26.3 million thereby increasing the Company's ownership therein from 22.96% to 24.30,

2. On December 21, 2015, the Company acquired 97.59% ownership in Tipo Valley Realty, Inc. (TVRI) for P299,089,000.00. The Group consolidated financial statements for the year 2015 includes the account of TVRI.
3. The Company acquired 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%.

Item 13. Acquisition or Disposition of Property

Not applicable.

Item 14. Restatement of Accounts

NO restatement of any account has been made from the time the Company's financial statements were last audited (31 December 2018) up to the date of this Information Statement.

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%.

NO action will be taken at the meeting with respect to the restatement of any asset, capital or surplus account of the Company.

D. Other Matters

Item 15. Action With Respect to Reports

The following matters/acts/resolutions of the Board will be submitted to the stockholders for ratification at the Meeting:

- (a) Minutes of the 2018 Annual Stockholders' Meeting;

Approval of the Minutes of the 2018 Annual Stockholders' Meeting constitutes a ratification of the accuracy and faithfulness of the Minutes to the events that transpired during the said meeting. This does not constitute a second approval of the matters taken up at the 2018 Annual Stockholders' Meeting, which have already been approved.

- (b) Management Report for the year ended 31 December 2018 (a copy containing the information required by SRC Rule 20A is enclosed). Approval of the Management Report constitutes a ratification of the Company's performance during the previous fiscal year as contained therein.
- (b) Acts and Resolutions of the Board of Directors and Management from the date following the last Annual Stockholders' Meeting (July 27, 2018) to the present, including but not limited to the following:
 - 1. Authorizing the setting of the Annual Stockholders' Meeting on July 26, 2019, and setting the record date therefore on April 26, 2019. (April 1, 2019);
 - 2. Approving the Company's Audited Financial Statements for the year ended 2018 (April 1, 2019);
 - 3. Application of Escrow Account with the BDO Unibank, Inc. (April 15, 2019);
 - 4. Approval of Financial Instrument Short Names (FISNs) as required by the National Numbering Agency (May 21, 2019);

Item 16. Matters Not Required to be Submitted

Proofs of transmittal to stockholders of the required Notice for the Meeting and of the presence of a quorum at the Meeting form part of the Agenda for the Meeting and will not be submitted for approval by the stockholders.

Item 17. Amendment of Articles of Incorporation

On September 23, 2014, amendments to Article III and Article VI of the Company's Articles of Incorporation has been approved by the Securities and Exchange Commission.

NO amendment to the Company's articles of incorporation or by-laws is being proposed at the Meeting.

Item 18. Other Proposed Action

NO action on any matter, other than those stated in the Agenda for the Meeting, is proposed to be taken, except matters of incidence that may properly come at the Meeting.

Item 19. Voting Procedures

- (a) In the election of directors, the eleven (11) nominees with the greatest number of votes will be elected directors.
- (b) If the number of nominees for election as directors does not exceed the number of directors to be elected, the Secretary of the Meeting shall be instructed to cast all votes represented at the Meeting equally in favor of all such nominees. However, if the number of nominees for election as directors exceeds the number of directors to

be elected, voting shall be done by ballot, cumulative voting will be followed, and counting of votes shall be done by two (2) election inspectors appointed by the stockholders present or represented by proxy at the Meeting.

In accordance with SRC Sec. 38 and SRC Rule 38, only nominees whose names appear in the Final List of Candidates for Independent Directors shall be eligible for election as Independent Directors. No other nomination shall be entertained after the Final List of Candidates shall have been prepared and no further nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

Messrs. Renato C. Valencia and Ramoncito Z. Abad are nominated for election as independent directors of the Company for fiscal year 2019.

PART II

INFORMATION REQUIRED IN A PROXY FORM

Part II and its required disclosures are not relevant to the Company since the Company is not requesting or soliciting proxies.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed at Mandaluyong City on JUN 19 2019.


IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

Materials accompanying this Information Statement

1. Notice of the 2019 Annual Meeting of Stockholders with Agenda
2. Management Report on SEC Form 20A
3. Final List of Candidates for Independent Directors
 - a. Certificate of Qualifications of Independent Directors – for Mr. Valencia and Mr. Abad
4. Certificate of No Directors or Officers of the Company are connected with any government agencies or its instrumentalities, as of May 30, 2019
5. Audited Financial Statements for 2019/SEC Form 17Q – March 31, 2019
6. Minutes of the Meetings of Stockholders – July 27, 2018

The Company undertakes to provide, without charge, upon the written request of a stockholder, a copy of the Company's Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary, Anglo Philippine Holdings Corporation, 6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

ANGLO PHILIPPINE HOLDINGS CORPORATION

6th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City, Philippines
Tel (632) 631-5139; 635-6130; Fax (632) 631-3113

MANAGEMENT REPORT ACCOMPANYING INFORMATION STATEMENT PURSUANT TO SRC RULE 20(4)

I. Audited Financial Statements

The audited financial statements of Anglo Philippine Holdings Corporation (the "Company") for the fiscal year ended 31 December 2018 and the corresponding Statement of Management's Responsibility are attached hereto.

II. Disagreements with Accountants on Accounting and Financial Disclosure. **NONE**

III. Management's Discussion and Analysis or Plan of Operations

(1) Plan of Operation

- a. 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 its two years for aggregates operation starting in year 2018.

- 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 2018 reflect foreign exchange gain/losses on the Company's deposits.

(2) Management's Discussion and Analysis

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 and MRTDC, all of whom are planning to develop, or are in the process of developing, their respective property portfolios. The present environment also bodes well for VMC and APPC's wholly subsidiary, Bataan Aggregates Corp. (BAC), which supplies basic aggregates materials for real estate development and public works.

TVRI is completing all the necessary steps and obtaining all required permits and approvals for the issuance of PEZA accreditation over its properties.

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 Company remains optimistic that commodity prices will recover and rebound in 2019 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.

(a) Full fiscal years

Financial Condition, Changes in Financial Condition and Results of Operations

Financial highlights for the years 2018, 2017 and 2016 are presented below:

| | 2018 (Consolidated) | 2017 (Consolidated) | 2016 (Consolidated) |
|-----------------------------|------------------------|------------------------|------------------------|
| Revenues | 106,621,638 | 43,779,066 | 197,065,108 |
| Net income/(loss) | (645,859,629) | (234,266,384) | (113,400,211) |
| Total assets | 9,949,443,708 | 10,287,595,103 | 6,991,514,198 |
| Total Liabilities | 3,943,921,506 | 3,901,829,486 | 383,874,969 |
| Net worth | 6,005,522,202 | 6,385,765,617 | 6,607,639,229 |
| Issued & subscribed capital | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

Changes in Financial Condition (2016-2018)

Revenues decreased from 2016 to 2018 due to lower revenue generated by the Company in 2017 and 2018.

Total sales generated by the Company's subsidiary, VMC, is higher in 2016 at P40,735,955 million compared to NIL in 2017 and P31,265,927 in 2018 for its new subsidiary Bataan Aggregates Corporation in 2018. The Montalban quarry operations was discontinued in the 3rd quarter of 2016 and started its Mariveles

quarry operation under Bataan Aggregates Corporation in early 2018. In 2016 the company entered into an agreement with NTDCC for the assignment of Developmental Rights over an aggregate area 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 for a consideration of P107.6 million reported a other income in year 2016.. There are no sales recorded for VMC in year 2017 and 2018.

Net Loss in 2016 to 2018 despite recorded revenues from sales and other income from assignment of its Developmental Rights in 2016 due to the Company's equity share in net losses of its associates P78 million, P213 million and P597 million for the year 2016 to 2018, respectively.

Total Assets increased significantly in 2017 compared to 2016 due to subscription of 845 million shares of ACMDC at P4.3842 per share and paid the corresponding paid-up capital of P926.2 million. In 2018 decreased due to the Company's equity share in net losses of P597.6 million of its associates.

Total Liabilities increased in significantly in 2017 due to subscription of 845 million shares of ACMDC at P4.3842 per share and paid the corresponding paid-up capital of P926.2 million and recorded a subscription payable amounted to P2,778.5 million related to the latter transaction.

The Company's Net Worth continue to decreased from 2016 to 2018 due to net loss incurred by the Company in 2016 and 2018.

Results of Operations - Full Year

Natural Resources

Vulcan Materials Corporation (VMC) (100% owned) posted a net loss of P 34.3 million for 2018, compared to a net loss of P12.6 million in 2017.

VMC ceased its operations effective December 2017 following the sale of its crushing plant and exploration/production rights over the Montalban quarry to Big Rock Aggregates Corporation.

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)**, commenced its commercial operation in January 2018 produced 69,600 cbm of aggregates as of December-2018, generating revenues after tax of P34.5 million, and sustaining a net loss of P18.2 million for the year 2018.

For year 2018, **The Philodrill Corporation (OV)** (34.32% owned) registered a consolidated net loss of P262.0 million, compared to a net loss of P6.4 million in 2017.

The Galoc wells continue to produce at an aggregate output of about 1,977 bopd and total production has reached about 21.5 million barrels as of the end of December 2018.

United Paragon Mining Corporation (UPM) (25.69% owned) UPMC posted a net loss of P59.1 million in 2018, compared to a net loss of P51.7 million in 2017. UPM has received a new exploration permit last August 24, 2018 and the company is now working on the post approval compliance requirement to start its 2-year exploration work program.

Atlas Consolidated Mining & Development Corp. (AT) (28.64% owned) posted a consolidated net loss of P1.72 billion in 2018, compared to a net loss P1.97 billion in 2017.

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)*, For 2018, the operator, The Philodrill Corporation (TPC), undertook re-mapping of previously identified prospects using the 2015 Pre-Stack Depth Migration seismic data and integrating the results of the 2017 Quantitative Interpretation study. Thereafter, a risk and resource analysis, as well as preliminary well/drilling design and cost study, were then performed. Results from these activities were used as bases to conduct scoping project studies to assess viability of pursuing drilling and development of these prospects. TPC intends to undertake further attribute studies to better understand reservoir development and distribution within the structure to identify potential exploration well location.

In *SC 14D (Tara, NW Palawan)*, — TPC undertook the programmed plug and abandonment (P&A) activities in some of the production wells and platforms in Service Contract 14 in 2018, in compliance with government regulations and good industry practices. TPC, on behalf of the SC 14B and SC 14 Tara Block consortia, successfully completed in May 2018 the P&A program for the Tara South-1 and Libro wells both below budget and on schedule.

In *SC 53 (Onshore Mindoro)*, there has been no update from block operator Mindoro-Palawan Oil & Gas, Inc. (MPOGI) as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of the Progreso-2 well.

In 2018, Gas2Grid indicated interest on the Progreso project, offering to acquire up to 70% participating interest in exchange for drilling up to 2 wells, premised on the success of the initial well. As of this writing, MPOGI has yet to formally advise the joint venture partners on the outcome of their negotiations with Gas2Grid.

Meanwhile, in September 2018, the DOE enjoined MPOGI to secure a Certificate of Pre-Condition (CP) from the National Commission on Indigenous Peoples (NCIP) to enable the DOE to lift the moratorium on SC 53. A moratorium on all exploration activities on SC 53 has been in force since July 2015. In a letter to the operator dated September 13, 2018, the DOE indicated that inaction on securing the CP from the NCIP and the regular submission of quarterly reports by MPOGI to the DOE may constitute grounds for the termination of the service contract.

In *SC 41 (Sulu Sea)*, the area has been included again in the Philippine Conventional Energy Contracting Program (PCECP) launched last November 2018. Philodrill, which submitted a joint bid with PXP Energy Corporation back in 2012, intends to revive its bid over the block. The Company has an existing agreement with Philodrill to acquire a portion of the interest that may be awarded to Philodrill in the area.

In the *SWAN Block*, the Company continues to await for PNOC-EC to decide on the joint venture's offer to swap a portion of their participating interests in the SWAN block for the participating interests of PNOC-EC in the new service contracts that now cover the former SWAN block.

Property Development

Tipo Valley Realty, Inc. (TVRI) (97.59% owned) – For year 2018, TVRI posted a net loss of P4.3 Million, compared to a net loss of P3.8 million for the same period in 2017. TVRI has completed the required documentations to obtain a DAR conversion certificate over its properties in Hermosa, Bataan and is awaiting approval of its conversion application.

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

Infrastructure

The Company continues to maintain its 18.6% equity in *MRT Holdings, Inc.*, the indirect majority owner of the Metro Rail Transit Corporation (MRTC). As of end-December 2018, average ridership is about 155,000 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.

Results of Operations – 1st Quarter 2019

Natural Resources

The Company owns 100% of **Vulcan Materials Corporation (VMC)** which is involved in the exploration and development of the various mineral and aggregates resources. VMC has no revenue or expenses earned/incurred as of end March 2019, compared to net loss of P0.013 million as of end March 2018.

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), which commenced commercial operations in January 2018, produced 16,900 cbm of aggregates as of end-March 2019 and generated revenues of P8.5 million compared to nil for the same period in 2018.

The Company owns 34.32% of **The Philodrill Corporation (OV)** which posted a consolidated net income of P9.04 million for the first quarter of 2019 compared to a net income of P8.4 million for the same period in 2018.

The Company owns 25.69% of **United Paragon Mining Corporation (UPMC)** which holds highly prospective gold mining properties in the Bicol area. UPMC posted a net loss of P14.8 million as of end March 2019, compared to a net loss of P17.1 million as of end March 2018.

As of March 31, 2019, the Company owns 28.64% of **Atlas Consolidated Mining & Development Corporation (AT)**, which posted a net loss of P34.6 million as of end-March 2019 compared to a net loss of P474.7 million as of end-March 2018.

The Company likewise continues to hold interests 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 has signed a lease agreement for the 6-month use of the G-Verse software to undertake further attribute analysis on the Galoc Clastic Unit to better understand reservoir development and distribution within the structure to identify potential exploration well location.

In SC 14D (Tara, NW Palawan), the implementation of permanent plug and abandonment of offshore production wells Tara and Libro was completed last May 2018 both below budget and on schedule.

In **SC 53 (Onshore Mindoro)**, there has been no update from block operator Mindoro-Palawan Oil & Gas, Inc. (MPOGI) as to their plans for the block, specifically the activities to execute the Joint Venture's commitments including the drilling of the Progreso-2 well..

In 2018, Gas2Grid indicated interest to farm into SC 53, offering to acquire up to 70% participating interest in exchange for drilling up to 2 wells, premised on the success of the initial well. As of this writing, MPOGI has not formally advised the consortium on the outcome of their negotiations with Gas2Grid.

Meanwhile, in September 2018, the DOE enjoined MPOGI to secure a Certificate of Pre-Condition (CP) from the National Commission on Indigenous Peoples (NCIP), indicating that inaction on securing the CP from the NCIP and the regular submission of quarterly reports by MPOGI to the DOE may constitute grounds for the termination of the service contract.

In SC 41 (Sulu Sea), the area has been included again in the Philippine Conventional Energy Contracting Program (PCECP) launched last November 2018. Philodrill, which submitted a joint bid with PXP Energy Corporation back in 2012, intends to revive its bid over the block. The Company has an existing agreement with Philodrill to acquire a portion of the interest that may be awarded to Philodrill in the area.

In the *SWAN Block*, the Company continues to await PNOC-EC's decision on the joint venture's offer to swap a portion of their participating interests in the SWAN block for the participating interests of PNOC-EC in the new service contracts that now cover the former SWAN block.

Property Development

Tipo Valley Realty, Inc. (TVRI) (97.59% owned) posted a net loss of P1.2 million as of end March 2019, compared to a net loss of P2.1 million as of end March 2018.

TVRI continues to complete the required documentations to obtain a DAR conversion certificate over its properties in Hermosa, Bataan.

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-March 2019, average ridership is about 155,000 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 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%. (ii) 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%.

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

| | December 31, 2018 (Consolidated) | December 31, 2017 (Consolidated) | December 31, 2016 (Consolidated) |
|--------------------------------------|---|---|---|
| Current Ratio | 0.09:1 | 0.06:1 | 1.07:1 |
| <u>Current Assets</u> | <u>334,254,994</u> | <u>233,560,472</u> | <u>388,165,746</u> |
| Current Liabilities | 3,909,815,732 | 3,896,396,570 | 364,120,765 |
| | | | |
| Assets to Equity Ratio | 1.66 : 1 | 1.61 : 1 | 1.06 : 1 |
| <u>Total Assets</u> | <u>9,949,443,708</u> | <u>10,287,518,908</u> | <u>6,991,514,198</u> |
| Stockholders Equity | 6,005,522,202 | 6,386,859,470 | 6,607,639,229 |
| | | | |
| Debt to Equity Ratio | 0.66 : 1 | 0.61 : 1 | 0.06 : 1 |
| <u>Total Liabilities</u> | <u>3,943,921,506</u> | <u>3,901,829,486</u> | <u>383,874,969</u> |
| Stockholders Equity | 6,005,522,202 | 6,386,859,470 | 6,607,639,229 |
| | | | |
| Equity to Debt Ratio | 1.52 : 1 | 1.64 : 1 | 17.21 : 1 |
| <u>Stockholders Equity</u> | <u>6,005,522,202</u> | <u>6,386,859,470</u> | <u>6,607,639,229</u> |
| Total Liabilities | 3,943,921,506 | 3,901,829,486 | 383,874,969 |
| | | | |
| Book Value per share | 2.00 | 2.13 | 2.20 |
| <u>Stockholders Equity</u> | <u>6,005,522,202</u> | <u>6,386,859,470</u> | <u>6,607,639,229</u> |
| Shares Outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |
| | | | |
| Earnings/(Loss) per share | (0.22) | (0.08) | (0.04) |
| <u>Net Income/(Loss)</u> | <u>(645,859,629)</u> | <u>(234,342,579)</u> | <u>(113,400,211)</u> |
| Average Number of shares outstanding | 3,003,302,538 | 3,003,302,538 | 3,003,302,538 |

Current Ratio continue to decreased from 2016 to 2018 due to: i) the decrease in current assets cause by the decrease in cash and cash equivalents as a result of the payment of paid-up capital on subscription of ACMDC shares and additional loan extended to Alakor Corporation offset by collection of advances/loan from affiliates/subsidiaries.

Assets to Equity Ratio slightly increased from 2016 to 2018. 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 increased from 2016 to 2018 due to increase in total liabilities brought about by the Company's subscription to AT shares.

Equity-to-Debt Ratio decreased from 2016 to 2018 due to the decrease in Stockholders Equity due to net loss incurred by the Company in 2016, 2017 and 2018.

Book Value per Share (BVPS) continue to decreased in 2016 to 2018 due to the decrease in Stockholders Equity resulting from the due to net loss incurred by the Company from 2016 to 2018.

Earnings Per Share (EPS) decreased from 2016 to 2018 due net losses incurred by the Company in 2016 to 2018.

| | <u>March 31, 2019</u> <u>(Consolidated)</u> | <u>December 31, 2018</u> <u>(Consolidated)</u> |
|--------------------------------------|--|---|
| Current Ratio | 0.08:1 | 0.09:1 |
| <u>Current Assets</u> | <u>331,024,570</u> | <u>334,254,994</u> |
| Current Liabilities | 3,907,560,542 | 3,909,815,732 |
| | | |
| Assets to Equity Ratio | 1.66 : 1 | 1.66 : 1 |
| <u>Total Assets</u> | <u>9,921,863,768</u> | <u>9,949,443,708</u> |
| Stockholders Equity | 5,985,704,827 | 6,005,522,202 |
| | | |
| Debt to Equity Ratio | 0.66 : 1 | 0.66 : 1 |
| <u>Total Liabilities</u> | <u>3,936,158,940</u> | <u>3,943,921,506</u> |
| Stockholders Equity | 5,985,704,827 | 6,005,522,202 |
| | | |
| Equity to Debt Ratio | 1.52 : 1 | 1.52 : 1 |
| <u>Stockholders Equity</u> | <u>5,985,704,827</u> | <u>6,005,522,202</u> |
| Total Liabilities | 3,936,158,940 | 3,943,921,506 |
| | | |
| Book Value per share | 1.99 | 2.00 |
| <u>Stockholders Equity</u> | <u>5,985,704,827</u> | <u>6,005,522,202</u> |
| Shares Outstanding | 3,003,302,538 | 3,003,302,538 |
| | | |
| Earnings/(Loss) per share | -0.007 | (0.22) |
| <u>Net Income/(Loss)</u> | <u>(19,817,375)</u> | <u>(645,859,629)</u> |
| Average Number of shares outstanding | 3,003,302,538 | 3,003,302,538 |

The key performance indicators for the first quarter of 2019 and 2018 remain unchanged except for the decrease in the loss per share as of end March 2019 of 0.007 compared to 0.22 as of end December 2018 mainly due to equity share in net loss of associates for year ended December 2018.

- (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 2016-2018 in one or more line items of the Company's financial statements, **EXCEPT** as disclosed below:
 - a. Net Revenues decreased from 2016 to 2018 due lower revenue generated by the Company in during the years.
 - b. Total sales generated by the Company's subsidiary, VMC, is higher in 2016 at P40,735,955 million compared to NIL in 2017 and P31,265,927 in 2018 for its new subsidiary Bataaan Aggregates Corporation in 2018. The Montalban quarry operations was discontinued in the 3rd quarter of 2016 an started its Mariveles quarry operation under Bataan Aggregates Corporation in early 2018. In 2016 the company entered into an agreement with NTDCC for the assignment of Developmental Rights over an aggregate area 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 for a consideration of P107.6 million reported a other income in year 2016.. There are no sales recorded for VMC in year 2017 and 2018.
 - c. Costs and Expenses are higher in 2018 compared to 2017 and 2016 due the Company's share in net losses of its associates P78.3 million, P213.2 million and P597.6 million, respectively.
 - d. Income/(Loss) Before Income Tax. In years 2018 to 2016, the Company a recorded a net loss of P632.0 million, P233.1 million and P118.2 million before income tax due to the Company's share in net losses of its associates.
 - e. Basic and Diluted Earnings (Loss) Per Share is (P0.22), (P0.08) and (P0.04) in for the year 2018, 2017, and 2016, respectively.
 - f. Retained Earnings continue to decrease in 2016 to 2018 due to net loss incurred by the Company during for the year 2016 and 2018.

- g. Current Assets decreased from 2016 to 2017 mainly due i) payment of paid-up capital on the subscription of ACMDC Likewise, Current Assets increased in 2018 due to: i) due to additional loan extended to Alakor Corporation and collection of loan/advances from affiliates/subsidiaries.
 - h. Non-Current Assets increased from 2016 to 2017 due to i) subscription of ACMDC shares. In 2018, Non-Current Assets decreased due to the Company's share in net losses of its associates.
 - i. Current Liabilities increased from 2016 to 2017 due to 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 2016 to 2018 due to net loss incurred by the Company during in 2016 and 2018.
- (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.
 - (x) There have been NO material changes from 31 March 2019 to 31 March 2018 in one or more line items of the Company's financial statements, EXCEPT as disclosed below:
 - (a) Cash and Cash Equivalents is lower at P30.8 million as of end-March 2019 million as compared to P48.3 as of end-March 2018 due to cash used for general and administrative expenses and advances to its subsidiaries and affiliates.
 - (b) Accounts Receivable is higher at P210.1 as of end-March 2019 as compared to P197.2 million as of end-March 2018 due to collectibles to customer of its subsidiary APPC/BAC.
 - (c) Financial Assets at Fair Value through FVPL decreased to P12.3 million as of end-March 2019 compared to P3.7 million as of end-March 2018 due to purchase of shares as investment of Aboitiz Equity/Power and Semirara Mining.
 - (d) Prepayments and other current assets decreased due to application of deposit for future subscription as 25% payment for AT shares and reclassification of required cash bond, filing fee and inspection cost of TVRI for its DAR conversion application to non-current assets.
 - (e) Long-term note decreased due to partial payment of loan received from Carmen Copper Corp. (CCC).

- (f) Investment in Associates decreased due to the Company's shares in net losses of its associates.
- (g) Property and equipment decreased due to booking of depreciation on account of APPC subsidiary, Bataan Aggregates Corp. (BAC).
- (h) Other non-current assets decreased due to collection of excess cash bond versus the required cash bond, filing fee and inspection cost of TVRI for its DAR conversion application to non-current assets.
- (i) Accounts Payable increased due to portion of long-term loan classified as current liabilities.
- (j) Loans payable pertains to loan availment of APPC subsidiary, BAC.
- (k) Retained Earnings and stockholders equity decreased due to net loss incurred by the Company in the year 2018 and quarter ending March 31, 2019.
- (xi) There have been **NO** material changes from 31 December 2018 to 31 March 2019 in one or more line items of the Company's financial statements, **EXCEPT** as disclosed below:
 - (a) Cash and Cash Equivalents decreased from P43.6 million as of end-2018 to P30.8 million as of end-March 2019 mainly due to the increase cash advances of its affiliates and subsidiaries.
 - (b) Account Receivables increased due to additional advances made to its affiliates.
 - (c) Investment in associates decreased due to net losses incurred by its associates during the period.
 - (d) Total liabilities decreased slightly due to repayment of loan of its subsidiary from PBCom.
 - (e) Retained Earnings decreased due to net loss incurred by the Company as of end-March 2019.

Employees

As of 31 December 2018, the Company has thirteen (25) full-time employees (including officers). TVRI has not engaged any employee yet.

IV. Brief Description of the General Nature and Scope of Business of the Company

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.

V. Market Price and Dividends

(1) Market Information

The Company's shares are listed and traded in the Philippine Stock Exchange. As of April 26, 2019, the Company's shares traded at P0.76 per share. The high and low sale price of the Company's shares for each quarter during the last two (2) fiscal years 2018 and 2017 and the first quarter of the current fiscal year 2019, expressed in Philippine Pesos, are as follows:

| | <u>Stock Prices (Php)</u> | |
|-------------------------------------|---------------------------|------------|
| | <i>High</i> | <i>Low</i> |
| 2019- 1st quarter | 1.37 | 0.73 |
| 2018- 1st quarter | 1.18 | 0.88 |
| 2 nd quarter | 1.04 | 0.88 |
| 3 rd quarter | 1.00 | 0.89 |
| 4 th quarter | 0.97 | 0.73 |
| 2017- 1st quarter | 1.18 | 1.10 |
| 2 nd quarter | 1.35 | 1.10 |
| 3 rd quarter | 1.36 | 1.35 |
| 4 th quarter | 1.11 | 0.91 |

(2) Holders

As of 26 April 2019, total number of shareholders of record is 3,085 while common shares outstanding were 3,003,302,538 shares. The Company's top 20 Stockholders as of 26 April 2019 are as follows:

| <u>Rank</u> | <u>Stockholders</u> | <u>Total Shares</u> | <u>Percentage</u> |
|-------------|---------------------------------------|---------------------|-------------------|
| 1 | ALAKOR CORPORATION | 1,524,661,961 | 50.7662% |
| 2 | PCD NOMINEE CORPORATION CORPORATION | 1,126,646,276 | 37.514% |
| 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% |
| 10 | S.J. ROXAS & CO., INC. A/C # 2.19.038 | 850,000 | 0.0283% |
| 11 | JACK F. CONLEY | 825,000 | 0.0275% |
| 12 | ANSALDO, GODINEZ & CO, INC. | 753,835 | 0.0251% |
| 13 | ANTONIO M. HENARES | 660,000 | 0.0220% |
| 14 | TBG MBTC FAO CARLOS EJERCITO | 500,000 | 0.0166% |
| 15 | JESUS GARCIA | 440,000 | 0.0147% |
| 16 | ANTONIO HENARES &/OR CARMEN HENARES | 440,000 | 0.0147% |
| 17 | ALAKOR SECURITIES CORPORATION | 400,000 | 0.0133% |
| 18 | FRANCISCO A. NAVARRO | 400,000 | 0.0133% |
| 19 | SAN JOSE, ROBERTO V. | 373,866 | 0.0124% |
| 20 | YEE, JUANITO L. | 330,000 | 0.0109% |

**Of the total 1,126,646,276 shares under the name of PCD Nominee Corp., 466,031,757 shares (15.52%) are under the name of BDO Securities Corp. (BDOSC), and 243,671,900 shares (8.11%) are under the name of Alakor Securities Corporation (ASC).*

Of the 466,031,757 shares under the name of BDOSC, National Book Store Inc.(NBSI) owns 464,143,757 shares (15.45%). Of the 243,671,900 shares under the name of ASC, Alakor Corporation (AC) owns 105,375,425 shares (3.51%), while NBSI owns 115,949 shares (0.00%).

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 127 beneficial owners of the Company's voting stock of which BDOSC and ASC are the record owners 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: *The shares registered in the name of PCD are beneficially owned by its clients. 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.*

The proxies of NBSI and AC are appointed by their respective Boards of Directors and the Company becomes aware of such proxies only when the appointments are received by the Company. Based on previous practice, Mr. Alfredo C. Ramos has been appointed proxy for NBSI and AC in previous years. Mr. Ramos has direct/indirect interest/shareholdings in NBSI and AC.

(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 Securities 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.

VI. 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.

The Company undertakes to provide, without charge, upon the written request of a stockholder, a copy of its Annual Report on SEC Form 17-A. Such request should be addressed to the Corporate Secretary, Anglo Philippine Holdings Corporation, 6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines.

FINAL LIST OF CANDIDATES FOR ELECTION AS INDEPENDENT DIRECTOR

(A) Candidates for Election as Independent Director

(1) Identity, names and ages of candidates for election as Independent Director

| Name | Age | Current Position | Period of service |
|-------------------------|-----|----------------------|------------------------------|
| Renato C. Valencia. | 77 | Independent Director | December 2006 to Present |
| Honorio A. Poblador III | 72 | Independent Director | For ensuing fiscal year 2019 |

Directors elected in the Annual Meeting of Stockholders have a term of office of one (1) year and serve as such until their successors are elected and qualified in the next succeeding Annual Meeting of Stockholders; *provided*, that a director who was elected to fill in a vacancy arising in the Board shall only serve the unexpired portion of his predecessor.

Business Experience During the Past Five (5) Years of Candidates for Independent Directors

Mr. Renato C. Valencia was elected independent director of the Company in December 2006. He is the former administrator of the Social Security System and former director/executive officer of the Bases Conversion Development Authority and Civil Aeronautics Board. He currently serves as director of GT Capital Holdings Inc., EEI Corporation, among others.

Mr. Honorio A. Poblador III is nominated as independent director of the Company for the ensuing fiscal year 2019. He holds a Bachelor of Arts degree from the Ateneo de Manila. He is a businessperson who has been at the head of nine different companies and presently is Chairman for Aviatica Travel & Management Corp., Chairman of Megalex, Inc., Chairman & President for Asmaco, Inc., Chairman at Asuncion Realty Corp., President of Asian Aesthetic Excellence, Inc., President for Mayriad Human Resources & Services, Inc., President of Eastern Manufacturing Corp. (Philippines), President at Worldwide Paper Mills, Inc. and President for Montemar Resort & Development Corp., among others.

Candidates for Independent Director with directorship(s) held in reporting companies

| | | |
|--------------------------------|--|---|
| Renato C. Valencia | Anglo Philippine Holdings Corporation (ID) EEI Corporation (ID) i- People, Inc. (ID) Omnipay Inc. | Vulcan Industrial & Mining Corp.(ID) GT Capital Holdings , Inc. (ID) Malayan Insurance Co., Inc |
| Honorio A. Poblador III | The Philodrill Corporation (ID) | Alsons Consolidated Resources |

**ID-Independent Director*

(3) Family Relationships

The candidates for election as independent directors of the Company are **NOT** related by consanguinity or affinity, either with each other or with any other member of the Company's Board of Directors.

(4) Involvement in Certain Legal Proceedings

The Company is not aware of: (1) any bankruptcy petition filed by or against any business of which an independent director, person nominated to become an independent director 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 independent director, person nominated to become an independent director; (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 an independent director, person nominated to become an independent director of the Company; and, (4) judgment against an independent director, person nominated to become an independent director 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.

There had been **NO** transaction during the last two years, nor is any transaction presently proposed, to which the Company was or is to be a party in which any independent director of the Company, or nominee for election as an independent director, 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.

(C) Security Ownership of Candidates for Independent Directors

The candidates for independent directors own the following number of voting shares:

| <u>Type</u> | <u>Name of beneficial owner</u> | <u>Amount and nature of Beneficial ownership</u> | | <u>Citizenship</u> | <u>Percent Of Class</u> |
|-------------|---------------------------------|--|-----------------|--------------------|-------------------------|
| | | <u>Direct</u> | <u>Indirect</u> | | |
| Common | Renato C. Valencia | 1,100 | 0 | Filipino | <0.01% |
| Common | Honorio A. Poblador III | 1 | 0 | Filipino | <0.01% |

As of 26 April 2019 (the "Record Date"), the aggregate number of shares owned by the candidates for election as independent director is 1,100 shares, or less than 0.01% of the Company's outstanding capital stock.

CERTIFICATE OF QUALIFICATIONS INDEPENDENT DIRECTORS

I, **RENATO C. VALENCIA**, Filipino of legal age and resident of 331 Ma. Cristina Road Ayala Alabang Village, Muntinlupa City, after having been sworn to in accordance with law do hereby declare that:

1. I am an independent director of **ANGLO PHILIPPINE HOLDINGS CORPORATION** and have been its independent director since December 2006.
2. I am affiliated with the following companies or organizations:

| Company / Organization | Position/ Relationship | Period of Service/Status |
|--|---------------------------|---|
| 1 Anglo Phil. Holdings Corporation | D | Dec. 2006 to date |
| 2 EEI Corporation | I, D | Sept. 8, 2015 to date |
| 3 I-People Inc. | Chairman/ D | Sept. 2, 2005 to date/ 2003 to Sept. 2, 2005 |
| 4 Malayan Insurance Co. Inc. | D | March 19, 2007 to date |
| 5 Vulcan Industrial & Mining Corporation | D | November 2009 to date |

**ID – Independent Director RD – Regular Director*

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Anglo Philippine Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am **not** related to any of the director/officer/substantial shareholder of Anglo Philippine Holdings Corporation and its subsidiaries and affiliates, in any relationship provided under Rule 38.2.3 of the Securities Regulation Code.

| Name of Director/Officer/Substantial Shareholder | Company | Nature of Relationship |
|--|----------------|---------------------------|
| | | |
| | Not Applicable | |
| | | |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not connected with any government agencies or its instrumentalities as of this filing.
7. I shall faithfully and diligently comply with the duties and responsibilities as an independent director under Securities Regulation Code and its Implementing Rules and Regulations, Code of corporate Governance and other SEC issuances.


8. I shall inform the Corporate Secretary of Anglo Philippine Holdings Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

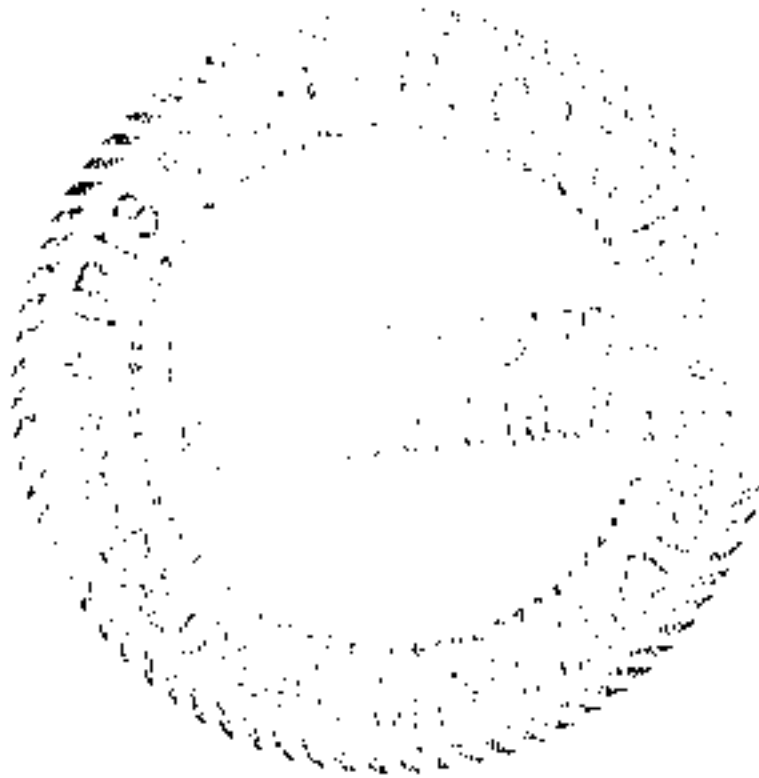
Done this JUN 03 2019 day of _____ at MANDALUYONG CITY


RENATO C. VALENCIA
Affiant

SUBSCRIBED AND SWORN to before me this JUN 03 2019 at Mandaluyong City, affiant exhibiting to me his Passport No. P6487147A issued on March 20, 2018 with expiry date on March 19, 2028 at DFA NCR South.

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Page No. 64
Book No. IV
Series of 2019.


ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 0374-18 / UNTIL DECEMBER 31, 2019
QUAD ALPHA CENTRUM I, 125 PIONEER STREET
MANDALUYONG CITY 1550
PTR NO. 3838035/ MANDALUYONG CITY / 01-08-19
IBP NO. 061291 / 01-07-19 / QC CHAPTER
MCLE COMPLIANCE NO. IV-0322115 / 04-14-2022
ROLL NO. 51028 (2005)



| COMPANY / ORGANIZATION AFFILIATIONS | | |
|--|------------------------------|---|
| | | |
| Company / Organization | Position/Relationship | Period of Service/Status |
| | | |
| 1 Anglo Phil Inc. | D | 2006 to date |
| 2 EEI Corporation | I, D | 2015 to date |
| 3 I-People Inc. | Chairman D | Sept. 2, 2005 to date/ 2003 to Sept. 2, 2005 |
| 4 Malayan Insurance Co. Inc. | D | March 19, 2007 to date |
| 5 Vulcan Industrial & Mining Corporation | D | November 2009 to date |

CERTIFICATION OF INDEPENDENT DIRETOR

I, HONORIO A. POBLADOR, III, Filipino, of legal age and a resident of #8 Wack-wack Condominium, Mandaluyong City, having been duly sworn to in accordance with law do hereby declare that,

1. I am a nominee for Independent Director of Anglo Philippine Holdings Corporation and have been its Independent Director since NA.
2. I am affiliated with the following companies or organizations:

| Company/Organization | Position/Relationship | Period of Service |
|-------------------------------|-----------------------|-------------------|
| Elnor Investment Corp. | Chairman | 1983-Present |
| Asuncion Agro-Realty Corp. | Chairman | 1982-Present |
| ASMACO, Inc. | President | 1986-Present |
| Alsons Consolidated Resources | Director | 1992-Present |
| PobCor, In. | Director | 1995-Present |

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Anglo Philippine Holdings Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am **not** related to any of the director/officer/substantial shareholder of Anglo Philippine Holdings Corporation and its subsidiaries and affiliates, in any relationship provided under Rule 38.2.3 of the Securities Regulation Code.

| Name of Director/Officer/Substantial Shareholder | Company | Nature of Relationship |
|--|----------------|------------------------|
| | | |
| | Not Applicable | |
| N.A | | N.A |
| | | |

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I am not connected with any government agencies or its instrumentalities as of this filing.
7. I shall faithfully and diligently comply with the duties and responsibilities as an independent director under Securities Regulation Code and its Implementing Rules and Regulations, Code of corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Anglo Philippine Holdings Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Done this JUN 19 2019 day of MANDALUYONG CITY



HONORIO A. POBLADOR III
Affiant

SUBSCRIBED AND SWORN to before me this JUN 19 2019 at Mandaluyong City, affiant exhibiting to me his Competent Proof of Identification OSCA ID No. 11362 issued at Mandaluyong City on January 21, 2008.

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Page No. 87
Book No. IV
Series of 2019.



ATTY. IRIS MARIE U. CARPIO
NOTARY PUBLIC - CITY OF MANDALUYONG
APPT. NO. 8674-18 / UNTIL DECEMBER 31, 2019
QUAD ALFA CENTER, 850 HIGHER STREET
MANDALUYONG CITY 1559
PTR NO. 3838033 / MANDALUYONG CITY / 01-08-19
IUP NO. 061291 / 01-07-19 / QC CHAPTER
MCLE COMPLIANCE NO. IV-0022115 / 04-14-2022
ROLL NO. 51028 (2005)

REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) S.S.

SECRETARY'S CERTIFICATE

KNOW ALL MEN BY THESE PRESENTS:

I, **IRIS MARIE U. CARPIO-DUQUE**, Filipino, of legal age, with office address at the 6F Quad Alpha Centrum, 125 Pioneer Mandaluyong City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the incumbent Corporate Secretary of **ANGLO PHILIPPINE HOLDINGS CORPORATION**, (hereinafter referred to as the "Company"), organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at 6F Quad Alpha Centrum, 125 Pioneer, Mandaluyong City;


2. **I DO HEREBY CERTIFY** that no directors or officers of the Company are connected with any government agencies or its instrumentalities, as of May 31, 2019.

IN WITNESS WHEREOF, I have hereunto set my hand this 06 day of June 2019 at Mandaluyong City.


IRIS MARIE U. CARPIO-DUQUE
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 06 day of June 2019 at City of Mandaluyong, Philippines, affiant exhibited to me her UMID No. CRN-0111-2628925-4.

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Page No. 09
Book No. 65
Series of 2019.


ATTY. JAMES R. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBF No. 051867 Sept. 28, 2018
RSD No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 3811514/1-3-2019
Tel. No. 631-40-90



ANGLO PHILIPPINE HOLDINGS CORPORATION

AN INFRASTRUCTURE AND PROPERTY DEVELOPMENT COMPANY

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, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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

SUBSCRIBED AND SWORN to before me this **APR 25 2019** day of _____ 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. 144
Page No. 30
Book No. 52
Series of 2019.


ATTY. JAMES E. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020

IBP No. 051567 Sept. 28, 2018
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
BIR No. 3811514/1-3-2019
MANDALUYONG CITY

"Helping Build the Filipino Future"

6th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City 1550, Philippines

Telephone Nos.: (632) 631-5139 • (632) 635-6130 • Fax No.: (632) 631-3113 • E-mail: info@anglophil.com • Website: www.anglophil.com

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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| 1 | 2 | 5 | | P | i | o | n | e | e | r | | S | t | . | | M | a | n | d | a | l | u | y | o | n | g | | C | i |
| t | y | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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Form Type

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Department requiring the report

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| C | R | M | D |
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Secondary License Type, If Applicable

| | | | |
|---|---|---|--|
| N | / | A | |
|---|---|---|--|

COMPANY INFORMATION

Company's Email Address

info@anglophil.com

Company's Telephone Number

(02) 631-5139

Mobile Number

N/A

No. of Stockholders

3,089

Annual Meeting (Month / Day)

Last Friday of July

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Gilbert V. Rabago

Email Address

info@anglophil.com

Telephone Number/s

(02) 631-5139

Mobile Number

0917-621-7350

CONTACT PERSON'S ADDRESS

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



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

Report on the Audit of the Consolidated Financial Statements

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, 2018 and 2017, 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, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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



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

Recoverability of Deferred Exploration Costs

The carrying value of deferred exploration costs amounted to ₱175.7 million as at December 31, 2018. 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 Note 13 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 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.

Accounting for and Recoverability of Investments in Associate Companies

The Group has effective ownership of 28.64% in Atlas Consolidated Mining and Development Corporation (ACMDC), 34.38% in The Philodrill Corporation (TPC), and 25.69% in United Paragon Mining Corporation (UPMC) as at December 31, 2018, which are accounted for using the equity method. The Group's investment in these associates amounting to ₱8.4 billion represents about 84.3% of its consolidated total assets as at December 31, 2018. In 2018, the Group's share in the net losses of associates amounted to ₱597.6 million, which is 92.6% of the Group's consolidated net loss.

In 2018, the result of operations of the associates is significantly affected by the following:

- Propriety of revenue recognition of ACMDC and TPC which involves application of significant management judgment and estimation as a result of the adoption of PFRS 15, *Revenue from Contracts with Customers*;
- Estimation of ore reserves by ACMDC and oil reserves by TPC which are key inputs to depletion, decommissioning provisions and impairment estimates and involves significant management estimates and assumptions and involvement of external experts; and,



- Estimation of provisions for plug and abandonment costs of TPC which requires significant management judgement because of the inherent complexity in estimating future costs.

In addition, PFRS requires that an impairment review be performed when certain impairment indicators are present. 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 for impairment testing purposes.

Information on these investments is disclosed in Note 10 to the consolidated financial statements.

Audit Response

We obtained relevant financial information of the associates and recomputed the Group's share in equity in the associates' net earnings/losses.

In relation to the adoption of PFRS 15, we reviewed the PFRS 15 impact assessment prepared by the management of ACMDC and TPC, including revenue streams identification and scoping, and contract analysis. In addition, we checked whether all performance obligations within the contracts with customers have been identified. We also checked whether management has identified and estimated all components of the transaction price, and whether the timing of revenue recognition is based on when the performance obligation is satisfied.

In relation to the estimation of ore and oil reserves, we evaluated the competence, capabilities and objectivity of the external specialists engaged by ACMDC and TPC to perform an independent assessment of the ore and oil reserves, respectively, by considering their qualifications, experience and reporting responsibilities. We reviewed the external specialist's report and obtained understanding about the nature, scope and objectives of the work, basis of the estimates including any changes in the ore and oil reserves during the year. In addition, we also tested the ore and oil reserves estimates applied to depletion, decommissioning provisions and impairment estimates.

In relation to the estimation of provisions for plug and abandonment costs, we performed recalculation of TPC's share in the estimated plug and abandonment costs based on TPC's participating interest in the service contracts. We tested the inputs and assumptions used by TPC's management (i.e., discount rate and foreign exchange rate) by comparing these against available market data and checked the adjustment recognized in relation to changes in estimate.

Further, we obtained and reviewed management's impairment analysis. 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 expected life of the project, future production levels and costs, contribution to Government based on current regulations, gold and copper prices and discount rate. We compared the expected mine life used against the mine life based on the ore reserve report, production reports from the operations departments, current tax laws and forecasted gold and copper prices. We assessed future production levels and costs based on the Group's historical performance.



We compared the key inputs such as gold and copper prices against externally published data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect 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, 2018, 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, 2018 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is
Ma. Genalin Q. Arevalo.

SYCIP GORRES VELAYO & CO.



Ma. Genalin Q. Arevalo

Partner

CPA Certificate No. 108517

SEC Accreditation No. 1613-A (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 224-024-926

BIR Accreditation No. 08-001998-123-2017,

February 9, 2017, valid until February 8, 2020

PTR No. 7332522, January 3, 2019, Makati City

April 1, 2019



ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|-----------------------|------------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 4) | ₱43,577,731 | ₱19,051,021 |
| Receivables (Note 5) | 203,558,272 | 191,136,889 |
| Financial assets at fair value through profit or loss (FVTPL; Note 6) | 12,272,330 | 3,712,820 |
| Note receivable (Note 8) | 60,000,000 | — |
| Prepaid expenses and other current assets (Note 7) | 14,846,661 | 14,559,742 |
| Total Current Assets | 334,254,994 | 228,460,472 |
| Noncurrent Assets | | |
| Investments in associates (Note 10) | 8,387,203,156 | 8,714,846,099 |
| Long-term note receivable (Note 8) | 600,651,468 | 630,379,005 |
| Investment properties (Note 12) | 305,581,329 | 305,581,329 |
| Deferred exploration costs (Note 13) | 175,667,965 | 208,611,166 |
| Property and equipment (Note 11) | 64,882,106 | 79,556,368 |
| Financial assets at fair value through other comprehensive income (FVOCI; Note 9) | 2,175,600 | — |
| Available-for-sale financial assets (AFS; Note 9) | — | 8,583,953 |
| Pension assets (Note 25) | 7,068,456 | 7,865,186 |
| Deferred income tax assets - net (Note 26) | — | 8,103,450 |
| Other noncurrent assets (Note 14) | 71,958,634 | 95,608,075 |
| Total Noncurrent Assets | 9,615,188,714 | 10,059,134,631 |
| TOTAL ASSETS | ₱9,949,443,708 | ₱10,287,595,103 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses (Note 15) | ₱267,781,517 | ₱273,981,426 |
| Due to related parties (Note 24) | 838,928,622 | 841,791,274 |
| Subscription payable (Note 10) | 2,780,623,880 | 2,780,623,880 |
| Current portion of loan payable (Note 17) | 18,174,226 | — |
| Current portion of finance lease liability (Note 17) | 3,839,071 | — |
| Provision for plug and abandonment costs (Note 13) | 467,016 | — |
| Income tax payable | 1,400 | — |
| Total Current Liabilities | 3,909,815,732 | 3,896,396,580 |
| Noncurrent Liabilities | | |
| Loans payable - net of current portion (Note 17) | 22,407,375 | — |
| Deposits from customers (Note 15) | 5,432,916 | 5,432,916 |
| Finance lease liability - net of current portion (Note 17) | 1,649,308 | — |
| Deferred income tax liabilities - net (Note 26) | 4,616,175 | — |
| Total Noncurrent Liabilities | 34,105,774 | 5,432,916 |
| Total Liabilities | 3,943,921,506 | 3,901,829,496 |

(Forward)



| | December 31 | |
|--|-----------------------|------------------------|
| | 2018 | 2017 |
| 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) | 6,015,343 | 6,015,343 |
| Additional paid-in capital | 1,570,157,056 | 1,570,157,056 |
| Net unrealized valuation gain (loss) on financial assets at FVOCI/ AFS financial assets (Note 9) | (2,157,353) | 163,500 |
| Remeasurement gains on defined benefit obligation, net of deferred taxes | 1,355,141 | 1,838,026 |
| Share in other comprehensive income of associates (Note 10) | 482,233,162 | 213,976,700 |
| Retained earnings | 959,479,811 | 1,605,072,357 |
| 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 | 5,998,436,593 | 6,378,576,415 |
| Non-controlling interest | 7,085,609 | 7,189,192 |
| Total Equity | 6,005,522,202 | 6,385,765,607 |
| TOTAL LIABILITIES AND EQUITY | ₱9,949,443,708 | ₱10,287,595,103 |

See accompanying Notes to Consolidated Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Years Ended December 31 | | |
|--|-------------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2016 |
| REVENUES | | | |
| Revenue from contracts with customers: | | | |
| Sale of aggregates (Note 2) | ₱31,265,927 | ₱— | ₱40,735,955 |
| Royalty income (Note 16) | 10,523,913 | 8,403,894 | 2,790,013 |
| Interest income (Note 22) | 33,889,093 | 34,148,962 | 33,949,269 |
| Gains on: | | | |
| Foreign exchange - net | 30,268,309 | — | 9,206,425 |
| Sale of investments (Notes 6) | — | 780,071 | — |
| Fair value changes of financial assets at FVTPL (Note 6) | — | — | 494,800 |
| Dividend income (Notes 6 and 9) | 604,396 | 446,139 | 311,674 |
| Other income (Note 11) | 70,000 | — | 109,172,666 |
| | 106,621,638 | 43,779,066 | 196,660,802 |
| COST AND EXPENSES | | | |
| Equity in net losses of associates (Note 10) | 597,605,340 | 213,244,350 | 78,379,530 |
| General and administrative expenses (Note 21) | 56,567,007 | 53,722,739 | 192,196,328 |
| Cost of sales (Note 20) | 42,592,657 | — | 42,858,065 |
| Provision for impairment of deferred exploration costs (Note 13) | 33,569,773 | — | — |
| Plug and abandonment costs (Note 13) | 3,988,144 | — | — |
| Interest and other finance charges (Note 22) | 2,737,345 | 164,449 | 1,433,156 |
| Losses on: | | | |
| Fair value changes of financial assets at FVTPL (Note 6) | 1,419,477 | 290,800 | — |
| Sale of investments (Note 9) | 199,914 | — | — |
| Foreign exchange - net | — | 572,194 | — |
| Sale of assets (Note 27) | — | 8,915,819 | — |
| | 738,679,657 | 276,910,351 | 314,867,079 |
| LOSS BEFORE INCOME TAX | (632,058,019) | (233,131,285) | (118,206,277) |
| PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 26) | | | |
| Current | 875,034 | 1,036,547 | 3,086,307 |
| Deferred | 12,926,576 | 98,552 | (7,892,373) |
| | 13,801,610 | 1,135,099 | (4,806,066) |
| NET LOSS | (₱645,859,629) | (₱234,266,384) | (₱113,400,211) |
| Net loss attributable to: | | | |
| Equity holders of the Parent Company | (645,756,046) | (₱234,175,658) | (₱113,294,080) |
| Non-controlling interest | (103,583) | (90,726) | (106,131) |
| | (₱645,859,629) | (₱234,266,384) | (₱113,400,211) |

(Forward)



| | Years Ended December 31 | | |
|--|-------------------------|-----------------------|----------------------|
| | 2018 | 2017 | 2016 |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| <i>Item that will not be reclassified to profit or loss in subsequent periods:</i> | | | |
| Share in other comprehensive income of associates (Note 10) | ₱9,584,878 | ₱5,852,107 | ₱16,061,699 |
| Remeasurement gains (losses) on retirement benefit, net of deferred tax (Note 25) | (482,885) | 723,188 | (936,515) |
| Net unrealized valuation gain (loss) on financial assets at FVOCI (Note 9) | 7,500 | — | — |
| <i>Item that will be reclassified to profit or loss in subsequent periods:</i> | | | |
| Share in other comprehensive income of associates (Note 10) | 258,671,584 | 5,899,217 | 87,945,450 |
| Net unrealized valuation gain (loss) on AFS financial assets (Note 9) | — | (81,750) | 245,250 |
| | 267,781,077 | 12,392,762 | 103,315,884 |
| TOTAL COMPREHENSIVE LOSS | (₱378,078,552) | (₱221,873,622) | (₱10,084,327) |
| TOTAL COMPREHENSIVE LOSS | | | |
| ATTRIBUTABLE TO: | | | |
| Equity holders of the Parent Company | (377,974,969) | (₱221,782,896) | (₱9,978,196) |
| Non-controlling interest | (103,583) | (90,726) | (106,131) |
| | (₱378,078,552) | (₱221,873,622) | (₱10,084,327) |
| Basic and Diluted Earnings (Loss) | | | |
| Per Share (Note 28) | (₱0.22) | (₱0.08) | (₱0.04) |

See accompanying Notes to Consolidated Financial Statements.



**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016**

See accompanying Notes to Consolidated Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|-------------------------|----------------|----------------|
| | 2018 | 2017 | 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) before income tax | (P632,058,019) | (P233,131,285) | (P118,206,277) |
| Adjustments for: | | | |
| Equity in net losses of associates (Note 10) | 597,605,340 | 213,244,350 | 78,379,530 |
| Interest income (Note 22) | (33,143,220) | (34,148,962) | (33,949,269) |
| Provision for impairment of deferred exploration costs (Notes 13) | 33,569,773 | - | - |
| Unrealized foreign exchange losses (gains) | (30,105,592) | (1,317,164) | (9,210,325) |
| Depreciation, depletion and amortization (Notes 11, 20 and 21) | 29,414,497 | 1,965,600 | 6,217,450 |
| Interest and other finance charges (Note 22) | 2,737,345 | 164,449 | 1,433,156 |
| Changes in fair value of financial assets at FVTPL (Note 6) | 1,419,477 | 290,800 | (494,800) |
| Dividend income (Notes 6 and 9) | (604,396) | (446,139) | (311,674) |
| Provision for plug and abandonment (Note 13) | 467,016 | - | - |
| Net change in retirement benefit plan assets (Notes 23 and 25) | 106,895 | 124,227 | (1,741,399) |
| Gain on sale of equipment (Note 11) | (70,000) | - | - |
| Loss on sale of financial asset at FVOCI (Note 9) | 199,914 | - | - |
| Loss on sale of assets (Note 27) | - | 8,915,819 | - |
| Operating loss before working capital changes | (30,460,970) | (44,338,305) | (77,883,608) |
| Decrease (increase) in: | | | |
| Receivables | (7,321,383) | (11,854,785) | 110,783,055 |
| Inventories | - | - | (679,107) |
| Prepaid expenses and other current assets | (1,038,809) | (504,383) | (10,155,409) |
| Increase (decrease) in: | | | |
| Accounts payable and accrued expenses | (6,954,240) | (20,989,315) | 13,853,808 |
| Due to related parties | (2,862,652) | (3,193,120) | - |
| Cash generated from (used in) operations | (48,638,054) | (80,879,908) | 35,918,739 |
| Interest received | 33,224,588 | 32,836,262 | 31,721,345 |
| Interest paid | (2,513,015) | - | - |
| Income taxes paid | - | - | (81,581) |
| Net cash flows from (used in) operating activities | (17,926,481) | (48,043,646) | 67,558,503 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Proceeds from: | | | |
| Disposal of financial asset at FVOCI | 4,051,086 | 9,465,000 | - |
| Dividends received | 604,396 | 446,139 | 16,771,746 |
| Sale of equipment | 70,000 | - | - |
| Repayment of long-term note receivable and interest (Note 8) | - | 808,505,795 | - |
| Issuance of long-term note receivable (Note 8) | - | (686,993,695) | (35,569,613) |
| Additions to: | | | |
| Financial assets at FVTPL (Note 6) | (9,978,987) | (2,912,200) | (6,700,000) |
| Investments in associates (Note 10) | (1,705,935) | (926,162,571) | (30,144,326) |
| Deferred exploration costs (Note 13) | (626,572) | (2,257,942) | (3,222,353) |
| Property and equipment (Note 11) | 208,666 | (68,505,798) | (38,491) |
| Investment property (Note 12) | - | (124,562) | (860,530) |
| Financial assets at FVOCI | - | - | (4,087,500) |
| Decrease (increase) in other noncurrent assets | 18,549,441 | (38,142,945) | (12,862,781) |
| Net cash flows from (used in) investing activities | 10,754,763 | (906,682,779) | (76,713,848) |

(Forward)



| | Years Ended December 31 | | |
|--|-------------------------|---------------|--------------|
| | 2018 | 2017 | 2016 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from | | | |
| Availment of loan | P40,750,000 | P- | P- |
| Advances from a related party | - | 797,947,880 | |
| Payments of: | | | |
| Finance lease liability | (9,333,333) | - | - |
| Dividends (Note 19) | - | - | (44,841,107) |
| Interest | - | - | (1,214,879) |
| Net cash flows from (used in) financing activities | 31,416,667 | 797,947,880 | (46,055,986) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 24,244,949 | (156,778,545) | (55,211,331) |
| EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 281,761 | 18,332 | 2,560,325 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 19,051,021 | 175,811,234 | 228,462,240 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4) | P43,577,731 | P19,051,021 | P175,811,234 |

See accompanying Notes to Consolidated Financial Statements.



ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information, Status of Operations and Management Plans 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 entity 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 Parent Company and its Subsidiaries (collectively referred to as the Group) are engaged in various business activities, through its subsidiaries and affiliates, namely metallic mineral mining and exploration, oil exploration and productions, infrastructure and property development and real estate.

The Parent Company is owned by Alakor Corporation (Alakor) and National Book Store, Inc. (NBS) with a combined ownership of 80.17%. Alakor and NBS are entities incorporated and domiciled in the Philippines. Alakor is the ultimate parent of the Group.

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

The Group incurred net losses of ₱645.9 million and ₱234.3 million in 2018 and 2017, respectively, which mainly arise from the Group's share in net losses of associates. Management performed impairment test as at December 31, 2018 and 2017 and assessed that the Group's investment in associates is not impaired (see Note 10).

As at December 31, 2018 and 2017, the Group's current liabilities exceeded its current assets by ₱3,575.6 million and ₱3,667.9 million, respectively, which is largely attributed to the payable arising from the Parent Company's additional investment in Atlas Consolidated Mining and Development Corporation (ACMDC) which totalled ₱3,577.7 million and is considered an investing activity. Net cash flows used in operating activities amounted to ₱17.9 million and ₱41.5 million in 2018 and 2017, respectively. To pay off currently maturing obligations arising from operations, the Group has sufficient financial assets which amounted to ₱334.4 million as of December 31, 2018.

Further, management's actions and plans to improve and sustain the Group's operations include the following, among others:

- a. The Parent Company will obtain financial assistance from its major shareholders to support the Group's operating and investing activities and also secure a commitment from related parties not to demand payment of the Group's due to them;
- b. The Group will examine various project financing options to fund its exploration work program; and,
- c. The Group plans of expanding the quarry area and improving cost efficiency measures to increase profitability.



On this basis, the Group continues to adopt the going concern basis in preparing the consolidated financial statements and considers that there are no material uncertainties that may exist which may cast significant doubt on the Group's ability to continue as a going concern. This basis of preparation presumes that the Group will continue to receive the support of its major shareholders and will realize its assets and discharge its liabilities in the ordinary course of business.

Authorization for Issue of the Consolidated Financial Statements

The consolidated financial statements as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issuance by the Board of Directors (BOD) on April 1, 2019.

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 measured at fair value through profit-or-loss (FVTPL) and financial assets measured at fair value through other comprehensive income (FVOCI) or available-for-sale financial statements (AFS) investments, 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 of the Group 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.

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 reassesses 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-Group 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.

Non-controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the parent. Transactions with non-controlling interests are accounted for as equity transactions. On acquisitions of non-controlling interests, the difference between the consideration and the book value of the share of the net assets acquired is reflected as being a transaction between owners and recognized directly in equity. Gain or loss on disposals to non-controlling interest is also recognized directly in equity.

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

| Group | Principal Activities | Percentage of Ownership | |
|------------------------------------|---|-------------------------|-------|
| | | 2018 | 2017 |
| 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 | 100 |

VMC was registered with the Philippine SEC on September 12, 1991 and was previously engaged in mining exploration and sale of aggregates. As of April 1, 2019, VMC has no operations.



On December 22, 2015, the Parent Company acquired 97.59% of interest in TVRI which is engaged in real estate development. As of April 1, 2019, TVRI has not yet started commercial operations

APPC was registered with the Philippine SEC on September 26, 2016 primarily to undertake the development, exploitation and processing of any energy resources.

BAC was registered with the Philippine SEC on May 4, 2017 and is primarily engaged in sand and gravel quarrying. BAC started commercial operations in January 2018 which contributed ₱31.3 million revenue to the Group arising from sale of aggregates.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2018:

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

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group has assessed that the adoption of these amendments does not have any impact on the 2018 financial statements as it has no share-based payment transactions.

- *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.

The Group applied PFRS 9 using modified retrospective approach, and chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9.
- The Group discloses the accounting policies for both the current and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.



- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application is recognized in the opening retained earnings or other component of equity, as appropriate.
- As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*.

As at January 1, 2018, the Group has reviewed and assessed all its existing financial assets.

- *Classification and Measurement.* PFRS 9 requires debt instruments to be classified either at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Classification under PFRS 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI).

An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets, or both. If a debt instrument is held to collect contractual cash flows, it is classified as at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI.

Under the new model, FVTPL is the residual category - financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortized cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest and accordingly measured at amortized cost under PFRS 9. There is no significant impact arising from measurement of these instruments under PFRS 9. PFRS 9 requires all equity instruments to be carried at FVTPL, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income.

Equity investments in non-listed companies previously classified as AFS financial assets are now classified and measured as equity instruments designated at FVOCI. The Group elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. The reclassification resulted to a decrease in total assets and total equity by ₱2.2 million as of January 1, 2018. The decrease in equity is presented as an adjustment to the opening balance of equity by ₱2.2 million. It has no impact on the net income and cash flows of the Group for the year ended December 31, 2017 (see Note 9).

The Group has assessed which business model apply to the financial assets held by the Group at the date of initial application of PFRS 9 and has classified its financial instruments into the appropriate PFRS 9 categories.



Summarized below is the effect of adoption of PFRS 9 in the classification of the Group's financial assets at January 1, 2018:

| Financial Instruments | Under PAS 39 | | Remeasurements/ Reclassifications | Under PFRS 9 | |
|--|--|-------------|--------------------------------------|---|-------------|
| | Classification | Amount | | Classification | Amount |
| Financial Assets | | | | | |
| Cash and cash equivalents | Loans and receivables (measured at amortized cost) | ₱19,051,021 | ₱- | Financial assets measured at amortized cost | ₱19,051,021 |
| Trade and other receivables | Loans and receivables (measured at amortized cost) | 191,136,889 | - | Financial assets measured at amortized cost | 191,136,889 |
| Financial asset at fair value through profit or loss | Financial asset at FVTPL | 3,712,820 | - | Financial asset at FVTPL | 3,712,820 |
| AFS investments | AFS investments (measured at cost less any impairment) | 8,583,953 | (2,164,853) | Financial assets at FVOCI | 6,419,100 |
| Long-term note receivable | Loans and receivables (measured at amortized cost) | 630,379,005 | - | Financial assets measured at amortized cost | 630,379,005 |

There were no changes to the classification and measurement of financial liabilities. As at December 31, 2018 and 2017, the Group does not hold financial liabilities designated at FVTPL.

- **Impairment.** The new impairment model for financial assets requires the recognition of allowance of impairment losses on financial assets based on expected credit losses, rather than only incurred credit losses as under current PAS 39. The main impact for the Group relates to trade receivables that do not contain a significant financing component, and as allowed by PFRS, the Group uses a simplified approach whereby the loss allowance will be measured at the initial recognition and throughout the life of the receivable at an amount equal to its lifetime expected credit losses. In calculating the expected credit loss rates, the

Group considers the customers' ability to fulfill their obligations based on historical performance, current condition and credit evaluations, and adjusted for forward-looking factors specific to the debtors and the economic environment.

In conclusion, adoption of PFRS 9 did not significantly impact the Group's consolidated financial statements.

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

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



The amendments are not applicable to the Group since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

While the Group elected to apply the modified retrospective approach in the adoption of PFRS 15, it did not result to a cumulative adjustment in the retained earnings as at January 1, 2018 based on the Group's evaluation.

The first step was to evaluate whether the existing contracts meet the definition of contracts with customers as per PFRS 15. The relevant attributes of contracts under PFRS 15 are: approval of the contracts by the parties to the contract, ability to identify each party's rights regarding the services to be rendered, clear payment terms, commercial substance of the contract and expectation that the consideration can be collected from the customer. The Group's customer contracts can be clearly identified based on the customer requirements with clear terms and individual pricing and thus no significant changes in the identification of contracts compared to existing revenue recognition practices were noted.

The second step was to identify the performance obligations included in revenue contracts. The Group's revenue mainly comprise of sale of aggregates, where performance obligations are satisfied at the time the aggregates are delivered to and accepted by the customer. No additional separate performance obligations have been identified in the contracts with customers that would materially impact the revenue recognition under PFRS 15 standard compared to the prior revenue recognition practices. No contracts were identified where the Group would act as an agent on behalf of another party. The adoption of PFRS 15 did not significantly change the timing or amount of revenue recognized under these arrangements.

The third and fourth steps relate to determining and allocating the transaction price. Transaction price is the amount the Group expects to receive in exchange for a fulfilled performance obligation. The prices received by the Group are fixed and do not include significant financing components. The contracts signed have no multiple performance obligations and there is no variable consideration over time. Accordingly, PFRS 15 does not materially change the principles applied by the Group regarding the determination and allocation of the transaction price.

The fifth step is about recognizing revenue in the period during which the goods transfers to the customers. The terms applied by the Group in its revenue contracts determine the period, at which the goods are delivered and accepted by the customer. As such, the revenue recognition principles did not change the timing or amount of revenue recognized. In addition, the timing of revenue recognition does not result in any contract assets or liabilities and there are no unfulfilled performance obligations at any point in time.

In conclusion, the adoption had no significant impact on the substance of the principles applied by the Group to the amount and timing of revenue recognition.



- Amendments to PAS 28, *Investments in Associates and Joint Ventures, 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. Retrospective application is required.

The amendments are not applicable to the Group since it is not a venture capital organization or an investment entity, nor does the Group has associates or joint ventures that are investment entities.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

The Group's current practice is in line with the clarifications issued and does not have any effect on its consolidated financial statements.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The Group's current practice is in line with the clarifications issued and does not have any effect on its consolidated financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2018

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



Effective Beginning On or After January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- 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.

A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date.



- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

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

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

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

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

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

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

Since the Group does not have long-term interests in associate and joint venture to which equity method is not applied, the amendments will not have an impact on its consolidated financial statements.



- **Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments***

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

The interpretation specifically addresses the following:

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

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

The Group plans to adopt the interpretation on the required effective date and does not expect it to have a significant impact on the consolidated financial statements.

- ***Annual Improvements to PFRSs 2015-2017 Cycle***

- ***Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation****

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.



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

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

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

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

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

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

The Group plans to apply these amendments on the required effective date.

Effective Beginning On or After January 1, 2020

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

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

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

These amendments will apply to future business combinations of the Group.

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

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



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

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

Effective Beginning On or After January 1, 2021

- **PFRS 17, *Insurance Contracts***

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

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

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The new standard is not expected to have a material impact on the consolidated financial statements of the Group because it is not engaged in the insurance business.

Deferred Effectivity

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

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

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

The Group plans to apply the amendments on the required effective date.



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.

Presentation of Financial Statements

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

Financial Instruments

Initial 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).

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at FVTPL.

Classification and Subsequent Measurement Prior to January 1, 2018

Financial Assets

Financial assets are classified in the following categories: financial assets at FVTPL, 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 determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

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

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 FVTPL is reported as interest income using the EIR. Dividends earned on holding financial assets at FVTPL are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

Financial assets may be designated as at FVTPL 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 that are held for trading are classified as financial assets at FVTPL as at December 31, 2017.

- *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 FVTPL 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, the Group's loans and receivables include cash and cash equivalents, receivables, long-term note receivable and deposit under "Other noncurrent assets".

- *AFS Financial Assets.* AFS financial assets are those non derivative financial assets designated as such or are not classified as at FVTPL, 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 Other Comprehensive Income (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 under noncurrent assets in the consolidated statements of financial position. As at December 31, 2017, the Group's AFS financial assets include quoted and unquoted equity shares.

- *HTM Investments.* Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as HTM when the Group has the positive intention and ability to hold it to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be HTM, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

As of December 31, 2017, the Group has no HTM investments.

Financial Liabilities

Financial liabilities are classified into financial liabilities at FVTPL 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, the Group has no financial liabilities at FVTPL.

- *Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL 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 FVTPL 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.

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

Impairment of Financial Assets Prior to January 1, 2018

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.

Classification and Measurement Effective January 1, 2018

Classification of Financial Assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVTPL;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; and,
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss

Contractual Cash Flows Characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.



In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

- *Financial Assets at Amortized Cost.* A debt financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for bad debts" in the consolidated statement of income.

As at December 31, 2018, the Group has financial assets at amortized cost consisting of cash and cash equivalents, receivables, long-term note receivable and deposit under "Other noncurrent assets".

- *Financial Assets at FVTPL.* Financial assets at FVTPL are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of income.



Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Group's financial assets at FVTPL consists of investments in quoted equity shares that are held for trading as of December 31, 2018.

- *Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Group's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Group; and,
- the amount of the dividend can be measured reliably.

As of December 31, 2018, the Group's financial assets at FVOCI pertains to investments in unquoted equity shares that are not held for trading.

Classification of Financial Liabilities. Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and,
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or,
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Group's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group's financial liabilities include accounts payable and accrued expenses (excluding statutory payables), subscription payable, due to related parties, loans payable and finance lease liability.

Impairment of Financial Assets. Upon adoption of PFRS 9, the standard introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

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

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

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

- *Determination of the Stage for Impairment.* At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

- *Simplified Approach.* The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade receivables'. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



For any other financial assets carried at amortised cost (which are due in more than 12 months), the expected credit losses is based on the 12-month expected credit losses. The 12-month expected credit losses is the proportion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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.

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.

Cash and Cash Equivalents

Cash includes cash on hand and with banks and short-term deposits. 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.

Prepaid Expenses and other current assets

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.

Advances to supplier represents prepayments relative to acquisitions of assets or operational agreements entered into by the Company and its suppliers. These advances will be reclassified to the specific asset account once the risks and rewards over the assets are transferred to the Company or charged to expense once the related services are rendered.

Prepaid expenses and advances to suppliers are included in current assets, except when the related goods services are expected to be received or rendered more than twelve (12) months after the reporting date which are classified as non-current assets.

Prepaid taxes consist substantially of creditable withholding taxes which are recognized as assets to the extent that it is probable that the benefit will flow to the Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

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.

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 | 3 - 15 |
| Transportation equipment | 3 - 5 |
| Furniture, fixtures and office equipment | 2 - 5 |

The 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.

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.



An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period.

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 investment properties when, and only when, there is a change in use, evidenced by the end of owner-occupation or the start of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by start of owner-occupation or of development with a view to sell.

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)

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 Group's consolidated 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 depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.



Provisions

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.

Equity

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. 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.

Other Comprehensive Income. Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs.



Revenue Recognition

Prior to the Adoption of PFRS 15

Revenue is recognized based on the transfer of risks and rewards and to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received as receivables, excluding discounts, rebates, and other sales taxes or duties. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent.

Upon Adoption of PFRS 15

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Contracts with Customers

- *Sale of Aggregates.* Sale of aggregates is recognized when the goods are delivered to and accepted by the customer. Sale of aggregates is recognized when control passes to the customer, which occurs at a point in time when the aggregates are physically transferred and accepted by the customer. Selling prices are based on agreed prices between the customer and the Group.
- *Royalty Income.* Royalty income is recognized over time under PFRS 15 when earned which is consistent under PAS 18.

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

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 (Loss) 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 (loss) 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 32.

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 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, 2018 and 2017. Total acquisition cost of this investment is ₱5,770.4 million.

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 as at December 31, 2018 and 2017, 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 12.

Estimates and Assumptions

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 of Receivables (applicable until December 31, 2017 prior to the adoption of PFRS 9)

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater



risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received.

No provision for impairment loss on receivables was recognized in 2017 and 2016. Receivables, net of allowance for impairment loss on receivable and long-term note receivable amounted to ₱17.1 million, amounted to ₱853.8 million as of December 31, 2017 (see Note 5).

Measurement of Expected Credit Losses (applicable starting January 1, 2018 upon adoption of PFRS 9)

Expected credit losses are derived from unbiased and probability weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof.

For trade receivables, the Group uses the provision matrix which is based on the Group's historical observed loss rates with adjustment for forward-looking information and macroeconomic variables. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

For other debt financial assets, the Group evaluates credit exposures and significant changes in credit risk with reference to comparable entities in the same industry, size and geographical operations. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit losses).

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Provision for expected credit loss on receivables amounted to ₱3.4 million in 2018. Receivables, net of allowance for impairment loss on receivable, note receivable and long-term note receivable amounted to ₱20.4 million, amounted to ₱864.2 million as of December 31, 2018 (see Note 5).

Estimating Impairment on Investments in Associates

PFRSs requires that an impairment review be performed when certain impairment indicators are present. In determining the recoverable amount 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.

Management performed impairment test as at December 31, 2018 and 2017. The recoverable amount of the Group's investment in associates has been determined using a discounted cash flow projection.



The calculation of the value-in-use of the associates' underlying assets incorporates the following key assumptions:

- Expected life of the project;
- Future production levels and costs;
- Contribution to the Government;
- Commodity prices; and
- Pre-tax discount rates.

The significant assumptions in the value-in-use calculation and sensitivity to changes in assumptions are disclosed in Note 10.

Investments in associates amounted to ₱8,387.2 million and ₱8,714.8 million as at December 31, 2018 and 2017, respectively. No provision for impairment losses recognized in 2018, 2017 and 2016 (see Note 10).

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.

Provision for impairment of deferred exploration costs amounted to ₱33.6 million in 2018 and nil in 2017 and 2016. The carrying value of deferred exploration costs amounted to ₱175.7 million and ₱208.6 million as at December 31, 2018 and 2017, respectively (see Note 13).

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 2018 and 2017.



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 ₱64.9 million and ₱79.6 million as at December 31, 2018 and 2017, respectively. The balance of the accumulated depreciation of property and equipment amounted to ₱99.3 million and ₱70.0 million as at December 31, 2018 and 2017, respectively (see Note 11).

Estimating Impairment of Property and Equipment, Investment Properties and Other Noncurrent Assets (except Deposit)

The Group assesses impairment on prepaid expenses and other current assets, property and equipment, investment properties and other noncurrent assets (except deposit) 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, 2018 and 2017, the aggregate carrying amount of nonfinancial assets amounted to ₱439.1 million and ₱448.4 million, respectively (see Notes 11, 12 and 14).

Assessing Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income 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 income 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 gross deferred income tax assets amounting to ₱7.1 million and ₱10.3 million as at December 31, 2018 and 2017 (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, 2018 and 2017, the retirement benefit plan asset amounted to ₱7.1 million and ₱7.9 million, respectively. Net retirement benefit expense in 2018 and 2017 amounted to ₱106,895 and ₱124,227 (see Notes 23 and 25).

4. Cash and Cash Equivalents

| | 2018 | 2017 |
|---------------------|--------------------|--------------------|
| Cash on hand | ₱60,000 | ₱30,000 |
| Cash with banks | 23,493,967 | 13,997,257 |
| Short-term deposits | 20,023,764 | 5,023,764 |
| | ₱43,577,731 | ₱19,051,021 |

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 2018, 2017 and 2016, interest income from cash with banks and short-term deposits, net of final tax, amounted to ₱0.7 million, ₱0.7 million, and ₱3.4 million, respectively (see Note 22). Accrued interest receivable from short-term deposits as at December 31, 2018 and 2017 amounted to ₱0.4 million and ₱3,907, respectively (see Note 22).

5. Receivables

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Trade | ₱24,583,746 | ₱15,921,190 |
| Advances to: | | |
| MRT Dev't. Corp. (MRTDC; see Note 16) | 147,937,865 | 156,569,453 |
| Advances to related parties (see Note 24) | 34,117,356 | 22,217,356 |
| Accrued interest receivable (see Notes 4 and 8) | 8,398,983 | 5,251,735 |
| Others | 8,956,546 | 8,257,216 |
| | 223,994,496 | 208,216,950 |
| Less allowance for impairment losses | 20,436,224 | 17,080,061 |
| | ₱203,558,272 | ₱191,136,889 |

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.

Set out below is the movement in the allowance for expected credit losses of receivables:



| | 2018 | 2017 |
|------------------------------------|-------------|-------------|
| Balances at beginning of year | ₱17,080,061 | ₱17,080,061 |
| Provision for expected credit loss | 3,356,163 | — |
| Balances at end of year | ₱20,436,224 | ₱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 21).

6. Financial Assets at FVTPL

| | 2018 | 2017 |
|-------------------------------------|-------------|------------|
| Aboitiz Power Corporation | ₱3,755,700 | ₱— |
| Shang Properties, Inc. | 3,350,880 | 3,361,620 |
| Semirara Mining & Power Corporation | 2,927,350 | — |
| Aboitiz Equity Ventures, Inc. | 1,980,000 | — |
| Chelsea Logistics Holdings Corp. | 258,400 | 351,200 |
| | ₱12,272,330 | ₱3,712,820 |

Movements in the financial assets at FVTPL as at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|-------------|-------------|
| Balances at beginning of year | ₱3,712,820 | ₱10,556,420 |
| Additions | 9,978,987 | 2,912,200 |
| Changes in fair value of financial assets at FVTPL | (1,419,477) | (290,800) |
| Disposals | — | (9,465,000) |
| Balances at end of year | ₱12,272,330 | ₱3,712,820 |

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

Dividend income recognized in 2018 related to financial assets at FVTPL amounted to ₱0.3 million. No dividend income recognized in 2017 and 2016 related to financial assets at FVTPL.

7. Prepaid Expenses and Other Current Assets

| | 2018 | 2017 |
|----------------------------|-------------|-------------|
| Creditable withholding tax | ₱8,187,510 | ₱8,415,765 |
| Advances to suppliers | 6,041,058 | 5,915,690 |
| Prepaid expenses | 491,816 | 228,287 |
| Input VAT | 126,277 | — |
| | ₱14,846,661 | ₱14,559,742 |

Advances to suppliers consist of payments made for future purchases of goods and services.



8. Notes Receivable

Convertible Note

On June 9, 2015, APHC entered into an unsecured 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 and 2016 amounted to ₱6.0 million and ₱28.7 million, respectively (see Note 22).

Fixed-interest Note

Carmen Copper Corporation (CCC)

On March 21, 2017, APHC entered into an unsecured 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 repayment amounting to \$2.0 million (₱101.6 million) in 2017. Interest earned in 2018 and 2017 amounted to \$0.6 million (₱30.5 million) and \$0.5 million (₱24.8 million) (see Note 22). Accrued interest receivable as at December 31, 2018 and 2017 amounted to \$15,866 (₱0.8 million) for both years (see Note 5). The outstanding note receivable from CCC amounted to \$11.4 million (₱600.7 million) and \$11.4 million (₱570.4 million) as of December 31, 2018 and 2017, respectively.

Alakor Corporation (Alakor)

On October 29, 2015, APHC signed an unsecured 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 at a fixed interest rate of 4.25%. As at December 31, 2018, loans receivable from Alakor was reclassified to current assets.

Interest earned in 2018, 2017 and 2016 amounted to ₱2.7 million, ₱2.5 million and ₱1.9 million, respectively (see Note 22). Accrued interest receivable as at December 31, 2018 and 2017 amounted to ₱7.2 million and ₱4.5 million, respectively (see Note 5).



9. Financial Assets at FVOCI/AFS Financial Assets

| | 2018 | 2017 |
|--------------------|-------------------|-------------------|
| Equity securities: | | |
| Unquoted | ₱2,175,600 | ₱4,332,953 |
| Quoted | – | 4,251,000 |
| | ₱2,175,600 | ₱8,583,953 |

Movements in the financial assets at FVOCI/AFS financial assets as at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Balance at January 1 | ₱8,583,953 | ₱8,665,703 |
| Effect of adoption of PFRS 9 | (2,164,853) | – |
| Balance at January 1 (as restated) | 6,419,100 | 8,665,703 |
| Disposal | (4,251,000) | – |
| Changes in fair value of AFS financial assets recognized in OCI | 7,500 | (81,750) |
| Balance at December 31 | ₱2,175,600 | ₱8,583,953 |

Movements in the fair value changes of financial assets at FVOCI/ AFS financial assets in 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|---------------------|-----------------|
| Balances at beginning of year | ₱163,500 | ₱245,250 |
| Effect of adoption of PFRS 9 | (2,164,853) | – |
| Balance at January 1 (as restated) | (2,001,353) | 245,250 |
| Transfer of valuation gain to retained earnings upon disposal of financial assets at FVOCI | (163,500) | – |
| Changes in fair value of financial assets at FVOCI | 7,500 | (81,750) |
| Balances at end of year | (₱2,157,353) | ₱163,500 |

Investments in quoted financial assets pertain to investments in preferred shares of a local public Group, San Miguel Corp. In August 2018, investment in quoted financial assets was sold at a loss of ₱199,914. The fair value of the quoted instruments is based on the exit market price as reporting date.

Investments in unquoted financial assets pertain to investments in private local companies and have no fixed maturity date or coupon rate. Prior to January 1, 2018, unquoted investments have been carried at cost less impairment due to the unpredictable nature of cash flow and lack of suitable method of arriving at a fair value. Upon adoption of PFRS 9 at January 1, 2018, these investments were carried at fair value. Fair value of unquoted financial assets is determined using the adjusted net asset value approach (see Note 31).

No impairment loss was recognized in 2018, 2017 and 2016 on the Group's quoted and unquoted equity instruments.

Dividend income recognized in 2018, 2017 and 2016 related to financial assets at FVOCI/AFS financial assets amounted to ₱0.3 million, ₱0.4 million and ₱0.3 million, respectively.



10. Investments in Associates

| | 2018 | 2017 |
|--|-----------------|----------------|
| Acquisition cost: | | |
| Balances at beginning of year | ₱8,964,918,985 | ₱5,260,268,704 |
| Additions during the year | 1,705,935 | 3,704,650,281 |
| Balances at end of year | 8,966,624,920 | 8,964,918,985 |
| Accumulated equity in net loss: | | |
| Balances at beginning of year | (464,049,586) | (250,805,236) |
| Equity in net losses during the year | (597,605,340) | (213,244,350) |
| Balances at end of year | (1,061,654,926) | (464,049,586) |
| Accumulated equity share in OCI: | | |
| Balances at beginning of year | 213,976,700 | 202,225,376 |
| Equity share in other comprehensive income during the year | 268,256,462 | 11,751,324 |
| Balances at end of year | 482,233,162 | 213,976,700 |
| | ₱8,387,203,156 | ₱8,714,846,099 |

The carrying values of investments in associates are as follows:

| | Percentage of Ownership | | Amount | |
|--|-------------------------|--------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| ACMDC | 28.64% | 28.64% | ₱5,377,753,934 | ₱5,600,703,039 |
| The Philodrill Corporation (TPC) | 34.38% | 34.32% | 2,486,259,108 | 2,575,846,734 |
| United Paragon Mining Corporation (UPMC) | 25.69% | 25.69% | 523,190,114 | 538,296,326 |
| | | | ₱8,387,203,156 | ₱8,714,846,099 |

The fair value measurement hierarchy for investment in associates as at December 31, 2018 and 2017 are as follows:

2018

| | Fair value measurement using | | | |
|-------|---|---|---|----------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| ACMDC | ₱2,610,101,228 | ₱— | ₱— | ₱2,610,101,228 |
| TPC | 857,619,923 | — | — | 857,619,923 |
| UPMC | 369,155,289 | — | — | 369,155,289 |



2017

| | Fair value measurement using | | | Total |
|-------|---|---|---|----------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| ACMDC | ₱5,097,853,960 | ₱— | ₱— | ₱5,097,853,960 |
| TPC | 790,083,453 | — | — | 790,083,453 |
| UPMC | 442,986,346 | — | — | 442,986,346 |

There were no transfers between level 1 to level 2 in 2018 and 2017.

Investment in ACMDC

ACMDC is primarily engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite iron ore concentrate.

In 2017, APHC 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, 2018 and 2017 amounted to ₱2,778.5 million. As a result, the Group's percentage of ownership increased from 8.36% in 2016 to 28.64% in 2017.

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Group performed its annual impairment test as at December 31, 2018 and 2017.

The recoverable amount of investment in associate has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to the cash flow projections as at December 31, 2018 and 2017 are 9.93% and 10.18%, respectively. As a result of this analysis, management concluded that the investment in associate is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

- a. Expected life of the project
 - b. Future production levels and costs
 - c. Contribution to the government
 - d. Copper prices
 - e. Pre-tax discount rate
- a. Expected life of the project
ACMDC projected a 34-year expected life of the project, which is based on the remaining mineable ore reserves of the project and their capacity to mine those remaining mineable ore reserves.

The remaining mineable ore reserves are based on Philippine Mineral Reporting Code.

- b. Future Production Levels and Costs
Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.



c. Contribution to the Government

ACMDC assumes the prevailing tax rate imposed on an entity that is engaged in mining operations. ACMDC is affected by the newly enacted tax reform law.

d. Copper Prices

ACMDC considers the effect of commodity price changes. ACMDC considered the possible effect of the changes in the price of copper as it relates to the revenues that may be generated by ACMDC and the attainment of the cash flow projections. ACMDC used the data from the Wood Mackenzie Limited, a global mining and metals research and consultancy firm. The price is the function of a number of factors, which includes, among others, copper grade, moisture content and factor rate.

Generally, a higher grade and lower moisture content would yield higher recoverable amount otherwise, this may indicate impairment. ACMDC expects that the overall price of copper concentrate ore will improve throughout the life of mine.

e. Pre-tax Discount Rate

Discount rate represents the current market assessment of the risks specific to the investment in associates taking into consideration the time value of money and the individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of ACMDC and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by ACMDC's investors. The cost of debt is based on the interest-bearing borrowings ACMDC is obliged to service. Specific risk is incorporated by applying individual beta factors and are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used are 9.93% and 10.18% as at December 31, 2018 and 2017, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

Investment in TPC

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

In 2018, the Group subscribed to an additional 130.48 million shares of TPC at ₱0.013 per share and paid the corresponding paid-up capital of ₱1.7 million. As a result, the Group's percentage of ownership increased from 34.32% in 2017 to 34.38% in 2018.

In relation to the TPC's acquisition of Vulcan Industrial & Mining Corporation's (VIMC) interest in Octon block, TPC is contingently liable for \$500,000 which is payable within sixty (60) days from the date of commercial discovery in the contract areas.

The Group has no outstanding capital commitments related to the investments in TPC as of December 31, 2018 and 2017.

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Group performed its annual impairment test as at December 31, 2018 and 2017.

The projected cash flows have been developed to reflect the expected oil reserve to be extracted over the life of the contract/project adjusted by the effects of other factors such as inflation rate. The pre-



tax discount rate applied to the cash flow projections as at December 31, 2018 is 12%. As a result of this analysis, management concluded that the investment in associate is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

- a. Future production levels and costs
- b. Contribution to the government
- c. Oil prices
- d. Pre-tax discount rate

- a. Expected life of the project

TPC projected a 8-year exploration project covering various service contracts for oil exploration, which is based on the expected oil reserves of the project and their capacity to extract the reserve.

The oil reserve estimates are based on the operations report as a result of the ongoing research and drilling activities.

- b. Future Production Levels and Costs

Future production levels and costs include direct and indirect costs that will be incurred to extract oil over the life of the project.

- c. Contribution to the Government

TPC assumes the prevailing tax rate imposed on an entity that is engaged in oil exploration. TPC is affected by the newly enacted tax reform law.

- d. Oil Prices

TPC considers the effect of commodity price changes. TPC considered the possible effect of the changes in the price of oil as it relates to the revenues that may be generated by TPC and the attainment of the cash flow projections.

- e. Pre-tax Discount Rate

Discount rate represents the current market assessment of the risks specific to the investment in associates underlying assets taking into consideration the time value of money and the individual risks of the underlying assets that have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of TPC and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by TPC's investors. The cost of debt is based on the interest-bearing borrowings TPC is obliged to service. Specific risk is incorporated by applying individual beta factors and are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used is 12% as at December 31, 2018.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.



Investment in UPMC

UPMC's main business is the exploration, development, exploitation, recovery and sale of gold. UPMC was previously held under care and maintenance. As of December 31, 2018, UPMC is under exploration stage as it has already an exploration permit for the Longos Mine.

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Group performed an impairment test in 2018 and 2017.

The recoverable amount of investment in associate has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from the project feasibility study.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to the cash flow projections as at December 31, 2018 and 2017 are 11.95% and 7.6%, respectively. As a result of this analysis, management concluded that property, plant and equipment is not impaired.

The calculation of DCF is most sensitive to the following assumptions:

- a. future production levels and costs
- b. gold prices
- c. pre-tax discount rate

a. **Future Production Levels and Costs**

Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.

b. **Gold Prices**

UPMC considers the effect of commodity price changes. UPMC considered the possible effect of the changes in the price of gold as it relates to the revenues that may be generated by UPMC and the attainment of the cash flow projections. UPMC used the data from the project feasibility study and was compared against externally published data.

c. **Pre-tax Discount Rate**

Discount rate represents the current market assessment of the risks specific to UPMC, taking into consideration the time value of money. The discount rate calculation is based on the specific circumstances of UPMC and is derived from its WACC. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by UPMC's investors. The cost of debt is based on the risk free market rate available in the market. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate. The pre-tax discount rates used are 11.95% and 7.6% as at December 31, 2018 and 2017, respectively.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the investment in associates underlying assets to materially exceed its recoverable amount.



The summarized financial information of the associates as at and for the years ended December 31, 2018, 2017 and 2016 are as follows (in thousands):

ACMDC

| | 2018 | 2017 |
|---|------------|------------|
| Current assets | ₱7,251,675 | ₱5,443,457 |
| Noncurrent assets | | |
| Goodwill | 19,026,119 | 19,026,119 |
| Other noncurrent assets | 53,499,180 | 49,933,298 |
| Current liabilities | 16,101,445 | 12,364,406 |
| Noncurrent liabilities | 28,062,778 | 25,647,265 |
| Equity | 35,612,751 | 36,391,203 |
| Proportion of Group's ownership | 28.64% | 28.64% |
| Group's share in net identifiable assets excluding goodwill | 4,750,411 | 4,973,360 |
| Goodwill | 627,343 | 627,343 |
| Carrying amount of investment | 5,377,754 | 5,600,703 |

| | 2018 | 2017 | 2016 |
|-----------------------------------|-------------|-------------|-------------|
| Revenue | ₱13,295,913 | ₱11,070,571 | ₱10,924,490 |
| Net loss | (1,719,662) | (1,967,948) | (879,496) |
| Other comprehensive income | 941,210 | 94,386 | 1,069,360 |
| Total comprehensive income (loss) | (778,452) | (1,873,562) | 189,864 |
| Group's share in net loss | (492,511) | (197,779) | (73,526) |
| Dividends received from ACMDC | — | — | — |

TPC

| | 2018 | 2017 |
|--------------------------------------|-----------|------------|
| Current assets | ₱918,115 | ₱1,065,608 |
| Noncurrent assets | 2,562,218 | 2,575,513 |
| Current liabilities | 149,872 | 46,778 |
| Noncurrent liabilities | 31,089 | 29,002 |
| Equity | 3,299,372 | 3,565,340 |
| Proportion of Group's ownership | 34.38% | 34.32% |
| Group's share in equity of associate | 1,134,324 | 1,223,625 |
| Goodwill and other adjustments | 1,351,935 | 1,352,222 |
| Carrying amount of investment | 2,486,259 | 2,575,847 |

| | 2018 | 2017 | 2016 |
|-----------------------------------|-----------|----------|----------|
| Revenue | ₱382,676 | ₱388,202 | ₱358,688 |
| Net income (loss) | (261,957) | (6,367) | 29,119 |
| Other comprehensive income | (4,011) | 6,451 | 42,647 |
| Total comprehensive income (loss) | (265,968) | 84 | 71,766 |
| Group's share in net loss | (89,917) | (2,185) | 9,994 |
| Dividends received from TPC | — | — | 16,460 |



UPMC

| | 2018 | 2017 |
|--------------------------------------|------------------|------------------|
| Current assets | ₱34,278 | ₱34,619 |
| Noncurrent assets | 1,082,127 | 1,079,529 |
| Current liabilities | 1,112,195 | 1,051,115 |
| Noncurrent liabilities | 1,088 | 1,110 |
| Equity | 3,104 | 61,923 |
| Proportion of Group's ownership | 25.69% | 25.69% |
| Group's share in equity of associate | 802 | 15,908 |
| Goodwill | 522,388 | 522,388 |
| Carrying amount of investment | 523,190 | 538,296 |

| | 2018 | 2017 | 2016 |
|------------------------------|-----------------|-----------------|-----------------|
| Revenue | ₱— | ₱— | ₱— |
| Net loss | (59,081) | (51,695) | (57,794) |
| Other comprehensive income | 279 | 200 | (108) |
| Total comprehensive loss | (58,802) | (51,495) | (57,902) |
| Group's share in net loss | (15,178) | (13,281) | (14,847) |
| Dividends received from UPMC | — | — | — |

The principal place of business and country of incorporation of the Group's associates is in the Philippines.

The Group has no outstanding contingent liabilities and capital commitments related to the investments in ACMDC and UPMC as of December 31, 2018 and 2017. The associates have no significant restrictions on its ability to transfer fund to the Group in the form of cash dividends, or repayment of loans or advances.



11. Property and Equipment

| | 2018 | | | | | | |
|---|--|-----------------------------|--|--------------------------------|-------------------------------|-----------------------------|--------------|
| | 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 | ₱5,632,455 | ₱892,022 | ₱- | ₱55,103,561 | ₱65,797,798 | ₱149,517,453 |
| Additions | - | 171,267 | - | - | 14,568,968 | - | 14,740,235 |
| Disposals | - | (120,000) | - | - | - | - | (120,000) |
| Reclassifications | - | 640,000 | 194,072 | - | 64,963,726 | (65,797,798) | - |
| Balances at end of year | 22,091,617 | 6,323,722 | 1,086,094 | - | 134,636,255 | - | 164,137,688 |
| Accumulated depreciation, depletion and amortization: | | | | | | | |
| Balances at beginning of year | 12,371,370 | 1,637,099 | 849,055 | - | 55,103,561 | - | 69,961,085 |
| Depreciation, depletion and amortization (Note 20 and 21) | 1,105,211 | 1,559,745 | 123,171 | - | 26,626,370 | - | 29,414,497 |
| Disposals | - | (120,000) | - | - | - | - | (120,000) |
| Balances at end of year | 13,476,581 | 3,076,844 | 972,226 | - | 81,729,931 | - | 99,255,582 |
| Net book values | ₱8,615,036 | ₱3,246,878 | ₱113,868 | ₱- | ₱52,906,324 | ₱- | ₱64,882,106 |

| | 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 21) | 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 |

The Group disposed property and equipment with net book values to nil and ₱38.5 million in 2018 and 2017, respectively (see Note 27). Gain on sale of property and equipment amounted to ₱70,000 and nil in 2018 and 2017, respectively. The cost of fully depreciated property and equipment that is still used in operations amounted to ₱1.2 million and ₱1.1 million as at December 31, 2018 and 2017, respectively.



Construction in progress in 2017 pertains to the construction of BAC's crushing plant. In January 2018, BAC started commercial operations.

12. Investment Properties

Movements in investment properties are as follows:

| | 2018 | 2017 |
|-------------------------------|--------------|--------------|
| Balances at beginning of year | ₱305,581,329 | ₱305,456,767 |
| Additions | – | 124,562 |
| Balances at end of year | ₱305,581,329 | ₱305,581,329 |

Investment property represents parcels of land which are carried at cost amounting to ₱305.6 million as of December 31, 2018 and 2017. The fair market value of investment properties amounted to ₱309.9 million and ₱305.6 million as of December 31, 2018 and 2017, respectively.

Cost incurred in maintaining these investment properties amounted to ₱2.7 million and ₱2.2 million in 2018 and 2017, respectively.

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.

13. 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, 2018 and 2017 are as follows:

| | 2018 | | 2017 | |
|--|-----------------------------|---------------------|-----------------------------|---------------------|
| | Percentage of Participation | Amount | Percentage of Participation | Amount |
| Parent Company | | | | |
| SC 6 (Offshore Northwest Palawan) | | | | |
| Block A (Octon) | 11.11 | P61,051,718 | 11.11 | P60,425,147 |
| Saddle Rock Prospect | 11.11 | 7,325,361 | 11.11 | 7,325,360 |
| 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 | 5,252,274 |
| 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 |
| | | 209,237,738 | | 208,611,166 |
| Less: Allowance for impairment of deferred exploration costs | | 33,569,773 | | - |
| | | P175,667,965 | | P208,611,166 |

Movements in the deferred exploration cost as at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Balance at January 1 | P208,611,166 | P206,353,224 |
| Additions | 626,572 | 2,257,942 |
| Less: Allowance for impairment of deferred exploration costs | 33,569,773 | - |
| Balance at December 31 | P175,667,965 | P208,611,166 |

Set out below is the movement in the allowance for impairment of deferred exploration cost:

| | 2018 | 2017 |
|-------------------------------|--------------------|-----------|
| Balances at beginning of year | P- | P- |
| Provision for impairment loss | 33,569,773 | - |
| Balances at end of year | P33,569,773 | P- |

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 group 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, APHC's participating interest on the block increased from 3.33% to 11.11%.

In 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.

In 2018, TPC undertook re-mapping of previously identified prospects using the 2015 Pre-Stack Depth Migration seismic data and integrating the results of the 2017 Quantitative Interpretation study. Thereafter, a risk and resource analysis, as well as preliminary well/drilling design and cost study, were then performed. Results from these activities were used as bases to conduct scoping project studies to assess viability of pursuing drilling and development of these prospects. TPC intends to undertake further attribute studies to better understand reservoir development and distribution within the structure to identify potential exploration well location.

TPC also invited Tamarind Resources (which earlier acquired a majority interest in Galoc Production Company, the operator of the nearby Galoc Field) to look into the possible development of the Octon Oil and Gas Discovery.

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 Sulu Sea area has been included again in the Philippine Conventional Energy Contracting Program (PCECP) for petroleum and coal launched last November 2018. TPC, which submitted a joint bid with PXP Energy Corporation back in 2012, intends to revive its bid over the block and



submit by May 2019. The Parent Company has an existing agreement with TPC to acquire a portion of the interest that may be awarded to TPC in the area.

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.

In 2018, Gas2Grid indicated interest on the Progreso project, offering to acquire up to 70% participating interest in exchange for drilling up to 2 wells, premised on the success of the initial well. As of December 31, 2018, MPOGI has yet to formally advise the joint venture partners on the outcome of their negotiations with Gas2Grid.

In September 2018, the DOE enjoined MPOGI to secure a Certificate of Pre-Condition (CP) from the National Commission on Indigenous Peoples (NCIP) to enable the DOE to lift the moratorium on SC 53. A moratorium on all exploration activities on SC 53 has been in force since July 2015. In a letter to the operator dated September 13, 2018, the DOE indicated that inaction on securing the CP from the NCIP and the regular submission of quarterly reports by MPOGI to the DOE may constitute grounds for the termination of the service contract.

At the end of 2018, MPOGI has yet to provide the joint venture with a concrete plan for the block, specifically the activities to execute the JV's commitments including the drilling of Progreso as well



as the status of their negotiations with Gas2Grid which earlier indicated interests on the Progreso project through possible drill-for-equity arrangement with the Onshore Mindoro joint venture.

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. PNOC EC is continuously working for the repeal or amendment of EO 556. In anticipation of the repeal and/or amendment of EO556, SWAN Block was deemed not impaired.

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.

TPC undertook the programmed plug and abandonment (P&A) activities in some of the production wells and platforms in Service Contract 14 in 2018, in compliance with government regulations and good industry practices. TPC, on behalf of the SC 14B and SC 14 Tara Block consortia, engaged the services of contractor CWT Consultancy Limited and successfully completed in May 2018 the P&A program for the Tara South-1 and Libro wells both below budget and on schedule.

In 2018, the Parent Company provided allowance for impairment of deferred exploration costs amounting to ₱5.3 million and recorded plug and abandonment cost amounting to ₱4.0 million which pertains to estimated and actual costs to plug and abandon Libro-1, Tara South-1 wells, and 9 wells from Nido, Matinloc and North Matinloc fields. Outstanding payable pertaining to the estimated cost of plug and abandonment of Libro-1, Tara South-1 wells, and 9 wells from Nido, Matinloc and North Matinloc fields amounted to ₱467,016 and nil as of December 31, 2018 and 2017.

VMC

Comet Nickel-Chromite Project

The VMC 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.

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.

Management believes that no future value will be collected in the Comet Nickel-Chromite project, Bataan Aggregates Project and Batangas Aggregates Project. In 2018, the Group provided allowance for impairment of deferred exploration costs amounting to ₱28.3 million.

14. Other Noncurrent Assets

| | 2018 | 2017 |
|---------------------------------------|-------------|-------------|
| Advances for future land acquisitions | ₱62,173,069 | ₱60,865,128 |
| Advance royalties | 19,436,742 | 19,436,742 |
| Deposit | 3,309,844 | 27,228,700 |
| Input VAT | 1,899,136 | 1,051,174 |
| Advances to suppliers | 956,191 | 956,191 |
| Leasehold rights | 174,114 | 383,052 |
| Others | - | 87,252 |
| | 87,949,096 | 110,008,239 |
| Less allowance for impairment losses | 15,990,462 | 14,400,164 |
| | ₱71,958,634 | ₱95,608,075 |

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 TVRI.

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 VMC 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 VMC to develop and exploit the area in Bolinao, Pangasinan upon securing the necessary application and exploration permit by VVMC. Advance royalties amounting to ₱14.3 million 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.

In 2017, BAC made an advance royalty payment amounting to ₱5.1 million for its quarry sight in Hermosa, Bataan.

As of December 31, 2018 and 2017, deposit amounted to ₱3.3 million and ₱27.2 million, respectively. 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. In June 2018, TVRI received the refund of its deposit amounting to ₱23.9 million upon issuance of the conversion order.

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 leasehold right 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 2018, 2017 and 2016 (see Note 21).

VMC, APPC, and BAC have deposits for future land acquisitions amounting to ₱10.2 million as of December 31, 2018. The deposits pertain to the purchases of parcels of lands in Hermosa, Bataan. As at December 31, 2018, there are no transfer of land titles to VMC, APPC and BAC as full payment of the purchase price is required before transfer of title.

Set out below is the movement in the allowance for impairment losses of other noncurrent asset as follows:

| | 2018 | 2017 |
|---------------------------------|-------------|-------------|
| Balances at beginning of year | ₱14,400,164 | ₱14,400,164 |
| Provision for impairment losses | 1,590,298 | — |
| Balances at end of year | ₱15,990,462 | ₱14,400,164 |

15. Accounts Payable and Accrued Expenses and Deposit from Customers

a. Accounts payable and accrued expenses

| | 2018 | 2017 |
|---------------------------------|--------------|--------------|
| Trade | ₱2,876,539 | ₱2,152,313 |
| Due to NTDCC (see Note 16) | 140,674,629 | 151,554,075 |
| Deposits from third parties | 99,889,293 | 99,380,930 |
| Dividends payable (see Note 19) | 11,274,180 | 11,274,180 |
| Payable to regulatory agencies | 4,082,152 | 1,697,268 |
| Others | 8,984,724 | 7,922,660 |
| | ₱267,781,517 | ₱273,981,426 |



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.

Deposits include advances received amounting to ₱89.4 million in relation to the potential acquisition of a Group's investment, subject to the completion of certain closing requirements. Deposits also include payment made by Laura Trading (HK) Limited Group (LTLC) amounting to \$0.2 million in relation to the exclusive marketing agreement entered by LTLC and the Group.

On November 15, 2016, the Parent Company declared total dividends amounting to ₱45.0 million. Dividends payable pertains to unpaid cash dividends declared by the Parent Company to its stockholders that are payable on demand (see Note 19).

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.

b. Deposit from Customers

Deposit from customer classified as noncurrent substantially 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. In 2016, the MOA was terminated and the operating agreement was transferred to Solid Integrated Co., Inc. (SICI).

16. Significant Agreements

Funding and Repayment Agreement

On December 17, 2014, APHC [as a shareholder of MRTDC (included and accounted as financial assets at FVOCI)] and other MRTDC shareholders, MRTDC and NTDCC executed a "Funding and Repayment Agreement" wherein the MRTDC shareholders agreed 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).



The funding and repayment agreement resulted in the recognition of a DRP payable to NTDCC, included under "Accounts Payable and Accrued Expenses" account, which amounted to ₱140.7 million and ₱151.6 million as at December 31, 2018 and 2017, respectively (see Note 15). This also resulted in the recognition of a receivable from MRTDC, included under "Receivables" account, which amounted to ₱147.9 million and ₱156.6 million as at December 31, 2018 and 2017, respectively (see Note 5).

Commencing on January 1, 2015, APHC and other 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 a set-off against their respective share in the commercial center royalties to be received from NTDCC (representing 5% of the gross rental income of the commercial center, less reasonable administrative costs and management fees). Royalty income received amounted to ₱10.5 million, ₱8.4 million and ₱2.8 million in 2018, 2017 and 2016, respectively.

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.

The following table set forth the offsetting of financial assets and liabilities recognized as of December 31, 2018 and 2017:

| | Gross amounts of recognized financial assets and liabilities | Gross amounts of recognized financial assets and liabilities offset in the consolidated statement of financial position | Net amounts presented in the consolidated statement of financial position |
|---|--|---|---|
| 2018 | | | |
| Asset | | | |
| Commercial center royalty receivable | ₱10,879,446 | (₱10,879,446) | ₱— |
| Liability | | | |
| Due to NTDCC (see Note 15) | 151,554,075 | (10,879,446) | 140,674,629 |
| 2017 | | | |
| Asset | | | |
| Commercial center royalty receivable | 8,470,336 | (8,470,336) | — |
| Liability | | | |
| Due to NTDCC (see Note 15) | 160,024,411 | (8,470,336) | 151,554,075 |

Other income in 2016 include consideration received from NTDCC amounting to ₱107.6 million for the assignment of APHC's 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 to NTDCC.



17. Loans Payable and Finance Lease Liability

Loans Payable

On February 12, 2018, BAC entered into a loan agreement with Philippine Bank of Communications (PBCOM) whereby the latter agreed to provide the Group an aggregate principal amount of loan up to ₱40.0 million for general corporate purposes.

On February 22, 2018, BAC made its first drawdown of the loan facility amounting to ₱40.0 million. Debt issue costs which pertain to documentary stamp taxes and front-end fees amounted to ₱0.3 million.

The term of the loan is for three (3) years, with six (6)-month grace period on principal repayment. The principal is payable in twelve (12) equal quarterly amortizations to commence at the end of the first quarter from date of initial drawdown until fully paid. The loan bears 6.5% interest.

Repayments of outstanding principal amounts as at December 31, 2018 are scheduled as follows:

| | 2018 |
|--------------------|--------------------|
| Within one year | ₱15,894,226 |
| More than one year | 19,937,375 |
| | <u>₱35,831,601</u> |

The loan is collateralized by an unregistered chattel mortgage over the Group's machinery and equipment. Accrued interest amounted to ₱0.3 million as of December 31, 2018.

Further, BAC entered into another loan agreement with PBCOM amounting to ₱8.7 million for additional working capital. The principal is payable in thirty-six (36) equal monthly amortizations to commence at the end of the first month from date of loan until fully paid.

Repayments of outstanding principal amounts are scheduled as follows:

| | 2018 |
|--------------------|-------------------|
| Within one year | ₱2,280,000 |
| More than one year | 2,470,000 |
| | <u>₱4,750,000</u> |

The loan is unsecured and has no accrued interest as of December 31, 2018.

As at December 31, 2018, outstanding loans payable amounted as follows:

| | 2018 |
|------------------------------------|--------------------|
| Loan principal | ₱40,750,000 |
| Less: Unamortized debt issue costs | (168,399) |
| | 40,581,601 |
| Less: Current portion of loans | 18,174,226 |
| <u>Loans payable</u> | <u>₱22,407,375</u> |



Finance Lease Liability

In 2018, BAC entered into a finance lease agreement with Caterpillar Financial Services Philippines for the lease of excavators for a period of three (3) years.

The future minimum lease payments under finance lease together with the present value of the net minimum lease payments as at December 31, 2018 are as follows:

| | Minimum payments | Present value of payments |
|---|---------------------|---------------------------------|
| Within one year | ₱3,999,996 | ₱3,839,071 |
| After one year but not more than 3 years | 1,666,665 | 1,649,308 |
| | 5,666,661 | 5,488,379 |
| Less: Amount representing finance charges | 178,282 | — |
| Present value of minimum lease payments | 5,488,379 | 5,488,379 |
| Less: Current portion of lease liability | 3,839,071 | 3,839,071 |
| | ₱1,649,308 | ₱1,649,308 |

Current and noncurrent portion of finance lease obligation amounted to ₱3.8 million and ₱1.6 million as of December 31, 2018, respectively.

Interest expense incurred on loans payable and finance lease liability amounted to ₱1.6 million in 2018.

The carrying value of the related equipment under finance lease amounted to ₱10.0 million as at December 31, 2018.

18. Decommissioning Liability

| | 2018 | 2017 |
|-------------------------------------|------|--------------|
| Balances at beginning of year | ₱— | ₱14,321,288 |
| Accretion of interest (see Note 22) | — | 164,449 |
| Disposal | — | (14,485,737) |
| Balances at end of year | ₱— | ₱— |

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.

As a result of the sale of the group of assets on December 31, 2017, the Group's decommissioning liability was derecognized (see Note 27).

19. Equity

Capital Stock

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

| | 2018 | | 2017 | |
|-------------------------------|---------------|----------------|---------------|----------------|
| | Shares | Amount | Shares | Amount |
| Issued and outstanding | 3,008,919,508 | ₱3,008,919,508 | 3,008,919,508 | ₱3,008,919,508 |
| Subscribed: | 7,383,030 | 7,383,030 | 7,383,030 | 7,383,030 |
| Less subscriptions receivable | (1,367,687) | (1,367,687) | (1,367,687) | (1,367,687) |
| | 6,015,343 | ₱6,015,343 | 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 | Total amount |
|--|---|--------------------------------|----------------|
| June 25, 1958 | Initial capital | 50,000,000 | ₱500,000 |
| November 5, 1958 | Increase in authorized capital stock | 1,000,000,000 | 10,000,000 |
| | | 1,050,000,000 | 10,500,000 |
| February 26, 1970 | Increase in authorized capital stock | 1,000,000,000 | 10,000,000 |
| | | 2,050,000,000 | 20,500,000 |
| March 22, 1979 | Increase in authorized capital stock | 8,000,000,000 | 80,000,000 |
| | | 10,050,000,000 | 100,500,000 |
| September 14, 1990 | Increase in authorized capital stock | 19,950,000,000 | 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 | 300,000,000 |
| March 13, 1996 | Increase in authorized capital stock | 1,700,000,000 | 1,700,000,000 |
| | | 2,000,000,000 | 2,000,000,000 |
| September 23, 2014 | Increase in authorized capital stock | 2,000,000,000 | 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 1, 2019.

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.

Retained Earnings and Dividends

Details of the Parent Company's dividend declaration follow:

| | 2016 |
|---------------------|---------------|
| Date of declaration | November 15 |
| Dividend per share | ₱0.015 |
| Total dividends | ₱45.0 million |
| Date of record | November 18 |
| Date of payment | December 15 |

The Group did not declare dividends in 2018 and 2017.

20. Cost of Sales

| | 2018 | 2017 | 2016 |
|----------------------------------|--------------------|-----------|--------------------|
| Depreciation (see Note 11) | ₱26,813,535 | ₱- | ₱4,402,628 |
| Fuel and oil | 3,649,173 | - | 2,331,875 |
| Communication, light and water | 3,078,743 | - | 3,085,299 |
| Hauling and crushing consumables | 2,648,628 | - | 13,088,533 |
| Rental | 2,036,357 | - | 10,857,621 |
| Personnel costs (see Note 23) | 2,001,009 | - | 3,040,635 |
| Outside services | 923,686 | - | 1,048,115 |
| Plant dues | 22,149 | - | 219,491 |
| Royalties | - | - | 2,347,144 |
| Others | 1,419,377 | - | 2,436,724 |
| | ₱42,592,657 | ₱- | ₱42,858,065 |

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

Others primarily pertain to delivery fee, printing, employee uniform and cash gift to employees.



21. General and Administrative Expenses

| | 2018 | 2017 | 2016 |
|---|--------------------|--------------------|---------------------|
| Personnel costs (see Note 23) | 22,615,742 | 20,302,441 | 25,975,530 |
| Outside services | 10,861,466 | 15,817,365 | 7,022,277 |
| Provision for impairment losses (see Notes 5 and 14) | 4,946,461 | — | — |
| Transportation and travel | 3,844,016 | 3,215,579 | 846,996 |
| Entertainment, amusement and representation | 3,506,212 | 3,242,804 | 6,882,751 |
| Taxes and licenses | 2,812,550 | 882,078 | 11,374,962 |
| Depreciation (see Note 11) | 2,600,962 | 1,965,600 | 1,814,822 |
| Communication, light and water | 766,235 | 977,579 | 1,146,048 |
| Membership fees | 606,866 | 350,193 | 838,887 |
| Insurance | 463,693 | 466,323 | 514,565 |
| Office supplies | 315,694 | 735,343 | 597,053 |
| Amortization of leasehold rights (see Note 14) | 208,938 | 208,938 | 208,938 |
| Seminars and trainings | 153,918 | 1,366,838 | 338,542 |
| Repairs and maintenance | 52,913 | 91,572 | 108,299 |
| Loss on write-off of receivable (see Note 5) | — | — | 124,300,000 |
| Others | 2,811,341 | 4,100,086 | 10,226,658 |
| | ₱56,567,007 | ₱53,722,739 | ₱192,196,328 |

Others mainly comprise of legal fees, donations and miscellaneous expenses.

22. Interest and Other Finance Charges

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

| | 2018 | 2017 | 2016 |
|---|--------------------|--------------------|--------------------|
| Cash with banks and short-term deposits (see Note 4) | ₱749,616 | ₱715,898 | ₱3,372,051 |
| Long-term note receivable (see Note 8) | 33,139,477 | 33,433,064 | 30,577,218 |
| | ₱33,889,093 | ₱34,148,962 | ₱33,949,269 |

Interest and other finance charges consist of:

| | 2018 | 2017 | 2016 |
|--|-------------------|-----------------|-------------------|
| Interest expense | ₱2,737,345 | ₱— | ₱— |
| Unwinding of discount (see Note 18) | — | 164,449 | 218,277 |
| Bank charges and others | — | — | 1,214,879 |
| | ₱2,737,345 | ₱164,449 | ₱1,433,156 |



23. Personnel Costs

| | 2018 | 2017 | 2016 |
|----------------------------------|-------------|-------------|-------------|
| Salaries and wages | ₱17,997,384 | ₱16,517,900 | ₱29,016,165 |
| Retirement expense (see Note 25) | 106,895 | 124,227 | 1,467 |
| Other employee benefits | 6,512,472 | 3,660,314 | 1,028,791 |
| | ₱24,616,751 | ₱20,302,441 | ₱30,046,423 |

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 | | | | | |
| Ultimate Parent (Alakor) | | | | | |
| Advances | 2018 | ₱2,500,000 | ₱8,069,612 | On demand; | Unsecured; |
| | 2017 | ₱5,569,612 | ₱5,569,612 | Noninterest-bearing | unimpaired |
| Associate (UPMC): | | | | | |
| Advances (see Note 24b) | 2018 | 9,400,000 | 26,047,744 | On demand; | Unsecured; |
| | 2017 | 10,300,000 | 16,647,744 | Noninterest-bearing | unimpaired |
| | 2018 | | ₱34,117,356 | | |
| | 2017 | | ₱22,217,356 | | |

| Category | Year | Transactions during the year | Outstanding Balance (see Note 15) | Terms | Condition |
|---------------------------------|------|------------------------------|-----------------------------------|---------------------|-----------|
| Due to related parties | | | | | |
| Ultimate Parent (Alakor) | | | | | |
| Advances (see Note 24a) | 2018 | ₱- | ₱13,835,036 | On demand; | Unsecured |
| | 2017 | ₱- | ₱13,835,036 | Noninterest-bearing | |
| Loan (see Note 24c) | 2018 | - | 4,000,000 | On demand | Unsecured |
| | 2017 | - | 4,000,000 | 8% interest-bearing | |
| Advances (see Note 24d) | 2018 | - | 797,047,880 | On demand; | Unsecured |
| | 2017 | 797,047,880 | 797,047,880 | Noninterest-bearing | |
| Affiliate (VIMC) | | | | | |
| Advances (see Note 24e) | 2018 | 2,862,652 | 24,045,706 | On demand; | Unsecured |
| | 2017 | - | 26,908,358 | Noninterest-bearing | |
| | 2018 | | ₱838,928,622 | | |
| | 2016 | | ₱841,791,274 | | |



- a. Advances from Alakor Corporation pertains to cash provided to TVRI for working capital purposes.
- b. The Group made advances to UPMC for additional working capital amounting to ₱9.4 million and ₱10.3 million in 2018 and 2017, respectively.
- c. 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.
- d. In 2017, the Group received advances from Alakor amounting to ₱797.0 million to fund the acquisition of ACMDC shares in 2017.
- e. Due to VIMC pertains to advances for working capital purposes.

All outstanding balances with related parties are expected to be settled in cash.

Compensation of Key Management Personnel

The compensation of the Parent Company's key management personnel by benefit type as follows:

| | 2018 | 2017 | 2016 |
|----------------------------------|--------------------|--------------------|--------------------|
| Short-term employee benefits | ₱14,700,000 | ₱14,800,000 | ₱15,900,000 |
| Post-employment pension benefits | 106,895 | 124,227 | 1,467 |
| | ₱14,806,895 | ₱14,924,227 | ₱15,901,467 |

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, 2018 and 2017.

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 position, 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 the defined benefit liability and fair value of plan assets in 2018 are as follows:

| | Defined Benefit Liability | Fair Value of Plan Asset | Effect of the Asset Ceiling | Net Defined Benefit Asset |
|---|------------------------------|-----------------------------|--------------------------------|------------------------------|
| At January 1 | ₱10,767,631 | (₱23,629,580) | ₱4,996,763 | (₱7,865,186) |
| Current service cost | 562,289 | - | - | 562,289 |
| Net interest | 623,446 | (1,368,153) | 289,313 | (455,394) |
| Pension cost (benefit) charged to profit or loss | 1,185,735 | (1,368,153) | 289,313 | 106,895 |
| Remeasurement gain - change in the effect of the asset ceiling | - | - | 1,159,589 | 1,159,589 |
| Remeasurement loss on plan assets (excluding amount included in net interest) | - | 348,231 | - | 348,231 |
| Actuarial changes arising from changes in financial assumptions | (1,389,616) | - | - | (1,389,616) |
| Actuarial changes arising from experience adjustments | 571,631 | - | - | 571,631 |
| Pension cost (benefit) charged to other comprehensive income | (817,985) | 348,231 | 1,159,589 | 689,835 |
| At December 31 | ₱11,135,381 | (₱24,649,502) | ₱6,445,665 | (₱7,068,456) |

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) |

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, 2018 and 2017.



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

| | 2018 | 2017 |
|--|-------|-------|
| Discount rates | 7.57% | 5.79% |
| Wage and salary increases | 5.00% | 5.00% |
| Average expected future service years of active plan members | 19.2 | 19.1 |

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) | 2018 | 2017 |
|-----------------------|------------------------|------------|------------|
| Discount rates | +100 basis points | (P674,343) | (P791,571) |
| | -100 basis points | 747,933 | 888,073 |
| Salary increase rates | +100 basis points | 759,619 | 777,149 |
| | -100 basis points | (696,304) | (709,530) |

The Group does not expect to contribute to the defined benefit pension plan in 2019.

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

| | 2018 | 2017 |
|-------------------------|-------------|-------------|
| One year to five years | P10,077,888 | P9,640,259 |
| More than five years | 3,916,157 | 3,599,958 |
| Total expected payments | P13,994,045 | P13,240,217 |

The average duration of the defined retirement benefits liability as at December 31, 2018 and 2017 is 6.4 years and 7.8 years, respectively.

26. Income Taxes

The provision for current income tax in 2018 and 2017 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 a taxable loss position.

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

| | 2018 | 2017 | 2016 |
|--|----------------|---------------|---------------|
| Income tax at statutory rate | (P189,617,406) | (P69,939,386) | (P35,461,883) |
| Adjustments to income tax resulting from: | | | |
| Equity in net losses of associates | 179,281,602 | 63,973,305 | 23,513,859 |
| Change in unrecognized deferred tax assets | 8,593,010 | 3,751,927 | 458,705 |

(Forward)



| | 2018 | 2017 | 2016 |
|--|--------------------|-------------------|---------------------|
| Nondeductible expenses | ₱14,649,696 | ₱2,574,077 | ₱4,850,503 |
| MCIT | 875,034 | 1,036,547 | 3,086,307 |
| Fair value changes of financial assets at FVTPL | 425,843 | 87,240 | (148,440) |
| Interest income subjected to final tax | (224,285) | (214,769) | (1,011,615) |
| Dividend income exempt from tax | (181,319) | (133,842) | (93,502) |
| Income subjected to capital gains tax and transfer tax | (565) | - | - |
| | ₱13,801,610 | ₱1,135,099 | (₱4,806,066) |

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

| | 2018 | 2017 |
|---|---------------------|--------------------|
| Deferred income tax assets recognized in profit or loss: | | |
| MCIT | ₱4,122,854 | ₱4,839,547 |
| NOLCO | 2,395,162 | 4,278,459 |
| Unamortized past service costs | 573,471 | 1,224,085 |
| | 7,091,487 | 10,342,091 |
| Deferred income tax liabilities recognized in profit or loss: | | |
| Unrealized foreign exchange gains | (9,587,126) | (401,947) |
| Retirement benefit plan asset | (1,539,763) | (1,048,970) |
| | (11,126,889) | (1,450,917) |
| Deferred income tax liability on remeasurement gains on defined benefit plan recognized in other comprehensive income | (580,773) | (787,724) |
| | (₱4,616,175) | ₱8,103,450 |

As at December 31, 2018 and 2017, 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:

| | 2018 | 2017 |
|--------------------------------------|--------------------|--------------------|
| Deductible temporary differences on: | | |
| NOLCO | ₱53,203,365 | ₱40,157,118 |
| Allowance for impairment losses on: | | |
| Receivables | 20,436,224 | 17,080,061 |
| Advance royalties | 14,336,742 | 14,336,742 |
| Advances to suppliers | 956,191 | 956,191 |
| Input VAT | 697,529 | 697,529 |
| MCIT | 875,034 | 81,581 |
| Unrealized foreign exchange loss | 552,660 | 22,660 |



Movements in NOLCO and MCIT are as follows:

NOLCO

| Year Incurred | Expiry Date | At January 1, 2017 | Addition (Expired) | At December 31, 2017 | Addition (Application/Expired) | At December 31, 2018 |
|---------------|-------------|--------------------|--------------------|----------------------|--------------------------------|----------------------|
| 2014 | 2017 | ₱1,917,252 | (₱1,917,252) | ₱- | ₱- | ₱- |
| 2015 | 2018 | 13,664,173 | (3,019,697) | 10,644,476 | (10,644,476) | - |
| 2016 | 2019 | 27,500,611 | (2,105,061) | 25,395,550 | (6,277,657) | 19,117,893 |
| 2017 | 2020 | - | 18,378,622 | 18,378,622 | - | 18,378,622 |
| 2018 | 2021 | - | - | - | 23,690,723 | 23,690,723 |
| | | ₱43,082,036 | ₱11,336,612 | ₱54,418,648 | ₱6,768,590 | ₱61,187,238 |

MCIT

| Year Incurred | Expiry Date | At January 1, 2017 | Addition (Expired) | At December 31, 2017 | Addition (Application/Expired) | At December 31, 2018 |
|---------------|-------------|--------------------|--------------------|----------------------|--------------------------------|----------------------|
| 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 | - | 1,036,547 |
| 2018 | 2021 | - | - | - | 875,034 | 875,034 |
| | | ₱3,884,581 | ₱1,036,547 | ₱4,921,128 | ₱76,760 | ₱4,997,888 |

Tax Reform for Acceleration and Inclusion (TRAIN) Act

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

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 | ₱3,636,782 |
| Property and equipment (Note 11) | 38,541,903 |
| Other noncurrent assets (Note 14) | 1,222,871 |
| | 43,401,556 |
| Liability: | |
| Decommissioning liability (Note 18) | (₱14,485,737) |
| Total identifiable net assets at carrying value | ₱28,915,819 |

(Forward)



| | Carrying Value on Date of Sale |
|---|-----------------------------------|
| 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:

| | 2018 | 2017 | 2016 |
|---|----------------|----------------|----------------|
| Net loss attributable to equity holders of the Parent Company | (₱645,859,629) | (₱234,175,658) | (₱113,294,080) |
| 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 | (₱0.22) | (₱0.08) | (₱0.04) |

The resulting per share amounts are the same for both basic and diluted earnings per share in 2018, 2017 and 2016 since the Group does not have any debt or equity securities that will potentially cause an earnings per share dilution.

29. Notes to Statement of Cash Flows

Noncash investing activity

Noncash investing activity pertains to the acquisition of property, plant and equipment on account amounting to ₱14.8 million and purchase of additional interest in ACMDC on account amounting to ₱2.780.6 million in 2017, respectively.

Changes in liabilities arising from financing activities

| | January 1, 2018 | Drawdowns | Repayments | December 31, 2018 |
|--|-----------------|-------------|-------------|-------------------|
| Due to Alakor (included as part of Due to related parties) | ₱797,047,880 | ₱- | ₱- | ₱797,047,880 |
| Loans payable | - | 48,700,000 | 7,950,000 | 40,750,000 |
| Finance lease liability | - | 14,821,712 | 9,333,333 | 5,488,379 |
| | ₱797,047,880 | ₱63,521,712 | ₱17,283,333 | ₱843,286,259 |

30. Financial Risk Management and Capital Management

The Group's main financial instruments are cash and cash equivalents, receivables, financial assets at FVTPL, financial assets at FVOCI/AFS financial assets, long-term note receivable, and deposit 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, loans payable, finance lease liability 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, financial assets at FVOCI/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 and receivables, financial assets at FVTPL and financial assets at FVOCI/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 and established counterparties, there is no requirement for collateral.

Customer credit risk is managed through the Group's established policy, procedures and control relating to customer risk management including credit review and analysis of receivables on a continuous basis.

Except for the trade receivables and other receivables from one of the Group's affiliates which were provided with allowance (see Note 5), management evaluated that the Group's financial assets as summarized below are of high grade and of good credit quality.

The maximum exposure to credit risk, net of allowance for impairment losses, amounted to ₱922.2 million and ₱880.1 million as of December 31, 2018 and 2017, respectively.

There are no significant concentrations of credit risk within the Group.

The Group writes-off a financial asset, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-for-forfeiture
- contract restructuring is no longer possible

The Group may also write-off financial assets that are still subject to enforcement activity. The Group has not written off outstanding loans and receivables that are still subject to enforcement activity as of December 31, 2018 and 2017.



Applicable for the year ended December 31, 2018

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2018:

General approach

- *Cash and cash equivalents* - As of December 31, 2018, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Advances to Associates and Stockholders, Notes Receivable, Long-term Note Receivable, Receivables from Related Parties and Other Receivables*. No ECL is recognized for these receivables since there were no history of default payments. As of December 31, 2018, allowance for impairment losses pertain to individually impaired accounts of other receivables. This assessment is undertaken each financial year through examining the financial position of the related parties and the markets in which the related parties operate.

Simplified approach

- *Trade receivables* - The Group applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2018, no allowance for impairment losses was recognized as a result of performing collective impairment test. Management evaluated that the Group's trade receivables are of high grade and of good credit quality.

| | 2018 | | | | |
|-----------------------|----------------------------|-------------------------|----------------------------|--|--------------|
| | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Lifetime ECL Simplified Approach | Total |
| Gross carrying amount | P718,617,129 | P- | P20,436,224 | P203,558,272 | P942,611,625 |
| Loss allowance | - | - | (20,436,224) | - | (20,436,224) |
| Carrying amount | P718,617,129 | P- | P- | P203,558,272 | P922,175,401 |

The tables below show the Group's aging analysis of past due but not impaired financial assets:

| | 2018 | | | | | | |
|---|-------------------------------------|---------------------------|------------|------------|--------------|-------------|--------------|
| | Neither Past Due nor Impaired | Past Due But not Impaired | | | | Impaired | Total |
| | | Less than 30 Days | 31-60 Days | 61-90 Days | Over 90 days | | |
| Financial Assets at Amortized Cost | | | | | | | |
| Cash and cash equivalent (excluding cash on hand) | P43,517,731 | P- | P- | P- | P- | P- | P43,517,731 |
| Trade and other receivables: | | | | | | | |
| Trade receivables | 8,662,557 | - | - | - | - | 15,921,190 | 24,583,747 |
| Advances to related parties | 37,406,615 | - | - | - | - | - | 37,406,615 |
| Other receivables | 157,489,100 | - | - | - | - | 4,515,034 | 162,004,134 |
| Note receivable | 60,000,000 | - | - | - | - | - | 60,000,000 |
| Long-term note receivable | 600,651,468 | - | - | - | - | - | 600,651,468 |
| Financial assets at FVTPL | 12,272,330 | - | - | - | - | - | 12,272,330 |
| Financial assets at FVOCI | 2,175,600 | - | - | - | - | - | 2,175,600 |
| | P922,175,401 | P- | P- | P- | P- | P20,436,224 | P942,611,625 |



Applicable for the year ended December 31, 2017

The table below shows the credit quality by class of the Group's financial assets:

| | Neither Past Due nor Impaired | 2017 Past Due But not Impaired | | | | Impaired | Total |
|--|-------------------------------------|-----------------------------------|------------|------------|--------------------|--------------------|---------------------|
| | | Less than 30 Days | 31-60 Days | 61-90 Days | Over 90 days | | |
| Loans and Receivables | | | | | | | |
| Cash and cash equivalent (excluding cash on hand) | P19,021,021 | P- | P- | P- | P- | P- | P19,021,021 |
| Trade and other receivables: | | | | | | | |
| Trade receivables | - | - | - | - | 477,135 | 15,444,055 | 15,921,190 |
| Advances to related parties | 22,217,356 | - | - | - | - | - | 22,217,356 |
| Other receivables | 155,657,394 | - | - | - | 17,885,004 | 1,636,006 | 175,178,404 |
| Long-term note receivable | 630,379,005 | - | - | - | - | - | 630,379,005 |
| Deposits (under "Other noncurrent assets") | 27,228,700 | - | - | - | - | - | 27,228,700 |
| Financial assets at FVTPL | 3,712,820 | - | - | - | - | - | 3,712,820 |
| AFS Financial assets | | | | | | | |
| Unquoted equity instrument | 4,332,953 | - | - | - | - | - | 4,332,953 |
| Quoted equity instrument | 4,251,000 | - | - | - | - | - | 4,251,000 |
| | P866,800,249 | P- | P- | P- | P18,362,139 | P17,080,061 | P902,242,449 |

The credit quality of financial assets is managed by the Group using high, medium and low grades as internal credit ratings.

High grade - pertains to counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions and government agencies.

Medium and low grades - other financial assets not belonging to high grade financial assets are included in either of these categories.

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.
- Trade and other receivables and advances to related parties and stockholders are classified medium 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 2016, there was no history of default on the outstanding receivables as at December 31, 2017.
- Financial assets at FVTPL and quoted financial assets at FVOCI/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 financial assets at FVOCI/AFS financial assets are assessed as medium grade since these belongs to companies which have good financial conditions and operate in an industry which has potential growth. The unquoted financial asset at FVOCI/AFS financial assets with allowance for impairment pertains to the investment of the Group to a project that did not materialize.
- Note receivable, long-term note receivable and deposit are classified as medium 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 FVTPL, receivables and financial assets at FVOCI/ AFS financial assets.

As at December 31, 2018 and 2017, the Group's cash and cash equivalents may be withdrawn anytime, while its financial assets at FVTPL and quoted financial assets at FVOCI/ 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 summarize the Group's financial assets that can be used to manage its liquidity risk and the maturity profile of the Group's financial liabilities based on contractual undiscounted payments as at December 31 (including interest as applicable):

| | Total | 2018 Contractual Undiscounted Payments | | | |
|---|-----------------------|---|---------------------|--------------------|----------------------|
| | | On Demand | Less than 1 year | 1 to 2 Years | More than 2 Years |
| Financial Assets at Amortized Cost | | | | | |
| Cash and cash equivalent (excluding cash on hand) | ₱43,517,731 | ₱43,517,731 | ₱- | ₱- | ₱- |
| Trade and other receivables: | | | | | |
| Trade receivables | 8,662,557 | 8,662,557 | - | - | - |
| Advances to related parties | 37,406,615 | 37,406,615 | - | - | - |
| Other receivables | 157,489,100 | 157,489,100 | - | - | - |
| Note receivable | 60,000,000 | - | 60,000,000 | - | - |
| Long term note receivable | 600,651,468 | - | - | - | 600,651,468 |
| Financial assets at FVTPL | 12,272,330 | 12,272,330 | - | - | - |
| Financial assets at FVOCI | 2,175,600 | - | - | - | 2,175,600 |
| | ₱922,175,401 | ₱259,348,333 | ₱60,000,000 | - | ₱602,827,068 |
| Financial Liabilities | | | | | |
| Trade and other payables* | ₱269,132,281 | ₱179,758,988 | ₱- | - | ₱89,373,293 |
| Due to related parties | 838,928,622 | 838,928,622 | - | - | - |
| Subscription payable | 2,780,623,880 | 2,780,623,880 | - | - | - |
| Loans payable | 41,510,025 | - | 18,644,812 | 18,644,812 | 4,220,401 |
| Finance lease liability | 5,666,661 | - | 3,999,996 | 1,666,665 | - |
| | ₱3,935,861,469 | ₱3,799,311,490 | ₱22,644,808 | ₱20,311,477 | ₱93,593,694 |

* Excluding payable to regulatory agencies



| | 2017 | | | | |
|---|-----------------------------------|----------------|---------------------|--------------|----------------------|
| | Contractual Undiscounted Payments | | | | |
| | Total | On Demand | Less than 1 year | 1 to 2 Years | More than 2 Years |
| Loans and Receivables | | | | | |
| Cash and cash equivalent (excluding cash on hand) | ₱19,021,021 | ₱19,021,021 | ₱- | ₱- | ₱- |
| Trade and other receivables: | | | | | |
| Trade receivables | 477,135 | - | - | - | 477,135 |
| Advances to related parties | 22,217,356 | 22,217,356 | - | - | - |
| Other receivables | 173,542,398 | 156,134,529 | - | 17,407,869 | - |
| Long term note receivable | 630,379,005 | - | - | 60,000,000 | 570,379,005 |
| Deposits (under "Other noncurrent assets") | 27,228,700 | - | - | 27,228,700 | - |
| Financial assets at FVTPL | 3,712,820 | 3,712,820 | - | - | - |
| AFS Financial assets | | | | | |
| Unquoted equity Instrument | 4,332,953 | - | - | - | 4,332,953 |
| Quoted equity Instrument | 4,251,000 | - | - | - | 4,251,000 |
| | ₱885,162,388 | ₱201,085,726 | ₱- | ₱104,636,569 | ₱579,440,093 |
| Financial Liabilities | | | | | |
| Trade and other payables* | ₱289,220,014 | ₱161,322,300 | ₱8,400,270 | ₱30,097,652 | ₱89,399,792 |
| Subscription payable | 2,780,623,880 | 2,780,623,880 | - | - | - |
| Due to related parties | 841,791,274 | 820,819,114 | - | 20,972,160 | - |
| | ₱3,911,635,168 | ₱3,762,765,294 | ₱8,400,270 | ₱51,069,812 | ₱89,399,792 |

*Excluding payable to regulatory agencies

As at December 31, 2018 and 2017, the Group's current liabilities exceeded its current assets by ₱3,575.6 million and ₱3,662.8 million, respectively, which is largely attributed to the payable arising from its additional investment in ACMDC which totalled ₱3,577.7 million and is considered an investing activity. With respect to its liabilities arising from operating activities which amounted to ₱332.1 million and ₱318.7 million as of December 31, 2018 and 2017, respectively, the Group has sufficient financial assets which amounted to ₱2.1 million as of December 31, 2018 to pay off its currently maturing obligations arising from operations. To further address liquidity gap, the Parent Company's major shareholders (Alakor and NBS) continuously provide financial assistance in order to support working capital requirements as well as planned future exploration and development activities of the Group. These financial statements are being prepared on a going concern basis on the basis of undertakings given by the shareholders that they will continue to support the Group to meet its commitments.

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:

| | 2018 | | 2017 | |
|------------------------------|---------------------|---------------------|---------------------|---------------------|
| | US\$ | ₱ | US\$ | ₱ |
| Financial assets: | | | | |
| Cash in banks | \$291,169 | ₱15,309,671 | \$204,144 | ₱10,192,910 |
| Accrued interest receivable | 15,866 | 834,238 | — | — |
| Long-term note receivable | 11,423,573 | 600,651,468 | 11,423,573 | 570,379,005 |
| | 11,730,608 | 616,795,377 | 11,627,717 | 580,571,915 |
| Financial Liabilities | | | | |
| Deposit | 200,000 | 10,516,000 | 200,000 | 9,986,000 |
| Net Financial Assets | \$11,530,608 | ₱606,279,377 | \$11,427,717 | ₱570,585,915 |

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 | | |
| 2018 | ₱30,313,969 | (₱30,313,969) |
| 2017 | 28,529,296 | (28,529,296) |
| 2016 | 2,251,608 | (2,251,608) |

As at December 31, 2018 and 2017, the exchange rate of the Philippine peso to the US\$ is ₱52.58 and ₱49.93, respectively.

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 FVTPL and quoted AFS financial assets. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instrument.

The effects on equity and income before income tax, (as a result of a change in the fair value of financial assets at FVOCI/AFS financial assets and financial assets at FVTPL, respectively, at December 31, 2018, 2017 and 2016 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 FVTPL | | |
| Increase (decrease) in income/loss before income tax and in equity: | | |
| 2018 | (₱613,617) | ₱613,617 |
| 2017 | (185,641) | 185,641 |
| 2016 | (527,821) | 527,821 |



| | Change in fair market value | |
|--|----------------------------------|----------------------------------|
| | Increase in market indices by 5% | Decrease in market indices by 5% |
| Financial Assets and FVOCI/AFS Financial Assets | | |
| 2018 | (P108,780) | P108,780 |
| 2017 | (212,550) | 212,550 |
| 2016 | (216,638) | 216,638 |

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

31. 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, 2018 and 2017 amounted to P624.5 million and P694.1 million, respectively. Discount rates used ranged from 5.78% to 7.06% in 2018 and 1.56% to 5.74% in 2017. The carrying amount of long-term note receivable amounted to 600.7 million and 630.4 million as at December 31, 2018 and 2017, respectively.

Financial Assets at FVTPL and Financial Assets at FVOCI/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. Prior to January 1, 2018, unquoted equity shares are carried at cost, less impairment loss since no reliable basis of fair value measurement is available. Upon adoption of PFRS 9 at January 1, 2018, fair value of unquoted equity shares is determined using adjusted net value asset approach.

For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 measurements.

Deposit

The carrying amount of deposit approximates its fair value. The timing and related amounts of future cash flows relating to deposit 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.

For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of the Level 3 measurements.

32. 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 Group.

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

2018

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|-------------------------|----------------------|-----------------------|-----------------------|--------------|-----------------------|
| Segment revenue | | | | | |
| From external customers | P31,265,927 | P- | P31,265,927 | P- | P31,265,927 |
| Segment results | | | | | |
| Loss before income tax | (P651,187,677) | 19,129,658 | (P632,058,019) | P- | (P632,058,019) |
| Benefit from income tax | (1,400) | (13,800,210) | (13,801,610) | - | (13,801,610) |
| Net Loss | (P53,583,737) | (P592,275,892) | (P645,859,629) | P- | (P645,859,629) |

(Forward)



| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|--|-------------|----------------|----------------|----------------|----------------|
| Assets | | | | | |
| Segment assets | ₱82,988,914 | ₱1,871,382,423 | ₱1,954,371,337 | (₱392,130,785) | ₱1,562,240,552 |
| Investments | - | 8,387,203,156 | 8,387,203,156 | - | 8,387,203,156 |
| Liabilities | | | | | |
| Segment liabilities | 170,294,325 | 3,954,449,428 | 4,124,743,753 | (180,822,247) | 3,943,921,506 |
| Other segment information | | | | | |
| Depreciation, depletion and amortization | 27,387,512 | 2,235,922 | 29,623,434 | - | 29,623,434 |
| Finance charges | 2,513,015 | 224,330 | 2,737,345 | - | 2,737,345 |

2017

| | Mining | Non-Mining | Total | Eliminations | Consolidated |
|--|----------------|----------------|----------------|---------------|----------------|
| Segment revenue | | | | | |
| From external customers | ₱- | ₱43,779,066 | ₱43,779,066 | ₱- | ₱43,779,066 |
| | ₱- | ₱43,779,066 | ₱43,779,066 | ₱- | ₱43,779,066 |
| Segment results | | | | | |
| Loss before income tax | (₱225,833,754) | (₱7,297,531) | (₱233,131,285) | ₱- | (₱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) | ₱- | (₱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 | - | 8,714,846,099 | 8,714,846,099 | - | 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 |

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





Building a better
working world

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ey.com/ph

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

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 and Subsidiaries (the Group) as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 included in this SEC Form 17-A, and have issued our report thereon dated April 1, 2019. 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 Group'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.

Ma. Gerzalin Q. Arevalo

Partner

CPA Certificate No. 108517

SEC Accreditation No. 1613-A (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 224-024-926

BIR Accreditation No. 08-001998-123-2017,

February 9, 2017, valid until February 8, 2020

PTR No. 7332522, January 3, 2019, Makati City

April 1, 2019



**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
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AND SUPPLEMENTARY SCHEDULES**

**SEC FORM 17-A
DECEMBER 31, 2018**

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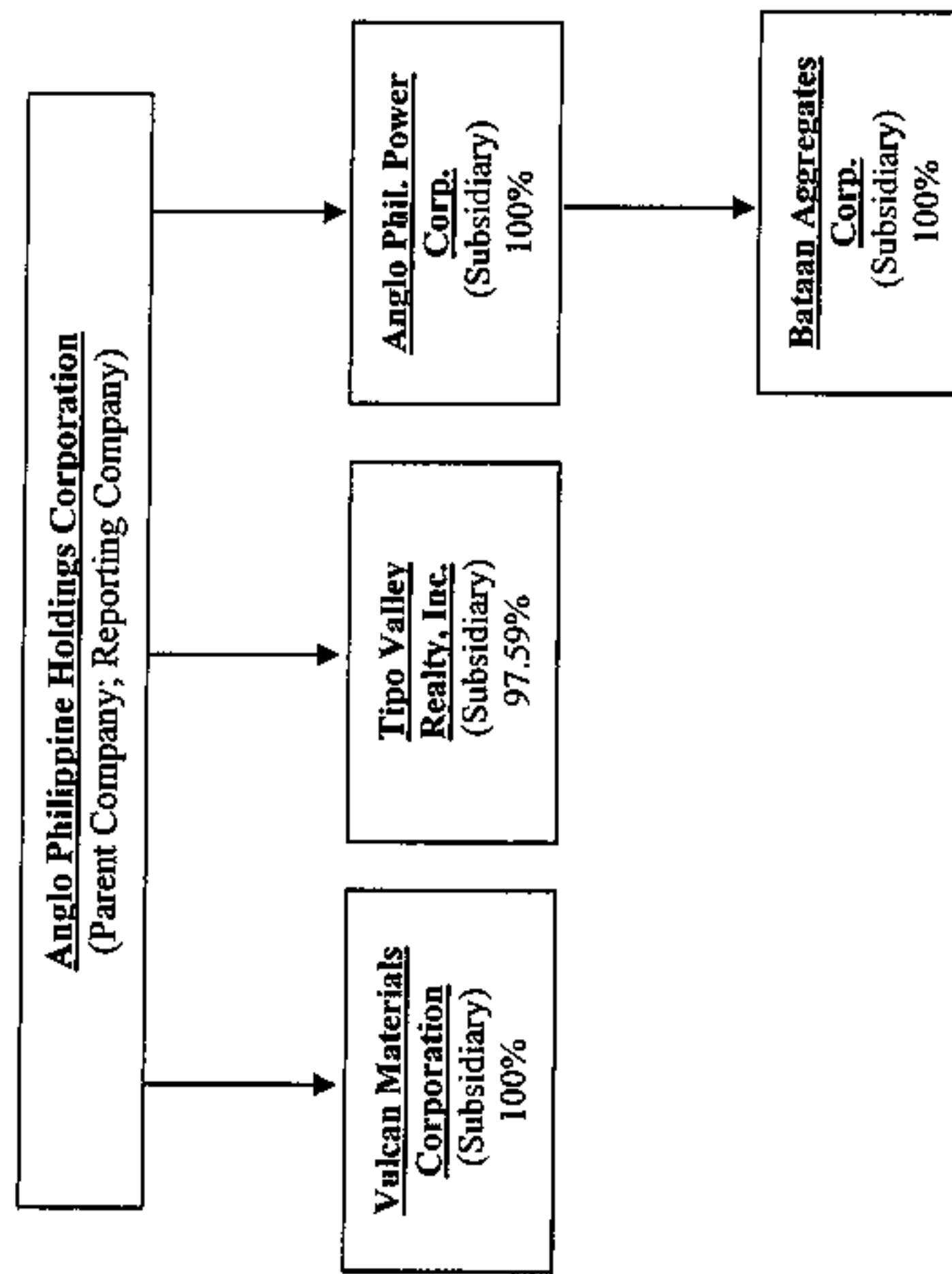
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SCHEDULE I
ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

| | 2018 | 2017 |
|--|------------|-----------|
| <u>Profitability Ratios:</u> | | |
| Return on assets | (6.49%) | (2.28%) |
| Return on equity | (10.75%) | (3.67%) |
| Gross profit margin | (36.23%) | - |
| Net profit margin | (2065.70%) | (515.48%) |
| <u>Liquidity and Solvency Ratios:</u> | | |
| Current ratio | 0.09:1 | 0.06:1 |
| Quick ratio | 0.07:1 | 0.06:1 |
| Solvency ratio | (0.16:1) | (0.06:1) |
| <u>Financial Leverage Ratios:</u> | | |
| Asset to equity ratio | 1.66:1 | 1.61:1 |
| Debt ratio | 0.40:1 | 0.38:1 |
| Debt to equity ratio | 0.66:1 | 0.61:1 |
| Interest coverage ratio | 230 | 1,417 |



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, 2018



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, 2018

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, 2018:

SUPPLEMENTARY SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018 | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|-------------|----------------|
| Philippine Financial Reporting Standards | | | | |
| PFRS 1 | First-time Adoption of Philippine Financial Reporting Standards | ✓ | | |
| PFRS 2 | Share-based Payment | | | ✓ |
| | Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions | | | ✓ |
| PFRS 3 | Business Combinations | | | ✓ |
| PFRS 4 | Insurance Contracts | | | ✓ |
| | Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts | | | ✓ |
| PFRS 5 | Non-current Assets Held for Sale and Discontinued Operations | | | ✓ |
| PFRS 6 | Exploration for and Evaluation of Mineral Resources | ✓ | | |
| PFRS 7 | Financial Instruments: Disclosures | ✓ | | |
| PFRS 8 | Operating Segments | ✓ | | |
| PFRS 9 | Financial Instruments | ✓ | | |
| PFRS 10 | Consolidated Financial Statements | ✓ | | |
| PFRS 11 | Joint Arrangements | | | ✓ |
| PFRS 12 | Disclosure of Interests in Other Entities | ✓ | | |
| PFRS 13 | Fair Value Measurement | ✓ | | |
| PFRS 14 | Regulatory Deferral Accounts | | | ✓ |
| PFRS 15 | Revenue from Contracts with Customers | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|----------------|-------------------|
| Philippine Accounting Standards | | | | |
| PAS 1 | Presentation of Financial Statements | ✓ | | |
| PAS 2 | Inventories | | | ✓ |
| PAS 7 | Statement of Cash Flows | ✓ | | |
| PAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors | ✓ | | |
| PAS 10 | Events after the Reporting Period | ✓ | | |
| PAS 12 | Income Taxes | ✓ | | |
| PAS 16 | Property, Plant and Equipment | ✓ | | |
| PAS 17 | Leases | ✓ | | |
| PAS 19 | Employee Benefits | ✓ | | |
| PAS 20 | Accounting for Government Grants and Disclosure of Government Assistance | | | ✓ |
| PAS 21 | The Effects of Changes in Foreign Exchange Rates | ✓ | | |
| PAS 23 | Borrowing Costs | | | ✓ |
| PAS 24 | Related Party Disclosures | ✓ | | |
| PAS 26 | Accounting and Reporting by Retirement Benefit Plans | | | ✓ |
| PAS 27 | Separate Financial Statements | ✓ | | |
| PAS 28 | Investments in Associates and Joint Ventures | ✓ | | |
| | Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle) | ✓ | | |
| PAS 29 | Financial Reporting in Hyperinflationary Economies | | | ✓ |
| PAS 32 | Financial Instruments: Presentation | ✓ | | |
| PAS 33 | Earnings per Share | ✓ | | |
| PAS 34 | Interim Financial Reporting | | | ✓ |
| PAS 36 | Impairment of Assets | ✓ | | |
| PAS 37 | Provisions, Contingent Liabilities and Contingent Assets | ✓ | | |
| PAS 38 | Intangible Assets | ✓ | | |
| PAS 39 | Financial Instruments: Recognition and Measurement | ✓ | | |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2003 | | Adopted | Not Adopted | Not Applicable |
|--|---|---------|----------------|-------------------|
| PAS 40 | Investment Property | ✓ | | |
| | Amendments to PAS 40, Transfers of Investment Property | ✓ | | |
| PAS 41 | Agriculture | | | ✓ |
| Philippine Interpretations | | | | |
| Philippine Interpretation IFRIC-1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities | ✓ | | |
| Philippine Interpretation IFRIC-2 | Members' Shares in Co-operative Entities and Similar Instruments | | | ✓ |
| Philippine Interpretation IFRIC-4 | Determining whether an Arrangement contains a Lease | ✓ | | |
| Philippine Interpretation IFRIC-5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds | | | ✓ |
| Philippine Interpretation IFRIC-6 | Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment | | | ✓ |
| Philippine Interpretation IFRIC-7 | Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies | | | ✓ |
| Philippine Interpretation IFRIC-10 | Interim Financial Reporting and Impairment | | | ✓ |
| Philippine Interpretation IFRIC-12 | Service Concession Arrangements | | | ✓ |
| Philippine Interpretation IFRIC-14 | PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | | | ✓ |
| Philippine Interpretation IFRIC-16 | Hedges of a Net Investment in a Foreign Operation | | | ✓ |
| Philippine Interpretation IFRIC-17 | Distributions of Non-cash Assets to Owners | | | ✓ |
| Philippine Interpretation IFRIC-19 | Extinguishing Financial Liabilities with Equity Instruments | | | ✓ |

| PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013 | | Adopted | Not Adopted | Not Applicable |
|--|--|---------|----------------|-------------------|
| Philippine Interpretation IFRIC-20 | Stripping Costs in the Production Phase of a Surface Mine | | | ✓ |
| Philippine Interpretation IFRIC-21 | Levies | ✓ | | |
| Philippine Interpretation IFRIC-22 | Foreign Currency Transactions and Advance Consideration | ✓ | | |
| Philippine Interpretation SIC-7 | Introduction of the Euro | | | ✓ |
| Philippine Interpretation SIC-10 | Government Assistance—No Specific Relation to Operating Activities | | | ✓ |
| Philippine Interpretation SIC-15 | Operating Leases—Incentives | | | ✓ |
| Philippine Interpretation SIC-25 | Income Taxes—Changes in the Tax Status of an Entity or its Shareholders | | | ✓ |
| Philippine Interpretation SIC-27 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease | | | ✓ |
| Philippine Interpretation SIC-29 | Service Concession Arrangements: Disclosures | | | ✓ |
| Philippine Interpretation SIC-32 | Intangible Assets—Web Site Costs | | | ✓ |

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, 2018

| | |
|--|------------------------------|
| Unappropriated Retained earnings as of December 31, 2017, as reflected in audited financial statements | ₱2,113,233,555 |
| Amount of recognized deferred tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized | (12,430,572) |
| Dividend declarations | — |
| Treasury shares | <u>(27,566,075)</u> |
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning | 2,073,236,908 |
| Add: Net income actually earned/realized during the period | 8,484,083 |
| 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) | 30,635,592 |
| 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 | <u>30,635,592</u> |
| 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 | <u>—</u> |
| Net loss actually earned during the period | 39,119,675 |
| Add (Less): | |
| Dividend declarations during the period | — |
| Appropriations of retained earnings | — |
| Reversals of appropriations | — |
| Effects of prior period adjustments | — |
| Treasury shares | — |
| Subtotal | <u>—</u> |
| Unappropriated Retained Earnings, as adjusted, ending | <u>₱2,112,356,583</u> |

SCHEDULE A

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS IN EQUITY SECURITIES
DECEMBER 31, 2018

| 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, 2018

| Name and designation of debtor | Balance at beginning period | Additions | Amounts collected / settlements | Amounts written-off | Current | Not current | Balance at end period |
|--------------------------------|-----------------------------|------------|---------------------------------|---------------------|------------|-------------|-----------------------|
| Alakor Corporation | P5,569,612 | P2,500,000 | P- | P- | P8,069,612 | P- | P8,069,612 |

SCHEDULE C

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2018

| 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. | ₱20,972,160 | ₱3,076,193 | ₱- | ₱- | ₱24,048,353 | ₱- | ₱24,048,353 |
| Tipo Valley Realty, Inc. | 69,262,918 | - | 19,806,243 | - | 49,456,675 | - | 49,456,675 |
| Anglo Phil. Power Corp. | 79,896,649 | - | 29,702,052 | - | 50,194,597 | - | 50,194,597 |

SCHEDULE D

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

| Description | Beginning balance | Additions at cost | Charged to cost and expenses | Charged to other accounts | Other changes additions (deductions) | Ending balance |
|------------------|-------------------|-------------------|------------------------------|---------------------------|--------------------------------------|----------------|
| Leasehold rights | ₱383,052 | ₱- | ₱208,938 | ₱- | ₱- | ₱174,114 |

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2018
(Amounts in Thousands)

| Title of Issue and type of obligation | Amount shown under the caption | | Amount shown under the caption | |
|--|---------------------------------|--|---|--------|
| | Amount authorized by: Indenture | “Current Portion of long-term borrowings” in related balance sheet | “Long-term borrowings- net of current portion” in related balance sheet | |
| Loan payable | ₱36,000 | ₱3,839 | | ₱1,649 |

SCHEDULE F

**ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2018**

| 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, 2018**

| 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

ANGLO PHILIPPINE HOLDINGS CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2018

Group's authorized share capital is ₱4 billion divided into 4 billion shares at ₱1.00 par value. As at December 31, 2018, 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 Directors and Officers other rights | | 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